

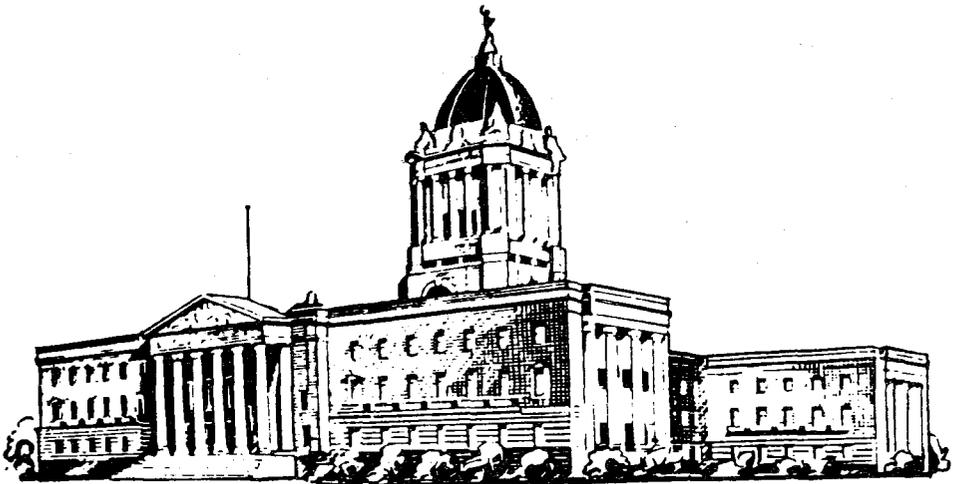


Legislative Assembly of Manitoba

**STANDING COMMITTEE
ON
ECONOMIC DEVELOPMENT**

Chairman

**Mr. Don Orchard
Constituency of Pembina**



Thursday, June 29, 1978 10:00 a.m.

**Hearing Of The Standing Committee
On
Economic Development
Thursday, June 29, 1978**

Time: 10:00 a.m.

CHAIRMAN: Mr. Don Orchard (Pembina)

MR. CHAIRMAN: Gentlemen, we have a quorum. I call the Economic Development Committee to order. Mr. Banman.

MR. BANMAN: Mr. Chairman, I wonder if we could deal first of all with McKenzie Steele Briggs. I would like to call on Mr. Clement, Chairman, to present the statement of A. E. McKenzie and subsidiary companies.

MR. CHAIRMAN: Agreed? (Agreed) Mr. Clement, McKenzie Steele Briggs.

A. E. MCKENZIE CO. LTD.

MR. ROBERT A. CLEMENT: Mr. Chairman, my name is Robert A. Clement and I'm a lawyer in Brandon, Manitoba and I'm also Chairman of the Board of Directors of the A. E. McKenzie Co. Ltd. which has acquired the well-respected seed firm of Steele Briggs Limited in Ontario. Our present advertising uses both names so we are becoming known in the trade as McKenzie Steele Briggs.

Last year I was proud to present to the board a very small profit, but nevertheless a profit, on behalf of the company. This year our management, two of whom are here, Miss Jean McKay, our secretary, and Mr. William Moore, our President and General Manager — this last year we increased that modest profit by over 1200 percent. You will see the comparison between the two years' earnings and the two years' expenses in the statement which is included in the descriptive folder which is available to each member here.

In addition to the service provided to the home agricultural people by Canada's largest garden seed distributor, which is this company, the increased profit which is somewhat over \$280,000 last year, indicates really not so much an increase in sales as a tightening up of the whole organization, which has resulted in a better profit picture. The dollar figure doesn't tell the whole story of our sales because in the previous year, with which we compare our sales, we had some sales of bulk grass seed which contributed to our gross profit but not very much to our net profit because that is a highly competitive field, and we are now just packaging grass seed in smaller units of 5 pounds, 2 pounds, 1 pound, for the retail sale, and making a good profit on that, whereas on the large bulk sales, we were competing with the growers and we were not able to get any price differential for our handling and storage and financing of the bulk grass seed. So, all in all, we are quite pleased with the statement that we are able to present to you today, as a company which was the gift of a private individual, Dr. A. E. McKenzie, as he was later known. Dr. A. E. McKenzie gave his shares in this company to the people of Manitoba some years ago, and the indications are that not only in making a profit but also in providing employment, this company will be very useful.

Mr. Moore has compiled some figures showing the contribution to wages which this company makes, and if you would like to see them, he could distribute them to you.

In the City of Brandon, where the head office of this company is, in the year 1976 to 1977, the Brandon payroll was \$894,998 last year, and increased slightly to \$915,431.64. Elsewhere in Manitoba, a year ago it was \$22,000; this last year it was \$19,000. And outside of Manitoba, largely our sales and distribution organizations across Canada, the payroll a year ago totalled \$244,000; and last year it totalled \$239,000.00. So, in Canada, this company distributes pay cheques totalling well over \$1 million — you will see the exact figures on the sheet that's distributed to you. The number of employees in Canada last year, 1,500 employees; in Brandon last year, 1,206, this year 1,188. In Manitoba outside of Brandon, there were 41 last year, and 35 this year. Again the details month by month are shown in your sheet, and of course being in the seed business, the number

of employees is very seasonal. You will see that by the month to month breakdown of the employees.

The seed packaging business which this company is involved in, is quite competitive, as nearly every year there are United States firms endeavouring to secure a share of the market and we have to have a very alert. . .

MR. BLAKE: On a point of clarification, Mr. Chairman, they mentioned the number of employees. On the sheet, it would indicate 2,295 employees. We just got a bit lost there I think in . . . he was giving an average figure. I thought he meant the number employed to date on, I thought he had given us the number employed at the end of the year or the date of the statement.

MR. CHAIRMAN: Mr. Clement, would you care to clarify that?

MR. CLEMENT: The figures at the bottom are the total for the year, the total number of employees employed during the year and then by month, for instance in November 1976-77, there are 231 in Brandon. Last year there were 215 in that month. The number of permanent employees that work all year round in Brandon run about 70 to 75.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Mr. Chairman, just to assist in the clarification here, looking at the payroll analysis, I would gather these numbers at the bottom are the addition of staff by month, so that you get the average for those years, whether it be for Canada or for Brandon, you simply divide those numbers by twelve, and that gives you the average for the year.

MR. CLEMENT: Yes.

MR. EVANS: And further, to know what the number of employees were at the end of the fiscal year, October 1977, you simply look at the last number on the column before the total. For all of Canada that would be 233, so that would be the number of employees on staff as of the compilation of the fiscal year balance sheet, I would think. Is that correct, Mr. Chairman?

MR. CLEMENT: Yes. The operating costs have been substantially reduced during the past year, our costs of producing these packages was reduced from 43 percent of gross revenues to 42 percent of gross revenues. Other costs involved were reduced by \$22,000.00. Interest charges, largely paid to the Bank of Montreal but also to the Government of Manitoba, amount to over \$816,000, and that is 12.59 percent of the gross revenues. So that the company is still heavily under-capitalized for the sales that it is undertaking, in fact it has practically no capital except what is borrowed from the bank and from the Government of Manitoba. There have been various proposals to change this situation and I hope during the next year to have some discussions as to methods of changing this situation to bring it in line with normal business operations so that this company can stand on its own feet so far as equity capital is concerned and borrow what it needs for inventory on a seasonal basis and pay interest charges on a bank scale for that.

I think it's demonstrated now that it can be a continuing operation and can operate profitably, and I think we would have no trouble in meeting any debt services that were of a reasonable nature, and also paying normal interest charges for whatever one needed to borrow from the bank for inventory on a seasonal basis.

Our Accounts Receivable are in very good condition, our collections are up to date, and really our major problem is the nature of the industry, that we have to finance the inventory in the hands of the dealers across Canada and this requires, every year, more and more capital as the cost of packaging seed and purchasing seed increases, and therefore we have to be more and more careful of all our costs in the plant and in selling and in operating. We notice particularly that the interest charges are the uncontrollable items, except that we have minimized them during the past year by scheduling our costs in such a way that we don't have peak periods of borrowing.

For the future, we hope that we can maintain our share of the packet seed sales and onion set sales and long grass seed sales in the marketplace. The indications are, this year, that we will do so. There are two large chain operations now negotiating with us that we don't have, we have all the rest of the large chain corporations handling our product. Our main competitors are the local seed houses who quite often sell at a lower seed cost than our packages have to beat because, as we sell across Canada, we have to have one standard price across Canada, and this price has to be acceptable to the retail chain organizations, such as Eaton's, Woolco, Loblaw's, and other organizations of this sort.

We have also established very good relations with bulb growers in Holland and we are anticipating

a dramatic increase in bulb sales, many of which will take place at a different time of the year from our spring sales of garden seeds, so that our staff will be employed to better advantage.

We have several other rather dramatic products under investigation and we hope to make small test introductions of new products under controlled conditions during the coming year, and if they meet the test introductions successfully, then we will be expanding cautiously into lines that will also be profitable for us.

Up to now, we have been concentrating on handling what we knew we could handle, and handling the profitable part of it, and we think we have fine tuned that to a very considerable degree. It is capable of more improvement. When we look at some of the European operations in the more closely knit countries that are easier to service, we know that we could do better in Canada, even though our transportation system is somewhat working against distribution of that sort. But our freight rates have been examined during the past year, and we have reported that our freight rates are handled with the most economical methods of shipping, because we combine large shipments to local distribution points out of Brandon, and this has resulted in our keeping our freight costs to an acceptable minimum. Now if there are any questions the Committee would like to ask?

MR. EVANS: Thank you, Mr. Chairman. I first of all thank Mr. Clement, the Chairman of the Board, for his presentation and for giving us the highlights of the company's financial statement that we have before us.

I believe it has been customary in the past for members of the Committee to ask the Chairman of the Board of McKenzie Seeds, just how the company is faring in the current season. The Statement ends as of October 31st, 1977, and we are now almost into the month of July of 1978, and I gather, as you indicated, the sales are very seasonal and I do appreciate you are probably still very much engaged in finding out how well you have done this season, and maybe you are still a bit in the season. But is there any idea of how your sales are holding up currently, and it seems to me, two critical things, maintenance and indeed improvement of sales, and the other is to keep costs down, costs of operations down, at least those that you can control. Interest rates are pretty difficult, but those costs that you can manage, could the Chairman give us some indication as to, without any firm figures necessarily, because I don't want to ask the impossible, but could you give us some indication as to the current trend?

MR. CLEMENT: Mr. Chairman. Yes, Mr. Evans, the catalogue sales, McFayden Seed Company is our catalogue sale arm, and last year we redesigned the catalogue to make it much more attractive and to rather scientifically, we believe, stimulate the reader of the catalogue to order more products than they have in the past. This has in fact happened, and the average order coming in from the catalogue purchaser has increased quite substantially this year, and our profits from the catalogue operation are not shared with any retailer, so that it is becoming a much more profitable operation than it had been in the past, and catalogue sales increased quite dramatically this spring.

The retail store sales, through the large chains, were run through the in-house computer which we have in Brandon, and Mr. Moore was able to tell me this morning coming in in the automobile that the returns of unsold seed from the chain stores, from the major chain stores which were checked last night, were considerably down, and that indicates that a higher percentage of the seed that we placed out in the store, was sold. So if this sampling last night is indicative of the whole effort which we won't know for a few weeks yet, but we're in for a much better year than we had last year. Just how much, we don't know, but the preliminary computer readout last night was very very favourable. This is the key to our profitability, to be able to reduce the amount of seed we place out, not to a point where it's not available if a customer comes in to buy it, but to a point where we don't have to take too much back, because what we take back, we have to re-test by ripping each packet and mixing it up, and taking samples and testing it for germination. And if it has deteriorated on the retailers' shelves during the season, we destroy that seed, because we will not sell anything but Grade A seed. You will see seed sold around in packets by competitors that does not meet this Grade A standard of the Canada Seed Act, but McKenzie so far does not sell that lower grade seed.

MR. EVANS: Thank you, Mr. Chairman. Well, that's encouraging to hear that the preliminary figures at least show that sales are certainly being maintained and may be improved over last year.

I was interested in your comments on quality control and indeed I was going to ask a question as to how McKenzie Steele Briggs compares with other brands that are on the market, because I do note in the various stores here there are many types of brands that are now being offered. But you have partly answered that question for me.

What I'd like to do, I would imagine that there is a long term trend, because of inflation, towards people using seeds and growing more of their own vegetables and that sort of thing, and indeed growing more flowers on their own because of the high cost of buying the flowers from the market

gardeners, or what have you, so I would gather that there is a long term trend in the right direction for a company such as this.

I would like to ask questions, Mr. Chairman, relating to the competition that McKenzie's has, because the Chairman did mention the quality comparison, that McKenzie was the only company, if I heard properly, at the moment, at this time, that maintain a Grade A standard under the Canada Seed Act, whereas the other companies did not. I wasn't sure whether he said they did not — and I don't know, what I was wondering, is how can they manage to get by without maintaining certain standards set down by the Federal Government.

Generally the competition that you have in terms of the quality of the seed, first with the local seed houses, and secondly with the American imports that seem to be very frequent, there seem to be a number of U.S. packages on the market, and related to that question of quality, I'd like to ask the Chairman whether there is still the practice by United States Corporations of dumping, in effect, dumping package seeds in the Canadian market, and thereby undercutting in unfair trade practice method, McKenzie Steele Briggs, or indeed any other Canadian package seed company.

MR. CLEMENT: Well, to speak on that, and being a lawyer I'm not fully confident on the technical parts of seed analysis, but this is what I am told. The Canada Seed Act, which is a Federal legislation, governs the maintenance of quality in seeds, and as long as you mark clearly on the package the quality of the seed, you can sell either Grade A seed, which has a high germination test and varies from seed to seed, and some of our competitors do market this Grade A seed and mark it so. Other competitors don't and they mark it a lower standard of seed, usually at a lower price.

Now, that is something that we should be dealing with in our advertising so that people would recognize the fact that we have this type of seed always in our packets. And that's one of the reasons for our advertising program.

On the competition from U.S. firms, we have had very helpful co-operation from the Department of Agriculture in Ottawa in checking across Canada on seeds imported from the United States in packets. I understand from Mr. Moore that this situation is being remedied, because there was a lot of seed being imported here and sold for almost pennies for a packet, and in the view of our sales people, it was not of competitive quality, so that both the pricing and the quality of the seed are being checked by the Department of Agriculture and tariff regulations will, I think, assist us in maintaining our sales of good quality seed in Canada and will prevent people being disappointed by buying cheap seed and finding it doesn't grow, or doesn't germinate.

MR. EVANS: Thank you, Mr. Chairman. In the other area of competition, could the Chairman of the Board, could Mr. Clement indicate what is the general competitive situation now. Is competition indeed increasing with the regional seed houses that have been mentioned? I gathered from the remarks of the Chairman, this is the essential competition, regional seed houses, wherever they may be, within provinces or among provinces. What is happening there? Are you holding your own? While we look at the figures for the company as such, we don't have the total figures for all seed companies in Canada, package seed companies in Canada, so it's hard to say. Are you maintaining your share of the market? Just what is happening in regard to this competition, either with the regionals or any other larger companies?

MR. CLEMENT: Mr. Chairman, to answer that, I think there are two features we have to look at. One is the sales generated through small outlets, such as neighbourhood grocery stores, and it is very difficult to get a count on them, because we've eliminated a lot of the really small accounts that we cannot, in any way, serve with seed and make a profit. So that they are the outlets that are often served by local seed producers. The other way we have of telling how we are doing is the number of national chains that handle our seeds, either exclusively or on an almost exclusive basis. And in that we have improved our position last year, and we expect to improve our position this year. Our salesmen are given indications that we will have accounts that we haven't had for several years in the area of the large chain stores, and we are very optimistic that we are increasing our share of the large chain sales.

We think that it's healthy to have local seed companies competing with us. We don't feel that that is a problem that we should try and eliminate at all, except that we should give service to local grocery stores if we can do it and make a reasonable profit.

In the Toronto area where the sales of seed are heavily concentrated and particularly south of Toronto, we have initiated this year a rather intensive advertising program, and we think that when our salesmen call during the next selling season, we will be able to assess the results of this intensive advertising program because there is where the danger lies from the United States large firms. They would like to get the cream of the market first, that is the Ontario market, where distribution is easy, where advertising is easy, and where there are large volumes. So far, we have been able to

hold that market for McKenzie Steele Briggs.\$

MR. EVANS: Thank you, Mr. Chairman. Well, indeed, it is a very competitive business. Competition is the name of the game. You have to be on your toes, I would gather, and there is always another competitor on the horizon, and as you indicated, there are these American companies that can be very much of a serious — I won't use the word "threat" but a very serious competitor.

You actually touched on one question that I was going to ask and I would like to ask it. What percentage of the McKenzie Steele Briggs market is outside of the province of Manitoba? In other words, of the total sales that you show here for last year of about \$1.8 million, pardon me, that's the payroll, the sales are \$6.5 million, what percentage of your market is outside of the province of Manitoba? What I'm really trying to ascertain for myself and the members of the committee is to what extent is this company generating revenue for the economy of Manitoba. To what extent are we bringing money into the province of Manitoba. When I was Minister of Industry and Commerce, we were always pleased to see companies locate in Manitoba, or expand in Manitoba, that had a great export potential or an export market, and I'm using that term export, as export out of the province of Manitoba. The more of these types of companies we have, the better off we are. And I know you do sell the bulk outside. That should be obvious from the nature of the country and the distribution of the population, but precisely what sales are there outside of the province of Manitoba?

MR. CLEMENT: Mr. Chairman, I'm informed by our president, Mr. Bill Moore, that the answer to Mr. Evans' question is over 85 percent of our sales are made outside of the Province of Manitoba. I personally have been very pleased to note that our sales in the Province of Quebec have been very substantial, just as good, if not better, than in Ontario and that our sales people there are very aggressive and very successful and that our packets are well accepted there. In the Maritimes, we have some sales there, but Quebec is particularly pleasing to the company. I think that is a very good thing, for a locally-owned company to be able to have its product that well accepted in a French-speaking province like Quebec.

Our other efforts in out-of-province sales have been very successful. We have formed an association with Reader's Digest of Canada who operate a premium program in which they provide premiums to groups such as the Boy Scouts, the Girl Guides, school children of various sorts, to raise money for their projects. In the past you may have been asked to buy chocolate bars or popcorn or something like that by school children, but this group has worked with us to develop an agricultural, or something that will grow, rather than have the consumer of the chocolate bar grow. We have had a very great success through this organization in handling what we call convenience products, that is, little kits of things that will have either seeds or pots of fertilized soil in them with seeds. They are quite excited about working with us and have asked us to develop new and novel items which they can sell not only across Canada but I believe they may be inviting us to do some work outside of Canada with them.

MR. EVANS: Thank you, Mr. Chairman. That is very interesting. It seems that you have a very imaginative sales and merchandising program.

I would like to also note, and be corrected by the Chairman if I'm incorrect in my assessment, that generally speaking the number of employees has been held fairly constant, in fact, in some instances down, while the sales have been increasing over the years. In effect, what you have been doing is tightening up the operation, tightening up the management, and in effect, getting more for your dollar of expenditure. That's a correct observation.

MR. CLEMENT: Yes.

MR. EVANS: Thank you. As I said a moment ago, it seems to me that the secret of success here is to be very competitive in the market, you know, keep your sales up but at the same time keep a very good handle on your costs of operation, whether they be production or selling costs or what have you.

One other area I would like to explore is the area that Mr. Clement said they didn't have much control over, and that is the question of interest costs. There is no doubt that your comment is correct, that the amount of interest that this company has to pay is an unduly high amount. Last year, reading from your statement here, you paid over \$800,000 in interest, which is a lot of interest in relation to other expenses, in relation to your sales picture, and I would think it is out of line with what other companies pay. I gathered from your remarks that the reason this interest is relatively high is because the company is undercapitalized. In other words, you have a lot of debt as compared to equity and in other words you are operating on loans to a greater extent than a successful commercial company would be expected to.

Could you indicate how much equity should be put into this company? I should say, maybe this is just bookkeeping or putting figures in a different column or something, but there is no question that you pay to the bank, into the MDC, a great deal of interest. Perhaps you could tell us how much interest was paid to the MDC last year, how much interest was paid to your bank. My other question was what do you think would be, if you care to comment on it, a better proportion for you with regard to capitalization equity versus debt capital?

MR. CLEMENT: Our president, Mr. Moore, tells me that, in round figures, approximately \$300,000 was paid to the Manitoba Development Corporation in interest last year, and just over \$500,000 to the Bank of Montreal last year. Historically, part of the reason for this is that Steele Briggs Company was purchased by the A. E. McKenzie Co. Ltd. and paid for without any financing arrangement being completed other than borrowing the money from the bank. This has continued to be the case so that the approximately \$2 1/2 million paid for the Steele Briggs Company, which has proved, I think, to be an excellent investment now that we have placed the two successfully together, but it is still being financed by bank interest which is subject to the variations in the prime rate. It is perhaps more expensive than the shareholders should be faced with.

A way to remedy that, of course, has been explored and a suggestion worked out with our staff, with our auditors, and with representatives of the financial sector of the Manitoba Government, that probably about \$5 million in equity capital, consisting perhaps of some preferred shares and some other form of security, would be what a normal business would have invested in a company of this size and then the company would be able to borrow at a very prime rate from the Bank of Montreal for its seasonal requirements, which it would secure by inventory that was already in the plant or in process of shipment. But this is a decision that the shareholder has to make and I think probably it is the Chairman's function to find out the high elements of cost and then the shareholder can or cannot take action.

MR. EVANS: Thank you, Mr. Chairman. What this would do, as I would understand then is really, as I said, in some ways it's a bookkeeping exercise transferring a debt to equity, an adjustment there, because what you would have, I would imagine, given that amount of conversion of debt to equity, that you would have a much lower interest cost, you could have half that interest cost and instead of showing a profit of \$280,000, you could be showing a profit in terms of net earnings of 680,000 or 700,000, maybe \$800,000.00. In other words, what you would then be doing, everything else being in good order, the company would be in a position to return dividends to the shareholders, rather than paying interest to the bank or to the MDC.

MR. CLEMENT: Yes, may I respond to that, Mr. Chairman?

That would have a twofold effect. It would enable us to minimize the interest rate which was payable to the bank, and at the same time it would convert \$3 million which the Manitoba Development Corporation now has loaned to the company, it would convert it to equity shares, and then even if that were all that was put in an equity, it would have a very salutary effect on the interest rate paid to the bank, if you say it is a bookkeeping entry, except for the interest that's paid to the bank which leaves the pockets of the people of Manitoba.

MR. EVANS: Thank you, Mr. Chairman. In other words what Mr. Clement is saying, if I understand him, is that through that exercise, through that, as we were talking, conversion of some of the debt to equity, that the company would be in a better position to pay returns through to the MDC or to the government rather than as much as it is now, paying to a private bank. In other words, we'd get a better direct return in effect.

Okay, I just have one area of questioning and perhaps some other members of the Committee may have, and that is with regard to the MDC. Could you indicate what the rate of interest is you pay to the Manitoba Development Corporation now? Is this a preferred rate of interest or is it an ongoing rate of interest? Have you had any write-offs or forgivable loans, or have you had any special consideration, or any special assistance from the Manitoba Development Corporation?

MR. CLEMENT: We understand that we pay the standard rate of interest to the Manitoba Development Corporation, which is set every three months, I believe, and is presently 8-3/4 percent. We also pay the Manitoba Development Corporation a one percent guarantee fee for the portion of the Bank of Montreal loans which has to be guaranteed by the Manitoba Development Corporation, and that is one area in which probably there would be a saving as I don't think the bank would require any guarantee if we had a reasonable amount of equity in the company.

MR. EVANS: Well, as I gather then, Mr. Chairman, — thank you, Mr. Clement — I gather then, that you have been treated as any ordinary commercial customer of the Manitoba Development

Corporation. You have had no special consideration with regard to rates of interest.

MR. CLEMENT: Not so far as rates of interest is concerned. We have had counselling help from them from time to time which has been very helpful.

MR. EVANS: But not financial.

MR. CLEMENT: Not financial, no.

MR. EVANS: Well, I would gather, Mr. Chairman, that that counselling help is available to other customers of MDC.

MR. CLEMENT: I believe so, yes.

MR. EVANS: My experience has been that that is available. So what the Chairman has told us, in effect, is that the government, even though you expanded, you had no direct input of any money from the government. In effect, you have not had a dollar put in by the government for expansion purposes, for operation purposes, you had no special consideration by the MDC; you have been treated as a normal commercial customer, that you paid your way, you are paying all rates of interest due, you are not in arrears in interest to the MDC, and even after all of that, you are in a position of making \$280,000 profit this year.

I would say, Mr. Chairman, and to the members of the Committee, that that is a commendable record, that we have here a company owned by the people of Manitoba, with roots in Brandon, a very historic association with Brandon, and that has —(Interjection)— it's in Brandon West Constituency, not Brandon East, but we don't draw the line. At any rate, Mr. Chairman, I want to congratulate Mr. Clement and the company. I think they have demonstrated that they can operate a very profitable business. They have had no, not a dollar, as I understand from the answers, not a dollar of input by the government, there has been no write-offs, they have had to pay normal rates of interest, they're paying their way, and the situation presently seems to be satisfactory. We've had much discussion in this session about horror stories, and I would say that this is not a horror story, it's the reverse of a horror story, but a very pleasant story, a very good story, very much of a success story. And I know that in great measure, credit is due to the Chairman and the Board that is made up of people that I know are dedicated to the company. I don't know all the gentlemen but I know they have shown a great interest in the company, and have kept right on top of the situation, have been a very active Board, and I congratulate the Chairman and the Board. I congratulate the staff as well; there are some people that have been with the company for many, many years, including Miss Jean McKay, who was mentioned here this morning by the Chairman, and I want to take the opportunity to wish them well in their continuing efforts to exist in a very competitive industry.

And I think, Mr. Chairman, it demonstrates that the public of Manitoba can operate a very successful business enterprise. I think this is clear evidence that the public can, given the fair chance, fair circumstances, can operate, that we have a company with dedicated people that have had to compete very hard in the market, and are making a go of it, they are making a success of it. So I would certainly take the opportunity to congratulate Mr. Clement and the Board, and the management, and the staff, for their dedication and their, without doubt, very much appreciated success. Thank you.

MR. CHAIRMAN: I have Mr. Blake, Mr. Steen, and Mr. Banman.

MR. BLAKE: Well, Mr. Chairman, if we just give a moment for the background music to die down after that eulogy by the Member for Brandon East, I'll give my constituency a little play now.

MR. CHAIRMAN: Would the Member for Minnedosa, Mr. Blake, please confine his remarks to the report?

MR. BLAKE: It is certainly pleasing to have a company owned by the people, as the Member for Brandon East says, come before the Committee and show a profit. There's no question about that. I find, Mr. Chairman, that I have some interest in the seed business. As a growing boy in the late Thirties, I watched one of their competitors start up in my home town of Rapid City on a very modest basis, and grow into one of the good seed companies in our area. I just have one or two questions, Mr. Chairman.

I would assume that inventory as shown at that time of the year, end of October, wouldn't be

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considered inventory carry-over, that would be your stocking-up at that time of the year I suppose, with new seeds. I notice it has gone up something around \$600,000 between 1976 and 1977. Is that an inventory figure that's continuing to build, or was that an unusual situation at that time?

MR. CLEMENT: Well, that time of the year, our inventory is at a minimum, but it's starting to build because we do our packing in the winter. It consists of seed that has been analyzed from returns which came back unsold, and is ripped in the plant and identified by lot and by year. We have excellent records of every parcel of seed there, so we know its age and its origin and its germination testing, and we are, I think perhaps the only seed company in Canada that has its own in-house certified tester of seeds. We have a woman who is very highly recognized in the trade as an excellent seed analyst, and she tests these seeds by sample before they go into inventory again.

And then we have the seeds which we are purchasing and receiving shipments of, mostly from California growers, I understand, and they come in about this time so that they're ready for packing. We hold them back as long as we can, because we don't want to have to pay interest on seed that sits in the warehouse any longer than we have to, but that time of year is the time of year when the seed inventory is all in the plant and is all being prepared for packing.

MR. BLAKE: And as your sales increased, it would follow that that figure would continue to increase with future statements.

MR. CLEMENT: Yes.

MR. BLAKE: Fine. Mr. Chairman, I have one more question. In connection with the debt position of the company, Mr. Clement mentioned the capitalization problem. With the profits shown, I realize you will want to build up some reserves. At what point do you feel that the company will be in a position to start reducing some of their debt as far as current liabilities go, and which would they reduce first, their debt payable to the bank, or the one payable to the Manitoba Development Corporation?

MR. CLEMENT: We reduce our debt to the bank on a daily basis, every time we make a deposit it reduces our debt to the bank. The debt to the Manitoba Development Corporation, we have no plans for it, other than if we receive some direction from the shareholder, because it is not our highest cost item. The highest cost item is our bank interest, and that we try to keep down to a minimum every banking day. We have the account handled in Brandon through the Bank of Montreal where our head office is, and —(Interjection)— one of our smaller competitors. If that answers your question . . .

MR. BLAKE: You foresee down the road the company generating enough profit to reduce the debt without that being a continual debt position.

MR. BLAKE: Over a long period of time, yes, but we are also looking at the competitive situation in the highly competitive areas, particularly in Ontario and Quebec where most of our sales are. Since we have sort of a one-shot selling season, we would like to be able to use our sales organization on a longer basis, so that we would like to handle bulbs from Holland and we would like to handle some seed potatoes that can be packaged very neatly with just the eyes there, and there's a process being used across the line which we are now investigating which will make this possible, to package seed potatoes in a plexiglass envelope and hang thousands of them on hooks all across the country. The chain stores are just almost begging us to get this into production, and we hope to be into production with this item next year. So that we foresee a modest but steady expansion into allied items that are tested by us, and for that we will need some capital, so that each time we have a profitable year, a decision will have to be made as to whether it be used to retire debt or to make sure that we have a share of the market.

MR. BLAKE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Any further comments or questions of Mr. Clement? Mr. Banman.

MR. BANMAN: Mr. Chairman, if there aren't any further comments, I would like to thank Mr. Clement and I would like to say that we are appreciative of the time and effort that both he and Mr. Moore and their staff have put into this particular company, and are happy to see that they have accomplished this type of results and look forward to bigger and better things next year.

MR. STEEN: I move that the committee receive the report, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Steen.

MR. BANMAN: I wonder, Mr. Chairman, if you could call Moose Lake Loggers.

MR. CHAIRMAN: Moose Lake Loggers would be the next order of business for Economic Development. Mr. McBryde.

MR. McBRYDE: Mr. Chairman, I wonder, while the Moose Lake Loggers people are coming forward, whether or not it's the intention of the government to have Minago Contractors before the committee.

MR. CHAIRMAN: As I understand the order of business, it's Moose Lake Loggers followed by Channel Area Loggers today. .

MR. McBRYDE: Will it be the intention of the government to have Minago Contractors before the committee in the future?

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Mr. Chairman, I understand that the assets of that particular company have been sold, and therefore it will not be reporting to committee.

MOOSE LAKE LOGGERS

MR. MacMASTER: Mr. Chairman, I'd like to have Mr. Minish give us the report on the Moose Lake Loggers. Mr. Minish is Chairman of the Board.

MR. CHAIRMAN: Mr. Minish.

MR. O. H. MINISH: Thank you. Before we get into the financial statement of the board of Moose Lake Loggers, I'd like to give you my personal comments for the year ending 1977, March 31st. I regret to report, for the year under review, Moose Lake Loggers lost \$140,000.00. I had hoped and anticipated that this could be the year the company would break even, but this did not happen. The reasons for this are explained in the report, the main reason being the failure to cut a high enough volume of wood. Nevertheless, the company made important progress in this year in at least three important areas.

The production capacity was expanded at a very reasonable cost. The old 40-man kitchen trailer was traded in for a good, used 80-man kitchen and an additional used 20-man bunk house was purchased and installed. The owner-operator concept was successfully introduced for two cutters from Moose Lake. The problem of absenteeism declined to a significant extent. The progress made in these areas paved the way for the success achieved by the company in the following year just passed, the year ending March 31, 1978. During this next year, Moose Lake Loggers not only broke even but in fact earned a profit of roughly \$60,000.00. This figure is an estimate, but it was confirmed today that the exact figure was \$62,240 some dollars, by speaking with the auditors. This was achieved mainly because production reached 61,000 cords, nearly twice as much as the previous year. The cost of production was also reduced because most of the wood was cut by owner-operators, which was 39,500 cords, which is cheaper wood to the company than wood cut by company machines. As of next week, we will have 13 owner-operator crews from the people of Moose Lake, the natives of Moose Lake themselves, and at the present time, we have 45 natives employed and 14 Anglo-Saxons in our operation as to date. Those are my comments before we get into the . . . We have in detailed form the report and it hasn't been customary in the past for me to read it in its entirety, but if this is requested, I will do so.

There is one point that needs mentioning. I think the first thing is that when we negotiated with the village to put this latest development in progress, they requested certain things that must be done, and one of the important things was that we establish an all weather road from the village of Moose Lake to our cutting camp, and this is one of the reasons that our loss in this year was established because we had put quite a bit of money onto this besides the grant that we received to put it in excellent condition. We have met with the requirement of the village on this and I just wanted to explain that this was one of our money outlays that showed in the loss column. Are there any questions on the report?

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MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: Mr. Chairman, I'm pleased that Mr. Minish is able to report that for the past year, which we don't have the official report in front of us yet, but the goal which you've been striving for for many years, you're finally there. Does it look like that will sustain itself, that that will continue, how is the operation going right now?

MR. MINISH: We are pleased to report that it's even better. In fact we have a contract which we signed today with ManFor for a production of 72,000 for next year, and that schedule is laid out strictly with ManFor and we have a 20,000 production record until the end of September. We have 11,000 cut to date and we're going to have to close our camp down because we're going to be over-produced in about a month's time, because their inventory is governed on the production by month. This is their crucial over-production period and their inventory is up and therefore they made us stick to strictly a 20,000 cord production for that time and it can't be increased.

MR. McBRYDE: To save me looking back over the report, what was your quota for last year? What was your allowable cut for the year last year? What would they have allowed you last year?

MR. MINISH: 60,000 cords.

MR. McBRYDE: 60,000, so the 72 is an increase for this year.

MR. MINISH: Yes, we over-produced last year by 1,000 and a few hundred cords over our contract.\$

MR. McBRYDE: So you'll have sort of a summer holiday then late this summer because you'll be over-produced before September, and then you'll have a close-down for freeze-up, or will you not?

MR. MINISH: No, we don't anticipate a close-down after we open, after our — you see, ManFor's year starts on the 1st of October, and that's when their quota starts. Our year ends on the 31st of March and we're not synchronized with them. But the board is looking at synchronization of their year-end with ours so that we can produce from September to September, but being not so at the present time, our production schedule is low in the months of June, July, August and September.

MR. McBRYDE: Does the fact that the annual IWA union meeting passed a resolution that the IWA negotiate on behalf of owner-operators, basically on behalf of the machines, has that caused you any concern?

MR. MINISH: I didn't hear all your question, Mr. McBryde, I'm sorry.

MR. McBRYDE: At the annual meeting of the IWA, a resolution was passed that the IWA begin negotiating machine rates for skidders. Does that cause you any concern? They haven't started negotiating yet but the membership has approved that move.

MR. MINISH: Yes, our general manager states that this is concerning us, yes.

MR. McBRYDE: Mr. Chairman, I just have a question then for the Minister responsible. I wonder if it is the intention of the government to keep this operation going or whether they are looking at selling the operation or closing it down?

MR. CHAIRMAN: Mr. MacMaster.

MR. MacMASTER: Mr. Chairman, we have no thoughts in mind, not even at discussion stages, of disposing of this company in any way, shape or form.

MR. McBRYDE: I thank the Minister for his answer, Mr. Chairman, and I'm pleased to see the enlightened approach that is being taken. This is certainly an important company for the Moose Lake community and for that area. I don't want to give a long Len Evans speech, but I just congratulate the president and the Board of Directors and the manager and the workers there for the success in this year's operation, and wish them continued success. Thank you, Mr. Chairman.

MR. CHAIRMAN: Are there any further questions or comments of Mr. Minish? Mr. MacMaster.

MR. MacMASTER: Yes, I would like to express my thanks to the Chairman of the Board and say that I appreciate the many hours that must have gone into it and the expert advice that has been given, the heartaches and the rest that goes with it. It's nice; I'm sure it's rewarding for them to see a success. Thank you very much, Mr. Minish.

MR. MINISH: Thank you.

MR. CHAIRMAN: Any further questions of Mr. Minish? Mr. Barrow.

MR. BARROW: I'm just interested, where the employees buy their own skidders, how do they do it, how is it done? Do they buy their own skidding machine and log by themselves?

MR. MINISH: It starts with us guaranteeing them a contract, and then they have an ARDA grant, a forgivable loan, on the skidder purchase. In order that this ARDA grant is okayed, we have to naturally guarantee that they have a contract that they can use it to pay for it. Therefore, we have just okayed ten more. We have three now at the present time, owner-operators from Moose Lake Village, and they have proved so successful that we have now okayed ten more and they will be in operation in about two weeks.

MR. BARROW: In the Moose Lake area?

MR. MINISH: Yes. They are all Moose Lake residents.

MR. BARROW: The gentleman who buys the machine hires cutters, does he? He gets his own crew?

MR. MINISH: Well, he is more or less . . . That crew has been established and they are responsible cutters from our camp that are getting these machines on their own. They are running our machines at the present time but we are dispensing entirely of our machines, to put it as an owner-operator establishment, which it was meant to do in the first place.

MR. BARROW: How do you pay these people? You have so much a cord for the people you hire, but these people who have their own machines would get a higher rate, wouldn't they?

MR. MINISH: Yes, they do.

MR. BARROW: Can you tell us what it is?

MR. MINISH: Approximately \$4.60 a cord more money if they own their own machine.

MR. BARROW: You had some trouble with these 16-foot saw logs, although you paid \$4.00 more.

MR. MINISH: Yes.

MR. BARROW: But I see later on, you only have one machine for piling these saw logs. Is that right?

MR. MINISH: Yes.

MR. BARROW: This was one of the reasons why they wouldn't want to cut them, is it?

MR. MINISH: No, it was just that we had an insurmountable barrier between our negotiations with ManFor and cutting 16-foot wood, that we wouldn't live with. This is why we abandoned it. They were starting off with a contract of 80 percent saw logs, and we got down at the last where they were culling us down to about 40 percent saw logs and we lost approximately \$40,000 on that alone, which we couldn't live with.

MR. BARROW: But ordinarily wouldn't they want to cut those saw logs, with the \$4.00 difference in the price?

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MR. MINISH: No, not necessarily. Their volume is quite a lot higher cutting tree lengths. They can cut the extra volume and make up for it and in fact it has proven on our operation from March 31 to now that this is proving very beneficial to everybody concerned, our tree length operation.

MR. BARROW: I see you have started a small school there for young men to become loggers.

MR. MINISH: Yes, we have.

MR. BARROW: How many do you have enrolled there?

MR. MINISH: We have four trainees at the present time.

MR. BARROW: But you will increase this as time goes on?

MR. MINISH: Well, it increases and decreases, because this is a thing . . . Not all these people who think they are going to make a fortune cutting trees, they come out and they are not capable of cutting trees. So therefore they give up and some quit and then others start, so it's an up and down thing with us.

MR. BARROW: A last question. You mentioned absenteeism plays a big role.

MR. MINISH: Yes.

MR. BARROW: What is the main reason for absenteeism; what is the big cause?

MR. MINISH: Well, alcohol.

MR. BARROW: Thank you.

MR. CHAIRMAN: Any further questions of Mr. Minish?

MR. STEEN: Mr. Chairman, not seeing any person wishing to ask questions or make comments, I would move that we adopt the report.

MR. CHAIRMAN: Thank you, Mr. Steen. We thank you, Mr. Minish.

The next item of business, gentlemen of the committee, is Channel Area Loggers. Mr. MacMaster.

MR. MacMASTER: Mr. Chairman, due to the resignation of the chairman of Channel Area Loggers, I would like to call on Mr. Al Murray to present the report.

CHANNEL AA LOGGERS LTD.

MR. A. S. MURRAY: Mr. Chairman, the financial report for the year under review saw a considerable improvement, both in the operating and the financial performance of the company. Production rose from 6,000 cords in 1974-75, and 7,300 cords in 1975-76, to 10,200 cords in the year under review. This was an increase of 24 percent. Ninety-five hundred cords were hauled from where they were cut to the Berens River landing, ready for barging to Pine Falls. This compares to only 4,000 cords hauled in the previous year.

The result of this increased production and hauling was that the operating deficit was reduced by more than a quarter of a million dollars, from \$331,000 in 1975-76 to \$140,000 in 1976-77. At the same time, the value of our pulpwood inventory more than doubled to \$466,000.00.

There are several reasons for this improvement, Mr. Chairman, and they are listed in the report. I think the biggest single reason was that we switched from a capital intensive method of cutting using skidders to a labour-intensive method of cutting called cut and bunch. This has included more people but has reduced our operating costs very considerably. We tried to maintain a more realistic budgeting and financial control over the operations of the company at Berens River. In addition to that, we had an increase in price negotiated with Abitibi for wood, of \$2.75 a cord.

The board felt, Mr. Chairman, that considerable progress had been made during the year under review. We had been optimistic that in the succeeding year we would have been able to make a

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further reduction in the loss and had budgeted for a much smaller loss in the year ending March 31, 1978. Regrettably, however, that did not come to pass and our loss for that year was still considerable.

If there are any questions, Sir, perhaps I could answer them and cut my remarks off there.

MR. CHAIRMAN: Are there any questions? Mr. McBryde.

MR. McBRYDE: Is Mr. Murray the chairman now?

MR. MURRAY: Vice-President.

MR. McBRYDE: I wonder if Mr. Murray could explain how the company got in the situation of believing they had more wood in the bush than they had. What happened?

MR. MURRAY: This extra wood in the bush that you speak of was for the fiscal year ended March 31, 1978, not the year under review. There are probably two reasons for it. One is that there was some improper scaling made at one of the cutting areas. The second reason was lack of adequate control over the scaling process. With the cut and bunch method of cutting wood, the wood is put in piles of indeterminate size, that is to say they are not in a typical cordwood pile, four by four by eight. Since they are not in a pile like that, rather than scale them by volume, they count the number of sticks in each pile, and you can envisage this room at the strip where cutters are cutting and there are piles of wood all down the strip. So the manager or his helper counts the number of sticks in the pile. We were using a conversion factor of 75 sticks to a cord and it has turned out, much to the Board's distress, that we should have been using a conversion factor of between 85 and 90 sticks to a cord. I am told that that accounts for a very large part of the wood that we paid for and wasn't cut.

MR. McBRYDE: So the problem was the improper counting. It wasn't as if the wood disappeared somewhere.

MR. MURRAY: No.

MR. McBRYDE: It was just that it was counted improperly and people were paid more than they should have been paid for the initial cutting.

MR. MURRAY: It's not lost wood in the sense that somebody cut it and put it in a pile and now we can't find the pile. It is not lost in that sense. It is lost in the sense that we paid for wood that in fact was not cut, and we paid for it because our scaling and accounting systems on the ground were not adequate.

MR. McBRYDE: What measures have now been taken to correct that situation?

MR. MURRAY: The measure that has been taken is that there are test checks made every pay period to make sure that the conversion factor is appropriate to the size of wood that is being cut. You can appreciate that if you are cutting big wood, then it takes fewer sticks to make a cord than if you are cutting smaller dimension wood. So depending on the stand you are in, you have to make some adjustments and this is being checked every two weeks by the acting general manager and his bush foreman to make sure that we don't get caught in this kind of a situation again.

MR. McBRYDE: I thought, Mr. Chairman, that the vice-chairman was giving us some figures for this year as well. Did I misunderstand him? What is the situation; have you got your audited statement in for the year ended 1978?

MR. MURRAY: No, we have not. Mr. Chairman, we have not got an audited statement. An unaudited statement shows a loss for the year just ended of about \$190,000.00.

MR. McBRYDE: Would that be attributable to the miscount, or is that still going to be another loss that will show?

MR. MURRAY: Some of that loss is attributable to the miscount. The miscount would account for between \$35,000 and \$40,000.00.

MR. McBRYDE: I wonder if maybe the Minister would like to answer my next question, or Mr.

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Murray. I wonder why the government sees fit to keep this operation going, why they don't shut it down and sell it out and close it down? For what reasons are they keeping it going?

MR. CHAIRMAN: Mr. MacMaster.

MR. MacMASTER: Mr. Chairman, we have reviewed the particular company. There seemed to be a degree of direction, of competence being displayed. I suppose the amount of salaries versus the losses had some bearing on it. The number of people employed had some bearing on it. It has just never been considered by myself as one that I should, at this particular time, certainly one that I should consider doing anything other than operate.

MR. McBRYDE: So the overall benefit is greater than the losses at this time, I guess you would say social and economic benefits for the community and the area are greater than the losses then?

MR. MacMASTER: Those points were certainly considered.

MR. McBRYDE: Mr. Chairman, could I add one word? I have some figures that I think the Minister probably would not have, that is, that for the year ending March 31st, 1978, we had 224 different individuals employed in this operation. They don't all work all the time, but I think that supports what the Minister was saying, that there is some support in the community and it provides employment for quite a few people.

MR. McBRYDE: The Moose Lake Loggers Report contains the amount of income tax paid in the year of this Report, when they showed a loss, but the amount of income tax paid was more than the loss, and since the losses I believe are now being . . . we're managing to get the losses cost shared aren't we under the NORTHLANDS Agreement. Does Channel Loggers have any figures to give some idea of the income tax paid as opposed to the loss of the . . .

MR. MURRAY: I understand for the year under review we paid \$91,000 income tax for employees.

MR. McBRYDE: That means you must have a higher proportion of treaty — no, they're working off reserve anyway.

MR. MacMASTER: It may have something to do with the turnover; I really don't know, but nevertheless. . .

MR. MURY: I'm sorry, I missed the last question.

MR. McBRYDE: I didn't really ask another question. My final comment, Mr. Chairman, was that I agree with the Minister for his answer. I wanted to hear him say it, however, and I am pleased with that answer that he does see the benefit even if there is some loss to fairly carefully look at the other benefits. There may be a time with this and other companies where in fact the losses are more than the benefits, but unless the picture is worse than Mr. Murray is able to point for us for 1978 and for 1977, then it appears that the benefits are still greater in overall terms than the losses, so I thank the Minister for his statement. I want to wish Mr. Murray and the whole operation a little bit better luck in their striving to break even in this operation.

MR. MacMASTER: Just one point, Mr. Chairman. I'm not exactly sure of the wording . . . Hansard can clear up what the wording was, but I believe that the Member for The Pas either suggested or exactly said that the Chairman of this particular board had either resigned because I had asked him to or because I refused to renew his chairmanship or something to that effect, and whatever it was, the suggestion was there. For the matter of the record, I would like to establish that in no way did I suggest he resign, in no way did I ask him to resign. He resigned by letter, assuming rightly or wrongly, some of the problems that were created and I am not here to judge whether it was right or wrong, but he has documented a letter to me saying that because of the unfortunate situation, that he chose at this time to assume responsibility as Chairman and to resign. I want to repeat, I am not judging guilt or non-guilt, I am just saying that I do have in my possession the document that says that that's his reasons for resigning, so I want to clear that up. I don't know in the fury of debate in the House over the Estimates, whether the Member for The Pas really meant that, but it was certainly suggested, and I just want to clear that up.

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MR. McBRYDE: Mr. Chairman, I wonder if I could just comment on that. I think that in the Legislature I was getting somewhat mixed up between the particular gentleman leaving his role as CEDF Director and as Director of this company. I assumed that there was a relationship however, between the fact that his term had expired in CEDF and he was not renewed, the fact that he basically came into Channel Loggers because he was involved in CEDF, that that would have been one of the reasons why he left Channel Loggers. If the Minister says that is not the case, I'll take his word for it, certainly.

MR. BARROW: I'm interested in your methods of taking your timber off. You started something new with this cut and bunch forward system, where the cutters I assume pile the logs in small piles and later on a big machine comes and picks them up and takes them to the road. Is that right?

MR. MURRAY: Yes, that's right, sir.

MR. BARROW: And one of these machines will handle 15 men approximately?

MR. MURRAY: Yes, that's right.

MR. BARROW: Well then, if three residents of Berens River were given their own machines to start, the town you spoke of before, won't this machine you say that handles 15 employees put these out of business, make them obsolete?

MR. MURRAY: Mr. Chairman, I think not. We have cutting operations in two locations; we have three people who are owner-operators, such as Mr. Minish spoke of before, and they are cutting as I recall it, at a different location, and they are cutting in the traditional mechanized logging operation. And the other men are cutting in a different location, using a cut and bunch system, and there is really no danger of the one putting the other out of business at all as far as I know. Since we have not yet reached our anticipated production in the agreements we had with Abitibi, we are not in any danger of running out of a place to sell our wood, so I would think they'll just keep right on.

MR. BARROW: And you had tough luck and left a lot of wood back in the bush, I understand?

MR. MURRAY: Left some wood in the bush only to the extent that we didn't get it forwarded to the barge landing before the roads broke up. That's not lost wood though; I wouldn't want you to have that impression.

MR. BARROW: No, no, and you are plagued with absenteeism too, I see.

MR. MURY: Yes, very much. I would think that the problems that this company has, it has a number as you can tell from the Financial Statement — the biggest single ongoing problem is probably on-site management, but other than that it's production and we have not been able to maintain production because of high absentee rates, and like Mr. Minish, much of that can be attributed to alcoholism, or to excessive drinking in the community.

MR. BARROW: Days after payday, would be the days that would be. . .

MR. MURRAY: I'm sorry, I'd have to check that, I don't know. I would presume that's the case.

MR. BARROW: Well, how often do you pay; twice a month, weekly or monthly?

MR. MURRAY: Every two weeks.

MR. BARROW: Every two weeks. Yes, thank you, Mr. Chairman.

MR. BLAKE: Mr. Chairman, I, in no way to be critical, because I realize these operations are extremely useful and beneficial in those areas, but just for the record, it should be mentioned that the income tax paid in most cases, I assume these people will, in a great number of cases, maybe in all cases, have fairly large families, and their income tax exemptions would probably see them receiving all the income tax they paid, rebated after the end of the year, but as I say, I don't want

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to say that in a critical tone, but it should be mentioned that the income tax paid in might not all go to the benefit of the government.

I want to ask Mr. Murray, it would probably not show up until this year's statement, but it has been indicated to me that they had great amounts of pulpwood piled at the landings for barging down the lake last spring, and they received somewhat of a disastrous wind for two or three days, and lost a tremendous amount of pulpwood. Would that be a correct rumour or an accurate rumour, or what is the situation there?

MR. MURRAY: We were moving wood by two methods last year. One was the traditional barge method where the wood was piled on a landing at Berens River; it was loaded onto barges and then towed down to the mill pond at Pine Falls. The second method was the second year of a pilot project to see if they could bundle wood, not unlike the kind of booms that you see I guess on television moving wood, and tow the bundles down to Pine Falls. There was somewhere between 1,500 and 2,000 cords as I recall it, bundled, in preparation for towing, but it was not towed and I think it's because of weather conditions primarily although there may have been some other reasons as well. Some of the bundles broke up and they are now being reassembled, and the wood is still there of course. Some of the bundles had broken and some of the wood had been strewn along the shore, but much of that wood has been retrieved. My understanding is that there were 300 odd cords probably that had broken and were strewn around. It certainly wasn't the majority of the 1,500 cords that was loose.

MR. BLAKE: Would this recovery operation be an expensive one, or are they easily picked up off the beaches?

MR. MURRAY: Well, I'm not sure. We've had some mixed estimates as to what it'll cost. My guess is it will make it fairly expensive wood by the time we're finished.

MR. BLAKE: The barging of the pulp down to the millpond to Pine Falls, is that done by local operators or outside operators, contracting. . .

MR. MURRAY: It's done by Marine Transportation, which is an outside operation. I think they do almost all the barging of pulpwood.

MR. BLAKE: It's a Manitoba operation I mean

MR. MURRAY: Yes.

MR. BLAKE: You haven't had to hire logging expertise from Vancouver or anything like that.

MR. MURRAY: Not for the barging operation, but we did have consultants from the west coast to help with the bundling experiment to provide expertise for the bundling that was not available in Manitoba.

MR. BLAKE: So they know what the northern and southern winds can do to our lake, so I assume that the experiment has not all been that successful, and you'll go back to the old method now, will you?

MR. MURRAY: I think the first thing we have to do is get that 1,500 cords out of Poplar River and I am not sure what the board will ultimately decide. My guess is, for the time being, they will probably go back to barging and take another look maybe at this at some other time.

MR. BLAKE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Are there any further questions of Mr. Murray?

MR. MacMASTER: Well, I'd like to thank the board for the work that they have put into this and wish them the very best for the next year. Thank you.

MR. CHAIRMAN: Report be received. Thank you, Mr. Blake. Thank you, Mr. Murray. Committee rise.