



Legislative Assembly of Manitoba

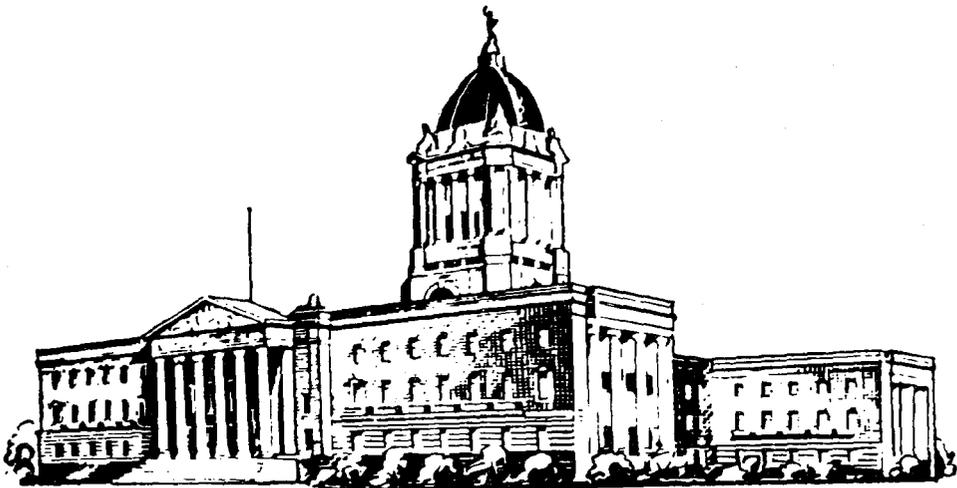
STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman

**Mr. Robert G. Wilson
Constituency of Wolseley**



Thursday, May 24, 1979 10:00 A.M.

**Hearing Of The Standing Committee
On
Economic Development
Thursday, May 24, 1979**

Time: 10:00 a.m.

MR. DEPUTY CLERK: Mr. Orchard, our first item of business is to elect an Interim Chairman for today's meeting. Are there any nominations? Mr. Brown.

MR. BROWN: I would like to move that the Member for Wolseley be the Chairman of this meeting.

MR. DEPUTY CLERK: It has been moved by Mr. Brown that Mr. Wilson be the Chairman for today's meeting. Are there any further nominations? Hearing none, Mr. Wilson, will you please take the Chair.

CHAIRMAN: Mr. Robert G. Wilson (Wolseley)

MR. CHAIRMAN: First order of business — Communities Economic Development Fund. I believe Mr. Jones or the Minister will report. Mr. Banman.

MR. BANN: Mr. Chairman, we have with us this morning Mr. Hugh Jones, who is Chairman of the Board of the Communities Economic Development Fund and I would ask that he present the annual report for the year ending March 31, 1978.

MR. CHAIRMAN: Mr. Parasiuk, the Member for Transcona.

MR. PARASIUK: Yes, just before we begin I would like to clarify the companies that the minister thinks we might be able to deal with this morning.

We have the Communities Economic Development Fund, Moose Lake Loggers and Channel Area Loggers and the Boards for those three are here today.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Yes, Mr. Minish from Swan River is here this morning and will be answering any questions dealing with Channel Area and Moose Lake.

MR. CHAIRMAN: Mr. Jones, proceed.

MR. JONES: Mr. Chairman, in the report tabled before the Committee this morning, pages 4 to 7, there is a review in a summary fashion of the activities for that fiscal year, the year ended March 31, 1978. In view of the time lapse between the period covered by that annual report and its consideration today, I'd like to just briefly bring you up to date on the activities of the Fund.

In that review you will observe firstly that I've drawn attention to a directive issue to the Fund in November, 1977. The Fund — that means that this directive was initially restricted to providing financial assistance to projects which had received grant funding from the Federal Special ARDA Program.

Subsequently, a revision was made to permit us to consider requests for financing winter road construction projects and any other proposals involving enterprises which had contracts from government — income from which could be assigned to the Fund in repayment of any loans which might be made.

In summary then, for the fiscal year ended March 31, 1978, as you have before you, the Fund approved 20 loans for a total amount of \$510,399; the fiscal year just ended, March 31, 1979 we approved 22 loans for a total of \$612,959.00.

The effect of these commitments over the two fiscal years in question have resulted in the

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and/or creation of jobs as follows: For 1978 — 103 jobs; and for 1979 — 92.

At the present moment, the Fund has a portfolio of 70 loans; of these, 74 percent are considered to be in the completely satisfactory category, that is, the businesses are considered to be performing well and repayment is in order; 14 percent of the portfolio for a dollar amount of just over \$183,000 are loans which are experiencing problems of one sort or another but which are not, in our view, sufficiently serious to warrant any kind of legal action. Ten percent, that is seven loans for about \$71,000, are in the process of collection through legal channels. In the report tabled before you, I comment that in that fiscal year 22 loans were repaid in full for a total amount of \$346,500.00. In the subsequent fiscal year 16 loans have been repaid in full for about \$263,000.00.

In terms of the operating costs of the Fund for the year following that covered in the report before you, there was an overall favourable variance of just over \$85,000.00. Primarily, this resulted from the reduction in staff complement. There were 11 staff members for the year ending March 31st, 1978, and 8 for the year ending March 31st, 1979. Provision has been made in the recently approved Budget for two more professional staff and one support, in due course.

As I have said, the loan activity has reduced somewhat, probably in the region of 37 percent from the kind of target the board of the Fund used to set. We had a target in previous years of 36 loans as a reasonable new portfolio for the Fund. I would have to say nevertheless that the existing loan portfolio and the other non-lending activities we're engaged in — effective effort in my view, is still being made to provide the kind of services that we consider essential. The ongoing monitoring of the regular loan portfolio continues to involve frequent visits to the various northern communities. The provision of business and accounting advice and the submission to the board each month — a report on the loans.

In addition the Fund has become directly involved, in some cases as co-managers, if you will. An example of this process would be the winter road construction projects such as the Ilford Development Corporation and Pemichigamau Development Corporation, which is Cross Lake. In all these cases the Fund examines and gives its prior approval to all expenditures, contracts, purchase orders, etc., as well as the countersignature of all the cheques drawn, including payroll. In these cases, I am pleased to advise you that the controls exerted by the Fund have proven to be beneficial, in that each case, a reasonable profit level has been attained and when the standard statutory holdbacks from government is settled there should be sufficient cash available for these projects to commence again next season.

An important development, and one I think which was raised in the F discussion of the und's estimates, has been the assistance provided by us towards the corporation established under the Northern Flood Agreement for the benefit of the five Indian Bands of Split Lake, York Landing, Cross Lake, Norway House, and Nelson House. The Fund was requested and agreed to assist a working committee in the establishment of the corporate structure of that corporation, and considerable work was undertaken in the preparation and approval of corporate documents, bylaws, etc.

In November last year the five directors of N, incidently this Cree eyan/ word means 5, the directors of that corporation agreed that a contract should be entered into between them and CEDF for 12 months so that our experience might be put to good use in overseeing the entire loan processing and administration program of Neyanum. I have the contract with me should there be any questions specifically on this point. In terms of the Neyanum the Neyanum Board, the committee should know that the content is eight full directors and two ex officio. I am an ex officio director of the corporation.

The further development in this particular respect is that in February of this year, the corporation decided to hire three trainee development officers, requesting the fund to develop and provide a training program within its offices for these people. We have a signed contract between Canada Manpower and the Department of Northern Affairs to cover the cost of this training.

There have been eight Board Meetings of Neyanum so far, and the Policy Seminar is in the course of preparation during which a concerted effort will be made to develop overall policy guidelines for the use of the funds being made available over the three-year term provided in the agreement.

Much of the process, Neyanum's process up to now in their involvement with us, has been a learning one, and the fund is providing guidance, in terms of the concerns of the Bands in particular, that the money made available through the Northern Flood Agreement to Neyanun, should not preclude access by residents of these Bands to other government programs.

Because of our involvement, to the extent I've described, I thought it appropriate to advise the committee this morning of these steps, but my view would be that it would not be appropriate to discuss the specific proposals, or in a specific way, the proposals considered by the corporation. Having said that, I believe that whatever route this corporation may take in the future, it has had an opportunity through the contracts made with us to have some understanding of the process

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involved in providing this kind of financing, as well as an understanding of the desired relationship between the program, such as special, either local employment improvement, and so on.

There are other non-lending activities in which we've been engaged, and I've reported on several occasions to this committee our involvement in Churchill, but perhaps I should leave that now and deal with any questions the members may have.

MR. CHAIRMAN: Thank you, Mr. Jones.

MR. PARASIUK: Thank you, Mr. Chairperson. I'd like to thank the General Manager for his updating of the activities of the Communities Economic Development Fund. I'd like to take this opportunity, since I do know the staff, to commend the staff that really have developed over a period of years into, I think, the best group of this type in Canada. I think that when the Communities Economic Development Fund was set up unanimously by the Legislature some years ago into the economic development needs of back, after a Task Force Northern Manitoba, that we were indeed breaking new ground in that respect. There was a growing period involved, when you undertake new tasks like the Communities Economic Development Fund undertook. Tasks which, by the way, hadn't been filled or hadn't been undertaken by our normal financial institutions in Canada. Banks didn't operate well in northern Manitoba, they didn't relate to northern Manitobans. Everyone felt that that was a gap that had to be met.

And the government, through the establishment of a Communities Economic Development Fund, and by getting involved in business in northern Manitoba, has shown that there can be a role for government to play in stimulating and helping small business people. I think the success of the Communities Economic Development Fund shows that that can be done and has been done, and I attribute the success of it in large part to the dedicated staff who really do have a difficult time in dealing with the requests, and turning some down, and processing others, and in monitoring them, and in providing guidance — at what time, at what stage do you switch from being someone providing guidance to someone running the operation — and that's always a very difficult judgment call to make by the staff. But I think all told, when I look at the history of the Communities Economic Development Fund, when I look at what doesn't exist elsewhere — in north-west Ontario, for example, or in northern Alberta, I know there is some embryonic attempts in northern Saskatchewan but really the success of this fund has been phenomenal when you compare it to what's taking place in other northern parts of Canada.

Having said those good things, because I do think they relate to the staff, I would like to express my concern that the Communities Economic Development Fund is being limited. It's being limited by restricting the activities to projects which receive grant funding from the Federal Special ARDA Program. I know it's been revised, this directive, whereby there'll be a few winter road or construction projects involving government contracts which would receive funding, or loans from the CEDF, but my concern is that if you tie this program entirely in terms of its future evolution, to special ARDA, which is run by the Federal Government ultimately, then I think we put ourselves in a position of increasing the distance between these types of programs and the people themselves.

You know, it's amazing that for a government, because this is a government directive not a CEDF Board decision, for a government that says they wanted to reduce bureaucracy, tying this program to Special ARDA, which has an incredible amount of bureaucracy, which has an incredible amount of red tape, really limits the flexibility in creativity that the Communities Economic Development Fund can perform in northern Manitoba.

I think that the success of the Communities Economic Development Fund and the continuing needs for financial institutions, which are flexible and which relate to northern people's needs, should mean that rather than restricting the Communities Economic Development Fund, what should be taking place is an expansion of it. We've had a whole set of other cutbacks in northern Manitoba, and yet we have people who want to be entrepreneurs; who want to, in a sense, break down that colonial relationship that exists between south and north. And I think it's really important for this government, for government itself, since the private institutions won't fill this need, to be more activist.

You know, when I look at records whereby 74 percent of the loans are considered good, 16 percent fair, 10 percent bad, when you think of the high risk mandate that this fund really has, what this shows is not only are the staff good, but northern Manitobans can be excellent entrepreneurs. Their success rate, frankly, is better than that of the Manitoba Development Fund. It shows that northerners, especially those in remote and isolated communities, can indeed be entrepreneurs if the conditions are such, and those conditions in the north, we all recognize, have to be in large part filled by government.

I look at, you know, 22 loans, 20 jobs, 92 jobs being created in 1979; 103 jobs being created in 1978. I'm really pleased with that figure, but I know it could be higher. I know that there is a

need for more than 22 loans up north and that if we went beyond the Special ARDA restriction, that we could be providing 35 loans, because that need surely still does exist, and the people are repaying their loans. Contrast this approach of CEDF to that of our Incentives Program in southern Manitoba. You know, in this respect, I am sorry that the Member for Wolseley has been co-opted to be chairman of the committee, because we had some exchange the other day when we were discussing whether in fact small businessmen do require this type of input, and whether indeed small businessmen want to take advantage of a program or don't want to take advantage of it. Here we have a loan program in the north where the loans are being repaid by northerners; they are being repaid. That's the way business operates. You take out a loan and you repay it. I think that's fantastic. It shows that northerners are business people; they want to be business people; they want to be treated as business people. They receive some assistance through this program, and they recognize it is assistance.

Contrast this approach of CEDF to the government's approach, its new initiative with respect to economic development in southern Manitoba. They don't give loans to businessmen, they give grants, they give incentive grants. To me, they don't respect the businessmen in southern Manitoba; they don't think that business people in southern Manitoba want to be treated as business people. They feel that we have to give grants, and I think that's a horribly wrong approach. I think it encourages and increases the dependency relationship. So I condemn the Incentives Program in southern Manitoba, which is a form of social assistance to business people, which I don't think they need and which I don't think they want. It's not a complete Incentives Program; there are no loans involved, it's strictly grants.

Now, what we have in the north, we have a Loan Program. You have some write-down of the loans. You have some money coming in through Special ARDA but ultimately a business person knows that they have to make a success of that operation, that they have to pay back the loan. If they don't pay back the loan, there are some severe consequences. And that's the real world. And they are operating well and they're succeeding. 74 percent of the loans are successful.

So I'm glad that the government continued the Communities Economic Development Fund Program. I'm glad that northerners are showing themselves to be the real entrepreneurs in Manitoba right now, and I would hope that the government might take a look at CEDF's performance and use that approach in southern Manitoba, not give grants, not give giveaways, but rather that they would try and deal with business people in a businesslike manner because the previous administration did that in northern Manitoba. There were some growing pains involved, but the fund ultimately succeeded and northerners are becoming business people. The more that that happens, the less will be the dependency.

So I think in principle, the way in which the Communities Economic Development Fund has operated, has worked. It is being stifled though. Twenty-two loans isn't enough. The demands in northern Manitoba are greater than that and I would like to ask some specific questions now of the General Manager. I would ask that in future, just as a suggestion, it might be useful if you put the location of the entities receiving loans; that would be useful, just to get some idea of the geographic distribution of the loans, because it is important that the geographic distribution be fair, that everyone does have access to financing. It may turn out that in terms of a cutback program or a program designed to cut your operating costs, that you may not get out to the more remote communities as much as you might get out to the less remote communities. It's more expensive getting into places that are more remote and I want to be able to determine whether in fact that is happening.

So I'll ask the General Manager specifically, are you getting out to all communities equitably or are you dealing with those that in a sense are easier to deal with and in a sense are less remote?

MR. JONES: Mr. Parasiuk, we are getting out to all communities as far north as one can go and in that respect, certainly where we have investments already, there is no restriction whatsoever in the need for going to these places. I take note of your recommendation, which we will attempt to follow for next year. But if you wish, I could give you the locations of the — not the ones you have before you — but the succeeding ones to give you some idea of the kinds of . . .

MR. PARASIUK: Sure, I would like that.

MR. JONES: Well, dealing with the ones before you first, just quickly. The first one is Thicket Portage; there's Cross Lake.

MR. PARASIUK: This is Benny Crait?

MR. JONES: Gibault, Berens River; Hatley and Gordon, Gillam; Ilford; L'Abbe is Leaf Rapids; Leary, Anama Bay; Angus McIvor, Cross Lake; Lawrence Merasty is Brochet; Missyabit is Volga; Gilbert North, Oxford House; Northern Fisherman is based in Ilford; Pangman is Camperville; Pi-Mi-Chi-Ka-Mac is Cross Lake; Ross, The Pas; Simard, Manigotagan; and the following Simard, Manigotagan, an interesting one; Smith is Oak Lake; and in the succeeding year, in terms of communities: Berens River, Easterville, South Indian Lake, Split Lake, Duck Bay, Bloodvein, Cross Lake, Oxford House, Flin Flon, Camperville, and Ilford.

MR. PARASIUK: If I just might cut in there, I notice no mention of Pukatawagan, Island Lake — are there any from Island Lake over the last two years?

MR. JONES: Mr. Chairman, we have investment in Island Lake. I think the approval was 1976, but we have had no request or involvement subsequently in terms of new loans, in terms of places like Pukatawagan. We have been in a couple of times in the last 18 months to look at a couple of proposals, but they have not developed into anything that our board could approve as a commercial entity.

MR. PARASIUK: I'm wondering if Mr. Jones could explain why there mightn't be more activity in Island Lake? There's fairly large settlements there and I think you have a population there of over 4,000 all told, and it seems rather strange that you wouldn't be getting requests. Have you been publicizing your activities in those areas, or is it a matter of these people having to find out that you exist in putting in the requests? Have you been going out there meeting with the chiefs, meeting with the bands, indicating what type of services you have to offer, indicating to them that they do have a vehicle through which they can become more self-sufficient, through which they can become entrepreneurs?

MR. JONES: Well, yes, certainly, dealing with the latter part of your question first. We have been into Island Lake. We are in Island Lake very frequently because we have a, well it's not that substantial an investment but it is in terms of the kind of dollars we put out. It's an account that requires considerable monitoring and in terms of the community, the chiefs and so on in that area, I would say that they are very much aware of CEDF of what we can and cannot do. I wish I could answer specifically why such requests are not forthcoming but frankly I can't. They are aware of our services and that's really all I can say.

MR. PARASIUK: I would like to ask Mr. Jones whether in fact a lot of the difficulties that used to exist of a sort of red tape bureaucratic nature with respect to Special ARDA have in fact been cleaned up, or whether we still are on that treadmill that I remember when I was involved in the Fund, we used to be on? We would in fact get the runaround; we would get bureaucratic runaround. There really hasn't been a sufficient delegation of authority and decision-making, in my estimation, from the federal government. They have talked a lot about decentralizing their activities, but what they have done is established offices which indeed have only become another bureaucratic group to get through on your way to Ottawa where you get approvals.

I know that that plagued us, plagued the Fund's operations in the past. Indeed, at one time I know that the Fund's Board had decided really not to deal with Special ARDA applications because we found that we really weren't in a situation of providing sufficient direction or control, that we were indeed being subject to the vagaries of the Ottawa administration. As a result, the people receiving money through the Special ARDA Program and the CEDF, and the CEDF staff itself were put in a very horrible situation where there were a number of failures because of bureaucratic ineptitude, I would argue, at the Ottawa level.

Now, it would appear that from the directive that you are following, that all is good now, manna has come down from heaven and Special ARDA works in a nice streamlined manner. I find that incredibly difficult to believe, but I could be convinced if you can document or indicate that this Special ARDA actually runs smoothly and that the CEDF really can exist as an adjunct or as a bridge financier for Special ARDA projects?

MR. JONES: Yes, certainly I agree there were many problems in the past in our relationship to that particular federal program for the reasons Mr. Parasiuk has just given. I am of course in a prejudiced position here; I think that our system works better than anybody's but that is a very biased opinion. But I would seriously say that one of the reasons I think, and I think Mr. Parasiuk would agree, for the major difficulties in the past, was the assessment process itself within the ARDA system, of their proposals. Their measuring of the viability of a project, for example, was rather different from ours, so we had to get the money back.

There have been changes and I can say quite clearly that the method of operation is better. We established a working committee which exists and which meets on a monthly basis, and this is something I attempted to do many years ago, to exchange information and co-ordinate the activities of the Fund, Special ARDA. And we go beyond that, too. We have people from the federal LEAP Program and, interestingly enough, the federal Business Development Bank and other departments within the Province that are involved.

I think this has been a very valuable development because we can now relate to each other as and when applications come in. That, to me, is an important factor. We sit down and analyse mutually. I am not saying and I couldn't say that the system is perfect, not by any means, but I really do believe we are working better, in terms of the bridge financing component. I should just comment here, too, Mr. Parasiuk that at one time I maintained strongly, and I don't think I was that far wrong, that CEDF, as a provincial agency, was really virtually the only source of bridge financing with other grants. That is not the case any more and I have been as surprised as anyone to find — talking about bridge now, only — that the federal Business Development Bank has come into situations which frankly, they just would not even have considered two years ago or even a year ago.

We have had two cases recently where I have seen bridge and term financing provided for places like Cross Lake, and a few years ago I was within FBDB myself and there was no way that would have happened. So there is a change in that respect, but as I say, there is a consistent, and I mean consistent collating of information. We meet; we discuss our policies, our programs and our difficulties together once a month, and it does seem to be working.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Thank you. I was wondering if you might be able to bring us up to date on who the Board of Directors and Officers of CEDF are. That's on Page 3 of the report, and I would think that that's out of date now.

MR. JONES: Mr. Chairman, the Board of Directors of the Fund at the present time are: Mr. David Epp from Winnipeg; Mr. James Goodman from Flin Flon; Mr. Bill Bennett, representing the Northern Association of Community Councils, from Matheson Island; Mr. Howard Asham from Ashern, representing the Manitoba Metis Federation; Mr. Gene Courchene from Winnipeg, representing the Manitoba Indian Brotherhood; Mr. Angus Spence from Winnipeg; Mr. George Dram from Wabowden; and myself, as Chairman. So you have a full eight complement. The Secretary-Treasurer of the Fund is Mr. Alex Musgrove.

MR. PARASIUK: Well, I'd like to make a couple of comments on that. Now this is more to the Minister responsible. My respect for the General Manager-Chairman is very high. I think he is a very able person, who is very dedicated to the objectives of this program and who really does a lot above and beyond the call of duty in terms of working with northerners. I would think that northerners often coming down to Winnipeg on any business probably call Mr. Jones as a matter of course. So that shows the effectiveness of the staff in terms of providing a whole set of other functions, doing a whole set of other jobs, providing advice to northerners, which I think is very important when they do become entrepreneurs.

Having made these good statements about Mr. Jones, I want to express to the Minister my concern, which I have always had, about having a General Manager and Chairman of a corporation or a fund be the same person. I have had grave doubts with that always. I think what it does, it confuses responsibility and it confuses accountability. To me, the General Manager should be the staff person who pulls together the material and is responsible for the staff work and is responsible for the integrity of that staff work. And that staff work, to the fullest extent possible, should be technical work; it should be very good quality technical work, the best quality technical work that can be done.

Now, it strikes me that the Chairman of a Board has a different function to fill. The Chairman of a Board, be it a Crown : corporation which is an operating one, has to, with the Board, develop policy and policy does entail subjective judgments. And you would hope that these subjective judgments are the most objective they can be, but it still entails that type of judgment and therefore I have always felt that the Chairman of a group that sets policy and makes the final decisions should be different from the General Manager, who is responsible for the technical work done by that corporation.

I think it might be somewhat difficult for Board members, for example, to criticize the technical quality of work brought before a Board if that work, in a sense, is being brought before the Board by the Chairman, and it's somewhat easier for the Board to do its job if the Chairman is someone

different from the General Manager, who is responsible for the technical integrity of the work brought before it.

That holds true with Crown corporations generally, and I think it especially holds true with lending entities because no matter how objective you are on a Board, there is still that judgment involved as to whether that person seeking the loan really will carry out all the difficult tasks involved in making that business a viable operation. Does that person have the strength to do that? And I think sometimes the staff working very closely with the client can get a bit close to that client, and that's why I think it's important for that sober second look to be made by a Board. And I say this to the Minister because I think the General Manager of the Fund right now is Maybe it shouldn't be an ironclad rule, but I think you should have very very good reasons for appointing the same person as Chief Operating Officer and Chief Executive Officer. I frankly think that that was something that the previous administration didn't do well enough. I think the previous administration would have been better served had it separated the two functions, and I never referred to any advice that I gave when I was a civil servant for the previous administration. But now that I'm not, now that I am a politician in public life I'm making my position very clear with respect to future developments in this regard, in arguing and advising the minister that I think he should separate the two functions. Perhaps he has a comment that he might want to make on that at this time.

MR. CHAIRMAN: Mr. Minister.

MR. BANMAN: Well, Mr. Chairman, as the member mentions, the Task Force report did indicate that particular system should be followed. We are looking at it and will appreciate the member's comments. With regard to that I notice that some of my colleagues on this side agree with him, the member that sits on the Hydro Board agrees with that particular recommendation, and we will take that under advisement.

MR. PARASIUK: Yes. I'd like to ask the General Manager whether he's had any discussions with the Manitoba Metis Federation in the last while. The Manitoba Metis Federation, as he no doubt knows, has been concerned about the effect of both federal and provincial cutbacks in northern Manitoba. They've been concerned about the extent to which they really don't have too many opportunities for employment in northern Manitoba, and I know that the Manitoba Metis, the Metis of northern Manitoba in my estimation have a more difficult time often than the Treaty Indians, because I think the federal government is trying to really duck its responsibilities with respect to the economic development of native people, and they try through their own restraint programs limit that which it will do. So it says we will do things for Treaty Indians. We won't do very many things for Metis.

So it strikes me that I think there still is an Indian Economic Development Fund, if I'm not mistaken — I think that still exists, and that provides loans for Treaty Indians — but the major vehicle for entrepreneurial development in northern Manitoba in my estimation, will be the CEDF. So given the sit-ins that have taken place in the past, and given the feeling of desperation and despair that some Metis are feeling, I'm wondering if the General Manager can indicate whether he's had any meetings with the Manitoba Metis Federation or whether Mr. Asham has brought forward specific requests, with respect to CEDF.

MR. JONES: Well, Mr. Chairman, to answer that, Mr. Parasiuk, I'd say yes to both questions. Mr. Asham of course is the official nominee of the federation, and as I understand it relates fairly well and frequently to the Federation Executive of what CEDF is doing, what it can do.

In terms of my own involvement, I suppose if anything it's got closer in the past year to this extent, that I've been invited and have accepted invitations to attend meetings of the LEAP, Local Employment Assistance Program Federal Review Board, which meets to consider various projects. In fact, I attended the one, and subsequent ones where the Metis Federation's specific proposals were being discussed. So to that extent, yes, I've become, and am continuing to become quite involved in informal discussions with the present Federation and others.

The fund has not had any formal approach from the Federation as such, in terms of what we can and cannot do. All I can say is that the relationship is there, and that we would be ready to develop it.

MR. PARASIUK: Thank you, Mr. Jones. I'll address you now as the Chairman of the Board. Has the Board had an opportunity to assess its operations and to possibly review the directive from the Provincial Government, which limits its activities to really the Federal Special ARDA Program. You are the think is a fairly successful operation, to be given full scope to operate in northern

Manitoba. I think the needs of northern Manitobans are still there; the needs for a financial institution which we try to relate to northerners is incredibly great. I can appreciate the comments of the General Manager when he indicates that the Small Business Development Bank, a federal government institution, has been getting involved in activity in northern Manitoba; that's excellent. But I do think there is a tendency on the part of the private institutions to hold back. This is a higher risk area.

Now I know that the Fund in the past has received fairly good co-operation from individual branches of the private banking establishment, but at the same time generally the banks really have not met the needs of indigenous northerners. But I don't think the federal Small Business Development Bank will be as finely attuned to the needs of northern Manitoba; those people living in remote and isolated communities as is the CEDF which has built up a pretty good history and working knowledge of northern Manitoba.

So I would ask the Minister to let this group operate without restrictions. I think that they have had an opportunity to show that they are performing a good job, that they are meeting a need, that that need should be met. It's not as if the need for financing, for the development of entrepreneurs in northern Manitoba has decreased or diminished or has been eliminated. That need is growing as northerners become more aware of themselves, as they start looking at each other and realizing that some of these people can be successful, that they are being successful as entrepreneurs, other people will want to get involved as well.

I think it's very important for northern Manitoba, as I said before, to break down this colonial relationship, to start substituting for imports — imports that are brought in from southern Manitoba — or to start substituting for human resources which are brought in from southern Manitoba. They have the human resources themselves. They want to live in the north, they want to stay there; they don't want to come in, as some southerners do, and make a quick grubstake and move out. And that's the problem with a lot of northern development — there are far too many southerners who don't view it as their home, even though many of them may have lived there for 20 years — they still think of their home as being somewhere else.

But people living in remote and isolated communities think of the north as their home, even if because of economic circumstances they are forced out of their home, and are in a place like Winnipeg. When you ask them, "Where is home" — they will say it's Oxford House, or Nelson House, or South Indian Lake, or someplace like that. That is where they feel home is, and that is where their first allegiance lies. That's where they want to try and become successful. That's where they want to try and realize their full potential.

So I think that we should give them the opportunity of doing this. The losses are very small. In terms of a social investment, in terms of breaking down a dependency relationship, the results would be tremendous both in dollar terms and in terms of establishing a sound foundation for further economic development in the north.

I think northern development requires patience, I think it requires commitment, and I think that by having restrictions like this levied on a fund that is successful, we are really showing some contempt for the northern development potential of northern native people.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Yes, thank you, Mr. Chairman. I too would like to add my comments to those of my colleague for Transcona, and commend Mr. Jones, of the Communities Economic Development Fund, and his staff for doing an excellent job, which I know they have done for some years, and I wish them every success, his colleagues every success in the future, because I know it's a great challenge. It's an area of the province where economic development is very difficult. I'm talking about economic development in terms of the development of small enterprises indigenous to that area. It's a very difficult task, not only because of more extreme weather conditions, but also because of the remoteness of the communities involved.

And, of course, it is more difficult too, because in some of these areas, information is not available, support services are not there, and it just seems as though all the obstacles that confront business development are magnified many times over in the north, in the remote communities; although I note there are one or two communities that are in the south, but nevertheless do qualify for assistance from the Fund.

I am wondering if the Chairman could give us some idea of the — and I know this is maybe a judgmental thing, and a matter of estimate, and he may not be able to do this — but whether the Chairman could give the committee some idea of what additional potential there is for lending in the north. Because, from what I understand, there is this restriction on the Fund in the sense that the Agency is required to restrict its activities to those enterprises that receive grants from the Special FEDERAL ARDA Program. So this is a direct policy guideline from the government

which the Fund must work within. I wonder to what extent is there some potential there for assistance that we're not meeting, and would the Chairman be able to comment on this.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, I'll try to answer that question, Mr. Evans. But I should comment at the outset that despite this restriction, we consider — the directors of the Fund consider that we're somewhere in the region of 36, 37 percent off the target which we consider to be reasonable — that's 36 new loans per annum — a A reasonable addition to the Portfolio in terms of the kind of stringent and considerable monitoring we have to undertake for virtually all loans we make. So, as I said, we consider we're about 36, 37 percent off that target.

Now, having said that, I should also comment, perhaps, that enquiries are coming in, and they've been coming in in the last 18 months, as they always have, for direct lending requests from the Fund. We've been able to, in the last six, nine months or so, pass these requests on. Now, when I say that, I don't want to give the impression that we get enquiries and we say, "We're sorry, there's a restriction, we can't do anything." The Board of the Fund has agreed, and the staff certainly have, we try not to operate that way. We get requests, and even though we are aware of the fact that we cannot lend directly, what we do is try and assess the proposal as if we were going to lend the money. And then we here in Winnipeg go to the various programs that are available — to the banks, to the federal programs — and attempt to get the money. And we have been successful in quite a few cases in that particular respect. It's something slightly different from the way we used to operate.

In terms of the potential, that's rather difficult to answer specifically. I suppose what I could say is that in the last fiscal year we had approximately 65, 66 enquiries which might have developed, and in fact some did, not through us, into loan proposals, and we approved 22. Now, Mr. Evans, I don't know whether that gives you some idea, but it's rather difficult to answer specifically, because there is certainly, despite, as I said earlier, our frequent contact with the communities, we are not getting the kind of influx of proposals that we used to get. That is a fact. Does that help?

MR. EVANS: Yes, that gives me some idea. You've had, as I understand, about 65 applications, and you approved . . .

MR. JONES: In the last year, 22.

MR. EVANS: In the last year — 22, yes. And certainly not every application that comes in is deserving of approval — we appreciate that. It's a matter of judgment. But of those 22 that you approved, in every case, of course, they received the ARDA funding. Could there have been more approved if there wasn't this restriction that they obtain ARDA funding? I mean approved and, Mr. Chairman, in the view of the staff a worthy loan — I am not suggesting loans for the sake of loans, but, you know, a worthy loan.

MR. JONES: Well, Mr. Chairman, I would have to answer yes, Mr. Evans, that would be the case. Although the gap between what we can do, or what we could have done, we've tried to narrow, as I said, by investigating these proposals ourselves and attempting to get the money elsewhere.

And there is no question in my mind at all — and this can be documented — that the federal bank has become much more active in dealing with northern Manitoba — to my surprise as well. So that's the kind of comment that I think has to be made.

MR. EVANS: The Chairman, Mr. Jones, said the Federal Bank. You mean the Federal Business Development Bank.

MR. JONES: Yes. It used to be the Industrial Development Bank.

MR. EVANS: Yes. Mr. Chairman, Mr. Jones a moment ago said that the Board figured that they were — I thought he said 36 to 37 percent off target in terms of loans approved. I may have misunderstood Mr. Jones, but I thought that's what he said. Do you mean by that statement, if I am correct in what I heard, that you were 36 percent, 37 percent below what you consider to be a target that you should reach, or — in other words, you felt that you could have loaned more, you could have approved more loans. You were 36 percent low. Is that what you're saying?

MR. JONES: Mr. Chairman, maybe perhaps I can clarify it this way, Mr. Evans, that the directors

have always felt that a reasonable target for loan approvals and ongoing monitoring each year would be 36. In other words, that we could comfortably deal with an addition to our portfolio each year of 36 new loans.

MR. EVANS: Oh, 36 loans.

MR. JONES: Now we reached, despite the present restriction, we reached 22 in the year ending March 31st, '79. So we're off target to that extent, that's what I meant.

MR. EVANS: I see. Well, Mr. Chairman, could the Chairman give an opinion as to why they're off target to that extent?

MR. JONES: Mr. Chairman, the clear reason is that there are cases where these proposals cannot qualify for assistance under the federal program. They do not fall within the other terms of our directive, that they have to be winter road construction projects, or projects with government contracts. That's why. They're projects outside that context.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: I wonder if I could ask the committee members if there is a consensus that we can finish the other two reports. Those people are from a further distance and I would want to interrupt at this time to give them a chance, but if there is a general consensus in the committee that we would finish the other two reports, then we could continue here.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, I think there may be a number of questions yet on this Communities Economic Development Fund and, given that the other two, if not at least one of the other reports as representatives here from out of town, perhaps what we could do is put this one in abeyance and deal with the other one while these people are here, seeing that the CEDF people can come back in at another time, perhaps. But I think that there will be some more questions on this, which may take at least another half hour, which may make it difficult for us to complete the other ones today.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Well, maybe we should then, Mr. Chairman, deal with the other two reports and if there is time permitting, maybe we can finish this one after that, but I think, in respect to people that have travelled quite a distance, I think we should deal with those first then. So maybe we could just break off . . .

MR. CHAIRMAN: Is that the will of the committee? Mr. Evans.

MR. EVANS: As I understand it then, Mr. Chairman, the Minister is proposing that at the next meeting, presumably of this committee, we will again hear Mr. Jones and have an opportunity to hear his statement. We've had his statement, but have an opportunity to ask him questions, myself and other members of the committee. At the next meeting of the committee.

MR. CHAIRMAN: Well, it is my understanding that the Communities Economic Development Fund staff people should stand by in case we can get back to them this morning?

MR. BANMAN: That would be my suggestion. These are the only companies left in the whole Economic Development so there are no other meetings and if it means staying 15 minutes longer, if that would be the committee's wish, we could do that. But I think we should interrupt at this time and ask the Chairman of Moose Lake Loggers to present that statement, because they are here from a distance.

MR. CHAIRMAN: All right then, would the staff give us Channel Area Loggers and Moose Lake Loggers reports?

MR. BANMAN: Mr. Chairman, I think we would at this time like to call on Mr. Orville Minish, who is Chairman of the Board of Moose Lake Loggers and is also Chairman of Channel Area Loggers. We could possibly first deal with Moose Lake, I think, and then pass that report and then move into Channel Area. So I would ask Mr. Minish to . . .

MR. CHAIRMAN: If you are calling on Mr. Minish, is it the wish of the committee to adopt the reports in total when we've completed the question and comments? Mr. Minister.

MR. BANMAN: Yes, I think that's the procedure that should be followed.

MR. CHAIRMAN: All right, Mr. Orville Minish. Moose Lake Loggers Limited.

MOOSE LAKE LOGGERS

MR. MINISH: The year that's in question before us today is March 31st, 1978, Moose Lake Loggers and you've all had an opportunity to read the report and therefore I'm asking if it's necessary, that you wish me to read it in detail. If not, I would make my comments on it and then any questions that may wish to be asked may be asked at this time.

MR. CHAIRMAN: Mr. Minister.

MR. BANMAN: That's fine.

MR. CHAIRMAN: Mr. Minish.

MR. MINISH: This is a first for me, to come before this Board and present to you a report that shows that we have been working with your money and showed a profit, which is quite gratifying to the Board of Directors, and most of the credit — it is written in the report as you'll notice — is credited to our manager, Mr. A. Kivisto and we have, through tireless effort through the years, finally come to a position where we are showing not a big profit, but a profit in the company, which has over the years been showing in the red to the amount of about half a million dollars over the last six years. We feel that, through the tireless efforts of our manager, things have been changed over the years. We kind of learn as we go along, and with the fine co-operation of the Board with our manager, we have come to this point in the Moose Lake Loggers operation. And it looks to us, for the local year, without a financial audited statement, that we are in a similar position for 1979, in a profit position.

Now if there are any questions from the floor?

MR. CHAIRMAN: Mr. Bostrom, did you . . . ?

MR. BOSTROM: Mr. Chairman, just a couple of general comments. It's certainly interesting to see the company having made a profit in this fiscal year that's before us. I'm wondering if perhaps the manager could indicate what the current year would look like, that is the year that is not being reported to us but which would be the year ending March 31st, 1979. Could he give us an indication of what he is hoping to achieve in the way of profit this year?

MR. MINISH: We have 1979. Our year end was on the 31st of March, so therefore that year is completed. Is this the year you want?

MR. BOSTROM: I was just wondering, yes, what . . .

MR. MINISH: Well, as I stated, it shows a non-audited statement of a similar profit as to '78.

MR. BOSTROM: Can you indicate what success you have had in terms of the program for owner-operator cutters from the Moose Lake community? Has that concept worked out in practice,

and are you planning to continue that?

MR. MINISH: Yes, it's worked out exceptionally well. As you can see from the report we added another owner-operator to the two that were before that statement was issued. Bercier has been an owner-operator for Moose Lake, and in 1979 that statement shows 9, 10 more — no 9 more, I guess it is — 9 more have been added in '79, so we have altogether 13 owner-operators from the community of skidders, which has been working out exceptionally well, and this is what our objective has been in this operation all along, for to get it self-supporting in the district, and as of now the company has no skidders at all. We own no skidders. We have an all owneroperators operation.

MR. BOSTROM: Mr. Chairman, through you to the Chairman of the corporation. Can the Chairman indicate how many people are employed through the use of these owner-operators and how does that contrast with the numbers that are employed from outside the community through owner-operators from outside?

MR. MINISH: As of the present time?

MR. BOSTROM: Yes.

MR. MINISH: Outsiders? Out of the owner-operators from outside the community there are eight owner-operators and the balance is in the community, as owner-operators.

MR. BOSTROM: Thank you, Mr. Chairman. When you say there are 13 owner-operators from the community and 8 owner-operators from outside, does that include all of the people that are employed with the operators, that is, employed with the skidders? Are teere 8 skidders from outside the community and 13 from the community?

MR. MINISH: This is correct, and those people that are from outside the community, remember, their obligation is to hire community people to operate on those skidders.

MR. BOSTROM: Well my next question, then, Mr. Chairman, would be how many people are attached to those owner-operators as employees or share operators or whatever you would call them? What would be the total labour force attached to the owner-operators from the community, and what would be the labour force attached to the eight from outside the community? That is, how many additional people are working from the community for these owner-operators?

MR. MINISH: I'll have the general manager answer that one.

MR. CHAIRMAN: Mr. Kivisto.

MR. KIVISTO: There are 13 owner-operators from the community, including the Indian band, and these are all manned by Moose Lake people. There's one owner-operator that has a total of seven skidders on which there are 15 people from Moose Lake employed on these skidders, and there are an additional two owner-operators that are native people who have owned their own skidders and worked for ManFor before, and right now the numbers have changed just a little bit recently and I think there's approximately 15 outsiders in total that aren't native. They're people who have worked for ManFor and have applied for jobs which we are covered for in the union contract. They can bid into the job from the ManFor camps.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Are you saying, Mr. Kivisto, that you are required by the agreement to take operators from outside the community, even if there are operators in the community who wish to work for Moose Lake Loggers?

MR. KIVISTO: No, not necessarily owner-operators. We've got a clause in the union contract that states that if we need people for employment we post in Moose Lake for three days first and after the three days are up, then we post at the ManFor camps for five days until that position is filled. And this is the reason why there might be some escalation or decrease in the numbers of people who are non-native.

MR. BOSTROM: I'm still not clear, Mr. Chairman, exactly how many people are employed from the community in the cutting operation, and I believe you said there's a total of 15 from outside the community that are employed, that is including the owner-operators. But what is the total from the community that are employed in the cutting operation, that is not only the owner-operators but the people who are working with them in the cutting operation?

MR. KIVISTO: I'd have to give an approximate number because it fluctuates, and it's approximately 45 at any given time.

MR. BOSTROM: From the community?

MR. KIVISTO: Yes.

MR. BOSTROM: Mr. Chairman, I'd like to know that the manager considers to be the likely future outcome of this. Would the company be able to, in his opinion, work towards having a completely community operated operation, that is from the point of view of the cutting, that is. Would the company be moving towards having all owner-operators and employees from the community involved in this, and can he see this happening in the near future?

MR. KIVISTO: Well, I think we're governed in a sense by the union contract and we have to follow that in any given situation. We can't deviate from the union contract, and if the people of Moose Lake show responsibility to show up for their jobs, there's no problem. If they disregard their responsibility to show up for work, well then there's going to be a decrease in total employment from the village, but I see no problem as long as the people keep up their responsibility and apply for the jobs and show up for work on time. There's no reason why eventually it shouldn't be all Moose Lake people that man and own their own machines there, eventually.

MR. BOSTROM: Mr. Chairman, I'd like to know a bit about the potential for this company for the future. Given the present rate of cutting and the planned rate of cutting for say the next three or four to five years, can you give us an indication whether or not this company has a long-range future in that area as the forest resource in the immediate and accessible area to this operation, give this company a long-range future in terms of providing employment to that community?

MR. CHAIRMAN: Mr. Minish.

MR. MINISH: Yes, I'm sure that falls into the category of the Chairman of the Board. Incidentally, we had a meeting yesterday for two and a half hours of ManFor executives on the woods division manager for exactly that purpose, and the picture unfolds something like this: there's 2,200,000 cords designated in that particular area of wood as of the start of the cutting. Now, this isn't taken in today. This is when we started. So this means that the forestry C.O.s are projecting a cut of so many cords a year, and our potential that we can only go by what the Manitoba Forest Industries give us for a contract, our contract this year was 72,000 cords with an overcut of about 10 percent, and at their meeting yesterday this is what we anticipate next year and for some time into the future.

So it's only a mathematical equation then to see how long that this can be cut. We propose that there should be approximately 20 years from the start. This is what their proposal was, 20 years of cutting. But if they escalate their cutting each year, this could shorten; if they decrease it, it could lengthen. Does this answer your question?

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Yes. And the other question I would have is, does the corporation have a commitment from the government to allocate that area and that volume of timber to this corporation? That is, is the Chairman of the Board and the Board assured that the commitment for the forestry resource will continue in order that this company can have that kind of long-range future?

MR. MINISH: Mr. Chairman, the answer to that is that, being a Crown corporation owned by the government and ManFor being of a similar nature — and we're contracting to them — whatever decision they make on one, they make on the other, so if they don't wish Moose Lake Loggers to identify themselves for the 20 years and cut this, it'll be their prerogative. I'm a strong advocate that this should be in writing to the people of the community, but it has never been in a concrete form and this is causing us a bit of concern. Seeing as how you have gone into this area, it's only

right that I tell you our concern, that we feel that the native people of that community should have the opportunity to cut that as long as the timber is in the area, and that they should have it in writing. .

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, I'm interested in the owner-operator operation. Before they become owner-operators, if they just work by the individual, how does a person become an owner-operator? I assume that if he buys his skidder and he has a crew of 2 or 3 then he becomes an owner-operator. How does he do it?

MR. MINISH: It's very simple. First of all he qualifies if he's capable of operating a skidder and carrying on a reasonable

MR. MINISH: Yes, okay, and therefore it's just a progressive thing. So we've had, up till now, we've got 13 of those people that have showed their qualifications and got their own skidders, and they in turn hire the crews from the community.

MR. BARROW: Well, then, I assume it would become contagious, when other cutters would see this owner-operator doing well, they'd want to get into the owner-operator, is that it?

MR. MINISH: Yes, this is absolutely right. But there's an absorption point in every community.

MR. BARROW: Yes.

MR. MINISH: Mr. Bostrom asked the question about the potential of the work force. Now, when we started this company about seven or eight years ago, when I became Chairman of the Board, I spent two months in the Village of Moose Lake, verifying a work force, and also a commitment that they would help us get this company on the . . . and one of the criteria that we insisted on was that if they could not supply the work force, and were unable to on account of their habits of absenteeism and so forth, that they would not interfere with our company operating a viable business. And this was signed by both parties. And this was just one of the 12 commitments that we got, and we gave them commitments.

So therefore, this is an ongoing thing. Today, we have people — some of the best cutters that we have in the north are not cutting today, because they have become addicted to alcohol and they're not producing. So it's only evident that we're running this company not as a welfare, we're running it as a business, and to help the community. And if these people co-operate, it's 100 percent their business.

MR. BARROW: So you've more or less weeded out the nonproducers and concentrate on the producing people?

MR. MINISH: Yes. I shouldn't make a statement like this, but I'm sure that I won't be condemned for it. We feel that the saturation point is about what we've got now. There's about 50 reliable people out of a work force of 87 in the Village of . . . I'm talking about cutters. Now, our whole camp is manned by natives, you know.

MR. BARROW: Yes.

MR. MINISH: So this is the cutting operation. So, the absorption off it is about 50 out of 87, and some of those change, they'll come back. But when they brought the union into our camp, unfortunately their seniority is lost when they quit.

MR. BARROW: That's right.

MR. MINISH: And therefore, they've got to start at the bottom again and this is detrimental to their feelings, some of them, and, as I say, we have some wonderful cutters that are not cutting.

MR. BARROW: Yes, you mentioned the . . . of course, you mentioned the alcohol problem.

MR. MINISH: Yes.

MR. BARROW: But that's not only in Moose Lake, that's in many areas all over.

MR. MINISH: No, I'd suggest to the Government of Manitoba that they should try and do something about the revenue that they get out of the liquor to try and cure this situation.

MR. BARROW: I agree with you.

MR. MINISH: This is what I'd like to see. I'm not a saint or a preacher, but it's just a thing that's undesirable, it's breaking down the whole moral fibre of the country. I'd say that they should maybe start a program that the millions of dollars that they get out of selling it, they should try and put a little of it back, to try and rehabilitate these people.

MR. BARROW: Did you hear that, Mr. Banman? I appreciate the answers and I have to agree. I'm also happy with the \$50,000 profit: It's like, as they say, it's the tip of the iceberg, it can be done. You have your troubles, your problems, but with perseverance, the right people, these people can be helped — which is a terrific step in the right direction. I'm Very happy about that'

And I'll just end my questions. You mentioned the camps, you've changed the camps. There is no day's pay in this, it's pure contract.

MR. MINISH: On the cutters, on the cutters.

MR. BARROW: Yes. I assume you have a designated area where they pile their logs, is that right?

MR. MINISH: That's right.

MR. BARROW: And then the next step, of course, is every two weeks, every month, it's scaled.

MR. MINISH: Every ten days it's scaled and they're paid.

MR. BARROW: They're paid by the cord?

MR. MINISH: Yes.

MR. BARROW: How much per cord, Mr. Chairman?

MR. MINISH: A skidder-operator gets in the neighbourhood of \$16 and some cents.

MR. KIVISTO: We're cutting tree lengths right now, and as a long guess, . . .

MR. BARROW: Oh, tree lengths.

MR. KIVISTO: . . . around \$11.95.

MR. BARROW: \$11.95 per cord?

MR. KIVISTO: Yes.

MR. BARROW: And then he pays his crew out of that?

MR. KIVISTO: No, I mean every man gets his share of the pile, and each man is paid \$11.95 a cord, or in that neighbourhood.

So the total cordage is just split among the crew?

MR. KIVISTO: That's right.

MR. BARROW: Right, right. Yes, that's fine. And you mentioned about your camps — your camps are quite far back in the bush?

MR. MINISH: No, we've got an all-weather road built right to the camp from The Pas.

MR. BARROW: So weekends, they have weekends off.

MR. MINISH: Yes, they can go home; in 25 minutes they're home.

MR. BARROW: Yes, thank you, Mr. Chairman, I appreciate that.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Thanks, Mr. Chairman. Well, my colleagues have asked a number of questions, and we've received a number of answers that I was looking for, so I only have one or two. Of the people that seem to be employed on a fairly regular basis — or the number that seems to be fairly regular, which is 50, I think, out of 87, Mr. Minish said — what would be the average income earned, or would you have any idea? You know, roughly, what would be the average income that these people earned?

MR. MINISH: Well, the cutters — it's a good job you're sitting down — we write cheques to a cutter that owns a machine, up to \$3,700 for ten days, if he wants to work.

MR. EVANS: But this is very seasonal work, so . . .

MR. MINISH: No, this is a year-round, in Moose Lake.

MR. EVANS: I see. Yes, so that the potential is there for high income for those people that want to work.

MR. MINISH: Yes. And we, of course, all our staff that man our camps are all on the union wage schedules, so that they're getting a very good wage. For instance, say a trainee foreman, I think we're paying about \$1,700 a month — is that right, Ray? \$1,500?

MR. KIVISTO: No, it's more in the neighbourhood of \$1,400 a month.

MR. MINISH: Yes, \$1,400 a month for a trainee foreman who is a native of Moose Lake.

MR. EVANS: Yes, all right. On another area, the company is fortunate inasmuch as they have a buyer, constant. One way it's fortunate, it doesn't have to fight in the marketplace for purchasers or consumers.

MR. MINISH: Yes.

MR. EVANS: It has one buyer. Of course this can be a bad set-up too, at times, because I've seen a lot of little companies in this economy of ours get sucked into selling to one buyer, and then that one buyer has those companies by the tail, so to speak, and they have difficulties. But I don't think that this should happen in this case, given the circumstances of the fact that both ManFor and Moose Lake are Crown Agencies. And, of course, the purpose of Moose Lake Loggers is essentially to provide work to people in the north who have difficulty in obtaining work, and to provide them with a half-decent standard of living.

But my question is, are you satisfied that ManFor is prepared to take pretty well all the capacity, all the output that your company has the capacity to produce. Because I think you were suggesting you're limited more or less by the work force that you have, that seems to be the constraint, perhaps more than on the other side of selling, but I just wanted to confirm this. Do you have any difficulty in selling your output to ManFor.

MR. MINISH: Well, we did this year. We had an overcut of 7,000 cords as of the end of October, and we carried it over to January, and they paid us for it, over and above our contract, in January, which was quite an added thing for us — 7,000 cords is about \$200,000 and some of wood, which was an additive. But we have stipulations. We're capable of cutting the amount of wood that they want. I would think we're close to a third of their production, would be maybe a little more than a quarter, between a quarter and a third, if their production is taken out of our place.

But, the secret of our operation with ManFor is that we have the best saw timber in the whole of their cutting area, and it runs, in some areas, up to 70, 80 percent saw timber, you see, and

this is what they want. Because, as you know, the market on wood is quite bullish right now, and the price is up, and their mill is running straight around the clock. But they're limited. They give us a strict contract of 72,000, and as I said, we only deviated from that 10 percent, that's all that they would allow us to. But we're hoping that we could cut 100,000 cords a year, that's what our potential will be with what we have in camp, the number of skidders and operators. We can cut, with a good operation, 100,000 cords.

MR. EVANS: Yes. On prices, Mr. Minish alluded to a variation in prices that are offered by ManFor, and, of course, ManFor is affected by the North American market for lumber, pulp and paper prices, etc. You say the price of wood, timber wood, now is . . .

MR. MINISH: The price of saw timber, the lumber.

MR. EVANS: . . . is very good, now. It's been on the upswing.

MR. MINISH: Yes, very good.

MR. EVANS: Well, is that much of a factor in the profitability of the company. I know you've alluded to your organizational problems and all the rest that you've had over the years, and seemingly are overcoming, or have overcome. But is that much of a problem on the profitability side? What if the market fell for saw timber — what kind of an impact, or do you have some sort of a guaranteed minimum price from ManFor?

MR. MINISH: Every year, on the first of August, Ray and I meet with ManFor and we negotiate a contract, and this is a painful thing that I feel, as Chairman of the Board, is not necessary. I don't see why I, as Chairman of the Board, and my manager, should go to a Crown Corporation, and being the Chairman of the Board of a crown Corporation, should go and dicker and fight to get a contract to cut our wood. We know it costs us so many dollars to cut it and make a profit. I feel that that's just something that shouldn't be. But this is the way life is, and I have put up with it all these years, and every year we do this. But it's not necessary. They should tell us what it costs to cut that wood, and they should — God knows they should know. They only cut about 400,000 cords of it a year. But it's one of those things that, me as a businessman on this side, and Mr. Bill Jonas as a businessman on the other side, running his company, we vie for positions like we're a private company.

So, we have to go through that next August again, and I can tell you frankly, without any reservations at all, that we feel that we are not getting what it costs to cut the wood every year. But only for the efficiency of our company, that we could never make it go. I'm sure that all you people have seen reports from the ManFor operation, and why should we produce wood and make a profit at \$28 and some cents a cord, and their cost is something like \$60 or \$70. And they're losing \$11 million a year of our money? This doesn't seem sensible to me.

MR. EVANS: Well, this was a point I was going to raise with Mr. Minish, Mr. Chairman, and that is is it possible that because ManFor is losing money, or has lost money on the pulp and paper side, and in their general operations, because they've been losing money year after year, that perhaps this has put the manager, Mr. Jonas, under the pressure to push your price down. Because, this is a typical case when you have one buyer, because if you're a captive of that one big buyer, in effect you don't have much negotiating power. Unless you have an opportunity to go outside of ManFor and offer it to, you know, some other broker. In other words, to the general market; if there is a general market for lumber, saw lumber, as I know there is, if you could make arrangements and seek out other buyers, then you've got some negotiating power.

But it seems to me that in a way you're over the rail. I just might add, Mr. Chairman, that years ago, in Winnipeg, we had the case of small garment manufacturers who somehow or other found Eatons as their only customer. That was pretty good, to have somebody to take every pair of overalls you'd produce, or every shirt, or whatever item it was you were producing. But then eventually you found out that when you became captive of that one company, that they had you over the barrel in terms of negotiating down. And that's what did happen. Negotiate down the price that Eatons would pay to that one small garment manufacturer for the price of the items concerned.

And I guess in this case that I would suggest Mr. Chairman, that because CFI or ManFor Limited has been having troubles getting into the black figures, that there's probably great pressure on that company to keep the prices down that they offer to Moose Lake Loggers. Is there any

or is it at all feasible or practical to even think of Moose Lake trying to get other customers, or is that just an impractical situation?

MR. MINISH: There is a solution to this whole operation that can be considered and I'd like to put it forth today, and that is the fact that Moose Lake should be managed with an identity of a staff like it's being done now, and the Board not lose its jurisdiction over it to protect it, but it should be in conjunction with ManFor. That's the way it should be operated because there's so much duplication. That's why it's costing them so much money for their lumber, for their logs. There's an awful lot of duplication in our area. We have foremen and subforemen and slasher foremen and slasher operators and everything from ManFor in at our area, and the foreman comes in to see how Ray's doing. Well, it's obvious that Ray's doing pretty good. And this is the type of thing that I would advocate. If they want to put the two companies on a viable basis, that's a place to start. And it seems to me it's mathematically sound in any way, because I was in the lumber business myself and if you have six foremen to ten cutters, that seems to be out of proportion. And it's not hard to see where the trouble is. So if there is any argument and any argument for the future as to what we could do to cut down the losses to the taxpayer, it would be very simple that we get together, and the company that's taking our timber, they do their supervision, that would cut out a lot of supervision on our part, or they cut out their supervision.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Yes. Well, on the last point then, another possibility is for Moose Lake really to expand or some arrangement set up whereby ManFor get its timber or lumber — its product — as it is from Moose Lake Loggers. In other words, instead of, just as a clarification, what Mr. Minish is saying, if the entire ManFor operations in the woods was based on the same organization as you have in Moose Lake, that they'd save a lot of money, but is that practical though? Is it practical for Moose Lake to sort of look after the whole operation for them and supply the whole amount?

MR. MINISH: Well, no, it's not practical because when I went onto this Board, I went on with the purpose of putting employment into the area of Moose Lake. And that's my sole purpose. I live with all these things that I don't agree with because I have an obligation to the people of Moose Lake. That's why I took the job. And therefore you've got a limit of the number of people that are able to cut timber in Moose Lake. So therefore, as I told you, it's just about at its limit right now as to the potential for the people of Moose Lake going any farther up the ladder as to putting more cutters in there, an appreciable number anyway. So therefore it's only a matter of the people of Moose Lake getting to the point where they can become the sole foremen of the bush cutting operation and they have sufficient cutters to cut about 100,000 cords of their own a year.

This is what the company was set up to do, and I think that's what it's doing. So to answer your question, could they expand, I don't believe they could, but the duplication of the government's money is what I'm concerned with. I'm getting a little weary of paying taxes. I guess that's the thing. And so therefore we strive, this Board here strives to show a profit in this company. We don't even have to show a profit in the company. Why don't we just cut our timber — and they say "We want 100,000 cords from Moose Lake", and when we get it all cut, they just pay us the cost price of what it costs us to cut it, and we've got employment — we don't have to have all this rigmarole. That seems to be a simple solution. Why do we have to have a Moose Lake identity to give the people employment in Moose Lake? Why shouldn't it be the obligation of ManFor to look after that? This is the point I'm trying to bring out.

MR. EVANS: Yes. So in other words it would almost become a division of ManFor, and what you're suggesting is, in effect, abolish the corporate status and have some sort of an advisory board set up whereby the citizens such as yourself and others would make an input to oversee and assure that the people got employment, but that they become almost employees of ManFor. Is that what you're saying?

MR. MINISH: That's what I'm saying, but if they lose their identity, if the Board loses control over the people of Moose Lake they're going to let them down and this isn't going to work, because it's just gone before us, that this is a prime example of what'll happen. They'll phase out the people of Moose Lake, because we're putting up with things, this Board is putting up with personal problems that a corporate company they don't contend with because they haven't got time.

MR. EVANS: This is another question. I don't know whether you want to answer this, but is there

any other potential in the area for other companies? You see the point I'm getting at is that we have so much unemployment in northern Manitoba, and there is a great problem, a great social problem. There's all kinds of psychological problems, you name it. You know more than I do about this, but the fact is that there are all of people up there that are not working, and as you indicate, there are problems. There are social problems, drinking, etc. But is there any other possibility of another Moose Lake? I don't mean this company itself, but a replica, a duplicate of this sort of operation in parts of northern Manitoba, based on your knowledge and experience?

MR. MINISH: I'm sure there is, but you've got to establish it for the pulp and lumber business at a certain parallel, because as you know the timber line fades out farther north, so therefore you've got a limited line where you can set up such an operation. In fact, I'm sure that the area of Cross Lake, there's a large operation going on there of lumber cutting and it's loaded on the cars and shipped to The Pas by rail car.

MR. EVANS: I just think maybe there are others that want to ask questions. I just want to congratulate Mr. Minish and members of his Board and all the staff, because as he describes it, in fact I think we've heard of it in other years, it's a real challenge, and I say he and the Board are making a very terrific contribution to the welfare and development of those people in northern Manitoba.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Chairperson, I wanted to add my congratulations to the Board for their effort, and — is this Ray Kivisto, is that correct? I note your commendation to him on Page 2 of your report, and I think that that's very important. It's very difficult, I think, to get a person going up there to work for a Crown corporation, to put in all the hours above and beyond the call of duty, to do all the extra things and be paid a rate which, frankly, is probably a lot lower than a person of this ability would get in the private sector, and I think it shows a dedication to public service which I think often isn't sufficiently appreciated by a lot of people, who tend to view civil servants or people working for Crown companies as some type of leeches on society. And so through you, Mr. Chairman, I want to pass on to your general manager commendations that I think really are due him and probably due a lot of other people who put in a lot of effort for a development like this type at Moose Lake.

I was interested in your comments regarding the other work that has to be done in terms of northern employment and northern economic development, things that can't be done entirely by a Crown corporation like Moose Lake, and yet you admit that you are doing a lot of extra things and you've got patience, and patience is very important. You've got commitment and patience. And slowly but surely you start working out these kinks over a six-year period because we haven't been involved in this type of activity that long and you start developing ways and means of doing things well and successfully as a corporation. You are concerned, as you said, with the employment and making sure you achieve the employment potential for Moose Lake residents. You have an interest and a focus of attention that I really think that no large company, private or public, often has. I think that's a sensitivity that we've got to develop more so in our Crown corporations. I don't think we've been horribly successful with our large Crown corporations in Canada and in Manitoba in developing that type of sensitivity, especially in northern areas or even in inner core areas of Winnipeg, whereby we could really provide economic opportunity. We talk about it a lot, but we don't really put it into practice that well for people who, for one reason or another, are disadvantaged and generally seem to be unemployable, and you've proven that people are employable, that they want to work. But you need that patience and you need to do a number of extra things that right now ManFor doesn't seem to do.

And I just don't pick out ManFor. I would say Manitoba Hydro is bad in that respect. Manitoba Telephone System — maybe the Board member here from Manitoba Hydro would take cognizance of that and see what's being done in northern Manitoba in terms of training native people, because I see that you also have a training program where you're training native people to take on jobs as bookkeepers and mechanics. And that's very important, because employment should be seen as having many ladders to it, and if everyone's just going to be seen as the woodcutter and nothing else, some people may not be cut out for that within a general community. So I'm glad to see that you're taking the effort as well to provide career patterns for people. So I congratulate you on that. I think you're doing something and you've got a sensitivity that the large Crown corporations don't have and, frankly, which I think that most, if not all, private corporations operating in northern Manitoba do not have. And imagine companies that have been there for, say 35 or 40 years, if they have this type of sensitivity and patience that you've exhibited with Moose Lake Loggers, they

would have a better record than having one percent of their work force northern native.

So hopefully you might set an example for some of the other large potential employers of native people in northern Manitoba, and I hope maybe you would go and prosthetize a bit more, go talk to the NorMan Development Corporation, go talk to some of these people about what's required. You've had the experience. You're living proof of what can be done. Go talk to some of the private companies. Go talk to some of the ManFor people. I think it's very important that you undertake that type of task. I appreciate your candour — you've been very candid here today — and I think that's the joy sometimes of getting a good independent Board Chairman coming forward. I congratulate you for that.

I want you to understand that when you start talking about the problem of alcoholism, it's a big problem in northern Manitoba. It's a big problem in remote communities. And we've had cutbacks in the alcoholism. Problem treatment facilities have been cut back and the programs have been cut back somewhat supposedly in the name of efficiency. Maybe that's so. But I think that our effort in this respect is very low. I think we tend to deal with the problem of alcoholism when it becomes a crisis, and we deal with it primarily in places like Winnipeg. And we have to have more people, some Civil Service leeches — I don't call them that, but other people tend to call them that — going into places like Moose Lake, and we've got to do things with respect to recreation in Moose Lake. We've got to do that type of work as well. We have to work on the social side as well as the economic side. You've been doing a lot of excellent work on the economic side and you've been successful, I think, because you've taken into account some of the social problems that have to be dealt with, that you have to have some patience with.

I think it's important that government not cut back on its efforts of an economic and social development nature with respect to human resources, because we have a lot of human resource potential in our remote and isolated communities in northern Manitoba and we've not achieved that potential and those people haven't achieved that potential. And to the extent that they don't achieve that potential, they aren't productive members of society, and they end up being a drain on society rather than a contribution to it.

And I think that these 50 people for example, in Moose Lake, who you say are regular good cutters; they are contributing a great deal to Manitoba society, as well as contributing a great deal to Moose Lake itself. If we can do something with respect to the other 37, some of whom you say are very good when it comes to the economics, when it comes to the production side — they have difficulty with the social side of life — but if we can start breaking that down, we might be able to even have a better record at Moose Lake. And certainly, it would be very important to take this example, take this model — because I think it is a model — take this model and talk to other companies about it.

So I ask you, Mr. Chairman, to think about going out to other places in northern Manitoba, and telling your story. Because I think it's a good story to be told, because it shows that with patience, perseverance, hard work, and of course, good people, you can make this dream of northern employment, northern self-sufficiency, more a reality than a dream.

MR. CHAIRMAN: Before Mr. Minish comments, Mr. Parasiuk, I wonder to Mr. Banman, did you wish to dismiss the Communities Economic Development Fund staff until our next meeting, or do you think we are going to continue? What is the wish of the committee? Are we going to adopt the report of the . . . —(Interjection)—

MR. CHAIRMAN: The staff of the Communities Economic Development Fund can come back at our next meeting, and we'll continue to deal, Mr. Minish?

MR. MINISH: Yes. I want to make a comment here, that on speaking of alcoholism, we at Moose Lake have implemented alcohol counselling in our camp as of this year. I'd like to bring that in.

MR. CHAIRMAN: Is it the wish of the committee . . . oh, I'm sorry.
Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, just before I make some closing comments here, I'd like to ask a couple more questions. On the Board of Directors of the Corporation, have there been any changes to the list that are contained on the second page of this report to date?

MR. MINISH: Yes.

MR. BOSTROM: Can the Chairman please indicate the changes that have been made?

MR. MINISH: The Board members are as on the second page. There's . Dave Lathlin, Frank Marvin, Howard Holmgren, and Art Grey. And where it says W. Fisher, that Secretary is Gordon Trittehart. And H. Boyle, and in this year, we have Mr. Mercredie from the Village of Moose Lake, as the other Director.

MR. BOSTROM: Is V.J. Martin still there?

MR. MINISH: V.J. Martin is — pardon me, yes, he's a Board member.

MR. BOSTROM: But you have, in addition to Boyle and Martin, you have . . .

MR. MINISH: Yes, that's right. We have . . . and here's V.J. Martin, he's still there. I'm sorry, I didn't read down that far. There's just Mercredie is the only addition.

MR. BOSTROM: The second question I have, Mr. Chairman, is with respect to the employment of the corporation. The questions I asked before indicated how many employees there are in the actual bush operation. Could the Manager or the Chairman please indicate what other workers are attached to the Corporation to give us . . .

MR. MINISH: There's about 67 employees overall, isn't that correct, Ray?

MR. KIVISTO: Yes, they fluctuate at times, but our camp facility holds 75 and it's normally below that. It's anywhere between 60 and 70.

MR. CHAIRMAN: I see. Mr. Bostrom.

MR. BOSTROM: Yes, Mr. Chairman. I'd like to make a few closing comments here, just on this enterprise. I think what we see here is an example of what I've been saying for a number of years, that the key to enterprises such as this in the north, as in any other area of the province, is the management. The people in the north can and do have the desire to work, however they must be organized efficiently and that requires good management. Good management can provide that organization, and can overcome many of the special problems of the communities that have to be taken into account in organizing any enterprise of this sort in a remote community.

It also demonstrates, I believe, from the report we have here, that the Crown Corporation concept can work, and can be used to provide an employment opportunity in remote communities where private enterprise simply is not operating. In the Community of Moose Lake, there probably would at this time, still not be any kind of enterprise working in that area, employing the people of that community, if there was not a Crown Corporation operating there. So that the people in that community would not have this work opportunity if it were not for the Crown Corporation of Moose Lake Loggers Ltd.

So it gives you an idea that the Crown Corporation is a vehicle that can be used by a government to ensure that there are employment opportunities available to people in areas where there is a resource to harvest, and there are people who can be used in working, in harvesting that resource, and providing useful, productive employment.

And it also, I believe, provides vindication for something we have been saying in this Party, and while we were in government, that individuals with a commitment to help people can be recruited into the public service of Manitoba, in a Crown Corporation or whatever, in the government, to manage and direct operations like these. That we do not have to rely entirely and only upon the private sector to provide employment opportunities for people; that people with ability and the ability to work with people, ability to manage, and a commitment to help people, can be recruited into the public service, either directly through the government, or through a Crown Corporation like this, to provide the opportunity for people to be employed, doing useful, productive work.

And I believe that the philosophy that's behind a corporation concept like this, of providing useful employment and income to northern people as being the first priority of the corporation, as the Chairman so eloquently described it earlier, that his commitment when he went into that community as the Chairman of the Board for this corporation, was to provide employment for the people of Moose Lake. That was the first consideration, that they should be given the first opportunity to work in this corporation, although keeping in mind that if they were not to be available for work, that others would be able to be recruited in order to make this a viable operation.

But having that philosophy, providing employment and income to the people, I think is unique to a Crown Corporation. Because the private sector simply does not operate that way. They're not

expected to operate that way; we should not hold it against them if they don't operate that way, because the private companies are in business to make money, and they want to make money the best way they can. In many cases, that does not include keeping in mind the special problems of a remote community, and putting a priority on recruiting people from remote communities to work.

I would say that if a private corporation went into this community, it is very likely that they would have brought all of their cutters in from outside the community, because they would have wanted experienced people, they would have wanted efficient cutters that had long experience in the bush operation, and that is the way they would have operated it. They might have tried a few people from the community. The first time they didn't work out, they would have let them all go, and that would have been it. They would have said, "Experiment over, we're finished with hiring local people. We're going to bring in all outside cutters."

But, Mr. Chairman, this corporation, as a Crown Corporation, went in there with a different commitment, a different idea of how things should work, and with the philosophy that they should be providing opportunities for employment and income for local residents as a first priority. So that they had to accept some inefficiencies, as the Chairman mentioned, in the first few years, and they are at this time probably even accepting some inefficiencies in the operation in order to continue providing that base of employment for that community.

And I would say that it is probably safe to assume that it is only a Crown Corporation like this that could do that sort of thing, that a private company would not and could not, provide the same opportunity for people in these communities. And that's not to say anything bad about them or to hold anything against them. They simply are not working in that way, and that's not their first priority.

I'd like to congratulate Mr. Minish, the Board of Directors, the Manager, and the people of the Moose Lake Community, for having the commitment to this project. I especially am proud of the obvious sincerity and dedication of people like Mr. Minish, and Mr. Kivisto, who are not from the community, and have gone there with a sense of commitment to assist that community. Their sincerity and dedication certainly is borne out by the success of this company, and they have obviously put in a lot of hard work in making this company a success, and I'm certainly happy to see that they have succeeded in setting an example here for other Crown Corporations in the way in which a Crown Corporation should operate in terms of dealing with people in remote communities. And they're also setting a very important example, an ideal really, for other communities to be able to aspire to having an operation like this in their community, which would provide employment opportunities, would provide useful, productive work opportunities for their people.

And I would hope that the government would take a close look at this. I know the present government by their statements in the past, recent statements in the Legislature, are not enamoured with the concept of Crown Corporations, and are not likely to promote this concept without some heavy persuasion. And I would hope, Mr. Chairman, that this report would show and demonstrate to the government of the day, that this kind of a concept can work, and should be used wherever it can be used, to give northern communities an opportunity to have useful, productive employment.

Now it has been demonstrated that it is possible to do it. There is one other example here which we'll be going over in a few minutes, which is not as good an example as Moose Lake Loggers, but the very fact that Moose Lake Loggers is working will demonstrate that it can work; this concept is possible to work. And the key is good management, good direction from the Board, as we have in this company, and I would think that that would be possible — I know that it would be possible — in other areas as well as in Moose Lake.

Thank you very much.

MR. CHAIRMAN: Is it a wish to adopt the report in total of Moose Lake Loggers Ltd., and go on to Channel Area Loggers Ltd.? Okay. Mr. Minish, re Channel Area Loggers Ltd.

MR. MINISH: Well, gentlemen and ladies, we are back to Square One again. You wonder how a person could suffer so much and still smile, but that's the way life is.

We are now on the Channel Area Loggers area at Berens River, and I was appointed to the Board as Chairman of the Board last September by the Minister of Mines, and on my immediate appointment our Board appointed Ray Kivisto as General Manager of this company also.

And we've gone from . . .

MR. WILSON: We take credit for that.

MR. MINISH: We have looking at us about \$1 million deficit over the years in this company, but

I can assure you that that isn't the trend that it's going to foresee that, because there's always — as Newton said, "For every action, there's a reaction," and there had to be some action for it to cause so much shortage in money.

We have started into serious production about last October or November, and have made great strides in this company already and we've only started, and it's self-explanatory. I'm not accepting any responsibility for half of this report, because I was not associated with the company until September. But any question you have on this, we have budgeted for the year, we budgeted for a loss of \$120,000 and our loss was \$122,000.00. We have decreased for the current year that's already in progress. The \$122,000 was decreased down from approximately \$210,000, which is about \$88,000 of a decrease over the last year already. So these are some of the comments.

We have increased the income from approximately \$3,500 per man to about \$6,500 in a matter of about eight months. And we have been subsidized, of course, by the provincial government through Northlands for \$210,000, which was put back into the company. There has been practically a whole new slate of officers on the Channel Area Loggers. At the present time it's Mr. Supella and J. Swain, Chief of Berens River, Mr. Supella, Department of Renewable Resources, A.J. Penner and Al Graham from Berens River, a businessman and J. Sinclair, Chief of the Peguis Indian Band. This makes up the directorate of this company at the present moment.

This concept that they had established in Berens River of cutting was a labour oriented thing of cutting and bunching and so forth, and we find that this was a very inefficient way of cutting timber in this day and age. The thing that was bad about it was that the production was so low, that he wasn't interested in cutting too much, when he could only cut if he laboured as hard as he could all day, he might be able to get three or four cords cut. So this is just one of the things that is being changed and has been changed in our operation there. And of course we've gone to just about 17,000 cords — it's sitting on the landing all paid for at Berens River — at the present moment, that's this last year's operation. Now, this thing in review here, is on March the 31st, '78.

MR. EVANS: Once again, I'm pleased to see that Mr. Minish is now associated with the company and we look forward to great things as he's indicated a determination to put it on the rails. Okay, actually the report gives a lot of information. For clarification, on Page 3, the report reveals an increased loss of \$69,514 reflecting a purport production costs of approximately \$60 — \$60 a cord production costs. I think the total was \$28 at Moose Lake and I'm just wondering, could you elaborate on the reason for this \$60 a cord production costs? Why is there such a big difference?

MR. MINISH: Well, the map location of the area is one thing, and besides that . . .

MR. EVANS: You mean the Forestry — the trees aren't there. It's to the same extent.

MR. MINISH: No, the map formation, it's over on the east side of the lake with nothing but water and air access to it, and this is just a costly operation. It would be one of the things, but here again on these particular things, I'm not in there and sorting out the problems. Their general manager is and I'd appreciate it if he would answer all your questions on this type of questioning.

MR. EVANS: May we hear from the general manager?

MR. KIVISTO: Well, this operation is a different sort of operation. It's an eight foot versus tree length operation at Moose Lake, and we sell our wood at roadside at Moose Lake, whereas we sell the wood on the landing and we have to haul this wood by trucks to the landing and pile it there. So, it's a more costly operation. We're presently getting around \$39 a cord with some bonus, which makes a total of \$41 for last winter; and we didn't make ends meet on that figure, and we're going to be looking for more money on that. But at the same time, last winter it didn't cost us, I don't think \$60 a cord. I think at one time or another up there, it cost more than \$60 a cord to run the operation. To keep the cost in line, you have to have a certain amount of production on this type of operation.

MR. EVANS: Well, Mr. Chairman, the report says again on Page 3, it was \$50 the previous year and then it went up \$60, but it says the increased loss reflects that but . . .

MR. MINISH: Well, in due respect to our manager, he was not associated, and I, myself, was not associated with this report.

MR. EVANS: Okay, what happens when the wood gets to the landing? You say it's a longer trucking

distance to take it from the place of cutting to the landing, I think you said. So what happens to it then, does it go by water during the summer?

MR. MINISH: Barged.

MR. KIVISTO: Yes, it's barged into Pine Falls.

MR. EVANS: Well, is Abitibi at Pine Falls, your only customer?

MR. MINISH: Yes.

MR. EVANS: Yes, and this would be strictly a pulp and paper wood, the wood wouldn't be — none of that is of the saw and the timber type?

MR. MINISH: Yes, there's a lot of it is saw-timber, but it's not economical to do that because there's no facility. There's a lot of good saw-timber, but you want to remember too, that Abitibi takes no off trees like Jack Pine. We're not allowed to cut anything but White Spruce. So, at Moose Lake we're cutting saw-timber, we're cutting everything.

MR. EVANS: Okay, what about the prices now? We've got one buyer again, and this is a private company. Is that the same process, where you sit down once a year and will be negotiating a price for the next year?

MR. MINISH: Yes, that happens in August — we have to go through that.

MR. EVANS: Yes, well, I guess actually the pulp and paper market is also a very volatile market, and I think we've seen an upswing and I don't know whether it's going to continue or not, but I would presume if the prices for pulp and paper are going up, then they should be prepared to offer the suppliers of the raw material a higher price.

MR. MINISH: Well, if I could intervene a minute, our price is fixed for what they want to pay for it. But we find that they're negotiable on price, but there's been a very large problem here on the part of the supplier. You know a business like Abitibi Pulp and Paper, they have to be within 1 or 2 percent of their inventory to know what they're going to do, or they're going to be in trouble. They realize that but they've got so much capacity at the mill and they have to have it. So therefore, they can't come to us and say that we'll buy a certain amount of timber and at a certain price when our track record has been, maybe an average of 5,000 cords, because that's just a drop in the bucket to them. This has been the biggest reason, we find, if there is any reason why we don't negotiate for the right price, this is one of the big reasons. Once we show them, that we can supply them with so much timber, then their price of inventory comes down because they don't have to speculate, and therefore, they know that they're going to have so much on the landing from us and this is the point that we have to establish before we can say to them, "Well, we're not getting enough money and we can't make ends meet." They know what it costs to cut a cord of wood and they're not unreasonable. But the biggest thing we found is what I stated.

MR. EVANS: Mr. Chairman, what is the potential for any development here, is this company more or less — I know you're new to it — but is the company more or less cutting to its limit, the limit more or less in a sense dependent on the number of people who are around and available to work in that area, but is there a potential for growth in this particular company?

MR. MINISH: Yes, the general manager and myself, and I'm sure the rest of the Board feel that this particular operation has got at least as good or better potential than Moose Lake, because the timber in there is second to none, and I'd like to see government intervention, where they could use the saw-timber in there, which is a shame to cut a two-foot tree and take it down and grind it up for pulp. This doesn't seem to me to be a way of using and utilizing our resources, but it just so happens there's no such a thing available at the present time. But there's a lot of timber there and we have to go with what this company will take from us, and that potential at the present time — they would have taken up to 20,000 cords last year, where we cut about 17,000 — but we had a real bad winter; we just had a terrible winter. It was the coldest winter on record and everything was mud in the fall. We never got our camp set up; we went in and rebuilt our complete camp and got this thing so it was respectable, so that the people in there could have at least the same opportunity to eat a meal and cut, as the average person in Manitoba. This is the first thing

we did and this cost a lot of money. So we feel that this year is going to develop into a viable thing in the near future, and I'm not going to say when either, because I keep telling them I hope it's next year every time I'm before you people, but it took me seven years before we got to that point with Moose Lake and I don't think it will be that long with this company.

MR. EVANS: Yes, I was very interested in what Mr. Minish said regarding the possibility of a saw and lumber operation. In other words, he said to us there's a lot of good wood that's being in effect, wasted because we could get a higher return for it. It's suitable for making lumber. Would it be feasible, from your knowledge of the situation, for Channel Area Loggers Limited to diversify, in other words, to set up a sawmill at some point — I'm not saying when either — but at some point? Is that practical for you to get into a small sawmill operation there, and sort out your wood so that you could give Abitibi the pulpwood and keep the other, and saw it and then sell the timber to — well, whoever you would sell it too. It could be in the open market.

MR. MINISH: My personal opinion is, and I haven't taken this up with any of the Board members, and not even with the manager, but my personal opinion from my experience in sawing, is that it's quite practical. But we have a wall staring us in the face in this company every year, and we've got to eliminate some problems before we take on any more. So I would think this would be very advantageous to look into in the future. I'd be quite interested in it myself, but at the present time it's not thinkable because we've got to get this thing on a paying basis. As you know I have a memo here that there's only four people besides the . . . all Native people except four in this operation.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Very good. No, I won't ask any other questions, just to wish the Company, Mr. Minish and the Manager and everyone else connected with it the very best and look forward to a better report next year.

MR. MINISH: Thank you.

MR. BOSTROM: Mr. Chairman, I believe that what appears to be happening here is along the same lines of the comments I made earlier that these companies operating in the north require good management and good direction, and that's something that was a problem I believe in the Channel Area Loggers Limited in the past. They've had a number of problems with management in that area and as a result we see losses in the records of the company; some rather significant ones, which I am hopeful with the direction of Mr. Minish and the new Manager will be turned around. I note that they are making progress in that direction at the present time and I have confidence that this good direction will continue and that we will have a better report in years to come.

I was certainly happy to see the increase in the production in that area because the more production, the more employment there is in that area. I know from discussions with people in the community they seem to be quite happy with the way in which the Company is operating now. They have very favourable impressions of the new Manager and the people that are working on the Board including the Chairman of course, so that I think things are looking up and I would certainly be in full support of the progress and the direction that Mr. Minish and the new Manager are making in this area.

Just one question, Mr. Chairman. The Chairman I believe indicated that all the people working in the operation are Native with the exception of four. Could he indicate how many in total were employed over this period that is contained within this report and also over the period which is not yet reported to us but which he did indicate produced 17,000 cords.

MR. MINISH: I couldn't answer your first question at all because I haven't any idea how many people were employed in the year that's under review but I can tell you that we had fifty people employed there since Ray went in and took over in September. Now there wasn't fifty people employed then but it was up to that and more, because our trucking was done to the landing by one of the natives who did full capacity on his truck, and three other people from Swan River; they were the other charters, so. . .

A MEMBER: We have, to make up that workforce, usually employed 250 people during the year but we actually generate about 50 man years of work.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Yes, Mr. Chairman. I'm wondering if the Chairman could indicate who the new officers of the new corporation are? I note he indicated a change in the Board of Directors but on the Officers page there, could he indicate if there have been any other changes in the list there besides himself and Mr. Kivisto that is?

MR. MINISH: Myself as Chairman of the Board and President, and Vice President is A.G. Penner and Treasurer is . . . we just don't have the Treasurer I guess. And Gordon Tritehart is the Secretary of this Board, and the General Manager is Ray Kivisto and Mr. Sam Robertson is the Controller. Mr. Robertson was Acting Manager from the time that Loxley resigned until a new appointment.

MR. RANSOM: I understand from the comment that was just made here that there is 50 man years of employment provided, but that 250 people had been involved if I understand that correctly which would indicate perhaps a turnover of the staff about 5 times in a year?

MR. MINISH: That's right.

MR. RANSOM: Well, it leads to the question then of are there jobs available there now that are unfilled?

MR. MINISH: I'll have the General Manager answer that, Mr. Ransom.

MR. KIVISTO: I think what happened in the previous years now, 250 people filling 50 jobs, it's because of the lack of reasonable job opportunities; they can't earn enough money and they use it just for a stop-gap employment. I think the way we can turn that around is to make the jobs more attractive; the people should earn more money and the previous way of looking at it was that you create a lot of jobs but nobody earned any money. So I think we should create less jobs and the people earn a reasonable amount of money and then we'll have the thing solved.

MR. RANSOM: How many jobs are open now and how much could the people make in those individual jobs?

MR. KIVISTO: Right now with the ice on Lake Winnipeg, it's a hard thing to get into right now but we've got about 40 jobs open right now.

MR. RANSOM: And how much might someone expect to make in those jobs?

MR. KIVISTO: Well, they can make over \$10,000 a year, up to \$15,000 and more, it depends on how hard they want to work.

MR. RANSOM: Well, that's the information that I was interested in getting, Mr. Chairman. I would just like to express my thanks on behalf of the Committee to Mr. Minish and Mr. Kivisto for the work they've done and the work that their Boards have done, with both Moose Lake and Channel Area Loggers. It appears that they are doing a good job and in the case of Channel Area Loggers, it would seem that the change in direction there was very much required and we certainly are pleased to see that the trend at least is the way it is.

MR. CHAIRMAN: Is it the wish of the Committee to adopt a report? Mr. Bostrom.

MR. BOSTROM: One more question, Mr. Chairman. Perhaps the Chairman, Mr. Minish, had already indicated this, but I would like to know what is budgeted as a potential subsidy required for the year end 1980, that is the year that we're operating in right now.

MR. MINISH: We have budgeted for a deficit of \$75,000.00.

MR. BOSTROM: And can the Chairman also indicate what they have projected for a total cut for the year ending 1980?

MR. MINISH: To be real frank about that, Mr. Bostrom, we haven't negotiated for a contract with Abitibi, but I can say here that we'll be asking for a contract up to between 20,000 and 30,000 cords, because they have a limit as to what they can take at the time being. Because as this operation

was going backwards, Abitibi was looking for other sources of timber, which is unfortunate and they had made commitments elsewhere that they can't channel to us at the time being but we're hoping that this will improve and there's a vast potential there of timber, nothing but tier there. I have personally flown over the whole area several times.

MR. CHAIRMAN: Mr. Barrow.

MR. BARROW: Yes, Mr. Chairman, I don't want to let this committee go too late but I have a few questions that I'd like to ask. They're just short questions and they should be short answers. . . . contracts with the electric skidder owner-operators when three of the four company skidders were sold, so you are evidently going to the owner-operator skidders to increase your production. Three of your company skidders have already been turned over to the owner-operators.

MR. MINISH: Ray will have to answer that one for me.

MR. KIVISTO: On Channel Area? We'll be going over to owner-operators completely. We've got five skidders owned by one owner-operator which was the only way we could go at the first instance because he's also a qualified mechanic. And the people that were on the skidders are all native; they're all employed by us for the fellow that has the skidders. Not knowing the people in Berens at the time we went in there, we couldn't justify getting anybody else skidders than the one that lived there and was also a qualified mechanic that could service and keep these machines in repair.

MR. BARROW: But eventually, you'll go more to owner-operators?

MR. KIVISTO: Right.

MR. BARROW: You only have four available now altogether, but to increase your production, you'd go moreso, you'd provide more skidders for this type of operation?

MR. KIVISTO: Yes, we'd go into complete owner-operators.

MR. BARROW: And you said the method of scaling was changed in the latter part of 1977 and this method appeared to be inaccurate and it accounts for a substantial portion of your loss. Could you give me a few comments on that type of scaling where you would create ' , .

MR. KIVISTO: Well, the type of scaling they did was . . . it was a stick count; a piece count. They just bunch-piled them into round piles and the amount of cords in that pile was tabulated by how many pieces was in that pile and every once in a while you took . . . cubed trees in a certain pile and then you find out how many pieces would go into a cubic content cord. And this proved very inconsistent and it resulted in about 3,000 cords of difference between the scale in the bush and the landing scale probably.

MR. BARROW: And you're also going into a different method of transporting your pulp by towing it down the lake to Pine Falls in 1,000 cord booms. This is going to cut down on your expenses and make the transportation much easier because your barge is only carrying 450. Has that been done?

MR. MINISH: Mr. Barrow, that was an experiment that was carried out to see if it was feasible to cut down the transportation costs and it they boomed the logs down, 1,000 cords in a boom, down to Pine Falls, but it proved very inefficient. So it was abandoned but there was no cost, and I want to clear this position — there was no cost involved to Channel Area Loggers on this. They were paid for all the wood that was put in the boom, but it wasn't an efficient thing and it was an experiment and there's nobody to blame because they were trying to get an efficient way. You see, this barging is a pretty expensive way of moving the timber.

MR. BARROW: As the Minister says, the boom was a bust.

MR. MINISH: Yes, the boom broke. —(Interjection)— Yes, that is literally, and some of the wood never got there because the booms broke. They banded so much in a pile with iron — put iron around it — one band, and when it hit the water of course, it started to work and they just floated out of their moorings and of course out of the boom.

MR. BARROW: One last question then. You say the wood is of better quality in Berens River than it is in Moose Lake. So you're very optimistic about putting this area on a profit basis. Are you quite confident you can do that?

MR. MINISH: Yes I am. .

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Just a quick question with regard to the employment that is happening up at Berens River. Most of your people that work there — do they come from Berens River or are you still bringing quite a few in from the west side of Lake Winnipeg?

MR. MINISH: We have 50 percent from across the lake and 50 percent — about 45 percent from Peguis and about 50 percent from Berens and five percent others.

R. BANMAN: Why would there be 40 jobs vacant right now?

MR. MINISH: Well, because of the inaccessibility — you can't get in there. You can't get in by plane or boat, it's just one of those things. The ice is on the lake and the auxiliary strip that we have there at the camp is inaccessible. You couldn't go down there with a plane.

MR. BANMAN: Do you anticipate any problems once the break-up hits?

MR. MINISH: NO. No. The general manager is going to orient this thing with skidders and we're going to put in a buncher and this particular area lends itself to this type of performance. And instead of 250 men getting \$3,000 a year, there may be from 50 to 70 getting \$12,000 to \$15,000 a year. And there's no other way that we can see it can go.

MR. BANMAN: And these 40 people you would be drawing, I would imagine, from outside Berens River, then, if the . . .

MR. MINISH: No, they're all natives that we've been hiring. Everyone except four personnel that are in there. That's counting Ray and . . .

MR. BANMAN: No, but they'll be coming from outside the Berens River area. In other words, maybe from the west side of Lake Winnipeg or . . .

MR. MINISH: Oh, yes.

MR. BANMAN: They're not in the community of Berens River.

MR. MINISH: Yes, well 50 percent of them will be — have been and will be, and maybe there's more. We don't know. We're pretty well infants at this performance up there. We're old hands at Moose Lake, but we're a little new here, but it just so happens that the same thing prevails right down the line. It's happened at Moose Lake, it's happening here. And once they see that a man can make a decent wage except going and getting a few bucks for the weekend, and he's got a beautiful place to live and eat — well we think that we'll have a work force that will stay with us. And instead of turning over 250, we hope that we'll maybe turn over 85 or 100. Does that answer your question?

MR. BANMAN: Yes, and I do thank you.

MR. MINISH: Thank you.

MR. CHAIRMAN: Any further questions? We'll adopt the report. Committee rise.