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of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on

**ECONOMIC
DEVELOPMENT**

31 Elizabeth II

Chairman
Mr. Don Scott
Constituency of Inkster



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

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ANSTETT, Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
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GRAHAM, Harry	Virden	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, 29 April, 1982

Time — 10:00 a.m.

CHAIRMAN — Mr. Don Scott (Inkster)

MOOSE LAKE LOGGERS

MR. CHAIRMAN: I call this committee to order. This morning we're going to be dealing with Moose Lake Loggers, Channel Area Loggers and Committee on Economic Development Fund. I suggest that we start off with Moose Lake Loggers, that has been agreed to by both parties. So if we could start off please.

Jay, will you make initial comments.

HON. JAY COWAN (Churchill): Yes, I'd like to, as is tradition, briefly introduce the staff who will be answering some of the questions today. To my left is Mr. John Christensen and we have with us Reno Kivisto and Gordon Trithart. With that John, I'd ask if you could make an opening statement on Moose Lake Loggers.

MR. JOHN CHRISTENSEN: Mr. Chairman, it gives me a great deal of pleasure to report substantial gains in each segment of the company's operation, which include a profit of \$127,500; production of \$81,500, of course, with revenue approaching \$3 million; wages of \$1,689,000; payments to loan operators totaling \$587,000; 68 employees; and last, but not least, chartered bank interest of \$9,300 on the revenue side.

All these records are astounding when you consider the General Manager was spending 75 percent of his time at the Channel Area Loggers operation.

Three new owner-operator skidders were added with the assistance of a Special ARDA program making a total of 28 skidders. The tireless efforts of management and staff have been rewarded by averaging annual salaries approaching \$25,000, including a bonus paid to supervisory and office staff, which is based on profit of the company. Are there any questions?

I may call on Mr. Reno Kivisto or Gordon Trithart to help answer some of the questions.

MR. CHAIRMAN: The Member for Swan River.

MR. D.M. (Doug) GOURLAY (Swan River): Thanks, Mr. Chairman.

I wonder if the Chairman could indicate the role of Mr. Kivisto at the present time. Is he resident at Moose Lake full time?

MR. CHRISTENSEN: He is full time at Moose Lake now, yes, and has been this last year.

MR. GOURLAY: I'm just wondering the involvement of local people in the management skills at Moose Lake Loggers. Is there an ongoing program there where local people are being trained to become more involved in the total operation of that corporation?

MR. CHRISTENSEN: Yes, there is definitely. We are

training people as time goes along and if you know the percentage of local people there, I would have to ask Kivisto to answer that question.

MR. GOURLAY: Yes, that's fine. You mentioned that there's 28 skidders involved in the operation there now; is all the production at Moose Lake produced by owner-operator?

MR. CHRISTENSEN: Yes, it is.

MR. GOURLAY: I wonder if the Chairman or the Manager could indicate what the current situation is at Moose Lake in view of the soft market in pulp and the general slowdown on the economic situation? How is this affecting the operation at Moose Lake at the present time?

MR. CHRISTENSEN: We have, we've cut back in cords for this year. We are talking about 70,000 cords, but we haven't got anything for sure yet.

MR. GOURLAY: Is the operations shut down at the present time until the summer operation or are they working there right now?

MR. CHRISTENSEN: It is shut down at the present time, but we are starting up again on approximately May 10th.

MR. GOURLAY: I believe last year, there was reported that there was a couple of changes on the Board of Directors. I just don't have the names of them, Mr. Martin and Mr. Easter were added, "Two new Directors from the community, John Martin and Lloyd Easter have been appointed." Has there been any other changes?

MR. CHRISTENSEN: No, there hasn't been since them, no.

MR. GOURLAY: I think originally when the Moose Lake Loggers was established it was for the purpose of providing employment for residents and surrounding areas. Also, I think, the long term approach was that local people could be trained and may eventually take over the complete management of Moose Lake Loggers and I would just like to direct a question to the Minister, if he sees any change in the operation at Moose Lake in the foreseeable future?

MR. CHAIRMAN: Mr. Cowan.

MR. COWAN: We haven't directed our attention to specific changes at this time, however, I wish to leave the option open for changes which we may feel are necessary as new information comes to us or as we decide to pursue different objectives; although I can indicate in this instance that the objective is still to provide employment for local people and training for local people.

MR. GOURLAY: Thanks, Mr. Chairman. I wonder if the manager or someone, Reno perhaps, could indicate how many people are employed in total at the Moose Lake operation.

MR. CHAIRMAN: Mr. Kivisto.

MR. RENO J. KIVISTO: It's between 65 and 75 when we are operating. Our report shows 68 and sometimes it fluctuates a little bit.

MR. CHAIRMAN: Mr. McKenzie.

MR. J. WALLY MCKENZIE (Roblin-Russell): I was just wondering, the local people owning and operating their own machines, has that proven to be a satisfactory policy?

MR. CHAIRMAN: Mr. Kivisto.

MR. KIVISTO: It is much better than the company owning their own skidders. We have had some failures, but very minimal.

MR. MCKENZIE: What is the price of a cord of pulp on the market today?

MR. KIVISTO: We get just a little bit over \$40 a cord, but we just produce at the roadside, so I couldn't tell you what the costs are over and above what we produce at the roadside.

MR. MCKENZIE: In other words, you lay it down on the roadside and whoever picks it up, it's \$40 a cord.

MR. KIVISTO: That is correct.

MR. MCKENZIE: Can I ask again, Mr. Chairman, it's then trucked to the railroad centre?

MR. KIVISTO: It's trucked to The Pas from there.

MR. MCKENZIE: Thank you.

MR. CHAIRMAN: Mr. Brown.

MR. ARNOLD BROWN (Rhineland): I notice that you have some overproduction of 9,564 cords at the present time. Are the people who cut these cords of wood, are they receiving any remuneration of this at the present time or do they only receive remuneration when it's sold to ManFor?

MR. KIVISTO: No, they get their money right away.

MR. BROWN: They get their money right away. So ManFor pays them out right away?

MR. KIVISTO: No, Moose Lake Loggers pays them out right away.

MR. BROWN: The Loggers pay them out right away, very good. I notice that besides a cord of wood, for pulpwood, you're also cutting — oh what was the term that was used anyhow — anyhow, what I'm trying to find out is, any of the wood that is being cut around

the Moose Lake area, is that used as lumber for building houses and plywood? Is it used for other than pulpwood?

MR. KIVISTO: Yes, it's sawlogs, which ManFor turns into lumber.

MR. BROWN: How would you term your operation? I see that three out of the last four years, you've been coming in with a surplus which is a big change from what it used to be. I think it used to have a loss every year, if I remember correctly. Is the turnout of labour good at the present time? Can you rely on them?

MR. KIVISTO: Well, it's much better than when we first started.

MR. BROWN: I realize that you had quite a bit of difficulty when you started off with attendance and people showing up for work, so that was the reason why I was asking this question.

About what would a cutter be able to earn? Have you any idea in a year's time.

MR. KIVISTO: You mean in a year, or in a month or a day?

MR. BROWN: Well, whatever.

MR. KIVISTO: Well, it's a piecework operation, so it depends on how hard you work. Some of our men earn \$35,000 to \$50,000 a year and others are down to \$15,000, so I couldn't really put a complete figure on it.

MR. BROWN: You mean to say that somebody who is working real hard would be able to earn \$50,000 a year cutting logs?

MR. KIVISTO: That's correct.

MR. BROWN: Well that seems to be a good salary, something that could keep his family going in a very good style.

I have no further questions at the present time, Mr. Chairman.

MR. CHAIRMAN: Mr. McKenzie.

MR. MCKENZIE: The profit-sharing plan, is that working out well? Do you recommend that policy continue?

MR. KIVISTO: Well, it certainly helps to have the profit-sharing plan. It keeps all the staff earning and working towards a profit picture instead of a loss.

MR. MCKENZIE: Thank you.

MR. CHAIRMAN: Mr. Filmon.

MR. GARY FILMON (Tuxedo): Mr. Chairman, I wonder if I could ask the gentlemen here what their prospects are for the near term, given the rather slow world-market conditions for pulp and paper and so on?

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MR. CHAIRMAN: Mr. Filmon, we just had that asked a few minutes ago, but I'll get them to repeat it for your benefit. Mr. Christensen.

MR. CHRISTENSEN: Yes, as I said before, we are cut down to around 70,000 cords for this year. I believe there's going to be more cutdowns, I guess.

MR. CHAIRMAN: Are there any more questions regarding Moose Lake Loggers or can we pass Moose Lake Loggers at this time? Okay, Mr. Harapiak, I'm sorry.

MR. HARRY M. HARAPIAK (The Pas): Because of the cutback of production from ManFor, I'm wondering if some of the private operators are having trouble surviving because of the high interest rates, and has there been any support given by Moose Lake Loggers to some of the operators?

MR. CHAIRMAN: Mr. Kivisto.

MR. KIVISTO: Well, I haven't got any direction from the board to help any of the owner operators yet. I couldn't tell what the boards policy would be on it.

MR. CHAIRMAN: Mr. Gourlay.

MR. GOURLAY: I don't have any more questions on Moose Lake Loggers, I'm not sure about some of my colleagues, but I'd just like to take this opportunity to express our appreciation to the management at Moose Lake Loggers. I think that this corporation has come along quite successfully and is providing very important employment to the area and hopefully the current downturn in construction and the general economic situation will not adversely affect Moose Lake for any length of time. I'm sure in the short run that it will have some impact on that operation, but I'd like to take the opportunity to thank the people that have been involved in making the Moose Lake operation successful and the effort that they have been putting into it certainly has obviously worked out well.

MR. CHAIRMAN: Moose Lake Loggers Ltd.—pass.

CHANNEL AREA LOGGERS

MR. CHAIRMAN: Gentlemen, we'll move on to Channel Area Loggers, please.
Mr. Cowan.

MR. COWAN: Again, I would just ask that an opening statement be made and then we can proceed with the questions as is practised.

MR. CHAIRMAN: Mr. Christensen.

MR. CHRISTENSEN: Mr. Chairman, well, the loss of 173,000 for the year under review, that is 1980-81, is disappointing, it nevertheless reflects a \$104,000 decrease in loss over the previous year. On a per cord basis, the overall increase in costs were limited to some 5.2 percent of our wages, and payments to owner operators increased by 14.11 percent. We consider this trend as favourable, however, we are aware

that substantive effort is necessary to bring about financial viability. The production of 19,000 cords is . . . to the previous year despite the acquisition of an outside contractor who produced some 2,500 cords. This indicates at the continuing absenteeism problems. Are there any questions?

MR. CHAIRMAN: Mr. Filmon, are you asking questions?

MR. FILMON: Mr. Chairman, is this the operation for which the Minister recently negotiated a \$300,000 loan through the Royal Bank?

MR. CHAIRMAN: Mr. Cowan.

MR. COWAN: I'm informed that this is the operation.

MR. CHAIRMAN: Mr. Gourlay.

MR. GOURLAY: Yes, there has been over the years apparently problems with Channel Area Loggers with respect to cutting areas that have been allocated to the area by Abitibi where the amount of production was difficult to obtain and also the topography there is very rugged and not so easy to get around as in the case at Moose Lake. As well, there has been from time to time a considerable amount of absenteeism of workers, especially from the Berens River area.

I think some other communities, the Peguis and some other communities in that general area have provided employees, but there has been over a number of years a problem with absenteeism. I am wondering if the current year, as a result of a meeting with Abitibi officials on a couple of occasions last year, has this resulted in better cutting areas? What is the situation with respect to absenteeism this past year?

MR. CHAIRMAN: Mr. Christensen.

MR. CHRISTENSEN: I would say it is improving, but it is slow. It seems to take a certain amount of time before people get used to going to work every day and staying there all day, but it is improving.

MR. GOURLAY: What about the situation with Abitibi as far as the cutting areas? Has that situation been resolved to your satisfaction or is there still some problems with respect to that part of the operation?

MR. CHRISTENSEN: It is also getting better, except for the fact that we found that the areas where there was supposed to be lots of wood, there wasn't any. A fire had been through there and there are places where there was supposed to have been 40,000 cords, there ended up being about 10,000, so consequently we had to change the whole structure, the whole plan, and whatever.

MR. GOURLAY: It was mentioned that there was a \$300,000 loan. As I understand it, this is a line of credit at the Royal Bank or at least there was, I think, provision for \$.5 million. Is this \$300,000 the same line of credit, bringing it up to 800,000 now?

MR. CHRISTENSEN: I think I will call on Mr. Trithart to explain that.

MR. CHAIRMAN: Mr. Trithart.

MR. TRITHART: The government approved an additional \$300,000 which expires October 31st, 1982 to finance 6,000 cords of overcut wood which we could not sell at the time to Abitibi. Of that 6,000 cords, there is approximately 3,800 on the barge landing and we are hopeful that economic conditions will change sufficiently so that Abitibi will in fact take some of that wood this summer and, if they do, of course they will pay us for it. We have the balance of some 2,200 cords still at roadside and can't be sold until next winter anyway. However, Abitibi has promised to pay us in two lots. The major portion of that loan will be paid in October and the balance of, say, \$70,000 to \$100,000 would be paid not later than November of 1982. This was done in part to fulfill an obligation to an outside contractor, who was given a contract by word of mouth for a certain number of cords, and the company and the government, with the government's assistance, decided that they would fulfill that obligation.

MR. CHAIRMAN: Mr. Ashton.

MR. STEVE ASHTON (Thompson): Yes, I notice in the Minister's statement that accounts receivable has increased considerably over 1980, particularly the general category and the contract cutter category. I'm just wondering what the reason is for that and whether it's caused any cash flow problems.

MR. CHAIRMAN: Mr. Trithart.

MR. TRITHART: Yes, there is an increase and it has cost the company some problems as it relates to cash flow, however, the largest portion of that has now been repaid in full and in fact was last summer, and the company is not experiencing a cash flow problem right now, with the exception of that which was looked after by the government, as it relates to the overcut in wood.

MR. ASHTON: What was the reason previously for the problem?

MR. TRITHART: Well, for one thing, there was a lack of production and the ongoing payments at the bank of the various contractors, mechanical problems and there was a buildup in the accounts, but the production in current 1981-82 was such that some of this was overcome, and to some extent refinancing by the owner-operators.

MR. CHAIRMAN: Mr. Filmon, did you have a question?

MR. FILMON: I just wanted to clarify Mr. Trithart's statement that the expanded line of credit was to finance additional inventory that had to be carried and it's considered to be on a relatively temporary basis for this year.

MR. TRITHART: That's correct and the guarantee

expires October 31st, 1982.

MR. CHAIRMAN: Mr. McKenzie.

MR. MCKENZIE: Yes, I was wondering, the machine that burnt, it was in 1980, a feller buncher or something, machine. Was that machine insured? It was a new machine, if I recall.

MR. CHAIRMAN: Mr. Trithart.

MR. TRITHART: That machine was owned by Metik Enterprises, which is a local entrepreneur named Carl Whiteway. Yes, it was insured. There was sufficient insurance to retire his indebtedness and do some rather major repairs to a truck that he had, which is now making considerable money hauling wood for Channel Area Loggers.

MR. CHAIRMAN: Mr. McKenzie.

MR. MCKENZIE: One other question, I was wondering about road construction. That has come up from time to time in the area. Are the roads adequate now to move the pulp out of the area? There was some discussion, I recall, on the roads of Pigeon River, was it?

MR. CHAIRMAN: Mr. Trithart, can you answer that one?

MR. TRITHART: Roads are always a problem; they are probably the main problem in the industry. However, the company and the government recognize the need for roads, but they also recognize there is a need to properly plan. At some recent meetings, it was decided that we would employ an experienced forester who would actually take a proper inventory of the wood in the area so that roads and planning of where the camp would be, whether it is to be where it is now or moved, would be done in the most economical fashion. To this end, the company is in the process of hiring someone this summer to do just that.

MR. CHAIRMAN: Mr. Harapiak.

MR. HARAPIAK: I thought I heard in a previous report, Mr. Christensen say that Mr. Kivisto was full time at Moose Lake Loggers and I see that you are the General Manager at Channel Lake Loggers. How is this time split up?

MR. CHAIRMAN: Mr. Christensen.

MR. CHRISTENSEN: I am referring to now, I was asked, if he is there now 100 percent, which he is, but at that time he was 75 percent at Channel and 25 percent at Moose Lake.

MR. CHAIRMAN: Mr. Gourlay.

MR. GOURLAY: Mr. Chairman, a new manager was assigned to the operation at Channel Area Loggers during the past year, and I'm just wondering how this individual is making out in managing the operation at Berens River.

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MR. CHRISTENSEN: He is doing very well, Mr. Diemp. (phonetic)

MR. GOURLAY: Mr. Chairman, with respect to Abitibi, they were to honour a specific number of cords during the current year and that production has been realized, has it?

MR. CHRISTENSEN: Yes, it has.

MR. GOURLAY: I gather from the comments that there has been an overproduction and that is what is being financed at the present time.

MR. CHRISTENSEN: There has been, yes.

MR. GOURLAY: When does the new year start, April the 1st, so that Abitibi will be providing a new contract with Channel Area Loggers?

MR. CHRISTENSEN: Yes, they will be.

MR. GOURLAY: Do you have any indications at this time what that level will be set at for the current year?

MR. CHRISTENSEN: It will be set at 22,000 cords, but we already have an overcut of 6,000 to date, so we will then be back to 16,000 unless they can find an opening for more sales.

MR. GOURLAY: So, what is the current status at Channel Area Loggers? I appreciate the fact that this time of year it is normally shut down in any case, but will the cutting resume there when conditions warrant? When I say conditions, I mean weather conditions and that, apart from the market situation.

MR. CHRISTENSEN: Our plans are to start in as soon as the weather permits, yes, and the situation is good.

MR. GOURLAY: So, that if there is good production this summer, then that would reduce the amount of cords required to meet the 22,000 limit for the coming winter, so that they could easily reach that 22,000 by the beginning of next fall perhaps. Is that true?

MR. CHRISTENSEN: No, we wouldn't be up that high because we wouldn't be cutting that steady.

MR. GOURLAY: I wonder if the Manager or the Chairman could indicate the situation this past year with respect to the campsite. Was it working out quite well and was it filled to capacity, the accommodation?

MR. CHRISTENSEN: No, the previous year, we did not use the kitchen and the local contractors were on their own more or less. They were out in the bush in their own little shacks, so therefore we did not have the whole camp in production.

MR. CHAIRMAN: Do you have another question, first off, Mr. Gourlay, before we go on?

MR. GOURLAY: Not at the moment.

MR. CHAIRMAN: Not at the moment, okay.

Mr. Filmon.

MR. FILMON: This financial statement and annual report being a year old, any preliminary indications or can you indicate to us what has happened in the year ending March 31st, 1982?

MR. CHRISTENSEN: We do not have the final figure, but all indications are that it looks pretty good.

MR. FILMON: Was it at least as good as last year?

MR. CHRISTENSEN: Better.

MR. FILMON: So your production is up, but the problem right now is the potential for disposing of the logs.

MR. CHRISTENSEN: That is correct, yes.

MR. CHAIRMAN: Mr. Lecuyer.

MR. GERARD LECUYER (Radisson): What I was interested in, I wanted to know whether there was any provision made to ensure that there wouldn't be any over cutting to endanger the caribou's wintering grounds.

MR. CHRISTENSEN: That is a problem that has never even been discussed. I couldn't answer that one.

MR. LECUYER: At this point, there is no study that has been done or there is no supervising in this regard to determine that the caribou is or might be in danger through over cutting?

MR. CHRISTENSEN: No, there hasn't been any study done on that at all, but it has never even been brought up by the Natives out at Berens River or anywhere. I am sure if there was a chance of this, it would have been brought to our attention.

MR. LECUYER: With time and with over cutting, that might become a problem.

MR. CHRISTENSEN: Mr. Kivisto, he has a few comments to make.

MR. CHAIRMAN: Mr. Kivisto.

MR. KIVISTO: On the moose population, we found that cutting actually helps the moose browse because when you've have mature forests they have no feed on the bottom of that mature forest, whereas when you cut the thing open, the small brush gets up and there comes a tremendous feeding ground for the moose. I am not that familiar with caribou, but I would imagine it's the same.

MR. LECUYER: Am I correct in assuming that in the winter months the operation is relatively quiet anyway or very little of the operation takes place at that particular time of the year?

MR. KIVISTO: The cutting operation in Channel or in Moose, you are still in a relatively small area, so I don't

know just how much you would disturb. In fact, especially the moose and the caribou, they seem to hang around where the cutting area is. I don't know why.

MR. CHAIRMAN: Mr. Brown.

MR. BROWN: I notice that you say that absenteeism is a problem. I recollect that you said this, I believe, in your report every year. At least from previous years, I do recollect that this has been a very serious problem for you. Is this improving in any way or is it no better than what it was four years ago, let's say?

MR. CHRISTENSEN: We feel it is getting better. There are a certain amount of people that will never learn, let's put it this way, but the people that turn up to work now are definitely improving.

MR. BROWN: That's good to hear. Are you paying them the same rate as what the people receive at Moose Lake?

MR. CHAIRMAN: Mr. Trithart.

MR. TRITHART: Moose Lake Loggers and Channel Area Loggers are different types of operations. Moose Lake cuts tree length and sells it in tree length at road side and all the slashing into 8 or 16 foot and all the hauling is done by ManFor, whereas at Channel Area Loggers over the last few years and including the year in question, we have been operating with skidders and the men have actually been cutting the wood with power saws and bucking it up by hand into piles. Therefore, in actual dollars and cents on a per cord basis it doesn't bear any resemblance. However, we feel that for the work performed and the time it takes to produce a cord of wood, they are getting very similar amounts of money on a per cord basis.

MR. BROWN: How far would these cords have to be skidded once you have them on the skid? Would you skid them all the way to Berens River or do they skid them down to the river and float them into the landing or what is happening? I'm not familiar with this operation at all.

MR. TRITHART: Okay, a crew is given a strip of wood which is maybe not a very large area and — when I say road side I mean winter roads — they might be dragged over a distance of . . .

MR. CHAIRMAN: Mr. Kivisto.

MR. KIVISTO: 1,000 feet is the longest you skid with a skidder and it's fairly uneconomic to skid it that far. Mostly it's between 600 and 800 feet and then you have a landing beside the road, whether it's a winter road or a summer road, and from there the truck picks it up.

MR. BROWN: Once you get it to Berens River, how do you get it over to the Abitibi Plant?

MR. KIVISTO: The wood is put on a barge landing at Pigeon Point and from there the marine transport transports it down to Pine Falls.

MR. BROWN: Thank you.

MR. CHAIRMAN: Mr. Filmon.

MR. FILMON: Mr. Chairman, I just wanted to clarify the nature of the operation in terms of cutting. As I understand it, I think you go full bore in summer and in winter, and it's only in spring and perhaps a little bit in the fall that you're shut down in terms of your operation because of the thaw and freezing cycle. Is that the nature of the cycle primarily?

MR. CHAIRMAN: Mr. Trithart.

MR. TRITHART: That has been to some extent the nature of the operation. However, the area in the Berens River area where we're cutting is not as conducive as to many other places to cutting during the summer due to bogs and that kind of thing and you have to have high cutting grounds. That's one of the reasons we're taking a ground inventory of the available timber so that we'll know exactly where we can cut when and more properly have our operation organized for the ensuing years.

MR. FILMON: So it turns out that winter then is your largest time because the ground is frozen and the access and everything is the best at that time?

MR. TRITHART: That's true. In addition, there is winter cutting. The wood is more brittle and many of the branches will fall off rather than having to be cut off.

MR. CHAIRMAN: Gentlemen, are there any further questions on the Channel Area?

Mr. Gourlay.

MR. GOURLAY: Yes. The year ending March 31, 1981, showed a loss of \$173,000 and I wonder if the Chairman can at this point give us some indication as to what the situation will be as of March 31, 1982. Does he have any figures now that would indicate whether it'll be 100,000 or less, or how much loss can we expect in the next report?

MR. CHAIRMAN: Mr. Christensen.

MR. CHRISTENSEN: At this point, we don't have the final figures yet, but it is going to be less than \$100,000.00.

MR. GOURLAY: With respect to the Northlands Agreement, this was part of the old agreement whereby the Federal Government would pick up 60 percent of the loss and the province would bear the remaining 40 percent. In view of the fact that the new agreement hasn't been signed and there was an indication to us when we were government that the new agreement would not be retroactive, I wonder if the Minister could indicate what the situation will be with current losses that will be the responsibility of the province. Will they be required to pick up 100 percent of these losses at the current time?

MR. CHAIRMAN: Mr. Cowan.

MR. COWAN: That's a bit difficult at this stage to give a definitive answer to that question. I expect to be meeting with Mr. Gray in the very near future and that will certainly be one of the topics which we are going to discuss. We will put forward the position that has existed in the past on this particular issue and it will be up to Mr. Gray to respond to that position, but other than giving an indication of support for the process that was in place in the past, I can't be more definitive.

MR. GOURLAY: I wonder if the Minister could indicate how he sees the Channel Area operation with respect to the original intent to provide employment to communities in that area and there has been, as identified, some problems over the past. Does he have any comments to make with respect to the future operations of Channel Area Loggers as to how to improve the overall participation by the local people there?

MR. COWAN: The member indicates that there have been problems in the past and there certainly have been. I think it goes without saying that there will be problems in the future as well. I think that those problems are minor compared to the problems which exist when you don't have a structure of this sort in place to provide employment and training opportunities. So we are willing to live with the problems that exist now as long as we can be assured that the social cost benefit that accrues to the province as a result of this operation is greater than the outlays which would accrue to the province and the expenditures which would be necessary on the part of the province if this operation did not exist.

When you start to talk about social cost benefit analysis, of course, you're going to have some differences of opinion as to what should be included in the equation. If you're asking for my position on what should be included in the equation, then that does in fact have a strong influence on governmental response to this operation. I would suggest that one has to take into consideration the expenditures that would be necessary on the part of the province, and the Federal Government as well, for welfare costs, for unemployment costs, those sort of firm concrete figures which one can apply very directly to their analysis.

I also think one has to take into consideration a less definable figure, but an important one nonetheless, and that is the cost in human dignity, and the cost in human pride when people don't have an opportunity to participate in a meaningful way in employment opportunities. That's a more difficult one, as I said, to provide a dollar figure to, but it is important, and I think if we are going to err in respect to assessing a dollar figure to that, we will err on the side of generosity.

So, I see a strong role for this operation in that area, because it is my belief that it provides that sort of dignity, that sort of pride, that sort of opportunity to those individuals. At the same time we will attempt to work out the problems as they exist, at the same time acknowledging that there's good reason for those problems to exist now, and there's good reason for us to try to solve them. We can only solve them by continuing this operation for as long as it is possible.

MR. GOURLAY: The kitchen area was not operating last year. Do you see any new role or new inputs as far as training programs or the encouragement of local participation by people in the area to become more involved in the operation at Channel Area, comparable to what's happened at Moose Lake? I'm just wondering what do you anticipate with the facilities that are there and have been obviously not used the past year? Are you re-examining that whole operation?

MR. CHAIRMAN: Mr. Christensen.

MR. CHRISTENSEN: Yes, we have been examining the whole operation there, but all the buildings and the kitchen, they need a lot of improvement done, they need a lot of repairing. That seems to be the big expense. So by not having the kitchen there, and they're doing their own cooking, you do save a lot of money. It doesn't seem to make any difference if they want to work, they come and work there anyway.

MR. GOURLAY: How many private operators were involved there this past winter and did they all have their own kitchen and cooking facilities? Obviously they did, I guess.

MR. CHRISTENSEN: They all had their own facilities, yes, and there was 11 skidders and there was roughly three men to each skidder.

MR. GOURLAY: How many different separate operations were working there?

MR. CHRISTENSEN: Well each skidder was more or less on their own.

MR. CHAIRMAN: Mr. Filmon.

MR. FILMON: I wonder if the gentlemen could give us the information as to approximately how many people employment is provided for by the Channel Area Loggers operation, perhaps in terms of person years or man years, I guess, in that area.

MR. CHAIRMAN: Mr. Cowan.

MR. COWAN: I'll pass that question to Mr. Christenson.

MR. CHAIRMAN: Mr. Christensen.

MR. CHRISTENSEN: I think I will ask Mr. Trithart to answer that one.

MR. CHAIRMAN: Mr. Trithart.

MR. TRITHART: A recent analysis for a three-month period indicates that the work force is approximately 45 when we're in operation. Now, that doesn't it spell out in man years but . . .

MR. FILMON: It's be somewhat less, I guess, due to the seasonal nature.

MR. TRITHART: It'd be somewhat less, yes.

MR. FILMON: I should have asked this earlier, but what does that compare to in terms of Moose Lake Loggers; it's much larger, is it not?

MR. TRITHART: Moose Lake has approximately 68 employees, but they vary from say 65 to 73 or something like that; but more on a full-time basis, much more on a full-time basis, with the exception of the current economic conditions.

MR. FILMON: One other question, I wonder if the Minister could indicate if there have been any changes on the Board of Directors of either this operation or Moose Lake. I'll accept it if he tells me that we're through with Moose Lake, but for my information I just . . .

MR. CHAIRMAN: Mr. Cowan.

MR. COWAN: We have made no additions to either Board. There may have been resignations that have come in. We will look at open positions and we will look at other positions at the appropriate time, but to date we have made no changes by way of addition.

MR. CHAIRMAN: Mr. Gourlay.

MR. GOURLAY: What was the final price per cord that was decided on with Abitibi this past year, \$65 was it?

MR. CHAIRMAN: Mr. Christensen.

MR. CHRISTENSEN: \$66 per cord.

MR. GOURLAY: Was there any bonuses in addition to that \$66.00?

MR. CHRISTENSEN: No there wasn't.

MR. GOURLAY: That was the total price, eh, \$66.00? What kind of price do you anticipate for the coming year? Was that price going to be maintained, or should it be increased considerably, or what price do you think that it should be at in order to make it a viable operation for the coming year?

MR. CHRISTENSEN: Well we're certainly hoping for an increase, but to date there hasn't been any increase coming across. We haven't met with them anyway.

MR. CHAIRMAN: Channel Area Loggers—pass.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

MR. CHAIRMAN: Okay, ladies and gentlemen now let us move on to CEDF or Communities Economic Development Fund. I'll ask the Minister to introduce the staff and then for the staff to make the opening comments.

Mr. Cowan.

MR. COWAN: Before doing so, Mr. Chairperson, and before those individuals from Channel Area Loggers and Moose Lake Loggers have an opportunity to leave

the room, I do want to thank them sincerely for their participation here today. As well, I want to thank them publicly for all of the extra effort that they have put into those operations over the past few months as we have tried to deal with the changes in the world market and deal with changes in the specific market in the area. Their dedication is not only appreciated, but I hope by way of this brief word of thanks it is acknowledged. I do want them to know that we are pleased with that which is happening in that regard. The times are difficult and the times are tough, but we're going to tough them out ourselves along with the individuals who are working in those areas. Thank you very much for all of your help.

Having said that I'd like to move on to the discussion on Communities Economic Development Fund and introduce the staff that are here. We have Mr. Jim Goodman, who is the Chairperson; Mr. Hugh J. Jones, the General Manager; and Mr. Alex Musgrove, the Secretary Treasurer; all of whom I'm certain you are familiar. For those of you who are not familiar with them they are responsible in large part for the success of the Communities Economic Development Fund, and again I'll begin by thanking them for all their efforts over the past few months and years in respect to making that Fund work. Having said that I'll ask if we can have the introductory remarks.

MR. CHAIRMAN: Mr. Goodman.

MR. JIM GOODMAN: Mr. Chairman, the report before you today covers the activities of the Fund during the fiscal year ended March 31st, 1981.

I see that the General Manager in that report has highlighted the principle factors in audited financial statements and has provided some comment on other significant issues during the year in question.

Perhaps questions on the specifics of the financial statements, and/or loans approved during the fiscal 1981 could be taken by Mr. Jones, the General Manager, but before this is done I would like to briefly update the committee on activities of the Fund subsequent to the year-end now being considered.

Page 4 in this report indicates the number of applications approved since the Fund's inception in 1972. Here you will observe that in 1981, 34 applications were approved for a total amount of \$1.18 million, thereby creating or retaining 120 jobs.

In a subsequent year, that is, the year ended March 31st, 1982, the Fund approved 47 loans for a total amount of just over \$2.9 million, thereby creating 205 jobs. Clearly then there has been a continuing increase in the Fund's activities and the board has noted, with particular interest, that the amount of loans being processed are gradually increasing in dollar size.

In the year ended March 31, 1982, there were six loans approved at limits beyond the board's authorization, that is at the level of \$75,000.00. In addition, the average size of loans approved, itself is increasing for reasons such as the obvious one of inflationary costs of equipment, acquisition and construction costs, etc.

I commented at the committee last year upon the administration procedures within the Fund in terms of loan authorization limits, the board and myself and the general manager. These have not been changed

in any way since then, and the guidelines published in the report before you on pages 5 and 6 also have remained unchanged to date. The directors have met consistently on a monthly basis and I must comment again upon the considerable work undertaken at board meetings themselves and I extend my appreciation once again to the directors and to the staff of this agency. In today's difficult economic climate, the directors are very cognizant of the need to scrutinize more carefully than ever the submissions put before them and it is interesting to note the activity level remaining as high as it does.

It should also be noted that the Directors of the fund are also Directors of the Manitoba Development Corporation and in that context we have an obligation to ensure that the monitoring of the remaining significant loan portfolio is adequately maintained.

I should be pleased to answer questions the committee may have, or refer them to Mr. Jones, as the case may be.

MR. CHAIRMAN: Thank you, Mr. Goodman. Any questions from the floor?

The Member for Swan River.

MR. GOURLAY: I'd like to thank the Chairman for his opening statement and I think it's interesting to note that the fund's activities certainly haven't been winding down at all. As a matter of fact, there's a record number of jobs that have been created as with the 47 applications approved up to March 31, 1982, creating some 205 jobs, either created or retained. I can't help but put on the record the last couple of years the Member for Brandon East, now the Minister of Community Services, was highly critical of the previous administration for winding down the activities of CEDF and I'd indicated at the time that was not true. We didn't have a complete breakdown of the activities year by year and you can easily see that during the last five years there has been a record number of jobs created or retained. I just would like to have on the record that certainly the Fund has been active, they have been doing an excellent job, and I believe the record of performance where it says about 78 percent record rate as far as their recovery of the loans, I think, is reasonably good in view of the fact that these are high risk loans in the northern and remote parts of the province.

Also with respect to the policy review that took place a couple of years ago, the Chairman indicated that the policy review that was established was still in place, and I would like to ask the Minister if he plans in the near future to review these policies with respect to changing any of them.

MR. CHAIRMAN: Mr. Cowan.

MR. COWAN: We will be reviewing the policies as we review policies with all of the boards and agencies such as this from time to time. Changes may arise out of that review in specific areas. I'd be hesitant to say what those changes would be previous to having had an opportunity to make that sort of detailed examination and provide the policy overview, but certainly we'll be looking at these as we look at other policies. While I can't say there will be specific changes at this

date, I would anticipate that from time to time that changes will take place.

MR. GOURLAY: I wonder if the General Manager could indicate what the current rate of interest is being charged on approved loan applications.

MR. CHAIRMAN: Mr. Jones.

MR. HUGH J. JONES: Today, Mr. Gourlay, the rate was 16.25 percent. It's directly related to the rate the government sets for its Crown Corporation borrowings. It changes usually about once a month.

MR. CHAIRMAN: Mr. Filmon.

MR. FILMON: Does that change with the government's short-term rate or long-term rate? Is it the 90-day rate or is it the long-term borrowings that the government may negotiate from time to time for things like the Alberta Heritage Fund, or European market, or whatever?

MR. JONES: The long-term rate, Mr. Filmon.

MR. CHAIRMAN: Mr. Ashton. Oh, sorry, have you got one left? Okay, Mr. Filmon, excuse me.

MR. FILMON: I think it's fair to say, as Mr. Gourlay indicated, that this Fund is really a high risk or aimed at high-risk circumstances and in fact may be in a way termed as a lender of last resort, although that's more caused I suppose, by circumstances of the difficulty of obtaining loans for the northern and remote areas, the special circumstances which govern. For new members of the committee, I know with my experience in the north country that people, for instance, cannot obtain bank loans or conventional financing to purchase an automobile in some of the communities which do have roads and can support automobile traffic in and around the community. They often can't obtain conventional financing, even though their income may support it.

I spoke to people in Cross Lake and Norway House on this problem when were up there at various times in the past and so, everything that might be considered to be a normal risk in other parts of the province, in other populated parts of the provinces, isn't necessarily considered so in the northern and remote areas. So there obviously is a place and I'm pleased, as Mr. Gourlay indicated, that the Fund does continue to be active and in fact has expanded its activities over the past couple of years.

I wonder if I could ask some specifics on some loans. The three loans that are to the Pi-Mi-Chi-Ka-Mac Development Corporation are for the sawmill operation at Cross Lake. Is that correct?

MR. JONES: That is correct.

MR. FILMON: I have no further questions at the moment.

MR. CHAIRMAN: Mr. Ashton.

MR. ASHTON: Yes, I have some questions in regard

to the trends in terms of loans. There was mention made of the number of loans, I believe it was six, which would be on the board's ability to deal with them. I take it they were dealt with at Cabinet level. I'm just wondering how that has changed over the years in terms of the figure which Cabinet decision was necessary and the number of loans in the last few years which have been decided upon outside of the CEDF itself?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: The trend, Mr. Ashton, certainly has been that in the last two years perhaps that we are seeing far more applications coming in at a level beyond 75,000 which is the Board's limit for authorization. I don't have the precise numbers of accounts with me, but we seem to be doing about five to six a year that end up with the Minister and/or the Cabinet.

MR. ASHTON: Do you have involvement at all with those? I mean, obviously the decision is made at the Cabinet level. What is your involvement in them or has it been in a case of that kind?

MR. JONES: The involvement basically is the same as with any other loan. The application comes in. There's an investigation done at staff level. It gets to me. Then, it gets to the Board. The Board reviews it in detail, discusses the proposal. If the Board agrees the proposal has merit and should be financed, then a resolution is passed at the meeting directly to the Minister. In other words, the Minister gets a recommendation from the Board. Certainly, I have no experience of an account at that level or any level going to the government without the Board first scrutinizing it and I think that's the mechanism that should be followed.

MR. ASHTON: Just one other question on this at this particular time. You mentioned the figure being \$75,000 at the present. Has that been changing over the past few years or has that been in operation quite a while?

MR. JONES: It has been in operation since 1975 when the by-laws of the Fund were changed. I'm sorry, I can't remember what the figure was before that, but it has been 75,000 for the last six, seven years.

MR. CHAIRMAN: Mr. Cowan.

MR. COWAN: I just want to address my remarks very briefly to one statement that Mr. Filmon made and which may be taken out of context because of common usage of the term, lender of last resort. I think the Communities Economic Development Fund's activities goes beyond that. I know that it was meant in a different sense but because of the common usage, I did want to clarify that, that we don't consider ourselves to be a lender of last resort. However, the conditions which he outlined in respect to being able to obtain loans in Northern Manitoba from conventional banks are accurate and perhaps he even understated the case.

MR. CHAIRMAN: Mr. Filmon.

MR. FILMON: I appreciate the Minister's remarks. That is why, after referring to it as a lender of last resort, I said it was mainly because of the special circumstances in northern and remote areas, not in the same regard as we would have a lender of last resort in other areas of the province, so I appreciate that.

MR. CHAIRMAN: Mr. Lecuyer.

MR. LECUYER: I notice on the schedule of the Ministry expenses that there is roughly an increase of 30 percent in terms of salaries and employee benefits and I was just wondering if that also reflects additional staffing?

MR. CHAIRMAN: Mr. Jones. Mr. Lecuyer, what page are you referring to there, which table?

MR. LECUYER: Page 11.

MR. CHAIRMAN: Page 11 — Mr. Jones.

MR. JONES: I can't find the exact figure, Mr. Chairman.

MR. CHAIRMAN: Salaries and employee benefits, it's the fourth one from the bottom on Page 11, Schedule 1.

Mr. Jones.

MR. JONES: That reflects an addition of two people to the staff of the Fund and the standard increase. We relate the staff adjustment each year to the MGEA agreement and that's basically it.

MR. LECUYER: It's two people. The other figure I wanted to ask about on this particular schedule has to do with rent. I notice a rent amount of \$29,441 for 1980 and there is a blank in the column for 1981. I am just wondering how this could be achieved.

MR. JONES: We are operating with great fortune, Mr. Lecuyer. This really connects the situation where we are directly responsible for the Manitoba Development Corporation's accounts as well and we are in the old MDC premises and the MDC has been very gracious in picking up the rent.

MR. CHAIRMAN: Mr. Brown.

MR. BROWN: How many employees are working in this particular area?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: We presently have, Mr. Brown, myself plus eight professional people and those are the development officers that travel to the various communities and deal with and process loan applications. Beyond that, we have the five clerical staff and an accountant.

MR. BROWN: In 1981, you had 34 applications

approved and borrowed out \$1,180,740 and yet your administration expenses for the total is \$497,933, which is your administration costs are about half of what your lending has been. I wonder, could you just explain to me what is all involved so that you have this high an expense when you are only lending out that little money.

MR. JONES: Yes, Mr. Brown. I would be happy to explain that. Firstly, the Fund is looking after approximately 92 existing loans. You have quoted the figures of loans for the dollar amounts of loans approved in that one year, but we have the responsibility of stringently monitoring all the existing accounts. The monitoring, I really must emphasize, is quite different from my experience than any other lending institution where we have very much a hands-on process. So it really is extremely difficult or in my view, frankly, not correct to try and relate the administration costs to the dollar amount of loans approved in a given year because we have the inheritance from years past of trying to keep these businesses going. I agree with you, when you see this at first it looks somewhat out of kilter, but it's impossible to measure in my view the costs in one year to the loans put out in one year because we've got all the back work as well that we have to continue with.

MR. CHAIRMAN: Mr. Ashton.

MR. ASHTON: Yes, three questions in terms of administrative expenses. I notice in the notes on Page 13, there's an explanation as to why they aren't comparable. I was just wondering if you could clarify the statement here in regards to the fact that the Board is approving a subsidy payment to the Fund of \$20,000, being the Fund's deficit not subsidized by the province. What is the arrangement that you have with the province? What deficit is subsidized?

MR. JONES: This, Mr. Ashton, goes back a number of years where there was an arrangement that the operating deficit of the Fund would be picked up through the normal Estimates process of the Department of Northern Affairs and that ran on in that fashion for a number of years. Then, when we were given the joint responsibility for CEDF and MDC with the excess of income over expenditures in MDC, a conclusion was drawn and approved by both Ministers that it seemed a little illogical in terms of some of these expenses for us to go through that process. So there was an agreement whereby MDC would in effect pick up those costs and that deficit of CEDF. That's the situation as it is today. I couldn't tell you what might happen in the future.

MR. ASHTON: Okay, in regard to some of the specific expenses, I note that consulting fees have increased; I guess they have doubled. I just wonder what the fees were paid for and to whom, and basically, why an increase.

MR. JONES: May I just take that as notice. I would like to check with the Treasurer on that. Mr. Ashton, most of that increase relates to the salary and the expenses that the Fund takes up for the management

position in Cross Lake for the Pi-Mi-Chi-Ka-Mac.

MR. CHAIRMAN: Ladies and gentlemen, are there any further questions?

Mr. Gourlay.

MR. GOURLAY: I wonder if there have been any board changes in the last few months.

MR. CHAIRMAN: Mr. Cowan.

MR. COWAN: There have been no additions, however, we are looking at additions now to fill existing vacancies as a result of terms having come to an end.

MR. GOURLAY: I think the General Manager indicated there were some 92 loans at the present time. I wonder, how many of those would be considered delinquent and in arrears at the present time?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Can I differentiate between in arrears and delinquency, Mr. Gourlay? There are about 20-21 — I looked over the sheet this morning — of loans that are actually in arrears. I'm not being facetious, sometimes these arrears occur for various reasons and we don't necessarily relate that arrears situation to a bad business. So there are about 21 accounts in arrears. We've got about 20 percent of the existing portfolio; again, somewhere between 20 and 21 has to be considered bad. We have, for example, currently seven accounts in some form of legal process for collection and I really haven't seen much of a change, strangely enough, in the last three years in that figure.

MR. GOURLAY: Are the ones that are in more or less a hopeless situation, are these ones that have been on the books for a while or are they recent approvals that have gone bad?

MR. JONES: It's a mixture. The majority are accounts that have been on for some time, although we do have one or two that relate to approvals in the last year, last 18 months, where conditions changed significantly. I don't want to discuss the details. I don't they will be correct in terms of commercial negotiations, but we have one or two in the north, for example, that have suffered severe problems, management problems primarily, by the way, not commercial reasons and I have to admit this. I think the Board and the Chairman would too, that in some cases we make a judgment in the best way we can with the best analysis we can. But the fact is, three, four, five, six months down the line, as short as that, we find that our judgment on management ability has been somewhat off and the ability to fulfill trucking contracts, for example, which on the surface appear to be simple really are not simple. I've always prided ourselves on being with the business from Day One, but we don't live in the north. Even when we go up once a month, sometimes that four-week period is enough to illustrate disaster and in the new accounts I'm talking about, one or two of them, that has been the case.

Now, on some of the older ones, if I might just comment perhaps on the logging industry related

loans, we have six or seven loans which are related to the Abitibi contract situation in Pine Falls. We have not taken that pessimistic a view on that situation; for obvious reasons these people are having serious problems making their payments. The Board has reviewed this and have concluded after discussion with Abitibi that we should just declare moratoria which we have done until the end of the year and then we'll take a fresh look. I think it would be unrealistic of us, and if we were a bank, we might take that view, decide to seize the skidders, but frankly, we think that will be an inappropriate step to take.

MR. GOURLAY: I believe you mentioned a few moments ago that it's been running consistently about 21-22 percent on an annual basis, that where the delinquent accounts have surfaced.

MR. JONES: Yes, that's correct. I can't explain that, but I'm very pleased that it is staying there and not increasing.

MR. CHAIRMAN: Mr. Blake.

MR. DAVID R. (Dave) BLAKE (Minnedosa): Thank you, Mr. Chairman. I just wonder, on your delinquent loans or the bad ones as a general picture, would lack of management skills, would this be your major cause for your problem loans?

MR. JONES: It usually is, Mr. Blake, yes. Again, that's been, of course, as part of the Fund's — the way I perceive the Fund's responsibility to add weight to management, but that usually is the main reason for failing.

MR. BLAKE: That would seem to be my appraisal of the situation such as your lending under, because the circumstances — lots of times when a loan is granted conditions look very very favourable, but things change. A person's domestic situation sometimes or other problems arrive with the demon, rum and things of that nature that you can't foresee when a loan is granted. On the tree farmer situation, how many loans would you have where they would have contracts with ManFor? Do you have any loans where ManFor is the main contractor where there are now serious layoffs and how would this affect your loan portfolio?

MR. JONES: Right now we have no loans that are directly related to ManFor contracts.

MR. BLAKE: How did you get so lucky?

MR. JONES: We insisted they got repaid.

MR. CHAIRMAN: Okay, Mr. Cowan, would like to add a word.

MR. COWAN: I just want to perhaps clarify or at least attempt to clarify some of the difficulties with managerial skills. I don't think that they can always be attributed to individual problems such as has been brought forward, although in some isolated instances I'm certain that one could draw the comparison. I think one has to realize that we're dealing with north-

ern communities here. Oftentimes we are dealing with remote communities where individuals have not had the opportunity to develop managerial skills because they haven't come into contact with the type of industry and economic environment which would allow them to develop those skills. For that reason a lot of the difficulty that we're having with managerial skills should not be attributed to an individual or a weakness in an individual, but rather should be attributed to a weakness in the economic system which we are trying to overcome through the activities of the Fund and the consultation costs which we have addressed previously. So, while there may be specific instances where it is an individual problem, I think it's more an economic circumstance in most cases.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: The Minister is agreeing with my statement that it was due to the situations where they were lending under in remote communities that caused some of the managerial problems.

MR. COWAN: My statement is that we must address the historical economic circumstances which have denied people access to develop managerial skills in much the same way as many others have had and we are doing that through the Fund.

MR. BLAKE: That's what I said, Mr. Chairman, the Minister is agreeing with me.

MR. CHAIRMAN: Mr. Filmon.

MR. FILMON: If it'll comfort both of the proponents of the same viewpoint that's just been expressed, I think that they'll find that bankers and other lending institutions have exactly the same problems, that they generally don't make misjudgments based on the numbers that are given them, but on the ability of the people who get the loans to manage the operation that they have. I don't think it's any different in the north than it is in the rest of the province, and I'm pleased to hear that despite the fact that under they are operating under these special circumstances this particular loan fund is not having any drastically bad experience in the north. So, it's a compliment to the analysis that they're doing beforehand that things are working out this way.

The only last question I had was that, as we discussed the need for Cabinet approval of loans above \$75,000, is it accumulative loan value to any one organization of above \$75,000 that requires Cabinet approval? In other words, if they already have \$50,000 and they are looking for another \$50,000, does that require Cabinet?

MR. JONES: Yes, that does too.

MR. CHAIRMAN: Mr. Gourlay, with a final question.

MR. GOURLAY: I wanted to ask the General Manager if he could just briefly relate the input of CDF in the Churchill Research Centre?

MR. JONES: Mr. Gourlay, we have been involved

directly and indirectly in that Centre for a number of years and, with the Chairman's permission, I would like just for information purposes — we have never done this before, but I have an updated report on the activities of that Centre which if the members are interested, you may have this morning.

I happen to be on the Board of that Centre which is a small research facility and a study centre established in 1976-77 which we think now is working quite successfully. There are seven or eight university credit courses put on each summer season and some non-credit courses. There is still a significant influx of researchers, biological research primarily.

We think this thing has gone past its developmental stage and interestingly enough, the financial input put into this thing initially by the province, the Federal Government and private grant foundations. The foundation concerned has suggested to us that they would welcome a return visit because they are so intrigued by the fact, frankly, that in Churchill under those circumstances in which we operate that we survived so long. I met with them in Eastern Canada last week and they are as enthusiastic as I have always been.

We hope this thing will develop very strongly and we are looking at various options now in terms of projects we might devise for the Centre. The direct economic impact on the community perhaps one could say was small, but I think it is one of the positive things that has been done in that community in the north which has been received very well. It is supported very actively by the local people. There is 50 percent membership on the Board by Churchillians and the other 50 percent from universities and from government.

Are there any questions, Mr. Gourlay, specifically? I would be pleased to answer, but this is a project which I have very much at heart. I hope it has a tremendous future.

MR. GOURLAY: I appreciate the comments of the General Manager and I just wanted to have it on record. I had the opportunity to spend some time at the Churchill Northern Studies Centre. I was very impressed with the type of work they were doing. I think that it does have potential in that area and I was sympathetic towards the cause there and I hope that the present Minister would continue to have a close association with this Centre.

As I mentioned, I think it has potential in that area where things have not been going all that great in recent years and I think, certainly, this is an area that we can have some input to see that this develops and prospers. As the General Manager indicated, there is a lot of local enthusiasm in this Centre and I hope that we can foster that along as well as government.

MR. CHAIRMAN: Mr. Cowan.

MR. COWAN: The member has asked for assurances and I'm pleased to associate myself with both Mr. Gourlay's and Mr. Jones' comments on it. I think this is an exciting area for review and has great potential. It is something that we want to look at in more detail over the next little while to attempt to determine the proper mechanisms whereby the province can sup-

port the activities that are already existing and encourage new activities. So I share the enthusiasm and the words of support and would also, at this point, offer words of congratulation to those individuals in Churchill and in the university community here who have given long hours and tireless effort to progressing this concept to the stage to which it has been progressed. We hope to work with them in the future to make certain that momentum is not lost and, if at all possible and we certainly hope it is so, that momentum is accelerated.

MR. CHAIRMAN: Mr. Gourlay.

MR. GOURLAY: I don't have any further questions, but just a closing comment for myself. I would like to take this opportunity to congratulate the board of CEDF and the management on the fine work they are doing there. I think they have established a very good record, particularly in the last few years, and also noted on Page 5 of the annual report that the net administration costs have really been kept at a minimum, I'd say. When you look at the 1975-76 year, there was \$394,000. Since that time, it's been kept considerably under that figure and I would again just mention our appreciation to the very satisfactory operation of this Fund.

MR. CHAIRMAN: Communities Economic Development Fund—pass.

Thank you very much, gentlemen. That concludes this day's sitting. Are we scheduled to sit again on Tuesday next? No, that's been cancelled? So it's Thursday next.

Committee rise