



First Session — Thirty-Third Legislature
of the
Legislative Assembly of Manitoba

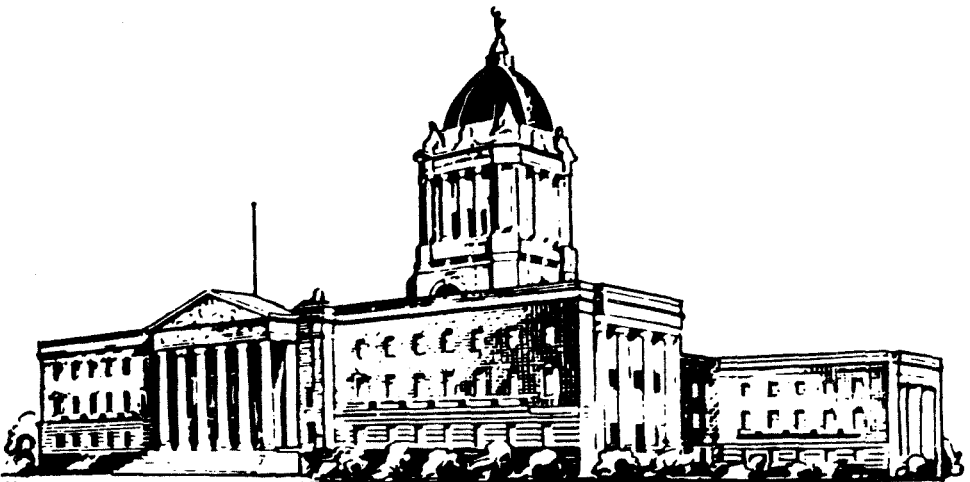
STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

35 Elizabeth II

Chairman
Mr. J. Maloway
Constituency of Elmwood



MG-8048

VOL. XXXIV No. 1 - 10:00 a.m., TUESDAY, 17 JUNE, 1986.

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Third Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ASHTON, Steve	Thompson	NDP
BAKER, Clarence	Lac du Bonnet	NDP
BIRT, Charles T.	Fort Garry	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
BUCKLASCHUK, Hon. John M.	Gimli	NDP
CARSTAIRS, Sharon	River Heights	LIBERAL
CONNERY, Edward J.	Portage la Prairie	PC
COWAN, Hon. Jay	Churchill	NDP
CUMMINGS, J. Glen	Ste. Rose	PC
DERKACH, Len	Roblin-Russell	PC
DESJARDINS, Hon. Laurent L.	St. Boniface	NDP
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DOLIN, Marty	Kildonan	NDP
DOWNEY, James E.	Arthur	PC
DRIEDGER, Albert	Emerson	PC
DUCHARME, Gerry	Riel	PC
ENNS, Harry J.	Lakeside	PC
ERNST, Jim	Charleswood	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
FILMON, Gary	Tuxedo	PC
FINDLAY, Glen M.	Virden	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Hon. Harry M.	The Pas	NDP
HARAPIAK, Hon. Leonard E.	Swan River	NDP
HARPER, Hon. Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
LECUYER, Hon. Gérard	Radisson	NDP
MACKLING, Q.C., Hon. Al	St. James	NDP
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton	Morris	PC
McCRAE, James C.	Brandon West	PC
MERCIER, Q.C., G.M.J. (Gerry)	St. Norbert	PC
MITCHELSON, Bonnie	River East	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte L.	Gladstone	PC
ORCHARD, Donald W.	Pembina	PC
PANKRATZ, Helmut	La Verendrye	PC
PARASIUK, Wilson	Transcona	NDP
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PENNER, Q.C., Hon. Roland	Fort Rouge	NDP
PHILLIPS, Hon. Myrna A.	Wolseley	NDP
PLOHMAN, Hon. John	Dauphin	NDP
ROCAN, C. Denis	Turtle Mountain	PC
ROCH, Gilles (Gil)	Springfield	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Q.C., Hon. Victor	Rossmere	NDP
SCOTT, Don	Inkster	NDP
SMITH, Harvey	Ellice	NDP
SMITH, Hon. Muriel	Osborne	NDP
STORIE, Hon. Jerry T.	Flin Flon	NDP
URUSKI, Hon. Bill	Interlake	NDP
WALDING, D. James	St. Vital	NDP
WASYLYCIA-LEIS, Hon. Judy	St. Johns	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Tuesday, 17 June, 1986

TIME — 10:00

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. J. Maloway (Elmwood)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Doer, Harapiak (The Pas),
Kostyra, Plohman, Hon. Mrs. Smith (Osborne),
Hon. Mr. Storie

Messrs. Connery, Downey, Johnston and
Maloway

APPEARING: Mrs. Bernice O'Connor, Chairperson
of the Board, Communities Economic
Development Fund

Mr. Hugh Jones, General Manager,
Communities Economic Development Fund

Mr. Alex Musgrove, Assistant General
Manager, Communities Economic Development
Fund

Mr. C. Jones, President, Moose Lake Loggers

Mr. R. J. Kivista, General Manager, Moose
Lake Loggers

Mr. G. P. Trithart, Secretary/Treasurer, Moose
Lake Loggers

and Secretary/Treasurer, Channel Area
Loggers

Mr. Lester Everett, President, Channel Area
Loggers

Mr. George Kemp, Manager, Channel Area
Loggers

MATTERS UNDER DISCUSSION:

Annual Reports of:
Communities Economic Development Fund
Moose Lake Loggers Ltd.
Channel Area Loggers

* * * *

CLERK OF COMMITTEES, Ms. T. Manikel: Before we
begin this meeting, we must elect a Committee
Chairman. Are there any nominations?

Mrs. Smith.

HON. M. SMITH: I'd like to nominate Jim Maloway.

MADAM CLERK: Mr. Maloway has been nominated
as Chairman. Are there any other nominations? Seeing
none, Mr. Maloway, will you please take the Chair?

MR. CHAIRMAN, J. Maloway: Before we start to
consider the Annual Reports referred to, we must set

a quorum for future meetings. The usual quorum, I
understand, is 6. Is this agreeable to the committee?
(Agreed)

There are three reports that we are to consider:
Communities Economic Development Fund, No. 1;
Moose Lake Loggers Ltd., No. 2; Channel Area Loggers,
No. 3.

Does the Minister have an opening statement?

**COMMUNITIES ECONOMIC
DEVELOPMENT FUND**

HON. H. HARAPIAK: I would like to begin by
introducing the Fund Chairperson and staff members
present here today. Mrs. Bernice O'Connor continues
to be the Chairperson, and with her are Hugh Jones,
the Fund's General Manager, and Alex Musgrove, who
is Assistant General Manager.

Mrs. O'Connor will provide a general overview of the
Fund's activities for the fiscal year ending March 31,
1985, and she will no doubt ask Mr. Jones to go into
the detailed review of the report now before you.

Before they begin, let me advise the committee that
I have continued to dialogue with the Board of Directors,
members of which, by the way, represent a wide diversity
of background from Northern communities. Policy
guidelines for this agency have not changed since the
committee last met last year. Strong emphasis continues
to be placed upon Northern Manitoba with the board
exercising discretion on a case-by-case basis for
applications received in the southerly part of the
province. The very nature of this Fund is such that it
is obliged to take risks. The measurement and
acceptability of this risk is the board's most important
function and relates to the variety of considerations
outlined in The CEDF Act which has to be part and
parcel of a loan approval determination.

For example, Section 11(3) of the act provides,
amongst others, for the following consideration in
determining whether or not a loan should be approved:
In providing for financial assistance, the Fund shall take
into consideration the terms upon which similar financial
assistance is normally provided by other institutions;
and explicit or implicit requirements, additional to the
actual financial assistance by the Fund, including
investment capital, grants, infrastructure such as roads
and utilities or social investments such as for education.

We also take into consideration the effect on the
community, both the economic and social, the extent
and implication of the local ownership and control and
also the risk involved.

In fixing the terms, the conditions for which the
financial assistance is provided for, the Fund takes into
consideration several other things. The Fund's success
ratio, from the viewpoint of the loan repayment,
continues to range between 79 percent and 81 percent
of loans approved.

I am pleased that over the years, since the inception
of this agency, the ratio remains reasonably constant.

That does not suggest however that the board does not continue to support ongoing efforts for more effective monitoring of the portfolio.

With these comments I will turn it over to Mrs. O'Connor to proceed with her remarks.

MR. CHAIRMAN: Mrs. O'Connor.

MRS. B. O'CONNOR: Thank you, Mr. Chairman.

I am pleased to have this opportunity to provide an overview of the Fund's operation for the fiscal year ended March 31, 1985.

As the Minister has indicated, I shall be asking the general manager to review — or the committee — the annual report now before you; but I would like to begin by confirming the current content of the Fund's board.

Essentially, there is only one change from the listing on Page 6 of the report, and that is Mr. Roy Chartrand who resigned as a director during the fiscal year. The board therefore consists of seven directors, including myself, and I would wish now to record my appreciation for the significant time and effort expended by my colleagues in the work of this agency.

The volume of new loans has increased considerably and that, combined with the monthly consideration of the Fund's growing portfolio, demands lengthy board meetings and sometimes very difficult decisions.

I am aware of some criticisms from the North, for example, in cases where the board has believed it justified to refuse assistance. Where applicants have been dissatisfied with these decisions, we have encouraged their appeal either personally at a board meeting or by letter to the directors, or further, sometimes prolonged reconsideration is given.

The fact is, however, the board, while recognizing the risks inherent in the nature of the Fund, will not arbitrarily approve a loan that is not visibly assurance of eventual viability of the business being financed.

Clearly, as directors, we are not infallible and we continue to demand from staff renewed effort to provide us with well-prepared and well-analyzed proposals. After approval of the loans, we look for continuous, effective monitoring, and this currently is of major concern to us as the portfolio grows and workloads become more burdensome.

As pointed out in the report before you, directors have met in a number of northern communities. Public response on these occasions has been rewarding and I would expect for us to judiciously convene such meetings in other communities this coming year.

In closing these remarks, let me also express my thanks to the staff who continue to contribute so much to the success of this Fund, often in very difficult circumstances.

Now may I ask Mr. Jones to present his report to the committee.

MR. CHAIRMAN: Mr. Jones.

MR. H. JONES: Mr. Chairman, perhaps I could begin by asking the committee to turn to Page 8 of the report before you. There is a tabulation there of statistics from the inception of the Fund in January 1972, and I only do it because this recent year we've done a fairly comprehensive statistical analysis of the Fund's activities.

I found it interesting that when we got through the exercise that year by year we advise this committee of the success ratio of the loans ranging from 79 per cent to 81 per cent, and that exercise illustrated overall, those years, the average success — if I can just mention success in terms of loans repaid — still is 79.4 per cent.

My intention, Mr. Chairman, for the next appearance before this committee, is to prepare a fairly comprehensive summary of what that statistical review highlighted. Some of it is quite interesting in terms of the total capital costs of the projects and the investment by the Fund and investment by other primary federal agencies.

If I could go now to the financial statement on Page 13, perhaps some comments might assist the committee members that there is a change, the difference between 1984 and 1985 in the special funds held in trust, and that sum relates entirely to funds held for and on behalf of the Churchill Research Centre. The Clerk, I think, has just tabled her copy of the report of that venture.

The committee might recall that this was developed many years ago with the assistance of CEDF, primarily in terms of a coordinating role, but we still play an active part both in terms of acting as a conduit for funds coming from the province and elsewhere and also by means of direct input by the Fund's corporate secretary into the affairs of the centre.

Coming back to the financial statement, there is some difference between the office furniture category on the balance sheet, again on Page 13, and the increase there relates primarily to word processors which the Fund has acquired to cope with the additional volume.

On Page 14, the Revenue and Expenditure section, the major difference in the excess of expenditure over revenue is related to the drop in interest revenue on loans outstanding due to the changed interest rate structure of the Fund.

The committee was advised, I think last year, that a policy directive was formulated whereby the interest rate on our loans will be directly related to the Bank of Canada rate prevailing on the Thursday immediately prior to the date of loan approval.

There are some other differences between '84 and '85 on that section of the financial statement. Directors' fees, for example, are less, and that relates chiefly to the fact that we are one member less on the board which has a maximum complement of eight, we are now seven, and because of the particular director involved who resigned, there are less travel costs.

The salaries and benefits are also less, and that's a little bit of an anomaly; it relates to the transfer of two fairly senior people from the payroll of CEDF to MDC, which is the sister organization.

If I could turn, Mr. Chairman, now to Pages 18 and 19, in my experience that listing usually provokes the most interest from this committee. Again it is fairly obvious that the activities for this year have increased significantly from previous years, with 63 loans approved for a total commitment of just over \$2.3 million spread over quite a variety of northern communities.

It might help, Mr. Chairman, if I very briefly advise the committee of some details of these approvals — who they are, the businesses and where they are. It might be of some assistance, if you so wish.

Starting with B & W Enterprises, this is a business in Manigotagan of general contracting. The \$25,000

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loan, which is indicated there, was approved for working capital. As it happens, there has not been any requirement to draw down on those funds and within the next week or so we would expect to see that commitment cancelled.

The Baker Locksmith Service is a business in The Pas and the money there was used primarily to finance an expansion of the facility; the business is doing well.

The loan to Edward Balanyk, who is in Ethelbert, was approved to establish a trucking contracting business, and the Fund is monitoring this one quite carefully because there are some apparent difficulties.

The two next loans to the Ballantyne's were both approved for school bus purchases in Grand Rapids; and the school division contracts are being fulfilled very well.

Scott Bradbury of Easterville has had contracts from the Department of Natural Resources. The one we financed was for mistletoe eradication. There are some difficulties with this one.

The next one, Brownstein, has been repaid in full and was for a very small loan authorized for a small business in Flin Flon.

I am not sure, Mr. Chairman, whether the committee wants me to go through this or whether to respond to questions. Perhaps I should stop here and seek your advice.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, in general, I don't think it's of a lot of use to go through each one of them in detail. I think probably if there was more of an overall statement, then we should have that now and then we could go into it page by page and ask questions directly of Mr. Jones. It will probably be more beneficial.

MR. CHAIRMAN: Agreed? (Agreed)
Mr. Johnston.

MR. F. JOHNSTON: Mr. Chairman, I wonder if Mr. Jones could provide us of a list of where these are. He doesn't have to go through them all now, we can question anything we want, but it just gives a name and nothing else, it doesn't say where they are. I wonder if we could have that provided to us.

MR. H. JONES: Yes, Mr. Chairman, in fact I have a listing here which I can provide to the committee perhaps at the end of the meeting.

MR. CHAIRMAN: Mr. Connery.

MR. E. CONNERY: Can you tell us the status of the loans, too, whether they're paid off, whether they're in trouble or whether they're proceeding?

MR. H. JONES: Mr. Chairman, the list I've got, it indicates the community where the loan was made; it also describes briefly the business and in general terms, the status of the loan. So I think you'll find that list fairly comprehensive.

MR. CHAIRMAN: Dealing with the report page-by-page.

Mr. Downey.

MR. J. DOWNEY: I think, Mr. Chairman, that would be appropriate, and then if you'd allow us a little bit of latitude because some of the questions may flow from one page and connect to the next and as long as we get the opportunity to fully discuss the matters in the report.

My comments, Mr. Chairman, will start on Page 6. I note the name of the Chairperson, Mrs. O'Connor and the one as Chairman of the Churchill Northern Study Centre. Is there any direct connection with those two people?

MRS. B. O'CONNOR: Mr. Chairman, we're husband and wife.

MR. J. DOWNEY: Okay. Thank you.

A MEMBER: It wasn't clear. We didn't hear back here what the answer was.

MR. CHAIRMAN: Mrs. O'Connor.

MRS. B. O'CONNOR: We're husband and wife. My husband is Chairperson of the Northern Study Centre.

MR. CHAIRMAN: Thank you. Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, my next question comes on Page 7 and that deals with the overall question of consultants and basically from the last few days of what's happened within the government, I would ask the Minister or Mr. Jones, are there any special audits taking place within the whole of the Communities Economic Development Fund, any special audits being carried out by the Provincial Auditor or anyone else?

HON. H. HARAPIAK: There are no special audits being carried on at this time.

MR. J. DOWNEY: The question of consulting contracts, I note there has been some money spent on consulting contracts. Could you give us a list of the contracts and how they're basically let?

MR. H. JONES: I don't have the entire list with me, Mr. Chairman, but it's a bit of an anomaly, Mr. Downey, I think. We call them consulting fees but almost all of those monies relate to contracts and arrangements we have with chartered accounting firms in Winnipeg.

For example, last year we expended some significant dollars on an accounting firm for the famous Beef 'n Reef operation in Lac du Bonnet and also some on the Thompson Day Care Centre, but I can undertake to provide the committee with full details. I don't think there are that number left that I'm aware of.

MR. J. DOWNEY: So basically it's with accounting firms to be a check and balance on some of the loans and advice for the customers of the Communities Economic Development Fund?

MR. H. JONES: That's correct.

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MR. F. JOHNSTON: Yes, on Page 7 it says "However, as they will with any lending institution" . . . "forced to appoint receivers for two of the largest loans in the CEDF portfolio." Could we have those? What were those two?

MR. H. JONES: One of them was Beef 'n Reef, Mr. Johnston. The other was, which we described at the last committee, the Lake Winnipegosis Development Corporation.

MR. F. JOHNSTON: The Lake Winnipegosis Development Corporation. That is a lumber or a supply company of some type, is it?

MR. H. JONES: Yes, Mr. Johnston, it was. In fact, I think we did some deeper description of that operation at the last committee and I can find that in a few minutes from last year's Hansard.

MR. F. JOHNSTON: Yes, I'm aware we discussed both of them last year, Mr. Jones. Were there any loans made to or assistance given to a hotel in Winnipegosis?

MR. H. JONES: My recollection, Mr. Chairman, there was assistance but not through CEDF. If I'm correct I think it was the Destination Manitoba Program through the Department of Tourism.

MR. E. CONNERY: I just wondered on Page 6 before we go by, Eli Harper, any relation to the MLA.

MR. H. HARAPIAK: No, I don't believe so. Harper is a very common name in that community. It's no relation. Not that I'm aware of.

MR. J. DOWNEY: Following the questions of my colleague from Sturgeon Creek, what was the amount of the write-offs of those two loans. I notice it's sizeable. What were they?

MR. H. JONES: Mr. Chairman, on Beef 'n Reef, the total write-off was \$265,300.00. You'll have to give me a few minutes to look up the Winnipegosis one.

Could we come back to it, Mr. Chairman, in just a couple of minutes?

MR. J. DOWNEY: When we get that information maybe we'll want to ask some questions dealing with it.

The question is basically dealing with the procedures that are carried out by the Communities Economic Development Fund Organization Board when, in fact, I note that in your earlier comments there are some that you've got question marks beside as to whether they're questionable. For example, on the Beef 'n Reef, a \$265,000 loss. After that was identified or flagged as being in difficulty were there further funds put forward by the Communities Economic Development Fund?

MR. H. JONES: Well again, Mr. Chairman, I would go back to the statements made last year. We invested another \$30,000 when problems occurred in that operation and we described how that money was put in. It was needed for additional working capital and to specifically induce the payout of a very significant

portion of the federal grant monies. I'm speaking from memory now. I think it's approximately \$100,000 came in from the Special ARDA Program.

Mr. Downey, one of the other aspects of that — was going to use a stronger word, I won't — venture was that we had some differences of opinion with Special ARDA as to whether or not the required equity had been invested. We had relied upon, and this was stated by myself and subsequently recorded by the Receiver, a statement made to us from a reputable Winnipeg law firm. The Federal Government, however, was not satisfied and they insisted that fresh dollars were put in and the Fund's judgment was that it was really essential to do that so that we could recover approximately \$100,000 from the Federal Government.

MR. J. DOWNEY: The other question, dealing with after a loan is identified as being in difficulty, when is a decision made to foreclose? What is the normal procedure by the Committee of the Economic Development Fund?

MR. H. JONES: Mr. Chairman, each case is different. Circumstances giving rise to either lack of repayment or decrease in service, decrease in revenues and some evidence, perhaps, of mismanagement, each case is different.

By the way, every month, Mr. Chairman, the status of each loan is reported to the board. If there are problems occurring, then the staff member who is involved geographically in that area will go out, we will receive, and insist we receive financial information, if not prepared by the applicant, prepared with our assistance or, if necessary, if it's very serious and the amount is large, we will hire a professional firm to do so. We will then try to remedy whatever the deficiency may be. It might be a problem with pricing, for example, in a general store. We can make strong recommendations, but we try to do everything possible to correct the downturn in the business before taking the foreclosure action.

At the last committee, Mr. Chairman, both the chairperson and I made very categorical statements if one picks as an example the Beef 'n Reef one. We stated quite clearly, Mr. Downey, that not only was our judgment somewhat lacking in that one, but frankly, we took too long to take the really serious action, but because of the nature of the businesses we finance and where they are, we try to be and I think we must take a slightly different approach from say a commercial bank. Having said that, where there is no evidence of a turnaround, then we act upon the security we take and we take security as any other lender would.

MR. J. DOWNEY: Mr. Chairman, I'm just interested in dealing with some loans asking Mr. Jones about them. It's not listed. It may be in this current year's operations. Is the Communities Economic Development Program involved in support of a Texaco Service Station in the Minitonas area? Anything currently that is being worked on there?

MR. H. JONES: Could I take that as notice, Mr. Chairman? It doesn't ring a bell.

MR. J. DOWNEY: It's Route 366, Texaco Service in Minitonas. A report back later on that would be . . .

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MR. CHAIRMAN: Do you have another question?

MR. J. DOWNEY: Another matter dealing with some of the loans that are listed here, and I'm just going to ask basically, and I read the objectives to help Northern communities to provide financing where they may not be able to get it from other areas. On Page 8, I notice that you're involved in Teulon in a hairstyling business. Now, could you give us a little bit more detail as to the — (Interjection) — well, it's not very far north and I know we all have to have our hair styled and they create employment, but I just wondered if you could give us a little detail, the background as to why this loan would be approved and necessarily subsidized by the taxpayers?

At the same time, when I look at the one at Lundar, a grocery store business in Lundar, again I'm wondering why conventional lending institutions wouldn't be able to provide support for these; and again, there's one in Ste. Rose du Lac which is not, in my estimation, that far north although I realize the board has the capacity to make decisions outside of Northern Manitoba.

I guess the question is, are there funds not going into the North that are falling into some of these second communities? Those are three specific loans that I would like a little bit more detail on. That's the Lundar Grocery Store, the Ste. Rose Coffee Shop and Confectionary and the ones that went into Teulon. Maybe you've got a comment on them?

MR. H. JONES: Well, Mr. Downey, it's a general comment first. You raise an issue that has been of a lot of concern to the current board and to previous boards, in my experience, as to the emphasis of the Fund by the directive from the Minister and by our directors, clearly is upon Northern Manitoba.

You may recall, Mr. Downey, at one time we were restricted to assisting only communities within the Northern Affairs jurisdiction. That caused a number of problems with an organization such as the Manitoba Metis Federation because their argument was — and a strong argument — that in the Interlake, even in the southern Interlake, even in places like Lundar and Teulon where there are large Metis population, they simply could not get access to normal lending institutions.

That argument was taken into consideration and the policy was changed to this extent, Mr. Downey, that the emphasis of CEDF is still the North. What is the North, one could debate, but we have heard a clear commitment to consider applications from places like Lundar, St. Laurent, Teulon, even though they're so close to Winnipeg, if it is clear — (Interjection) — Well you've got support from Mr. Enns, but if there is clear evidence though that those applicants cannot deal with — it's a reality they cannot deal with banks and whatever and the board is particularly careful because they have the same concern that you just expressed, Mr. Downey, that we should not be putting dollars of any magnitude into southern Manitoba where the intention was to develop the North, but there is a problem.

On the specifics of the loans, I wonder would you mind giving me the names? I've got them listed

alphabetically in my list which I'm going to give you and . . .

MR. J. DOWNEY: All I have is . . .

MR. H. JONES: Oh, the area.

MR. J. DOWNEY: . . . on Page 8 is Ste. Rose du Lac, Teulon and Lundar. That's on Page 8.

MR. H. JONES: If I could suggest, Mr. Chairman, that the listing I have here has the community — in fact with your permission, I could pass this on to you now.

MR. F. JOHNSTON: Yes, in the Auditor's Report of 1985, we have an economic development fund. It's complimentary for about the first four or six lines, and then it says, "Nonetheless, our review of recent and earlier loans, some of which have been determined by largely uncontrollable, uncollectible, indicates certain deficiencies of general nature in CEDF's documentation and monitoring policies and procedures. We are concerned that if these deficiencies are not addressed, management may be precluded from taking the appropriate action on the timely basis to protect the public funds."

Then it's got the recommendation of the board which strengthens its documentation of monitoring policy. The Auditor's Report has made reference — similar types of reference before — to the Communities Economic Development Fund and, of course, the figures that show on Page 13 of Mr. Jone's report, loans and interest receivable less allowance for doubtful accounts, is in \$1,386,000, and in '84 it was pretty high too and of course it goes to Note 4.

Can I ask the Minister or Mr. Jones, what is being done to overcome this situation that the Provincial Auditor refers to?

MR. H. JONES: When that report came out, Mr. Johnston, the Minister and I met with the Provincial Auditor, and the position arose primarily because of the concerns — correctly — that the Provincial Auditor's office had with the approval, the conduct, and the loss on Beef 'n Reef Restaurant. Now I'm highlighting that, Mr. Johnston, very specifically because that's what gave rise to some added input by Mr. Jackson's people to see what kind of systems the Fund had in place.

Mr. Johnston's quite correct that over the years, over the 14 or 15 years, there have been comments made — not frequently thank goodness — that the systems need to be changed, they need to be streamlined and the board of directors and I remain concerned and we are introducing some different processes, so that we are closer to the monitoring of these investments, as we should be. The systems that were devised because of the volume, for example that we're into now, need to be strengthened, need to be streamlined.

So there are actions being taken and I would like to think that — seriously like to think — when Mr. Jackson does his report this year, those comments will not appear or some more complimentary comments will.

MR. E. CONNERY: When people apply for assistance in a community, is there some analysis done as to the

need for that particular business, that they're not putting hardship on another business of the same type?

MR. H. JONES: Yes, very much so, Mr. Connery, that we had to take into very serious consideration what an investment through this provincial agency might do to competition; and yes, it is taken very seriously.

MR. E. CONNERY: Thank you.

MR. J. DOWNEY: Possibly I must have missed it in the opening statement. I'm not clear as to the connection of the Churchill Northern Study Centre and the Communities Economic Development Fund. We have this report that has been tabled. What is the connection between the two? How is this supported by the Communities Economic Development Fund?

MR. F. JOHNSTON: Could I just add something before Mr. Jones answers that question, just to clear up some confusion. We have a report of the Churchill Northern Study Centre and then it seems to me the reference that had been made is development. Is that the same as the Churchill Community Development Corporation or is there a relation between that . . . Pardon me, the Research Centre, but on this it says "Churchill Northern Study Centre." Is that the same as the Churchill Research Centre?

MR. CHAIRMAN: Mr. Jones on both questions.

MR. H. JONES: Mr. Chairman, the incorporated entity is the Churchill Research Centre Incorporated. The name under which that venture goes throughout North American is the Churchill Northern Study Centre. It's the legal entity as opposed to the — if I could use this expression — the trading entity.

The connection between that and CEDF, there was a question, if I recall, at the last committee, Mr. Chairman, where is the report on Churchill? I was remiss last year, I didn't bring it. It goes back to 1973 and 1974 when CEDF was asked to help a group of local people in Churchill at that time to develop an accommodation facility — it was as crude as that — for the numbers of students, scientists, whatever, going into Churchill area. We could not lend money. We didn't feel it was a question of a CEDF loan, we were asked to coordinate it.

The Fund helped to get grant monies from private foundations in eastern Canada and a number of other places. We continued to help in that for a number of years I was a member of the board of directors of that centre. Currently, Mr. Goodwin who is our CEDF secretary is also a secretary of the centre. The province, which is now assisting this venture through the Department of Education, is using the Fund — in fact, what it actually is doing, it's a trustee. We are keeping a weather eye on the ongoing financing of this centre.

It is an anomaly. It's quite different from anything we do in the normal course of business, but I think it's an interesting one. This committee, over the years, has consistently asked me to give you a report, so it's not something that one would expect you to accept in the legislative way.

MR. J. DOWNEY: Well that was the question that I had as to really the connection between Communities

Economic Development Fund and whether or not there were funds flowing from that, or whether it was personnel time and support that was coming from the Communities Economic Development Fund.

MR. H. JONES: Ninety-nine percent of it, Mr. Downey, has been personnel time. But I think you'll find, if you look at Page 18, the Fund put out a loan for one month for \$20,000, and that was to accommodate — we bridge-financed a provincial grant. That was an exception.

MR. J. DOWNEY: Basically the reason for the question because I noticed in the Chairman's Report, there is significant funding to enable the hiring of necessary staff. We can more appropriately ask those questions during the Estimates of the Department of Education as to the use of the funds. That's really what I was trying to get a handle on.

I notice we have, on Page 8 again, the accumulated numbers of loans at 516, the amount of the loan at 18.11 million, and the jobs created. I can't detect, and maybe it's because I'm not able to read it properly what are the accumulated write-offs to this point for the Communities Economic Development Fund?

MR. H. JONES: We'd have to take that as notice, Mr. Chairman

MR. J. DOWNEY: And, as well, I note the operating costs this year — I don't know the pages as well. Could we have the accumulated operational costs for the same period of time?

MR. H. JONES: We'll undertake to provide that.

MR. J. DOWNEY: The other question that I had, and this could probably relate the two questions well, and that is the cost of money at which the Communities Economic Development Fund get the money from the — I guess, they get their funding directly from the sister organization, which is the Manitoba Development Corporation, or is it directly from the Department of Finance. Where do they get their funds, and what do they cost, because there was an interest policy change, which I'm interested in delving into a little further, where the interest charged is related directly to the Bank of Canada rate the Thursday before the loan is made? I'd like to know what relationship that has to do with the cost of money that the corporation gets from the government or who they get it from?

MR. H. JONES: Mr. Chairman, for a number of years, we had the Fund's Capital, the money we were lending out, was received from the Department of Finance as advances to CEDF with the applicable interest rate of whatever it was, the government rate. After the third or fourth year, and I'm speaking from memory, the then Provincial Auditor made a comment that it was quite unrealistic for CEDF to obtain its capital and to borrow money to pay its interest.

So the process was changed, again Mr. Downey from memory, I think it was in 1976, where the capital provided to this Fund is now made by conditional grants. To the Fund itself, it's interest-free, we are not charged

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interest by the Department of Finance. It is for that reason, the interest rate structure for the lending out was reduced. Now I realize, Mr. Downey, that there's a cost through Finance, but the Fund itself doesn't pay interest.

MR. J. DOWNEY: Currently then, the funds that the Communities Economic Development Fund get from the government, they're basing their loan rate on what the Bank of Canada rate did last Thursday. I'd like to know, when they actually go and have the funds flow from the government, what that cost would be. How close would it be to the rate in which they're charging? I'd like to try and determine what the rate of subsidy would be for the taxpayers. That's really what I'm trying to get at.

MR. H. JONES: Well I just make this comment. Probably somewhere between 2.5 percent and 3 percent would be the rate of subsidy, but that's something I would like to check.

Mr. Downey, just perhaps some clarification, I believe it was almost 10 years that the Fund's Capital Authority was a \$6 million Revolving Fund. It's only in the last two years we've begun to seek more funds from Finance.

MR. J. DOWNEY: So really you were just using the funds that were being repaid to reinvest in the community is basically what you're saying.

MR. H. JONES: That's correct. You see, if you look, Mr. Downey, again coming to 8, the commitments approved over the years are \$18 million, but we currently, I think, have expended something like 9 million. The Fund is continuously revolving.

MR. J. DOWNEY: When was the interest rate policy change made? I'm still not clear as to the background as to why. Would you just explain that again please, Mr. Jones, I didn't get it?

MR. CHAIRMAN: I wonder if you could speak a little closer. We're having difficulty hearing you.

MR. J. DOWNEY: I'm not quite clear on when the change took place, and really the decision behind it, that's really what I'm not clear on, the board's decision to make that policy change.

MR. H. JONES: Mr. Downey, it's approximately two years ago that policy was developed. If one would take some earlier reports of CEDF, you would see that we were lending 13 percent, 14 percent, 15 percent as the interest rate structure in the country was changing. It was a long process before the board was convinced that should be addressed because of the kind of business we were trying to develop, the kind of people we're involved with. They felt strongly that we were not accomplishing the kind of developmental work we were supposed to do with that commercial rate. But the point you're raising is recognized.

MR. J. DOWNEY: The whole question of the interest-rate subsidy is one which, I guess, is really a direct

cost to the taxpayers. I'm wondering, would that 2 percent to 3 percent that Mr. Jones has alluded to — and I haven't checked the numbers through — would that be able to be calculated to get a fair total number of dollars on the 18 million that's out now in total loans. Would that be a fair assessment?

MR. H. JONES: No, I don't think that would be fair, Mr. Downey. We'd have to really isolate those years — again, I say it's only two years — because before that the rate structure was very close to the commercial rate structure. So you can't treat the whole \$18 million on that subsidy.

MR. J. DOWNEY: You would say the current policy is now reflecting probably a 2 percent to 3 percent subsidy, the current policy when it was changed two years ago.

MR. H. JONES: Approximately.

MR. J. DOWNEY: Mr. Chairman, there were a lot of questions taken as notice and information that we're going to possibly want to maybe have a little more information provided. I'm wondering, if we were to move on with the report, as to when we might have the opportunity to further get the background of that information.

MR. H. JONES: If I may, one question that I think Mr. Johnston asked, on Lake Winnipegosis Development. The write-off there was \$281,800.00.

We're not aware, Mr. Chairman, of any inquiry coming in from Minitonas, the Texaco Service Station, I think, Mr. Downey. We're not aware of it.

On the complete accumulation of the losses and the administration costs, that we did undertake to provide to you.

I think that was all we took on notice — oh, the breakdown of the consultants' fees.

HON. H. HARAPIAK: Mr. Jones can get that information to me and I can table that information, or pass it on to the members that raised the questions.

MR. J. DOWNEY: Mr. Chairman, if my colleagues don't have any further questions dealing with this matter, then we're prepared to pass the report, providing we get that information that we've asked for.

MR. F. JOHNSTON: On Page 18, the Churchill Arctic Enterprises Ltd. bank guarantees, both of them, one for 10 months and one for one year, \$50,000 and \$150,000.00. This report is nearly a year old. Would those two have been cleaned off? Now, I haven't had the opportunity to look at the information that the general manager just gave us. Then the 2 percent fee, could you just give me an idea of what that is.

MR. H. JONES: Mr. Johnston, the first one, the \$50,000, that guarantee has subsequently been cancelled. The only outstanding contingent liability we have now is the \$150,000, and that supports bank financing of over \$300,000.00. Again, it's a contingent liability.

The 2 percent fee is a structure that the board set many years ago and we have not — by the way, Mr.

Johnston, we have tried to move away from the guarantee process. It's perfectly in order in terms of the Act and the by-laws, but what it does is — the intention originally was to use that instrument to encourage a banker-client relationship. But our experience has been once we issue a guarantee, which is a government guarantee, there it stays.

The policy was to set a fee. The interest rate on a normal loan would be "X" but if a guarantee is provided, then we charge a 2 percent fee on the face amount of the guarantee, per annum.

MR. CHAIRMAN: Mr. Johnston, any further questions? Mr. Downey.

MR. J. DOWNEY: I'm just wondering, on Page 18 and 19, when we look at the interest rate, you're saying that really reflects what the Bank of Canada rate has done over that period of time, to reflect those interest rates? For example, 9.75 percent to 13 percent, I guess, is the range, the maximum to which they can go. There is a substantial variation and that's really what the Bank of Canada rate has done over that operating year?

MR. H. JONES: In this period, yes.

MR. E. CONNERY: Under the General Manager's notes, the \$20,000 loan to Churchill Community Development Corporation for the purchase of an ultra-light aircraft.

MR. H. JONES: Mr. Chairman, the Churchill Community Development Corporation, a couple of years ago tried to encourage entrepreneurial development in that community. They, as a community board, acted, if you want, as an advisory board. They tried to assist people, directing them to where they could get financing. Although the loan from CEDF is to the Churchill Community Development Corporation, they subsequently loaned that money to a private individual to buy a Sky-Seeker Aircraft. It's a recreation thing which — I think my comments, which Mr. Downey has, will give some description of the current status of it. It was a fairly interesting project but I don't think it's working out too well now because of the bankruptcy of the supplier, Sky-Seeker Aircraft.

MR. E. CONNERY: Being an ultra-light airplane, is this a commercial airplane?

MR. H. JONES: It's a light aircraft, Mr. Connery. It's purely for recreational joy-riding. It's not a commercial one, in that sense.

MR. E. CONNERY: If it was for joy-riding, how could it be an Economic Development issue. You couldn't charge rates for it for flying if it's not a commercially-licensed vehicle, or airplane?

MR. H. JONES: I have to refresh my memory, Mr. Chairman, but there was a rental structure or fee structure which provided evidence to the Development Corporation that the loan could be repaid. I'd have to get some background on that. I'm sorry, I'm speaking from memory.

MR. E. CONNERY: I would like more background on it. These ultra-light planes, as I know them, are not

ones where you can take people up for a ride in and I don't know if you can rent them out. You'd have to have a licence. I'd like some more background on this one. It doesn't sound kosher to me. It looks like somebody got a play toy.

MR. CHAIRMAN: Further questions? No questions. Pass the report — all in favour? Opposed? Carried.

MOOSE LAKE LOGGERS LTD.

MR. CHAIRMAN: The second report, Moose Lake Loggers.

HON. H. HARAPIAK: I'd like to introduce the Moose Lake Loggers by introducing the people who were involved. Clem Jones is the Chairman of the Board. Reino Kivisto is the General Manager, and Gordon Trithart is the Secretary-Treasurer connected with Moose Lake Loggers. We'll just have Mr. Jones make an opening statement.

MR. CHAIRMAN: Mr. Jones.

MR. C. JONES: Mr. Chairperson, Members of the Legislature, Ladies and Gentlemen, we are presenting the financial statements for Moose Lake Loggers for 1985.

There is an improvement in the production and total employment for Moose Lake Loggers in this fiscal year. We are pleased to announce that we report a small profit of \$37,952.00. We are gratified that this amount will offset some of our previous years' losses. In these trying times of escalating costs and stabilizing revenues, it is pleasant to note that the company has not required any direct financial assistance from the government in the past eight years.

While the board of directors and the community representatives and the employees can take considerable credit for these results, I'd like to take this opportunity to thank our general manager, Mr. Reino Kivisto, who has done a very good job and has pursued his job very well, with a lot of relentless pursuit.

I have today, of course, Reino, the general manager and Gordon Trithart, our secretary-treasurer, if there are any questions.

Thank you, Mr. Chairman.

MR. J. DOWNEY: Mr. Chairman, I think probably that the comments made by Mr. Jones are fairly well on that there probably has been some extra effort put into making the company less dependent on government. I note there are a couple of things, and I'd like the record to show that there are still a couple of, you may not call it direct ways of support, but I call it indirect, and I go to Page 2 where it says: ". . . the company is encouraged with its performance which no longer relies on Government subsidy."

I'm refer to the following pages where it's pointed out, in the latter part of the report, where Item 3, second last page, before the end of the report, where "The Government of the Province of Manitoba provides the services of the Secretary-Treasurer and other miscellaneous administrative services at no charge to the company. The Government of the Province of

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Manitoba also provides Workers Compensation coverage for company staff at no charge to the company.”

I'm not overly critical of this support, but I just wanted the record to state that there is a form of support from the taxpayers in an indirect way, if you want to call it that way. But I would think the Workers Compensation and some of these administrative costs could, with the Workers Compensation charges increasing as they are, is getting to be a fairly substantial amount of money. I know it has not been easy for anyone to pay them because of the escalation of them.

What is the overall upgrading program at Manfor, as I note — and if I'm incorrect in this statement, you can correct me — you rely totally on the Manfor operation, that all the product you harvest goes directly to Manfor. What is the implication of the changes that have been made at Manfor, like the work activity, any possible layoffs of people? Just a general comment as to the upgrading changes and direction changes at Manfor — how does that directly relate to, or has it related to you this last year, and what do you project it doing in the year or two to come as far as your operation is concerned?

MR. C. Jones: I'll refer that to our general manager, Mr. Reino Kivisto.

MR. R. KIVISTO: The upgrading of the Manfor plant resulted in a little less production for this current year but, overall, I think it'll bring our production back up in the following years, although I'm not sure of that.

MR. J. DOWNEY: So the reason being that this year, the current year that you're in, the changeover at Manfor, the work being done has reduced some of the work activity that you're able to carry out because of the shut down in the plant and that type of thing. Is that what you're saying?

MR. R. KIVISTO: That's correct.

MR. J. DOWNEY: Of course, your operation depends totally on the success and the future operations, that's right, and the continuance of Manfor, and I know it's probably not the appropriate committee and opportunity to ask you the questions. Have you, as an operator of the logging operation, taken a look at the operations of Manfor that would satisfy you that what you have just said?

Can you give us any specific things dealing with Manfor that would give you the assurance that there could be some increase and support for your business? After all, there are some negatives that are being pointed out to us — the fact that there is a tough world market out there for the products that are coming out of Manfor, the possibilities of tariffs being placed on some of the products that are being exported. What specifically gives you the feeling that you're going to be able to continue to expand or there is room for expansion?

MR. R. KIVISTO: From what I can see of the operation at Manfor, they're doing some positive things, and I agree with the steps that they've taken. It may affect

production at even our plant for a certain period of time. But, in the long run, I think the steps they're taking are positive and it should make for a better environment for all of us in the future.

MR. J. DOWNEY: Just back to the initial questions I had, and I wonder if Mr. Jones could put a number on the cost of Workers Compensation. I believe there are, how many employees? 73? 74?

MR. C. JONES: 74.

MR. J. DOWNEY: And as well, what the estimated cost of the administrative costs and the secretary would be? Could you give us an estimate?

MR. C. JONES: Yes, I'll refer that to the secretary-treasurer, Gordon Trithart.

MR. G. TRITHART: The administrative costs with salaries and office supplies, travel, etc., total sum \$125,000 annually. The costs of the Workers Compensation are for the purposes of Workers Compensation, the employees of the company are treated like civil servants. That is that actual compensation costs, plus 25 percent administrative costs are paid. In the year under review, that cost was in the neighbourhood of approximately 70 percent, plus the 25 percent administrative cost. The following year, commencing in October of 1986, the company has begun to make a contribution toward that.

MR. J. DOWNEY: I'm not clear on the quantitative number of Workers Compensation payments in the . . . I didn't get a number. Was that part of the administrative costs that you provided, the \$125,000.00? Was that collective?

MR. G. TRITHART: No, it wasn't. They are separate amounts. The \$125,000 is for the salaries and the expenses of the secretary.

MR. J. DOWNEY: And the Workers Compensation was how much?

MR. G. TRITHART: Approximately \$70,000 plus 25 percent of that \$70,000.00.

MR. J. DOWNEY: Thank you for that information, Mr. Chairman. I think it's important to have that on the record. I would clearly point out that there are some hidden costs that are being carried, and I'm saying that it's a matter of making sure that the operation continues, that that is being done. I'm not extremely critical of it. I just wanted to point out for the record. Thank you.

MR. CHAIRMAN: I believe Mr. Trithart has another comment.

MR. G. TRITHART: I wouldn't want to misinform the Minister or the members here that those costs are the total costs for my unit; and that also covers the costs regarding administration process for Channel Area Loggers and other operations.

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MR. J. DOWNEY: I thank him for that additional information to help clarify it.

MR. E. CONNERY: On Page 5, they say: "The company continues to provide on the job training. Is this just funded through the company or is there Manpower training put into that?"

MR. R. KIVISTO: Well we have got some from Canada Manpower to train new employees to cut wood. The company supplies the funding in excess of what Canada Manpower supplies.

MR. E. CONNERY: On Page 4, and I see it's the same with the Channel Area Loggers, the same concern is: "Absenteeism remains the major problem affecting production." What is being done to overcome absenteeism?

MR. C. JONES: Mr. Chairman, this has been brought up for and this has been a problem in Moose Lake Loggers.

I'd like to inform the committee that we have initiated some action plan with the community of Moose Lake and the Band in Moose Lake to encourage the people and the employees of the importance of Moose Lake Loggers as a company, as a vital role in their economic lifestyle in that community. I have to say that there are certain incidents that occur that are sometimes beyond our control, but we are establishing in the communities a sense of ownership for the Moose Lake Loggers and it's an ongoing process.

There is no simple answer for it, but the supervisors now are sort of attuned to what's going on. We're just trying to bring forth a sense of responsibility so most of the employees should be coming to work and get away from this absenteeism problem.

MR. E. CONNERY: I was involved with the Elite Program, which is a local employment assistance program in Portage, and it involved a lot of Native people and it was very effective with the assistance that they gave in many areas. Maybe there's an opportunity for them to look to this sort of thing to try to improve.

What is the percentage of absenteeism that you're experiencing?

MR. C. JONES: I'll pass that on to Mr. Kivisto.

MR. R. KIVISTO: The percentage goes up and down, sometimes it's higher and sometimes it's lower. Different periods have different levels of absenteeism. I couldn't exactly put a figure on it, but I'd say about 5 percent per month of absenteeism days.

MR. E. CONNERY: 5 percent on the average?

MR. R. KIVISTO: On the average, I'd say.

MR. E. CONNERY: It makes me question, 5 percent wouldn't call for a comment in the report; 5 percent is almost as high as a lot of businesses.

MR. R. KIVISTO: We have 74 employees altogether and if we work year-round — and I think part of the

cause of the absenteeism is because we don't work sufficient number of months right now — we've been experiencing low quotas. So there's a little bit of a kneeling in some of the employees.

MR. J. DOWNEY: A couple of other areas in the report points out the emphasis basically changing to the owner-operator type system. The evidence is there that it appears that there's a little bit more initiative or desire to produce, and that kind of activity seems to be encouraged by the management there. Is that correct? Do you have a measure on it as far as the emphasis in the past and the future? Is that the direction you're continuing to go?

MR. R. KIVISTO: That's correct. We want to establish one owner, one operator, because it seems to work more efficiently than anything else. There's a little bit of problem because of the fact that we haven't had year-round work. There has been a few more owner operators getting into a little bit of difficulty with the payments, and we've had to help in some instances and the payback has been fairly easy to collect.

MR. J. DOWNEY: So this pretty well points out that the old free enterprise is still alive and well if there's a place to go with the product and the work ethic is there, the stimulus is there to produce, that's right. That's the old free enterprise. If they're given the opportunity they'll get right at it.

I have another question. — (Interjection) — well under this government, it's a mixed up system, I'll tell you that.

The reforestation is one which I am extremely interested in. All reports are that the government is not carrying out an aggressive enough reforestation program. I would think it's the Department of Natural Resources should have the major role in that. I know you've alluded to it in your report as well. Do you have a major reforestation program under way at this particular time? Is there a way in which you can divert some of the harvesting people, the employees from harvesting, to reforestation in the slow periods of time that you're not harvesting?

It seems to me that you're depending pretty much totally on your income from the harvesting of the product. Would a major program of reforestation not improve the profit picture in your slow periods from your harvesting? I'm just tying it to the farm community, which I am more familiar with. It isn't unlike that. You're harvesting a product that has to grow out of the ground and if you don't see it, it doesn't grow, then you don't harvest.

Again, the distance-related factor, how far now is it? Is that a big impact as far as the cost of operation to bring the product to the mill?

MR. C. JONES: Mr. Chairperson and Mr. Downey, Moose Lake Loggers is very much aware of reforestation. We had a program last year and we're having a program this year where we will be employing some of the present employees and if there are any further details, Mr. Kivisto can go into it, but yes indeed, we're very conscious of the fact of reforestation.

MR. J. DOWNEY: Well, for example, on a normal year, how many acres — and I refer to it in acres, maybe

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that's not the proper terminology in your terms — but the area harvested, how does that compare to the area that's being reseeded? Are we in a position of running out of a resource, because I know that that's been some of the community talk I've found in that particular area when I've talked to individuals, that their reforestation is not keeping up to the harvesting activities, and I'd like to know, roughly, reforestation versus the cutting activities in a year.

MR. R. KIVISTO: In the present year, in 1986, we're planting a total of 500,000 trees. We've got a contract with Manfor to plant 500,000 trees. All our previous areas have been scarified by either Manfor or Natural Resources and the regeneration from this scarification is almost 100 percent. In fact, the regeneration comes back so thick that you have to thin it after because it's just too plentiful.

Last year, as you see in the report, in 1984-85, the Department of Natural Resources did some mistletoe operations and seeding in our area and we house employees of theirs.

MR. J. DOWNEY: So, in other words, you're saying that all the area that has been harvested has been scarified and is now coming back through the natural growth, so the first at which that would be able to be harvested would be how many years down the road — 40 years? Is the regrowth 40, 50, under normal conditions?

MR. R. KIVISTO: It's approximately 80 to 100 years, the normal cycle of timber because it's a slow-growing area.

MR. J. DOWNEY: Well the numbers that I used I think are in the Roblin forestry area that there was a considerably less period of time. So you're saying 80 to 100 years. There's going to be a certain period of time at which there isn't going to be anything to harvest at that rate, am I correct in that? When do you perceive that? And the distance factor, how far now do you have to go to bring product in?

MR. R. KIVISTO: At the present time, we're approximately 100 miles away from The Pas and, at the present campsite, we won't be going much farther. In fact we've still got lots of timber between the camp and Manfor and the distance to The Pas becomes less in the wintertime to haul because they make a winter road and it cuts off about 20 miles.

MR. J. DOWNEY: What is the normal rate per mile for hauling the product?

MR. R. KIVISTO: I'm not really familiar because Manfor does the contracting of all the hauling, so I couldn't answer that question.

MR. J. DOWNEY: You just put it on the trucks, that's your operation?

MR. R. KIVISTO: We just put it at roadside.

MR. J. DOWNEY: I see.

MR. CHAIRMAN: Mr. Enns.

MR. H. ENNS: Just on the reseeded thing, correct me if I'm wrong, the scarification program that you referred to of course ensures regrowth of the same species. In the Department of Natural Resources Reseeding Program, did they introduce different varieties, different species of trees into the area? I was given some indication that that was the case, that the main factor there was a better variety of trees reduce that long growth period somewhat, maybe hybrid trees would cut down that 80- to 100-year estimate to perhaps 60 or 70.

M. R. KIVISTO: Well at present they are planting black spruce. We're planting black spruce in our area right now. Black spruce is planted mainly because it's more resistant to bugs and the spruce budworm doesn't hit it the same as white spruce. White spruce will grow much faster than black spruce, but black spruce is normally between 80 and 100 years to grow.

MR. H. ENNS: Just one other question on that, Mr. Chairman, to the gentleman. Would your company, for instance, if we want to accelerate the planting program, would your company be in a position to do some contract work for the Department of Natural Resources? I note that you assist them by housing Natural Resource's staff there from time to time, but in terms of finding more work opportunities for some of your people, and the need for a bigger emphasis on reforestation. It seems to me a logical group that is familiar with the area, you're familiar with the terrain, you are working with in a forest, that the department should consider, rather than necessarily needing the additional requirements of Natural Resources staff, to consider contract work out with a company like yours for reforestation purposes.

MR. R. KIVISTO: We've got a contract from Manfor right at present and we've got around 30 employees planting trees. Manfor has taken over all the reforestation from the Department of Natural Resources and we've got a contract to plant 500,000 trees, in which 30 people are employed.

MR. H. ENNS: Well I'm pleased to hear that. On another subject and I must confess that I haven't been keeping up-to-date with everything that's been going on at Manfor, but I would be interested to know, Mr. Chairman, of the requirements of Manfor, in your raw materials, cordwood, would you gentlemen have any idea what percentage of the cordwood that Manfor requires — pulp or lumber — comes from companies like yourself, or other individuals or private companies, Channel Loggers, individual operators in the area? What I'm trying to do is to get the breakdown.

I understand Manfor still operates through their Woodland Division, has people working directly under Manfor providing cordwood and then they may contract with people like yourselves and others to supply Manfor? Are you supplying 10 percent of Manfor's needs, 5 percent, 50 percent? Do you have any estimate about how that figure breaks down? What I'm after is, how much of Manfor supply comes from outside sources — by outside, I mean not direct employees of Manfor?

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MR. R. KIVISTO: We are the largest contractor for Manfor, but I couldn't really answer your question because it would have to be an employee of Manfor that has familiarity with their accounting system to know exactly how much the split is.

MR. H. ENNS: Well I would take it that Manfor sets a price and you have to meet it, and I'm interested, from Manfor's point of view, whether or not there are financial advantages to that operation that all of us are deeply concerned about. It is indeed financial difficulty. It is, however, extremely important that it survives and I think all of us have to be putting our heads together to figure out some way of keeping that operation alive. I suppose, Mr. Chairman, what I'm getting at, from an ideal point of view, I would like to see Moose Lake Loggers expand other operations such as Moose Lake Loggers, eventually be able to supply most of Manfor's requirements. What I'm getting at is if that is a feasible objective and one that would draw down on the financial stress and strain of Manfor. There are certain benefits that accrue out of that kind of operation.

MR. CHAIRMAN: I assume that's being directed at the Minister.

MR. H. ENNS: Yes.

HON. H. HARAPIAK: I guess, if we were living in perfect times, we would be looking at Moose Lake Loggers supplying all the needs as well, but unfortunately it was raised earlier as how long before we run out of wood to cut, and that's one of the problems as we expand operations. Will we be, in the long run, eliminating the jobs that are there that were created for the community? So I think we can't be expanding much beyond the limit we have been set at right now, about 70,000 cords, because if we go into that we're going to be cutting down on the life of the corporation itself.

Manfor has been looking at getting their source of wood from different areas. There's a mix of getting it from private contractors and some under their own woodlands operation and some Crown corporations like Moose Lake Loggers, but I don't think that Moose Lake Loggers could ever be supplying the majority of the needs that exist of their wood needs.

MR. H. ENNS: Well, I appreciate the Minister's response. I'm not suggesting that that could be; I'm just saying I'm looking at whether or not efficient private operators such as Moose Lake Loggers would appear to be starting to get to be, with some continuing support, but certainly the direction that they're going is encouraging. To me, that's an encouraging feature for this industry in the North. I think the government and the company should be doing all that's required to see that happen.

The Minister talks about the possibility of running out of forest stands. That, of course reminds me — regrettably, I see so few of the old NDP faces around here — they thought it was outrageous, of course, back in 1966 for the government of that time that realized that a fairly extensive area of land had to be dedicated if, in fact, a mill . . .

MR. CHAIRMAN: Does the member have a question?

MR. H. ENNS: No, Mr. Chairman, it's quite appropriate to make observations at these committees from time to time as well.

I'm simply saying that it was short-sighted on the part of those who criticized the then government that saw the necessity of dedicating a large area of land to support this kind of an operation. The New Democrats of the day thought you could do it on a 20-acre site.

HON. H. HARAPIAK: I'd just like to comment on that. It was raised earlier about the free enterprise system is alive and well, and I guess we'd like to say that we never have been opposed to the free enterprise system. We're always open to cooperative efforts and we are getting that cooperative mix at Moose Lake Loggers.

Just while I've got the mike, I'd like to comment that we've gone through some very difficult times in the forestry industry. I would like to thank and commend Mr. Kivisto and Mr. Jones who have worked for many hours in trying to run an efficient operation. Beyond that, I'd like to commend them for their cooperative work that has gone on with the communities of Moose Lake and the band, because I think it's extremely important that good relations continue and they have worked hard at this. The community and the band are interested in taking over more control of that operation, and we're working in that direction. So I'd like to thank both of them for their cooperative effort they've brought forward and it's had some real good results.

MR. J. DOWNEY: Mr. Chairman, the Minister made a comment that to exceed 70,000 cords a year would in fact put us into the position or put them in the position of harvesting more than the regrowth would be. Is that correct?

HON. H. HARAPIAK: We have a life expectancy of what our full total forest is. The Department of Natural Resources and Manitoba Forestry are involved with managing it, so we're diversifying our cut, but if we exceed our cut from 70,000 cords a year, then I believe that 20 years would be the maximum life of that operation then.

MR. J. DOWNEY: To the Minister, what is the current demand of Manfor right now?

HON. H. HARAPIAK: 72,000 is our current quota that Moose Lake Loggers has for Manfor.

MR. J. DOWNEY: Other loggers are providing it as well, other additional product from that area?

HON. H. HARAPIAK: No, Moose Lake Loggers are the only ones that are cutting in that area.

MR. J. DOWNEY: Oh, I see. So their contract is 72,000. So really on balance, they're right about on the target. Has that been constant over the last five years or so?

MR. C. JONES: Mr. Chairperson, we've had a decrease in our cutting or our production.

The 72,000 that the Minister has quoted is a maximum of what Moose Lake Loggers can cut with the amount of skidders and staff we have available. However, on

Page — I forget what it is; is it on 4? — it has our production rates for the year, Page 4. In 1985, we cut 63,000; and the year before, 49,000.

However, we do project this year that we should be cutting somewhere, I believe it is 52,000 cords. This is due to the fact that we have had a cutback from Manfor on the cordage.

MR. J. DOWNEY: I, as well, on behalf of the Opposition, want to compliment the management and the people in charge who have made the presentation today. I am sure that they put a lot of hard work into it, and the numbers of employees have increased and the work which they've done has to be recognized. We want to recognize them as well, and hope that the security of Manfor can be assured so that the work and effort that they've put in will be able to be continued. One can only hope that it's handled responsibly, though I'm not as confident on that as I am of the operations of the Moose Lake Loggers in your hands.

Thank you, Mr. Chairman. We can pass the report.

MR. CHAIRMAN: All in favour; opposed?
Carried.

CHANNEL AREA LOGGERS LTD.

MR. CHAIRMAN: No. 3, Channel Area Loggers Ltd.

HON. H. HARAPIAK: Before we begin the review of the Annual Report of Channel Area Loggers, I would like to introduce our chairperson, Lester Everett, and our manager, Gordon Kemp. Gordon Trithart is again secretary-treasurer for this corporation as well. Our chairperson has an opening statement to make.

MR. L. EVERETT: Thank you, Mr. Chairman.

Mr. Chairperson, members of the Legislature and ladies and gentlemen, on behalf of the board of directors of Channel Area Loggers, I'll be addressing the company's report for the year ending March 31, 1985.

Just making a brief comment on the past year, Mr. Chairman, we in Channel Area Loggers have experienced a year with a great reduction on costs and also a tight management of time. Time committed by ourselves to the company is most valuable to the past experience on Channel Area Loggers in the area of the losses. The time that was spent by the manager and the secretary-treasurer and the board, with the assistance of Crown assets, has proven that we could therefore decrease the deficit from 1985 of a total amount of \$235,635 to less than \$20,000 this year.

In reviewing the present structure of Channel Area Loggers we have tightened the management's expenses in the area of overhead and goods and services.

A substantial loss of \$235,635 for the year ending March 1985, compared to \$148,949 for the previous year can be attributed to such things as road and hauling costs. However, the underlying factors are that the company's substantial overhead costs are necessary in this remote area. This required the production to be done quickly and efficiently, is complicated by the terrain, which is more conducive to cutting during the months of December and March.

Through experience we have known that cutting different terrain in different seasons is highly important to the company's survival. It is our board's priority that we are able to maximize resources that are available for the people's benefit in the long run.

In maximizing the resources, Mr. Chairman, we have introduced a snipper where a local owner-operator can proceed in developing skills in operating such a machine. The locals of Berens River, where unemployment is as high as 95 percent in some seasons, can make a go of it and development of economic conditions must be attempted in a highly remote area.

Under the direction of the Minister responsible the board of directors and management have commenced to reorganize the company. This reorganization is aimed at improving the long-term financial results of the company and where there is still much to be done, we are pleased with the results so far.

While the audited financial results for the year ending March 31, 1986 are not yet available, we now estimate a small loss of under \$20,000.00.

Should the members wish to raise any questions regarding the 1984-85 results, I've got the manager, George Kemp, and also the secretary-treasurer to assist me in any questions asked.

Thank you, Mr. Chairman.

MR. F. JOHNSTON: Mr. Chairman, the Channel Area Loggers on Page 21 — and just correct me if I heard it wrongly — do you expect to have a less than \$20,000 deficit, or loss in 1986? Is that what was mentioned?

HON. H. HARAPIAK: That is correct.

MR. F. JOHNSTON: When we go through the list of losses we see it moving down from 1980 through to 1983, and then Mr. Gourlay had put in a chairman, Mr. Christensen, and through those years I believe there was a contractor hired by the name of Mr. Paton, who went in with very large equipment, and then there was a skidding and slashing, or slashing and skidding, whichever way you want to put it, work done and the profit ended up in 1983 to be \$38,976.00.

Mr. Christensen then left and certainly the new board has taken over and obviously they went to a very high deficit, and obviously they are starting to work it down also.

Have the procedures of operation been changed, because as I understand it when it made the profit — or started to make the profit towards 1983 — that everybody was prospering; the contractor, the Bands, the labour force were all starting to make money. Then we see a turnaround where we have losses again, and now we see a turnaround where we don't have losses.

What process are you working at, at the present time? Are you having contractors come in with equipment that can handle it? Maybe that could be commented on.

MR. G. TRITHART: Mr. Chairman, during those two, what we like to call, successful years back some four years ago, the allowable cut in the area was around 22,000 cords. In fact, the allowable cut was higher than that but all Abitibi would accept was 22,000 cords.

During the first year in that four-year period there were some 28,000 cords cut, of which 22,000 was sold

to Abitibi; and the following year a carry-over of 6,000 plus the 13,000 production, gave us 19,000 cords.

Yes, there was a contractor in there by the name of Mr. Paton and after the second year, he left because he was able to obtain a rather large contract in Alberta for — I'm not sure of this figure, but I heard somewhere in the neighbourhood of 40,000 cords — I think that has been decreased since but he still has the kind of volume he needs for the type of investment that he has.

Subsequent to those two years, the Department of Natural Resources asked us to clean up that area — because there was a lot of small wood left — before we could move to the Berens River, which we are at now. As a result of working in the small wood, not having a snipper available, a combination of those things decreased our production very drastically. In fact, our best cutting period, January to March, there was almost nothing cut. This set us up in a loss position.

Subsequent to that, at the end of that year, we moved to the Berens River; and in the current year under review, there are substantial costs relating to No. 1, the carry-over of the loss, which before the government pays it, they must have the Provincial Auditor's report. There is substantial interest on that. There were substantial costs relating to the placing of the camp, the refurbishing of the camp, electricals, etc.

While a number of these things were capitalized, there were also things that weren't. Our hauling costs on the carry-over wood of 2,500 cords; we have moved to the new area so there is a longer distance. The cost of hauling is greater, and our goods and services were costing us more. The company's position was to charge approximately 25 percent over invoice cost to cover and we were finding, through the recent review that the Chairman mentioned, we found that our costs were much in excess when all fixed assets and transportation, etc., were taken into account and we had to increase the costs of our goods and services. Together with the restraint on roads and other areas where we could restrain costs, management and the board of directors have been working fairly hard in the past year trying to recover from that position.

MR. F. JOHNSTON: I'd like to thank him for that answer.

Well, the position as mentioned by the Chairman certainly is better in 1986, and we would hope that it would look to a profit situation in the next year. What do you feel is your forecast now that you have overcome some of these problems, or are these going to be existing problems that will have this corporation move from a profit one year to a non-profit for many years? I ask that question because I'd like to know the forecast of the company since the losses now since 1973 have accumulated to nearly \$2 million.

MR. L. EVERETT: Mr. Chairman, I guess it's the board's priority to try and cut the deficit down as through the past number of years. I guess, just to give you an explanation on the loss that we've had in the past two years is that going back to the mechanical type of operation where Mr. Paton was in Berens River cutting wood at the time.

The forecast for the company's position is that we are looking at different ways of improving the company's

financial state. Referring back to the 1983-1982, especially to the 1983 profit is that there has been a system set up at that time where it was mechanically operated, more less more mechanically operated company.

So, therefore the board realizes that those two years were a great year for Channel Area Loggers and that we are really studying hard on those two years, what made it possible for the company to be in a profit situation. So from there, it came to us that the reason for that is possibly in the area of introducing mechanical equipment that Mr. Paton had at the time.

So, in a sense, what we're doing, Mr. Chairman, like I've mentioned in my opening remarks, is that we are introducing that specific machine to the company where an owner-operator is running the machine himself. So, therefore, we hope to eliminate the big losses that we've had through the years, through the cut and strip system. We're basically using the system that had been implemented in 1983 where the company was on a profit situation.

MR. F. JOHNSTON: That's fine.

MR. CHAIRMAN: Mr. Roch.

MR. G. ROCH: I see that the company receives general and specific subsidation from the Provincial Government. Without these subsidies, would the accumulated losses be higher than the 1.9 million?

MR. G. TRITHART: Yes, it would be higher.

MR. G. ROCH: Okay, I noticed too, on Page 6 Item E. "A Secretary to the Board of Directors is provided by the Provincial Government." Is this included anywhere in the subsidy list on Page 5?

MR. G. TRITHART: No it is not.

MR. G. ROCH: I mean on Page 4.
So what is the cost of this service?

HON. H. HARAPIAK: I believe that was mentioned during the Moose Lake. It's approximately \$120,000 for the operation and that concludes the Moose Lake Loggers and Channel Area Loggers and a small operation in Sherridon and Grand Rapids. There are a couple of other operations that they are also responsible for.

MR. G. ROCH: On a shared basis?

HON. H. HARAPIAK: Yes.

MR. G. ROCH: So then it comes out of what? General Provincial Revenues for boat operations, did the salaries . . .

HON. H. HARAPIAK: \$120,000.00.

MR. G. ROCH: And that comes out of . . .

HON. H. HARAPIAK: Out of the Department of Northern Affairs.

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MR. G. ROCH: Department of Northern Affairs. Okay, thank you.

MR. J. DOWNEY: Mr. Chairman, I appreciate everything that has been said to this point and the difficulties that are before us. I guess the responsibility of this committee is to review what has happened and I think it is as well important that we have made available to us the directive that the Minister has given to the Channel Area Loggers dealing with what he expects there to happen. He has called for re-organization and some moves. I would like to know what his directive is. I would like a copy of that directive, or for the Minister to provide us with that information, because I think it's helpful. Even though I have indicated that the projected loss for this year is \$20,000 I haven't been convinced yet that that is in fact going to take place. I'd like to know what the Minister's approach to the whole thing is because we're now dealing with, if my calculations are right, approximately \$6,500 per employee of a subsidy to carry on the operation. I think there has to be some concern certainly with those people who are employed there, both the continuation and make sure that it's creating employment for them. That's I think what we all want. We all want to make sure there are job opportunities and the continuation of this operation and the best possible way available.

I would like to know what the Minister's directive is and what his policy is dealing with this?

HON. H. HARAPIAK: Mr. Chairman, it's exactly for those reasons that I looked at Channel Area Operations, that I felt we could not be continuously pouring in a subsidy if there was no justification for it. I'm not saying there wasn't any justification for it, but we had to have a look at the operation and see what area of the operation was costing us money. We found that we were losing money and supplying the goods and services and some of the accommodations that were there were necessary, and we were not charging the appropriate price for those services, so we felt that we had to have a good look at this and see that it would carry its own operations. I've asked members of the board of directors and secretary-treasurer, the manager to look at the possibility of having a break-even operation of how we would have to change the operation to break even. I think they've come a long way to that.

We have to recognize that we operate under difficult circumstances in the Channel Area Loggers. It's a remote, isolated area. It's difficult to get parts to. We have to do some of our planning to have the fuels brought in the wintertime to have fuel for the following year's operations. We have to fly a lot of the supplies in during the summer months, so it is expensive to operate there.

We're also looking at more reforestation which is complementing not only the renewal of the resource but it's also utilizing some of the employees that we have during the winter months are also utilized during the summer months, so I guess what we were looking for is a break-even operation. We come close to it this year and hopefully next year we will accomplish it.

MR. J. DOWNEY: I don't know where the Minister figures he came close to a break-even operation last year. I'd like him to clarify that statement.

HON. H. HARAPIAK: In 1986, in the year that's not reviewed now, but the year that's ending March 31, 1986.

MR. J. DOWNEY: I see, so he is saying that the figure of \$20,000 loss for 1986 is, in fact, on paper it's been tabulated?

HON. H. HARAPIAK: The final audit isn't in at this point, but we feel confident that our figures will be in that vicinity.

MR. J. DOWNEY: Well, we'll certainly be watching with interest as the report comes forward. I think that to turn it around from that \$235,000 loss to 20,000, the people who are responsible are to be again complimented because that is a pretty major turnaround.

I note one area that seems to be a major cost factor getting the product to the marketplace. The cost of transportation doubled from \$9.74 to \$18.71 and the explanation note is that they increased from 15 to 27 miles. That seems like a substantial amount of money to half an increase just for a 12-mile increase. What further explanation is there for that? Why would it double the cost? Why would the transportation costs double for an additional 12 miles?

MR. G. TRITHART: The mileage has gone 227 from 15. However, you'll note that there was approximately 2,500 cords of carryover wood. That increased those costs substantially. In other words, there were 2,500 delivered that was actually produced the year before but delivered in that current year.

MR. J. DOWNEY: What I'm not sure on, what does the 9 and the 18 represent? What does that . . . ?

MR. G. TRITHART: I think it's based on production.

MR. J. DOWNEY: What I'm trying to get at is if that's a pre-unit cost that's doubled, then there's something wrong if it's gone up that high. So, you're saying it's lumped in, that it's the previous . . .

MR. G. TRITHART: It's all lumped in. Yes, it's all lumped together and when you do the division there's a part of one year carryover lumped in there and when you do the division it's not really representative. The actual costs went from about \$10.45, I think, to in the neighbourhood of 13.30.

MR. J. DOWNEY: So, it's the accumulation of the year's previous wood going into this year's report?

MR. G. TRITHART: I have a correction on that. It's \$10.45 to \$14.00.

MR. J. DOWNEY: I'm wondering, just again to the Minister, when will we be able to see the 1986 report? When will there . . .

HON. H. HARAPIAK: I have been informed, Mr. Downey, that the regulation has been to table the report 15 days

after the Legislature opens for that year. So, it would be after the next Legislature opens.

MR. J. DOWNEY: According to Page 6 of the report, the company continues to provide on-the-job training for production employees. However, a shortage of training funds makes it difficult to provide other employees with management and administrative training. A shortage of funds from where? From the operation or have there been other government programs that have been traditionally in place or is it just because of the loss that you're not putting any money into that?

MR. G. TRITHART: I think it's a combination of all those things. The training is expensive and really cannot be undertaken by the company with the financial straits it's been in.

It's not so much on-the-job training that's required. It's outside training and improving skills; and this training is difficult to obtain in our periods of down time and it's also very expensive. There's cost factors involved and there's also the limited time that's available for people to go out and get this training.

MR. J. DOWNEY: Well, I guess if there was room for criticism of the government and the Minister in this area, that it seems to me like you're in a situation where you've got a corporation that needs some management improvement, you need some improvements to help turn the picture around. You're in a Catch 22 position. You're losing money and you're unable to find funds to help solve your own problem. The criticism of the Minister would be that he possibly should be looking at some form of management and training program that could be implemented to strengthen this portion of the operation. I would like his response on that.

HON. H. HARAPIAK: The suggestion has been made to us on a number of occasions but the difficulty is that the manager is currently operating it practically all year round with either the forestry operation or the reforestation. It is something that we recognize that is necessary, and we're looking at ways of how we can accomplish this.

We should tell you that Mr. Trithart, through my department, and Mr. Hastings, through Crown Investments, have been working very closely with them and with Mr. Kemp. They're providing some assistance that is required, and I think also that credit has to be given to the board of directors. The board of directors, as you'll notice, are all local board of directors except for Mr. Seppala who is from the Department of Natural Resources.

They have worked very closely with the corporation to try and make the improvements that are necessary in the operation to make it a viable operation. They felt that it was a reflection on their community to be receiving hefty subsidies every year as well. So there's a sense of pride within that board of directors that they want to turn it around and make it a viable operation.

So I think there's been a great deal of cooperation between the chairman of the board and the board of directors, the manager and the secretary-treasurer, all

working cooperatively to make that place viable. If there is still some training required for the manager, then we are looking at ways of possibly sending him out to some area during the time that it's closed down to supply some of that training that is needed.

MR. J. DOWNEY: Just for a little more information there, 36 people currently employed, are they hired on a yearly basis or on a part-time basis or what's the employment status there? How do they . . .

MR. CHAIRMAN: Mr. Kemp.

MR. G. KEMP: Again, it's seasonal employment. Our busy season is from September till the end of March.

MR. J. DOWNEY: What kind of a pay schedule do they work on? What's the pay? Is it strictly an hourly rate?

MR. G. KEMP: No, it's biweekly piecework.

MR. J. DOWNEY: I see. When you say piecework, it's done so much for the job and that type of thing.

MR. G. KEMP: That's correct. It's by the cord . . .

MR. J. DOWNEY: I see. What basically does that work out to for an average worker in dollars per week or month? Just a close estimate would be fine.

MR. G. KEMP: I guess a rough estimate would be about \$600 take-home pay biweekly.

MR. J. DOWNEY: Do the people qualify for unemployment insurance the rest of the year? Are they able to do that?

MR. G. KEMP: Yes, they're able to do that. Then we have reforestation now, so the tree planting is helping quite a bit too.

MR. J. DOWNEY: On the tree planting, is that a project worked out with the Department of Natural Resources? Is that who provides the support for the tree planting or is it someplace in the Channel Area Loggers expenses that the tree planting comes out of?

MR. G. KEMP: No, it's a totally separate contract from the Department of Natural Resources.

MR. J. DOWNEY: That takes up, say, the summer months when they're not logging? Is that basically the same 36 would be hired into that project or a large percentage of them?

MR. G. KEMP: There's at least 10 percent of the actual cutters that go into tree planting, but a lot of them come from the community as well.

MR. J. DOWNEY: So in the tree planting program more than the 36 people that are in this report would be reflected in the employment in that particular area?

MR. G. KEMP: Yes, that's correct.

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MR. J. DOWNEY: Thank you.
That's pretty well it for now, Mr. Chairman.

MR. CHAIRMAN: The Minister of Finance.

HON. E. KOSTYRA: I just had a couple questions for Mr. Trithart.

One is arising out of an answer you gave to a question to the Member for Springfield regarding the general operating grant or support from the Province of Manitoba. You indicated, at least I thought you said that without that, the losses would have been higher. Is that what you said?

MR. G. TRITHART: Yes, that's what I said. I said that the accumulation of some 1.9 million-odd is the losses only. It does not account for any other individual. As you see on Page 4, it would not include that campsite relocation, winter road construction, \$15,000, consulting fees, etc.

HON. E. KOSTYRA: But it would . . .

MR. G. TRITHART: But it would include the \$109,973 at the top for 1983-84, and the \$235,635.00.

HON. E. KOSTYRA: The general operating support from the department is accounted for after the loss. In other words, in the case of 1985, the \$235,635 operating subsidy equates to the loss. It's paid out, in essence, on the balance sheet after the loss. So that doesn't double the loss for the year.

The second question I had related to a comment he made earlier that Channel Area Loggers was required by the Department of Natural Resources to go back in and clean an area because of what? Bad cutting practices previously? And who was that done by?

MR. G. TRITHART: One of the things that the company is trying to resolve now, among other things, is the fact that in that particular area approximately 70 percent of the wood must be cut during the winter months. That's late December to March. Therefore, we've got to move in quickly and move the wood out.

During the period when Mr. Paton was there, we cut an awful lot of summer cutting to get the volumes that we got. Therefore, we were cleaning out areas, the summer-cut areas and as a result the balance has gone out. Then there were a lot of small wood areas that were left that had to be cleaned up under regulations of Natural Resources.

HON. E. KOSTYRA: Wouldn't there be a requirement under the terms of the contract with that contract that he would be responsible for that rather than the company itself?

MR. G. TRITHART: No, there wasn't. The company directs the individual as to where he's going to cut, in what area, and how he has to cut it. I guess you can say we were after volume at the expense of long-range planning.

MR. E. CONNERY: The same question as I put to the Moose Lake, the absenteeism. When we're expending

this much of taxpayers' money to provide jobs, and I have no reserves about spending even if there are some losses, but it does disturb me when we're doing something for a community when we're having this high absenteeism. What is the group doing to try to encourage a better absenteeism rate?

MR. L. EVERETT: Yes, in the area of absenteeism what we, as a board and with the assistance of the secretary-treasurer and the manager have done, is that we have again utilized and focused in the area of the year that we had a profit situation. That year, of course, the system that was operated at that time was, a snipper was used which is mechanical equipment that takes the wood out and piles it very nice and neatly.

Now I guess the problem comes in when all the big woods are cut out without the snipper, the problem comes in where all the big wood are cut out and you're left with small wood. When you're left with small wood the owner-operators who depend on the amount that they cut on their wages, kind of slack off a little bit because of the small wood that's left there. They don't really make any dollars on small woods; they're not really promoted to work in that area.

So as far as bringing the snipper in, that cuts down the problem of having small wood left over at the latter part of the year which, in a sense, cuts everything in a given area and therefore the momentum of the employees who are working there, if they see there is some room or most of the time cut and skid in big areas, we try and keep them happy in that area. So that's how I think we have managed to come up with the snipper solution.

MR. J. DOWNEY: Just a further question following on the Minister of Finance's comments. If you go to Page 4, General Subsidy to Offset Annual Losses, \$235,635.00. What additional government monies have gone into this operation?

MR. G. TRITHART: \$7,282 for strip cutting programs.

MR. J. DOWNEY: So that reflects the total amount?

MR. G. TRITHART: Other than the secretary-treasurer and workers' Compensation.

MR. J. DOWNEY: Okay. Mr. Chairman, I just hope that the projections that we've been given here today are accurate, where they've turned it around to a — I don't like to use the word "loss" — but it's a substantial reduction in the amount of taxpayers' money that have gone in and hope that is accurate and is reflected when we see the report.

I hope this coming year for the operators and the management is one that will reflect even a better report for the coming years. Thank you for your time.

HON. H. HARAPIAK: I'd just like to thank the manager and the chairman for coming and I'd like to thank the committee for their cooperation during the review of the Annual Reports and I, too, do hope we know now for the next year of Channel Area Loggers the results are positive. We hope, as well, that it continues to progress in that way, where it can come out to be a

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viable operation, which is not only providing employment in an area of high unemployment, but is also coming near to breaking even.

MR. CHAIRMAN: Then the report is accepted. In favour, opposed, carried.

The next meeting of the committee, with its regular chairperson, will be Thursday morning at 10:00 o'clock. Committee rise.

MR. F. JOHNSTON: Mr. Chairman, before committee rises We were on the Communities Economic Development Fund report, of course, we're now looking at reports that are 14, nearly 13 months old — but the manager gave us a list of the loans and he stopped — we agreed he stop going over them and he would give us the rundown and since we got the rundown today, I've had a quick glance at it. Out of 63 loans, we've had 26 that start out not successful, problems, apparent difficulties, difficulties exist, reasonable, and also to be watched.

I'm going to ask the Minister, at the present time, if we could have this list of the loans, or the rundown, or the accountability of the loans before it meets, because if we don't have them before, we're going to ask on every one individually until we have all the answers at the next meeting of the Economic Development Report. I would say to you that they are ready.

I know with this government's record of calling Sessions, we might go longer again before we see it, but when the Minister says about the other reports that they have to be turned in 15 days after the Session

starts, I would suggest that if the Session were to be called in October or something of that nature, the would be ready within 15 days, so there's no doubt that they're prepared very quickly after the end of the year, so there's no reason why we shouldn't have this information ahead of time; and if we don't, we will spend more time on it in committee. Thank you.

MR. E. CONNERY: Has the McKenzie Seed report been put out? I haven't seen it. I don't know if it's in my file. It's just a question, but I don't remember seeing it. Has anybody seen it?

A MEMBER: I'll take it as notice, Ed.

MR. E. CONNERY: Yes, but we don't need it next Thursday morning, if we're going to have the meeting

MR. CHAIRMAN: According to the Clerk's Office, it hadn't been tabled as of this morning.

MR. E. CONNERY: It had not?

MR. CHAIRMAN: Had not.

MR. E. CONNERY: I didn't think it was either, but how do we go over it . . .

A MEMBER: It was asked in Question Period today why it wasn't here.

MR. F. JOHNSTON: We'll ask for it. Committee rise

MR. CHAIRMAN: Committee rise.