



Legislative Assembly of Manitoba

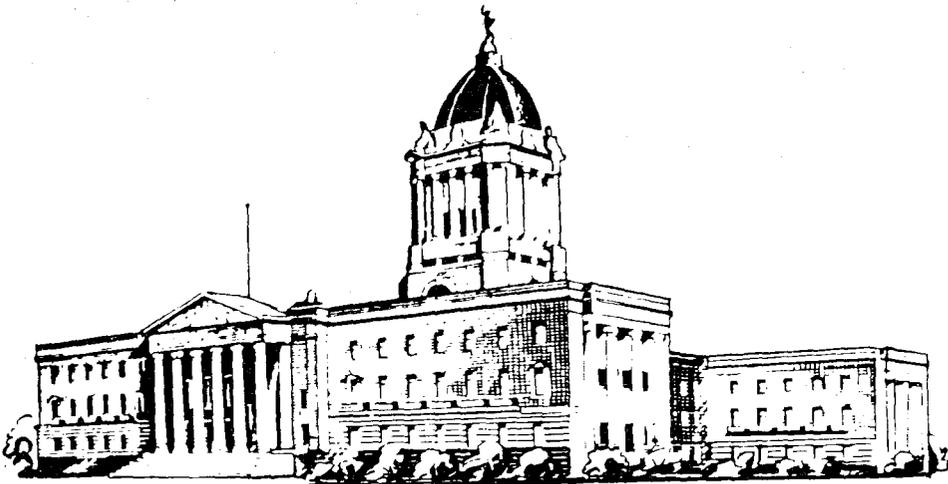
HEARINGS OF THE STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman

**Harry Shafransky, M.L.A.
Constituency of Radisson**



8:00 p.m., Thursday, June 5, 1975.

ECONOMIC DEVELOPMENT COMMITTEE

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CHAIRMAN: Mr. H. Shafransky.

MR. CHAIRMAN: We have present the Chairman of the Moose Lake Loggers Ltd., Minago Contractors Ltd., and Channel Area Loggers Ltd. I would call upon the Chairman of Moose Lake Loggers to come forward and ask the Minister of Renewable Resources to introduce the Chairman. Mr. Bostrom.

MR. HARVEY BOSTROM: Mr. Chairman, I draw the attention of members of the Committee to the list of the Board of Directors within your report. The Chairman of the Board of Directors of Moose Lake Loggers is here tonight to present the Annual Report for the year 1973-74. The Chairman is Orville Minish, Motel Proprietor from the Swan River area, well-known businessman in the Swan River area. He has been involved with the Moose Lake Loggers since November of 1973, and I turn the mike over to Orville Minish.

MR. CHAIRMAN: Mr. Minish, if you would like to give your introductory remarks and then we can open it up to questions from the members of the Committee.

MR. MINISH: I have before me this evening a report of the 1973-74 logging operations of Moose Lake. Do you wish me to read the report, or go through it verbally?

MR. CHAIRMAN: Well you could possibly go through - yes, Mr. Johnston.

MR. GORDON JOHNSTON: I would suggest that Mr. Minish take us through the report. We've only had it in our hands for one minute or so. If he could read the report - and whether he would sooner wait until he's completed the report, or members could perhaps ask questions at the time, whichever he would prefer.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, one point of information. The Moose Lake Loggers Report has been tabled in the House some months or more ago, so members have had a chance to review it. But in the event that they have not had a chance to look at it that carefully, I'm sure Mr. Minish would go through it - at least if not word for word, as he wishes.

MR. MINISH: Well if it's left to me, I'll read it as written, and if you want to interrupt and ask questions as you go that's entirely up to you - it doesn't matter to me.

In 1973-74 the Company experienced a sharp decrease in production accompanied by a dramatic increase in financial losses. Compared to 1972-73 when production was in excess of 23,000 cords and losses less than \$17,500, production in 1973-74 dropped to less than 6,500 cords while losses increased to in excess of \$220,000. While the increased loss can be attributed to the decrease in production with no offsetting decrease in overhead, it is more difficult to explain the reasons for the decline in production. The following chronological outline perhaps can best describe the reasons behind the decline:

Mid-March 1973 - The manager experienced considerable difficulty in maintaining a full work force and as a result the operation was shut down temporarily in late March 1973.

April 7, 1973 - A Board of Directors meeting, open to the community, was held at Moose Lake, Manitoba with the Honourable Sidney Green in attendance. At this meeting Chief Tobacco requested permission for the community to assume complete control over the logging operation. Mr. Green indicated that if the community assumed full control over the company the province could advance money only under conditions that would safeguard the province's financial input.

May - June, 1973 - Mr. Nick Kowalko, manager, decides to resign but agrees to remain until a new manager is hired. The machinery is being overhauled during this period.

The manager advises that there are virtually no men available for work as most are working on the new school or housing construction or are out of the community or on welfare. Interest in logging appears to have declined according to Mr. Kowalko.

July 24, 1973 - A Board of Directors meeting was held at The Pas with Chief Tobacco in attendance. At this meeting it was agreed that Chief Tobacco would negotiate with both the federal and provincial governments for funds necessary to purchase the Company as the community wants no outside assistance in operating the Company. Failing this option, it was agreed that the assets should either be sold to CFI or disposed of in such other manner as would bring the highest return. Chief Tobacco agreed to keep Mr. Hunt, the chairman, informed on a weekly basis as to the progress of his negotiations as August 19th was agreed upon as a date for a decision respecting the future of the operation.

August, 1973 - Mr. Hunt was never contacted by Chief Tobacco re the progress being made in his proposed talks with government for takeover funding. Also, CFI indicated to Mr.

(MR. MINISH cont'd) Hunt that they are not interested in taking over the operation. A decision was reached by Mr. Hunt to recommence operations and to hire persons from outside the community if a full work force is not available from within the community.

September 10, 1973 - Operations recommenced.

October 29, 1973 - A letter was sent to the Chief and Mayor of Moose Lake by the Honourable Sidney Green indicating that the Province is prepared to consider any proposal that the community may prepare re takeover, provided that the assets of the Company are purchased or conditions agreed to that would safeguard the province's financial investment.

November 1, 1973 - A Board of Directors meeting was held at The Pas, at which time Mr. Hunt resigned as President and Mr. Filuk resigned as Vice-President. Mr. Minish and Mr. Marvin were elected to replace them as President and Vice-President respectively.

Per cord pay rates to cutters were increased from \$6.40 to \$6.65.

The Board is informed that the Company did not receive a contract for winter road construction. That incidentally is the road from The Pas to the hauling site and also to Moose Lake Village, the road that they're talking about.

The Board is informed that the Chairman finalized a new contract with CFI for 12,000 cords at \$17.40 a cord. And that was negotiated by Mr. Hunt, not myself. That was before I was in as Chairman of the Board.

November 1973 - March, 1974 - The operation is plagued by high absenteeism and low productivity.

March 15, 1974 - A Board of Directors meeting, open to the community, was held at Moose Lake. At this meeting Chief Tobacco and Mayor Martin advised that they had forwarded a letter to the Premier outlining the dissatisfaction of the community with the existing operation, including its management and Board of Directors.

Other highlights of the meeting included:

- i) The Chief and Mayor did not want the Company to train local people for staff positions. Instead, they want to take over the Company and train their own people.
- ii) The Chief stated that machinery break-downs were the reasons for absenteeism and the lack of a full work force, although Mr. Kowalko stated that there are normally more machines available than there are men. According to Mr. Kowalko, when machines are down, it is due to either a shortage of parts or the mechanic being away without leave.
- iii) Chief Tobacco would control welfare to ensure that there are enough cutters - if the community controlled the operation.
- iv) Mr. Kowalko advised that the cutters do not have the same desire to cut - thus resulting in decreased production even though the Board, management and machinery is unchanged from the previous record production year.
- v) Lack of communication between the loggers and management was stated by the community as another reason for decreased production.

The decision of the Board of Directors at this meeting was to continue operations as they are until such time as takeover negotiations between the community and government are concluded. The Chief and Mayor agreed to ensure that men are available to operate all the machines. The Board of Directors also agreed to recommend to government that the community be allowed to take over the company for the costs of the assets with government having no further involvement in financing or management.

End of March 1974 - The manager, Mr. Nick Kowalko, resigns. A decision is reached by the Chairman and the community on April 1, 1974 to close the camp, move the equipment to The Pas, hire new staff and re-open later. It was also agreed that a written work commitment should be obtained from enough cutters to warrant re-opening the camp. It was also agreed that following resumption of operations an agreement for transition from government ownership to community ownership would be worked out.

After March 31, 1974 - On April 30, 1974, a written commitment was obtained from 24 persons from Moose Lake indicating that they desire to work at the logging operation on a regular basis if it is re-opened. On the same date the community outlined several requests that they wanted either the government or the community to meet.

On May 31, 1974 a Board of Directors' meeting was held at The Pas with the Chief and Mayor of Moose Lake present. At this meeting, the April 30th requests of the community were discussed and decisions satisfactory to both the Board of Directors and the community were reached on each request. At this meeting it was agreed that the community should not assume

(MR. MINISH cont'd)control over the operation at this time. The Board agreed that recommencement of operations would be subject to a suitable person being hired as manager and the community providing Mr. Minish with a resolution indicating that the community agrees to the Company hiring cutters from outside the community - if the community is unable or unwilling to supply a full work force.

Despite many requests for the foregoing resolution respecting "outside" cutters, a satisfactory resolution was not received until August 9, 1974.

As of August 19, 1974 the Chairman was attempting to obtain a substantial increase in the contract price from Manitoba Forestry Resources (CFI) before making any commitment to hire a manager.

From the foregoing chronological outline of the year's operation, it is evident that there was a strong feeling, at least on the part of community leaders, that the community should assume ownership and control over the logging operation. The Board of Directors, however, were of the opinion that the community was not yet capable of conducting a viable operation without outside business, technical and financial assistance. Because of these differences, friction developed between the community, the Board of Directors and management, and the operation as a result lacked clear-cut direction as to its future. This lack of direction and friction with the community may have resulted in a lack of managerial and employee interest in the operation. Combined with machinery break-downs resulting from parts' shortages and the lack of a fully qualified mechanic, absenteeism increased, productivity declined, lengthy shut-downs occurred and production fell dramatically as a result.

Other comments on the 1973-74 Operation are as follows:

A fire on January 30, 1974 destroyed two lighting plants and the power trailer. The insurance claim was eventually settled for \$9,900.

During the year the Company was successful in obtaining a substantial reduction in its equipment insurance rate from \$1.40/\$100 to \$1.10/\$100 of insurance.

During the year Mr. Sam Kowalko, who had been bookkeeper and assistant manager since inception, resigned. He was replaced by Mr. Lausman and subsequently by Mr. Shewchuk, who both also resigned.

Because the bank loan exceeded the government guarantee in early 1974, it was necessary to have the government guarantee increased from \$250,000 to \$500,000.

The Company became exempt from Workmens Compensation assessments during the year as a result of amendments to the Workmens Compensation Act.

And that is the extent of the report for 1973-74.

MR. CHAIRMAN: Mr. Johnston.

MR. GORDON JOHNSTON: Mr. Chairman, to Mr. Minish. I sympathize with the difficulties you've had. I wonder if you could tell us first of all, are the officers of the Board of Directors paid and if so, how much.

MR. MINISH: The Board of Directors - as indicated on the first page of the report, the only paid director on the board is myself. I'm paid the sum of \$300.00 a month plus incurred expenses as to meetings held. I must add that the board members are paid a flat sum of \$25. a day plus expenses for meetings attended.

MR. JOHNSTON: Thank you, Mr. Minish. Mr. Minish, if you had to make a recommendation based on your experience, and looking down the tunnel to what you think may be the end of this thing, would you recommend to wind it up or carry on - or what improvements if you decided to carry on?

MR. MINISH: Well after a lot of work with the people of the community of Moose Lake, personally, myself - we have the operation going on a full bore at the present time and I must say that it's a very satisfactory operation and turning out a lot of product. I feel that the operation will never be a money-maker because of the fact that it was set up as a community endeavour for to help the people of the region. There was two major things that was wrong with the operation that I'd like to explain to you if you would stay with me for a minute.

Through the whole operation - and this is my own criticism - there was never a costing ever established on this until 1974, as to what it was costing us to produce a cord of wood. And we did a substantial costing on it, and therefore went to Manitoba Forest Industries and presented to them what we had to have for a cost of production for to cut a cord of wood. Consequently through these endeavours - and I give a lot of credit to the secretaries, Mr. Wayne Fisher and his helper, Ray Delbar, for working out a costing - we have finally arrived

(MR. MINISH cont'd) at a figure. We've gone all the way from \$17.40, which Mr. Hunt negotiated with the Manitoba Forest Industries, to the present price of \$25.60, which as you can see is a substantial increase. And this was one of the reasons that the operation was not a financial venture, because there was so much disparity between a costing operation and actually what we were getting. So now that we have - we started on January 2nd, incidentally, with our new set up, and another highlight was the fact that we received in writing from the Indians, and the Band, this written obligation that they would not interfere with our operation if they refused to supply cutters from the village. I felt that this was another highlight because we were on the reserve land at that time, and they were dissatisfied with the whole operation, and they wouldn't let us bring in outside cutters. Now they never told us this in writing, but they told us this at the meeting that they wouldn't stand for us bringing in outside cutters. At the same time we had no cutters in the bush from the community. I felt that this was - and it took me three months of negotiation before I could get them to agree, in writing, to just two or three items that would give us some direction as to go.

MR. G. JOHNSTON: Well take both the 17.40 cost per cord, and the 25.60 a cord, how much would an average worker, not an excellent worker or not one who did nothing all day, but what could an average worker earn in a week or a month or a day?

MR. MINISH: Well these figures - I'm glad you're sitting down because they will really rotate you. We paid the two cutters in January of this year - no February of this year - the two cutters and one machine for ten days' production at seven dollars and something a cord, they got a cheque for \$3,200. Two men. \$3,200, two of them. That is \$1,600 each in 10 days they made. And that was one of the better cutting crews, but we're averaging right now with ten crews cutting about 8 cords per man per shift. So some of these crews are the better experienced ones, and these incidentally are the men that refused to cut in 1973, these same men. So you can see that it's a substantial earning power for the community.

MR. G. JOHNSTON: Was this earnings only at certain periods of the year, or could it be made the year round?

MR. MINISH: In February would be the most adverse conditions of the year for to cut cord wood. But mind you we had a wonderful winter last winter; we had very little snow, and the weather wasn't that cold. We have a signed contract with Manitoba Forestry Resources this year for 35,000 cords.

MR. G. JOHNSTON: Is there a penalty clause in that if they don't produce?

MR. MINISH: No there is no penalty clause in it, but there's a sliding scale of payment. On the \$25.60 I quoted you - and I want to be very fair about this - that if we cut 1 to 15,000 cords, we get a certain price; if we cut 1 to 22,000 cords we get a certain price. When we hit 32,000 cords, the price goes right back to No. 1 cord at \$25.60 a cord.

MR. G. JOHNSTON: The timber stands you're working in, are they satisfactory, or is it tough to find timber.

MR. MINISH: We have moved our camp off the reserve as of March of this year. We moved it 17 miles east, and we're in the best stand of timber that I have ever seen for pulpwood at the present time, and we got about, I think Bill Jonas estimated there was about 40,000 cords in that one stand there.

MR. G. JOHNSTON: The next question - please don't misunderstand it, but I think there's a relationship. Is there co-operation from the department that handles welfare in the area? In other words, if there's employable welfare recipients are they encouraged by the department to go to work, or does the department keep hands off and allow the man, or the men that I am thinking about to make their own decisions. In other words, are you having a problem because welfare is too easily obtained?

MR. MINISH: Well my own personal opinion, when we were having the difficulty, that this was a predominant factor, but I have no personal knowledge of any way to confirm or deny it. But from speaking to the people there I was of the opinion that this was the case, and I know that the powers that are invested on the chief and the mayor are pretty broad, and they are the people, and I would say that not the welfare workers of the government but these two parties alone are the ones that dictate who gets welfare and who doesn't, with the help of the government employees naturally.

MR. G. JOHNSTON: Did I understand you to say the chief and what, one other?

MR. MINISH: The mayor.

MR. G. JOHNSTON: The mayor made this decision. Is that right? Is that what you said?

MR. MINISH: Yes. In all the meetings that are held with the welfare people, it goes through those two particular channels. Now I'm not reciting from anything I've read, I'm reciting from what the chief and the mayor tell me.

MR. G. JOHNSTON: Well, the only comment I have on that is it's a very strange situation where the guidelines of the Department of Welfare are violated in such a manner because . . . Perhaps the Minister responsible could answer that one, if he by way of liaison, he or any of his staff, tried to resolve that situation that has just been described to us.

MR. CHAIRMAN: Mr. Osland on a point of order.

MR. OSLAND: Mr. Chairman, on a point of order. Maybe I could just clarify this, that the Department of Indian Affairs was developing a scheme whereby the chief would take responsibility for the delivering of the welfare in the remote communities.

MR. G. JOHNSTON: That's about all the questions I had except . . .

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Minish, this cord rate 25.60, is that delivered at The Pas?

MR. MINISH: No, it's not. That's on the clearing at the roadway.

MR. CRAIK: What would be the additional cost of getting it to The Pas or is that . . . ?

MR. MINISH: The loading of the logs on the trucks and the hauling from there to The Pas, and the contract last year on hauling from our present site was \$10.28 a cord.

MR. CRAIK: Do you know, is that competitive with the general costs that ManFor has in obtaining like, you know, pulpwood from their own cutting areas or . . . ?

MR. MINISH: I have been 16 months trying my best to negotiate that answer and I have not been able to do so to this present time. All I know is that I was in the wood business myself and I have an approximate idea of what you have to go through to produce a cord of wood, and it so happens that we're on Crown land at the present time, and we're under the jurisdiction of the union, and our cutting fee to the individuals now is up to \$10.68 a cord.

MR. CRAIK: On the land you're cutting on now, that's on Crown land, is it?

MR. MINISH: That's right.

MR. CRAIK: Is that in the ManFor cutting area?

MR. MINISH: Yes it is.

MR. CRAIK: And are you paying stumpage as well?

MR. MINISH: No we're not.

MR. CRAIK: So there's no stumpage charges?

MR. MINISH: No. And there's no holdback on our cutting, on our cordage either, no holdback payment.

MR. CRAIK: Are you clear cutting?

MR. MINISH: Clear cutting, yes.

MR. CRAIK: Is this mostly pulp or is it saw timber as well?

MR. MINISH: It's 80 percent saw timber where we're standing now, and 20 percent pulp. This is why we were able to get a little more this year a cord because we are doing something that hasn't been done up until this time, and we're sorting it. But the sorting is so easy for us because of the 80 percent saw timber that we agreed to do this, and they give us more money - of course the saw timber is more valuable.

MR. CRAIK: When you say you're under the jurisdiction of the union, does that mean that the people from Moose Lake Village are also under that jurisdiction?

MR. MINISH: They are if they work in this, and they are where they're working now, they're under the jurisdiction. If they want to join the union - the union as such has not moved in to our camp as yet. But we're running it under union dues because Manitoba Forest Industries is obligated, no ifs, ands, or buts, to abide by all the union rules on their camps that they're buying from.

MR. CRAIK: You mentioned this high production rate for, you know, two people in January. Were these both people from the community?

MR. MINISH: Yes. We got 10 crews from the village cutting right now. Our total capacity is only 12 crews.

MR. CRAIK: How many in a crew?

MR. MINISH: Two men.

MR. CRAIK: So you have 20 people, and are they all from the community?

MR. MINISH: Yes. And all our sub-operators are from the community. We have a piler operator, a cat operator; we have a road construction program going on that we got the

(MR. MINISH cont'd) other day, and that's all community people running all the machines. We had a very good contract with the Northern Affairs on the road contract this winter, and it was all community people that run the graders, and the snowplows, and so forth.

MR. CRAIK: What do you think is the answer there? Is it the fact that the - as you indicated here on Page 4 - that the chief said that he would control welfare? Is it that, or is it the high rates do you think that they're receiving, the higher rates anyway, the \$25.00 a cord for the company, and I guess \$10.00 and something a cord for the . . .

MR. MINISH: For the cutter.

MR. CRAIK: . . . for the cutter. Something has improved. Is it the clamp down on the welfare, or is it the increase in the remuneration to the cutter?

MR. MINISH: No. There's several things that have improved, and one of the main ones is that we had through negotiation of myself and these people of Moose Lake, we came to grips with what was going on, and we had to have something in writing so that we could get this operation going, and I insisted that we wouldn't open up until we had an agreement with them that they were going to work, or else they were not going to interfere with our working.

You see there's a lot of little things that have happened here when Nick was there that stopped production. For instance, they deliberately smashed up the skidders, and coming in under the influence of liquor on Monday and they weren't mobile until about Tuesday, and then they had to have their pay and go home Friday and we didn't see them again maybe for two weeks. And this is what was going on. There was a lot of dissatisfaction. I'm not saying that Nick was entirely faultless on this, but where he was not at fault was he was unable to cope with the situation, the personalities involved, because they had him on their land and they were dictating to him what they were going to do. And this was an important point of why I would not go back into production.

So when we got them to lay out these terms and agreed with them, then we had something that we could grab ahold of to go. Then we implemented another thing. When we got our new manager he wrote out slips, and if one of the village people that are working there if they get two of those slips, the third one is they're fired. They don't come back, you see, and Nick was putting up with them coming back and going out. They'd do this for a whole year practically. They'd cut for a week and get a stake and then they'd leave. Well we couldn't go on like this, so what we've done, we implemented some policing into our operation whereby these people cannot come and say they were sick. They get two slips, and when they have two slips that's it, they're finished, and we'll go out and hire other people to cut. And this is a very important point as to why this thing is working out so well at the present time. There is other little things, too, that we took - when the men want a job we don't have them report to the chief or the mayor, we have them report to our foreman.

MR. CRAIK: Do you have a manager now that has replaced this person that was up there in charge a year ago?

MR. MINISH: Yes we have. Ray Hryshko is his name and he was with Great Lakes Paper for 19 years.

MR. CRAIK: What you're saying then it appears to be rather than the dollar return alone, it's the improved management.

MR. MINISH: That's right. I would say that, and all these written-in agreements that we have with the village. I would say that this would be the prime reason why the development is running right at the present time.

MR. CRAIK: Would it be a fair question to ask you if you had these improved rates, could, in your estimation, the community develop its own program, as was once their aim up until you brought in the new management? At the time you had your shut down they were - the conflict was that they wanted to run their own program. Do you think at these higher rates that the community is capable of really running say a community co-operative and making it run?

MR. MINISH: My only answer to that is - you want my personal answer to it?

MR. CRAIK: Yes.

MR. MINISH: My personal answer, after dealing with the natives of the north most of my life, I would say the answer is no. It's an absolute impossibility for them to operate an undertaking such as this. That's my personal opinion, and it's backed up by experience.

MR. CRAIK: So that right now where you are cutting off home land, or cutting on Crown lands, where you are really - you have that really under negotiations, and you're not dealing with the cutting on the community's own land, you can drive a harder or a tighter arrangement as far as the management of the project is concerned.

MR. MINISH: I don't like the words "driving a bargain" because that isn't it. It's negotiating with the rules and regulations that both parties have to follow. This is what you have to have. You can't have just slipshod reasons why they want to come to work. They have to have a purpose in what they're going to do. This is what we feel is instilled in them now because, remember that every one of the cutters that are over there cutting now, these ten crews that are in full force as of yesterday, they're practically the same men that were cutting there in 1973.

MR. CRAIK: You said that even at this present rate you didn't want to predict that it would break even.

MR. MINISH: No. I can't predict it will break even because our experts give me a schedule that I went through very carefully, and our break even point was \$25.80, and that was with giving us full benefit for an operation of so much profit and investment on our dollars that we have there.

MR. CRAIK: That's roughly what you're being paid, too, at this point, 25.60.

MR. MINISH: Yes. That's right. And I have full confidence that we'll reach between 35,000 and 40,000 cords this year. Our average is over 1,000 cords a week at the present time.

MR. CRAIK: Do you cut all summer?

MR. MINISH: Yes all summer. That's the best cutting period of it all is in the summer there.

MR. CRAIK: What seasons are you down?

MR. MINISH: We're not down on any season unless - there are times you can't cut, you can't put the machines out at 40 below zero, and if the snow is up to their waist it's pretty difficult. But if that condition prevailed it would slow down our operation considerably.

MR. CRAIK: Is the quality of the timber on the community lands, is it exhausted or . . . ?

MR. MINISH: It's exhausted. We cleaned it up this spring. On January 6th we started operating right near the camp where it was before and cleaned up the reserve timber, and then we moved the camp. We cut about 6,700 cords on that. We had a contract with Manitoba Forest Industries up until the 30 of March for 6,000 cords, and they hauled 6,700 cords.

MR. CRAIK: Did you say that the government has guaranteed an extension of the loan from what is shown here?

MR. MINISH: Yes. That's right, but at the present time I'm happy to report it's not being used.

MR. CRAIK: So what's your present status for the bank loan?

MR. MINISH: I can't answer that because I was unable to get ahold of the bank manager today, and maybe Wayne can tell me. I think it's in the neighbourhood of \$229,000.

MR. CRAIK: Which is roughly not that much different than last year then?

MR. MINISH: No. We were operating without the expenditures of capital expenditure. Now from January 6th we've been operating in the black. But we bought some equipment for the contract of the road. We bought a grader and we bought two new skidders.

MR. CHAIRMAN: Mr. McGill. Mr. Craik are you finished?

MR. MCGILL: Mr. Chairman, to Mr. Minish. On Page 6 of the report there's an item there that relates to the bookkeeper's resignation. It says during the year Mr. Sam Kowalko resigned. Can you give me an approximate date of that resignation, Mr. Minish?

MR. MINISH: I think it was about January, 1974. And the reason that that comes to my mind, sir, is that he went into operation for himself with Manitoba Forest Industries at Conlin Lake and is one of the big operators up there at the present time.

MR. MCGILL: I see. There was no relationship between the decision in May and June of the Manager to resign and the resignation of the bookkeeper? They occurred at quite different times, eh?

MR. MINISH: Well Sam Kowalko is Nick's son. You realize that, the manager's son.

MR. MCGILL: Son. Oh I see.

MR. MINISH: And he resigned to go into business for himself and then Nick resigned at the end of the year, in March . . .

MR. MCGILL: I had just one other question here, that in going through the financial statements I notice under the notes to the financial statement it says that the direct aggregate remuneration paid to the directors and senior officers of the company was \$41,571. And then looking at Schedule 1 it shows Directors' salaries and fees as \$4,125. Well that leaves another

(MR. MCGILL cont'd) \$37,000 someplace, and I'm just wondering where that comes in. It must be in these expense figures someplace here, eh?

MR. MINISH: Yes, the senior officers include the five senior officers, and that would be the manager, the assistant or bookkeeper, and we had . . .

MR. MCGILL: Would they not then be under General and Administrative? Schedule 1.

MR. MINISH: I'm informed by Wayne that some of it is in there under General Operative.

MR. MCGILL: Well salaries under General and Administrative are only \$10,500, and Directors \$4,000, so that's \$15,000 of the \$41,000. Now I wonder where the rest of it would be in this statement.

MR. MINISH: Up in item Salaries and Wages under Log Cutting, some of it's in there -- 74,925.

MR. MCGILL: I wonder why the officers of the company, their wages would be under that heading. That suggests to me that these are operating people under log cutting. It might include one manager, or something like that, eh?

MR. MINISH: I'm informed that the five highest paid employees are in there because, whether they be log cutters or managers or bookkeeper. Does that answer your question?

MR. MCGILL: Surely the bookkeeper would be under General and Administrative, eh? Perhaps that's the Salary and Wages under 10,500 . . .

MR. MINISH: Well, I see now what you're -- isn't this part of salaries and wages in the General and Administrative -- isn't that part of this top figure? Oh, that's bookkeeper and manager, okay.

MR. MCGILL: Are you able to give me a specific amount of the senior officer's salary that is under log cutting there? Included in the 74,900.

MR. MINISH: Other than the fees paid to the directors, they're set out pretty clearly here, I think, \$4,125.

MR. MCGILL: Well possibly that would be the balance that he would receive even if he's a director, that he would receive as a result of cutting? Well I think . . .

MR. MINISH: Well I'm sorry I'm not an accountant and naturally our accounting department with the government drew up this, and I'm sorry that I can't answer that intelligently.

MR. MCGILL: You know, there's no need to hold up the operation or the discussion here, perhaps that figure could be obtained . . .

MR. MINISH: Our secretary will be able to I'm sure give us any figure we need.

MR. MCGILL: Okay. Thank you.

MR. CHAIRMAN: Fine. I think he'll take notice and can forward it to me, and I'll distribute it to the members.

Mr. Osland did you have any questions? Mr. Minaker.

MR. MINAKER: Yes, Mr. Chairman, through you to Mr. Minish. On Schedule 1 on the Operating Expenditures, I believe you indicated earlier that you were not charged stumpage. What would the royalties be on that schedule there?

MR. MINISH: The royalties on this is, we were cutting on Indian land, and the royalties was \$1.50 a cord, paid to the Band. That's what that represents.

MR. MINAKER: I see. The other question, Mr. Chairman, relates to the gas and oil for 1973 and 1974. I notice in your report on the logging operations that you cut 23,000 cords in 1972-73, and 6,500 cords, less than one-third, in 1973-74. I was wondering why the gas and oil costs are even higher in 1974 than 1973.

MR. MINISH: This is quite explainable. Our skidders were in -- this particular winter, the winter was very severe and the skidders were run 24 hours a day because it was so detrimental to stop them and try and heat them up, and even though there was nobody came to work. This has been brought up at several of our board meetings, and this is an explanation which is quite viable. And another thing there was a lot of transportation with those skidders which was not authorized by the manager, but they used them a lot to run back and forth to the bush as another thing.

MR. MINAKER: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Mr. Chairman, we've got the statement before us March 31st, 1974, and of course we've gone another full circle, we've gone another year. I wonder if Mr. Minish would be able to give us somewhat of an idea of what happened in the last year of operation. In other words, were you running fairly smoothly over the summer months or . . . ?

MR. MINISH: Never did a thing.

MR. BANMAN: Never did a thing?

MR. MINISH: Not a thing. The place was closed up entirely and all the machines were taken out to Hudson Bay and getting ready for repair, and there was nothing happened until January of 1975, the 6th day of January we commenced operation. All summer we were negotiating with the people of the village to try and get this operation back on the road.

MR. BANMAN: So that the 1974 statement would possibly reflect very much the same type of statement that you'll be having for the year ending March 31st, 1975.

MR. MINISH: We have a tentative breakdown that I can report to you, and it's around \$70,000 of a deficit from the time that we closed the doors until December 31st, 1974.

MR. BANMAN: That was for that period and then . . .

MR. MINISH: That period. And now that is taken up practically all in interest on our bank operating money, which carries on all the time, and closing down, and transportation of machines and everything in getting operation back to starting again.

MR. BANMAN: Thank you. Your equipment rentals, I wonder if you could tell me where you rent the equipment from.

MR. MINISH: We have no rental equipment as of now. We have purchased all our equipment on the option to - on our option of rental-purchase we exercised our options on all our machines.

MR. BANMAN: How many skidders would you have right now?

MR. MINISH: We have ten skidders. And we have two leased skidders with two men on each skidder from Hudson Bay, Saskatchewan.

MR. BANMAN: So you exercised the option that you had, the purchase option on them?

MR. MINISH: That's right. And the reason we did that was because - this was pretty near a personal decision of mine - the payout on them was so little and for us to not exercise our option - we had to put them back in shape to present them to the company before they'd accept them, and it was not feasible monetarywise for us to do that, because we had to spend so much money to fix them up. They were in such terrible shape that it was cheaper to buy them out and fix them and keep them than it was to let our option go.

MR. BANMAN: In the statement over here you mention that due to changes in the Compensation Act resulted in that the company is exempt from paying workers' compensation. This might show my ignorance as far as the workers' compensation is concerned, but have you got special privileges along that line?

MR. MINISH: Yes.

MR. BANMAN: Your particular company, or has it to do with native people or . . .

MR. MINISH: I can't answer you that. --(Interjection)-- Crown corporations.

MR. BANMAN: Crown corporations?

MR. MINISH: Yes.

MR. BANMAN: Thank you, Mr. Minish.

MR. CHAIRMAN: Mr. Barrow.

MR. BARROW: . . . Mr. Chairman, but you mentioned the fact that they work with two-man crews.

MR. MINISH: Right.

MR. BARROW: Two cutters? And they're on contract?

MR. MINISH: Yes.

MR. BARROW: And then you have a skidder, he's on contract?

MR. MINISH: No. The two men have a skidder and two saws, and that's the crew, consists of a crew. We have a piler operator besides that.

MR. BARROW: He's not on contract though?

MR. MINISH: No. The piler operator is an hourly paid man.

MR. BARROW: I see. Well a different system is used in other parts I understand. Two-man crews, five-man crews?

MR. MINISH: No.

MR. BARROW: No, in other parts, out of Moose Lake. In Cranberry Portage they use three and five.

MR. MINISH: This is correct. But they have two-man crews too on individual contracts.

MR. BARROW: Yes. One problem I have there and it's brought up quite strenuously, is some people getting better cuttings than others. How do you solve that problem? Or do you

(MR. BARROW cont'd) just take it as it comes?

MR. MINISH: No. I'm glad you mentioned that because whether you think that's a minor question or not, that reflects on --(Interjection)-- This is the reason why this statement - there's such a loss in this statement. It was one of the prime things that Mr. Kowalko was - apparently he was unable to resolve this. Because - and I can tell you that personally and I think it is correct - it was because of his inexperience in that type of operation.

MR. BARROW: How do you solve it?

MR. MINISH: Our manager is so smart that he had that solved before they even started.

MR. BARROW: How?

MR. MINISH: He says, "You go where I tell you to go, and you cut."

MR. BARROW: Or else.

MR. MINISH: "Or else you just go home." That's all.

MR. BARROW: There's no system that you could take it as it comes in rotation?

MR. MINISH: No. Mind you he's not a hard man either. He works it out. If he sees, in his opinion, that one fellow is getting the cream of the crop, he's getting 18 inch trees on a stump all day, he'll move him into - his next berth that he gets he'll compensate for it.

MR. BARROW: He tries to even it up?

MR. MINISH: That's right.

MR. BARROW: One more question. Some of the younger fellows up there - and some native and some white of course - they're investing in these tree farmers and running their own crew?

MR. MINISH: Yes.

MR. BARROW: And they're making a lot more money than ordinarily. Does this apply in the Moose Lake operation?

MR. MINISH: No. As I said we only have two operators. They're from Hudson Bay Junction. They're with Saskatchewan Forestries, and they've moved over to Moose Lake, and they have been there since January 6th and, incidentally, two of our better crews.

MR. BARROW: I see.

MR. MINISH: And they're not native people incidentally, they're French people.

MR. BARROW: One last question, Mr. Chairman. There's no such thing as a sub-contract. You couldn't get a crew that would take an area and cut it themselves?

MR. MINISH: No. We can't do that.

MR. BARROW: I see. Thank you very much.

MR. CHAIRMAN: Are there any more questions? Mr. Craik.

MR. CRAIK: I thought maybe I'd direct a question to the Minister of Northern Affairs, and ask him with his knowledge of The Pas area, whether he could indicate what sort of contract prices are being paid by ManFor for pulp at the plant? I think they started out at one time around \$20.00 f.o.b. The Pas, and I'm wondering what's happened in the last few years. This would put a landed price in The Pas of around \$35.80 a cord, and I'm just wondering if it's competitive or . . .

MR. MINISH: Some of their areas - I can answer that question for you. Conlin Lake area wouldn't even come close to that. I got \$23.00 haul fee on the cord.

MR. CRAIK: This would be in other contracts, or ManFor's own operation.

MR. MINISH: ManFor's own operation. Sam Kowalko is operating for ManFor and at Conlin Lake and he just got a contract to haul and I think he told me it was \$22.08 a cord for to haul, alone.

MR. CRAIK: Just for hauling?

MR. MINISH: Yes. So their contract would be forty-some dollars f.o.b. the site. Because there's no way that they're cutting any cheaper in our operation and we know what it costs us to cut a cord of wood. We didn't know up until March of 1974, we didn't know what it cost us.

MR. CRAIK: Do you get any better price with it being big timber, if you're in 80 percent . . . ?

MR. MINISH: Yes definitely. It reflects - they pay a premium on saw timber and we have awfully good saw timber in this particular area.

MR. CRAIK: Now that this thing seems to be operating a little better, what is the importance of it to the community? Is it a vital part of the community's operation or where would they be if you didn't have this operation running in . . . ?

MR. MINISH: Well it's more vital now than it ever was before because as you know - if you don't know I'll tell you - that they closed the fishing in both lakes. There's no commercial fishing there and will not be according to the information I find, for another three years. So therefore these people are out sawing timber and it's just a matter of - if we meet our obligations with Manitoba Forest Industries this year it just means that we'll plough into the community on cutting rights alone \$390,000.

MR. CRAIK: Your comment was that you don't think that you'll break even this year either. Have you any predictions as how you could get to break even?

MR. MINISH: Yes. One very important point. If we could operate with a positive capital instead of deficit we would save approximately \$25,000 - \$30,000 a year, and this is the difference between 1973 of breaking even or showing a deficit of \$17,000. We had an interest payment of about thirty-some thousand.

MR. CRAIK: You'll be the same this year?

MR. MINISH: Yes. Right.

MR. CRAIK: In your interest . . .

MR. MINISH: But we have, on a volume basis we feel that 35,000 to 40,000 cords showing a break even point, and that's taking consideration of 10-1/2 or 11 percent on our capital investment and a 10 percent profit.

MR. CRAIK: What's your timber resource like? How many years good supply do you have or . . . ?

MR. MINISH: Where we are now, if you're familiar with the area - too bad we didn't have a map but we're on the peninsula between north and south Moose. At the end of the peninsula there's a control structure by the Hydro and we're on the The Pas side of that, our camp is right there. We moved it to that site. Now there's about 40,000 to 45,000 cords in that area. Across there there's an estimated 350,000, in the immediate area across the control structure and this is all accessible, we hope, to our company.

MR. CRAIK: Can you use the control structure for . . .

MR. MINISH: No, we certainly can't. They've got to build a roadway alongside it and put in a causeway and bridge it. They will not let them go near it. Well they couldn't anyway if you were to see it. It's not a road structure at all. It's a lift control, it's just a lift - wooden structure with a mechanized lowering and raising of the blocks to lower and raise the water level in the two lakes.

MR. CRAIK: That's going to have to be your next move, across . . .

MR. MINISH: That's right. They tell me, Bill Jonas tells me that they're contemplating building that road within the next couple of years, putting that across.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: Thank you, Mr. Chairman. Mr. Minish, I believe you mentioned how many cords a day they were cutting. It slips my mind now. The crew, the one crew, was it 8 cords a day, or 16 cords?

MR. MINISH: We were averaging on the total 10 crews approximately 8 cords per man per shift. That would be 16 cords per crew.

MR. ADAM: Per day?

MR. MINISH: Yes per day.

MR. ADAM: Times ten.

MR. MINISH: Times ten. If there were 10 crews cutting that would be 160 cords approximately.

MR. BARROW: That's working an eight-hour day?

MR. MINISH: Yes. Well it's not an eight-hour day, it's actually - by the time they get . . .

MR. ADAM: And it's \$10.00 a cord they're getting?

MR. MINISH: \$10.68 they're getting a cord.

MR. ADAM: \$10.68. So you're averaging what, \$1,600 a day is it?

MR. MINISH: That's right. About \$1,700 or \$1,800 a day.

MR. ADAM: And do they get a bonus for the saw logs or is that just . . .

MR. MINISH: No.

MR. ADAM: They just get the cord rate.

MR. MINISH: No we pay them a flat rate.

MR. ADAM: I see. You mentioned about the method that you would use to make the

(MR. ADAM cont'd) operation viable, that is if you had set up your books like Manitoba Forestry Products at CFI you'd be able to maybe not show a deficit, eh?

MR. MINISH: If we could determine what the cost is for Manitoba Forest Industries to cut a cord of pulp, if we could ever determine this, we'd have a guideline to go with. But giving credit where credit is due I don't think they can do it themselves because they've got an integrated operation there in the yard and I think it's actually impossible to tell us what actually a cord of pulpwood is costing them in the bush.

MR. ADAM: If your capital was share capital rather than loan capital that would make a big difference wouldn't it?

MR. MINISH: Well I guarantee if we had that set up that if we cut 40,000 cords we could show a profit of \$100,000.

MR. ADAM: How many acres are we talking about with all this timber being cut. Have you any idea?

MR. MINISH: Oh I wouldn't know.

MR. ADAM: Is it a lot of acres?

MR. MINISH: Well right where we're sitting I can tell you it's about three-quarters of a mile one way and about three and a half miles the other of solid block of timber, and it's excellent timber.

MR. ADAM: And that's 40,000 cords.

MR. MINISH: There's approximately 40,000 cords there estimated by - now this is ManFor's estimation. Miss Taylor has estimated this.

MR. ADAM: Is this green timber?

MR. MINISH: Yes. All green.

MR. ADAM: And when you cut it off is it sprouting again, does it grow up again?

MR. MINISH: There's a fabulous growth of timber there where we cut before.

MR. ADAM: I see. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: On the notes to the financial statement, if you'd like to take us through that. I don't quite understand. The Province of Manitoba guarantees credit to \$500,000. Did you say that you stood at \$229,000?

MR. MINISH: That's right.

MR. G. JOHNSTON: And further down it says the Province of Manitoba will contribute the remaining operating loss of \$210,000 from funds voted by the Legislature. Is that separate?

MR. MINISH: That's separate. Our loss was two hundred and twenty some thousand. The Federal Government is obligated for approximately 10,000 on their sliding scale formula that they used, from the day of conception.

MR. G. JOHNSTON: In Item 6, Repairs to Equipment. Was that where some of the equipment was smashed up?

MR. MINISH: Where is that?

MR. CHAIRMAN: Item 6.

MR. G. JOHNSTON: \$35,000 - Item 6.

MR. MINISH: Oh on the report.

MR. G. JOHNSTON: Notes to the financial statement.

MR. MINISH: Heavy equipment required extensive repair. This is correct. There's all kinds of areas for excuses but you see Nick Kowalko was working with a mechanic that was supposed to be qualified from the village, all the time Nick was there. This man gave us, the board and Nick, a lot of trouble because he thought he was a qualified mechanic and he wanted qualified wages . . . he thought that he was getting underpaid.

MR. BARROW: Politicians have the same trouble.

MR. MINISH: Yes. Well it so happened that this man is under the thumb of a first class - he's still with us remember, this is a good man. But he was no good as a mechanic, being left with the authority of being the first mechanic because he just wasn't capable. To give you an example, I can give it to you in a minute. We have a tractor that pulled out of the shop with a new engine in it and they started it up outside and run it and by the time they got it warmed up the engine seized. They tore it down and they found he didn't take the seal off the block into the radiator, he just set the casting on it. Now there's an excuse for that. He was out on the weekend and he wasn't just capable of working that day and he forgot about it. This is some of the things that Nick had to put up with, and that's just a minor one.

(MR. MINISH cont'd)

He had a guy get up one morning and start up a grader and he told him, he says, it's too cold, you can't go out and cut. And he says, I'm going to cut anyway. So he backed the skidder up and swung it over and took the tire off the one that was sitting beside it and he got about half way to the cutting area and the machine blew up. This is why these machines were all in poor shape. But thank heaven we've got - those same machines every one of them are running. As of today there's 10 machines running out there.

MR. G. JOHNSTON: That's all. Mr. Minish I think you're doing a pretty good job with difficult circumstances.

MR. MINISH: Well it was an impossible situation when I started but I'm hoping it's clearing up.

MR. CHAIRMAN: Mr. Barrow.

MR. BARROW: Just one question, Mr. Minish. You said you're cutting out (not audible) three miles long and half a mile wide?

MR. MINISH: Yes.

MR. BARROW: How about the edge of the water, do you go right down to the edge of the water, do you leave a band in there or what?

MR. MINISH: No, we go right to the water's edge.

MR. BARROW: Right to the water's edge? Thank you.

MR. MINISH: Our contract calls for to take it - what do you call it? - Burnt earth operation. You cut everything.

MR. G. JOHNSTON: Should there be any reforestation or does that look after itself?

MR. MINISH: Well it's certainly looking after it. I was all over there last winter and I was in there in March when the operation was in full force. I was in there last summer and it's fabulous reforestation there. Of course there has been a fire in some of it, you know.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Minish how many jobs could you provide at full operation, full tilt, full capacity?

MR. MINISH: I believe that our setup, our manager, Ray Hryshko has portrayed to me that he would be able to handle, he thought, up to 14 or 15 crews in this particular camp. Now you have to consider that we supply all accommodations and meals - and I might mention it in passing for all the people's information here, that we're reimbursed \$2.25 a day for the food that we feed the people that work there. \$2.25 a day. You can't even buy bacon and eggs downstairs for that. So you can see that that alone, if you figure that out on a year's operation that we're subsidizing the people there in the village for quite a sum of money. Our cost is \$7.68 a day to feed them.

MR. CRAIK: You charge the men that are working that rate, \$2.25?

MR. MINISH: \$2.25, and we either rent or they pay for their own skill saw. We have a strict routine on that now. We don't sell any more skill saws, they're all rented, because this was a thing that Nick Kowalko had to contend with. It's a point and another reason why things didn't go sound, one crew had its own saw and he was busy trying to fix it instead of cutting. We don't do that. He takes out two skill saws with him and if one goes on the blink he drops it and grabs the other one and he's gone. He doesn't touch it. And he's only charged a flat rate for the rent of it; \$1.00 a cord I think it is.

MR. CRAIK: So if you had 15 crews going you'd have 30 people in the bush, then you'd have backup crews, your management group, your maintenance group and so on on top of that?

MR. MINISH: Two mechanics, a bull cook and two cooks, we have approximately today 42 people in the camp.

MR. CRAIK: That's counting your cutters?

MR. MINISH: Counting the cutters.

MR. CRAIK: The whole thing. So you might get up to a total of around 50 . . .

MR. MINISH: Yes.

MR. CRAIK: Have you got machinery up to that capacity available if you had the . . .

MR. MINISH: No we haven't. At the present time we got 12 machines, that's all we can handle at the present time. But if it warrants it we wouldn't worry about getting a - you can lease option them if you want to.

MR. CRAIK: We'll look forward to your report next year to see if you've got this on the other side of the ledger.

MR. MINISH: Well I can only inform you gentlemen that if things stay the way they are that I'll be happy to make the report. If things hit the skids again, if we have run into something unforeseen - we won't be back to Day One I can assure you because we've got different personalities. Mr. Ray Hryshko has been around a tree since he was born and he knows what's going on.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: I just have one last question, Mr. Chairman. You mentioned a payroll of 42 people or 42 on staff.

MR. MINISH: Yes, including the cutters.

MR. ADAM: Could you give me an amount of the payroll for the whole 42? I think we were figuring out the cutters, \$160.00 a day or thereabouts.

MR. MINISH: Well if you want to take a pencil all I can do is tell you what . . .

MR. ADAM: You don't have those figures.

MR. MINISH: No I couldn't possibly give it to you because the mechanics are paid by the hour, our cooks are paid by the month, our manager is paid by the month and our caretaker is paid by the month.

MR. ADAM: Well perhaps you could ask the secretary to work it out for us and send it back to us.

MR. MINISH: I can give it to you now, if roughness is okay. Approximately \$10,000 a month.

MR. ADAM: Approximately \$10,000.

MR. MINISH: Right.

MR. ADAM: Thank you, Mr. Chairman.

MR. CHAIRMAN: Okay. That finishes the Moose Lake Loggers Annual Report 1973-74. Would somebody move that this report be received.

MOTION presented and carried.

MR. MINISH: Can I sit down?

MR. CHAIRMAN: Yes.

MR. MINISH: Thank you all.

MR. CHAIRMAN: Next one. Minago Contractors Limited, or do you want to deal with the -- is there a report?

MR. McBRYDE: Yes there is, Mr. Chairman.

MR. CHAIRMAN: Okay. I'm going to call upon the Chairman of Minago Contractors Ltd. and Mr. McBryde to introduce the Chairman.

MR. McBRYDE: Mr. Chairman, when the members look at the report which is being circulated they will note that at the time of this report the President of the Company was one Mr. Cecil Smith. As we did last year, the present chairman has presented last year's report and will present this year's report since Mr. Smith has gone on to other occupation beside running Minago Contractors Limited. He's gone considerable downhill and is a Conservative MP right now. The present President of the Company is Murray . . .

MR. CRAIK: Is this new one a political appointment . . . ?

MR. McBRYDE: Well it might be worthwhile to point out that the board of directors on the Minago Contractors has been a slight bit different than the other board of directors in that the board of directors has had a majority of civil servants on since its inception. Mr. Smith was a civil servant when he was the chairman of the company and Mr. Murray Harvey is a civil servant in charge of the North Manpower Corps Corporation in Northern Manitoba. He is also a born and raised northerner, so I'll ask Mr. Harvey to present the Annual Report.

MR. CHAIRMAN: Mr. Harvey.

MR. MURRAY HARVEY: Mr. Chairman, the Annual Report has just been distributed to the Committee. If they wish, I could probably take them through it.

MR. CHAIRMAN: Yes.

MR. HARVEY: The first page is simply a listing of the directors and officers of the company during the fiscal year 1973-74.

Minago Contractors was incorporated in August, 1972, to carry on all forms of business of growing, winnowing, harvesting, processing and marketing products of the forest . . .

MR. LEONARD EVANS: Mr. Chairman, on a point of order. There are three of us who don't have copies.

MR. CHAIRMAN: Are there any more copies of this report? I don't believe this report has been distributed at any time.

MR. McBRYDE: This report has been given to the Legislature but of course one copy goes to each caucus room and are on file. I think there's about 10 copies, so members will have to share them - or 9 copies - that were available. I assumed that would have been enough.

MR. CHAIRMAN: . . . carry on? Mr. Harvey.

MR. HARVEY: The initial contract was with Manitoba Hydro at Jenpeg for the clearing and disposal of approximately 4,000 acres of land in the forebay of the Lake Winnipeg Regulation Generation Station at Jenpeg. This particular fiscal year saw the near completion of that contract. Commencement of a clearing contract in the South Bay-South Indian Lake forebay area - that's the Churchill River diversion. Construction and maintenance of a winter road and several smaller projects both at Jenpeg and South Indian Lake, with the company showing a surplus of revenue over expenditure of approximately \$78,000.

The following pages are a more detailed description of each project. Page 2 on the Jenpeg clearing outlines the original contract and, as of April 1, 1973, we had cleared 1,481 acres. At the end of March a total of 3,902 acres had been cleared, cut and piled, and 2,903 of these had been burned. The table shows simply the value and the progress payments during the period.

We had a small contract for an access road from the Jenpeg road to the Cross Lake barge site.

We had some equipment and commissary rental contracts again at Jenpeg, with a local contractor, with Manitoba Telephones and with Manitoba Hydro. These are essentially small jobs where the equipment is charged out, and in some cases we had men of these companies staying at our camp.

The same thing occurred in South Indian Lake. A small line-clearing job with the Department of Northern Affairs, the South Indian Lake winter road, and the South Bay clearing contract which was signed for 1,000 acres of shoreline, and as of March, 1974, some 610 acres had been cleared.

Then there were a number of short contracts again in and around the community of South Indian Lake: a school road, a snow-clearing job on the airstrip, and a sub-contract with South Bay contractors in the vicinity of our South Bay clearing.

Also during the fiscal year we had, as already mentioned, the commissary and camp usage revenues and we had two additional rental contracts, one with Campbell North and one with Midland Fruit, both at Thompson. This is essentially the sub-rental of warehouse space we had at Thompson.

The training and employment section. At the close of the last fiscal year we had engaged in a training operation with Keewatin Community College, Canada Manpower and the Northern Manpower Corps, which bridged the two fiscal years and the training was completed during the first month of the period under review. As we proceeded with the Jenpeg job the operations left did not lend themselves to training. We had begun on the South Bay job but, again, it was more a question of providing work than providing suitable heavy equipment training and we had been searching for a contract with more diversification so that some heavy equipment training could be provided in conjunction with the two colleges. In all, during the year we provided 235 man months of employment at the Jenpeg site and approximately 75 man months of employment at the South Bay-South Indian Lake area.

On March 31st we were looking at a number of new contract possibilities. They are listed here. I might advise that the Moak Lake road job was undertaken in August.

MR. McBRYDE: Should that read 1974?

MR. HARVEY: That should read 1974. The Moak Lake job was undertaken August of this present fiscal year, and with the establishment of that contract we were once again able to provide a training site in conjunction with Keewatin College and Canada Manpower.

The remainder of the report is the Auditor's report and financial statements for the year under review.

MR. CHAIRMAN: Thank you, Mr. Harvey. Mr. Minaker.

MR. MINAKER: Through you to Mr. Harvey. I noticed on some of your future activity - will your company become involved in any of the Northlands Agreement projects?

MR. HARVEY: We could become involved, Mr. Chairman, in some of the infrastructure that is under Northlands. I believe the Easterville road is under Northlands and we would

(MR. HARVEY cont'd) certainly like to become involved in that project. The Thompson-Gillam road is also under Northlands and we did 16 miles of that this current fiscal year.

MR. CHAIRMAN: Are there any other questions? Mr. Banman.

MR. BANMAN: Mr. Chairman, the Thompson-Gillam road, a contract like that, is that negotiated between the Department and your company?

MR. HARVEY: That particular contract, Mr. Chairman, was a construction work order with the Department of Highways. It was a negotiated contract. Right.

MR. BANMAN: So you got X number of dollars for the job?

MR. HARVEY: We started the job with a mile price, which was subject to revision as another contractor bid the adjacent 30 miles to us.

MR. BANMAN: Do you plan to do any more work on that stretch of road?

MR. HARVEY: We do not have any indication that there is work available there at the present time.

MR. BANMAN: To do that type of road construction what do you do? Do you rent equipment? Do you lease equipment?

MR. HARVEY: On that particular job we had used all our own equipment, that is equipment that is under lease purchase or owned outright by the company. There are some special pieces of equipment which we rented. I think a dragline was used, which we do not own.

MR. BANMAN: How about for maintenance on the 391 south of Leaf Rapids? Will you be using your purchased equipment for that or . . . ?

MR. HARVEY: That was just a possibility - we didn't enter into the contract. If we were to get a contract it would be very much dependent on what we could accomplish in the way of training. If it was a maintenance job that could be done with existing equipment, such as a grader, then we would use our own equipment; otherwise we might have to purchase equipment for the job. It would be entirely dependent on the nature of the contract.

MR. BANMAN: What are your results like? Are you training some fairly good operators right now? Are they coming along fairly well?

MR. HARVEY: Well at the moment, the company is just finishing up on the 16 mile; in fact we've just recommenced operations since the spring break-up. Prior to that we were putting through, in conjunction with Keewatin, four men every three weeks which was the second phase of a two-phase training program. The first phase was accomplished at Keewatin. The results have been very good. In fact, we did not get the number of people in Phase 2 that we had anticipated because they were being picked up at Phase 1 right at the college. The Phase 2 graduates, as far as I know, have worked out very well also.

MR. BANMAN: What you're saying then, in effect, is that most of the people that are going through are finding permanent employment elsewhere.

MR. HARVEY: Yes. Most of the people that we have knowledge of have been picked up by other employers.

MR. BANMAN: Do you keep a fairly extensive record as to where these people go and what their job experience is elsewhere when they leave you?

MR. HARVEY: The company doesn't. Canada Manpower and the Northern Manpower Corps do some follow up work with them, yes.

MR. BANMAN: As you mentioned, the work record seems to be pretty good of these people?

MR. HARVEY: Well, as we understand it, yes. I don't have the exact figures with me but we have had no complaints.

MR. BANMAN: This is in conjunction then with the Keewatin and the Northern Manpower Corps?

MR. HARVEY: Yes. The arrangements are that the on-site training with Minago is a Canada-Manpower training program. The Northern Manpower Corps involvement is simply a subsidy for board and room costs, which are considerably higher at the Minago site than the students would experience at the college. The people are referred to the course by Canada Manpower and the Northern Manpower Corps, but they all start at The Pas in Phase 1.

MR. BANMAN: What are your projections other than these here? What does it look like for the Easterville Highway No. 10?

MR. HARVEY: Well, we're currently working up prices for Easterville.

We feel that that job would have even greater advantages than some of the jobs we've dealt with to date, particularly because of the term. One of our basic problems has been to find a contract that is of sufficient duration that we can mount a worthwhile training program along with it. If you run 10 miles at a time it's difficult to schedule in training, particularly if you have an outside agency that is feeding people into you. I think if we had our options, an ideal situation for us would be a two-year job. Certainly a one-year would be preferable to what we've had.

MR. BANMAN: In your last year, like say your last year, which would be the year ended March 31, 1975 - and I appreciate that we're dealing with a year-old statement - but how does your statement look? Very much like the last year's one, or . . . ?

MR. HARVEY: No. We have had Love and Company in, and their unaudited statement would indicate that we have had a decrease in our surplus mainly due to our South Bay operations, but we still have a surplus of around \$25,000 at the moment. That's subject to audit, of course.

MR. BANMAN: Just to understand the working technology: When somebody is brought in from the Keewatin College, does the college provide certain funding to your company?

MR. HARVEY: We provide the college with a work site on our contract. The college provides its own instructors. They use some of their equipment and some of our equipment, but we get some advantage of the production. In this particular course - I'll ask the General Manager to correct me if I'm wrong - but in this particular course it was almost like an off-campus operation of KCC that was fed into our operation. Our recoveries are mainly board and room recoveries because the company pays the full shot for the difference. The trainee pays what he would normally pay at Keewatin, but there's a spread in there and the Northern Manpower Corps picks up the difference under agreement with KCC. That's billed out and I think that's the only benefit we get, but maybe I'd better refer to the General Manager on it.

MR. BANMAN: So that would be the only benefit . . .

MR. HARVEY: Now in the early part of last year, or in the early part of this fiscal year under review, when we ran the other course at Jenpeg we did charge some equipment rentals because we took some of our equipment off production on to a site. So we did recover some equipment rentals from KCC which came via Canada Manpower, and they are reflected in that statement before you as Equipment Rentals Recoverage from the Province of Manitoba.

MR. BANMAN: You would then pay somebody coming in as a trainee. You'd pay them a certain training, like an apprentice type wage, or what would you be paying them?

MR. HARVEY: Those particular trainees are paid out of Canada Manpower allowance.

MR. BANMAN: So that basically what you are involved in . . . Any foremen costs or any administration costs are borne by you, then, on those people.

MR. HARVEY: Well yes, although they may be minimal because, as I said earlier, the college provides its own instructors. We would have a small increased cost in perhaps having more machines on and the superintendent would have a bigger job, but they do look after their own operation.

MR. BANMAN: How many permanent staff would the company have?

MR. HARVEY: Permanent staff of the company? Well, at the moment, the salaried workers I believe are six, but you must understand that we're just operating the one job and we're just gearing up again from the spring breakup. That six salaried workers, that does not include any operators.

MR. BANMAN: Your season would then be, I understand, in winter for the winter roads and in summer you're doing other kinds of construction, eh?

MR. HARVEY: That would be our preference. We have been doing some clearing in the winter in conjunction with winter roads. Our preference would be road work in summer, winter road work in winter, depending on what kind of ground we were in.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Harvey. On the last page of the report under Notes to Financial Statements, you indicate that there is a direct aggregate remuneration of \$66,402. I wonder if you could advise us what the directors are paid on the company . . .

MR. HARVEY: There is only one director at the moment that is not a civil servant. We have one vacant chair and a director's position. That man receives \$25.00 per diem and travelling expenses.

MR. MINAKER: How many senior officers would be included in that?

MR. HARVEY: I believe the senior officers included there are the General Manager and the Project Managers.

MR. MINAKER: How many project managers are there, Mr. Chairman?

MR. HARVEY: At that particular time there would be two.

MR. MINAKER: So that the three people would be taking in the majority of the \$66,000.

MR. HARVEY: I would think that's correct. There may be an office person involved in there, the accountant.

MR. MINAKER: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Just a point of clarification. Do I understand correctly then, your salaries are paid by the company then?

MR. HARVEY: No, the civil servants' salaries are paid by the government.

MR. BANMAN: They are paid by the government.

MR. HARVEY: Yes.

MR. BANMAN: So that out of those number that you mentioned there before that were full-time employees or salaries employees, those are people paid out of the company funds?

MR. HARVEY: That's correct. Yes.

MR. BANMAN: And the Board of Directors as we see it there - how many civil servants would there be?

MR. HARVEY: There are three civil servants on the Board of Directors.

MR. BANMAN: And they are then paid by Northern Affairs?

MR. HARVEY: Yes. At the moment they are paid by Northern Affairs.

MR. BANMAN: Like yourself, you'd be . . .

MR. HARVEY: I'm paid by Northern Affairs.

MR. BANMAN: So that your salary wouldn't show up here anywhere.

MR. HARVEY: No.

MR. CHAIRMAN: Well that concludes the report, the Annual Report of Minago Contractors Ltd. for the year ended March 31, 1974. I will entertain a motion that the report be received, or reported.

MOTION presented and carried.

MR. CHAIRMAN: The next one, Channel Area Loggers Ltd. I'll call upon the Minister of Renewable Resources to introduce the Chairman of the Channel Area Loggers Ltd. Mr. Bostrom.

MR. HARVEY BOSTROM: Mr. Chairman, I draw attention of the members of the Committee to the Board of Directors listed in the front pages of the booklet. Peter Lazarenko is the Chairman of the Board of Directors of Channel Area Loggers. He has been chairman of this corporation since its inception, and I don't believe Peter Lazarenko is a stranger to members of the committee, having been a successful businessman in Manitoba, particularly in Northern Manitoba. He is presently President of Northland Freight and Forwarding Ltd. and, like Mr. Minish, I believe Mr. Lazarenko is working harder in the public service of Manitoba than he worked in his own interests. I turn the mike over to the chairman, Mr. Lazarenko.

MR. CHAIRMAN: Mr. Lazarenko, proceed. I thank the Minister for his introductory remarks.

MR. PETER LAZARENKO: Thank you. Mr. Chairman, ladies and gentlemen: I am pleased to report to you the activities of Channel Area Loggers for the year 1973-74, this being this organization's first year of operations.

As most of you are no doubt aware, the two communities involved in the Channel Area Loggers are Bloodvein River and Berens River. I will go through the report for you the same as Mr. Minish did.

The Communities. During the year the Company conducted logging operations at both Berens River and Bloodvein - communities located on the east side of Lake Winnipeg. Berens River is located approximately 170 air miles north of Winnipeg and has a population of approximately 900 residents while Bloodvein is located approximately 135 air miles north

(MR. LAZARENKO cont'd) of Winnipeg and has a population of approximately 350 residents. In both cases a large percentage of employable people in the community are normally unemployed or under-employed because there have been few employment opportunities in the area, with the exception of seasonal jobs such as fishing, trapping and local construction projects. With the establishment of Channel Area Loggers Ltd., however, it became possible to harvest the forestry resource in these areas.

My own comments to this are that although we say to harvest the forestry resources, these are scattered away from the community to some degree because they have been harvested in the past.

It is anticipated that the Company will develop into an economically viable operation that provides many full-time as well as seasonal jobs for the residents of these areas while at the same time harvesting a natural resource that might otherwise go unutilized.

The Objectives.

1. To provide employment opportunities to residents of the area.
2. To achieve a break even or profit position in the shortest possible period of time.
3. To provide residents of the area with an opportunity to acquire, over time, the aptitudes and skills required to operate, supervise and/or own a logging enterprise.
4. To transfer control and ownership of the logging enterprise to participants from the area once the operation has proven to be economically viable and once local management skills have been adequately developed to enable a successful operation to continue under community control.

Background. Logging is not new in Berens River. During the days that steamships plied Lake Winnipeg they made regular stops at Berens River to take on fuel wood. In the 1950s an attempt was made to cut pulpwood on the Berens River Indian Reserve but it met with little success. In 1961 a co-operative was formed and 1,500 cords of 8 foot wood was produced. The pulpwood logging operation has been carried out most years since then. The greatest volume was produced in 1965-66 when 2,200 cords were delivered to the paper mill at Pine Falls. The following season only 280 cords were cut and none at all in 1968-69.

In 1971 the Development and Extension Service of the Department of Mines, Resources and Environmental Management, in response to local interest, decided to establish and operate a logging operation on Abitibi's timber berth along the Berens River. From November, 1971, to February, 1972, a cut and pile method was followed and about 200 cords were produced. After this slow start a 3 skidder logging operation got underway in late February 1972. By December 31, 1972, a total of 2,500 cords had been cut and of this amount 560 cords had been shipped to Pine Falls. At one point over 30 men were working on this logging operation - half with the tree harvesting skidders and the remainder cutting and piling by hand in strips. This operation formed the base upon which a socially and economically successful operation could be launched.

On February 21, 1973 the Provincial Government authorized formation of the present Company for the purpose of continuing and expanding the logging operation that had been conducted at Berens River. Through formation of a company the logging operation was expected to have improved access to funding and to outside technical and business expertise. On April 25, 1973, Channel Area Loggers Ltd. was formally organized.

Current Year Developments. Following the organizational meeting of the Company on April 25, 1973, a general manager, Mr. Ted Humenick, was hired on June 1, 1973. After Mr. Humenick's hiring several decisions were made respecting scale of operations and purchase of equipment and much time was spent preparing for future operations. During this period it was decided that a 5 skidder year-round operation would be conducted at Berens River and a 2 skidder operation at Bloodvein during the winters. On July 23, 1973 a training program got underway at Berens River for cutters and skidder operators. This training program was cost-shared by Canada Manpower. Because forest fires in the area often resulted in men being taken off the training program it was not completed until mid-October. Thirty men from Berens River were trained in logging during this period.

Unfortunately Mr. Humenick became ill during this training program and eventually resigned on September 30, 1973. Mr. P. Appleby, a training instructor from Cranberry Portage, was able to fill in for Mr. Humenick during his illness and did not leave Berens River until a replacement was found for Mr. Humenick on November 26, 1973, when Mr. Jack Clarkson was hired as operations manager of the Company. On January 2, 1974

(MR. LA ZARENKO cont'd) Mr. Dale Vizina was hired as general manager of the Company.

As a result of the late date of commencement of operational cutting (late October), the manager's illness and machinery break-downs were due in large measure to delays in receiving parts and to the fact that the Company did not employ a full trained mechanic. Production for the period was very low resulting in substantial losses during this period.

From January 2, 1974, to the end of March, over 2,000 cords of wood were cut at Berens River. Machinery break-downs were a major factor preventing increased production during this period.

While the Berens River operation experienced difficulties in getting underway, Bloodvein also had problems. The skidders that has been ordered for Bloodvein were shipped on the last barge going north in the late fall of 1973 and became frozen in at Rabbit Point. As a result these skidders could not be delivered to Bloodvein until January, 1974 when they were finally moved across the ice. Even after receiving the skidders machinery break-downs and the lack of a mechanic on-site resulted in low production until finally the machines were moved from Bloodvein to Berens River in late March of 1974.

For the period under review, April 25, 1973 to March 31, 1974, over 3,650 cords were cut at Berens River and approximately 650 cords at Bloodvein. The loss for this same period was approximately \$82,300 of which approximately \$28,000 is directly attributable to training and organizational costs. It is anticipated that with the management situation now more stabilized production will increase in 1974-75 thus reducing these losses.

Board of Directors. The establishment of a Crown corporation created a means by which persons from the business and governmental communities could work together with residents of the general community in remote areas. This was accomplished through the formation of an integrated Board of Directors consisting of both local residents and outside businessmen and government representatives. In this manner the talents and expertise of these groups were brought together in a situation where they were able to effectively combine their individual expertise in an effort to overcome their mutual problems and concerns. Without this combination of individuals whatever progress that has been made to date would not have been possible.

Responsibility for the direction of the Company in 1973 were the following directors. I can read these off if you would like or . . .

A MEMBER: It's okay.

MR. LA ZARENKO: Operations. The main activity of the Company is to produce 8 foot pulpwood for sale to Abitibi Paper Company at Pine Falls. At the present time the Company has two fully mechanized logging operations - a 5 skidder operation at Berens River and a 3 skidder operation at Bloodvein. Skidders used in the operations are either leased or owned by the Company. Men are commuting by bus from the community of Berens River to the cutting areas in the bush. They are picked up in the mornings at a designated time and are returned home later in the day. These transportation arrangements have overcome the problem of long travel times and should result in increased production and improved morale. Once cut, wood is hauled by truck from the bush to a barge landing site. Wood is then loaded on barges during the summer open-water season and hauled to Abitibi at Pine Falls. This latter haul is the responsibility of Abitibi Paper Company. Although it is intended to operate on a year-round basis production levels will vary from month to month depending on ground and weather conditions. Hauling to the barge landing site will occur mainly during the winter months although limited hauling may take place at Berens River during dry summer periods. Shipment of wood by barge to Abitibi will occur exclusively during the summer months.

Operations are carried out on Abitibi's pulpwood berth at Berens River and on crown land at Bloodvein. Annual operating permits and timber sale agreements are entered into with the Department of Mines, Resources and Environmental Management to provide the Company with adequate cutting areas. Annual allowable cuts in the areas concerned are well in excess of the requirements of the Company.

Production. Production for the year was approximately 3,650 cords at Berens River and approximately 650 cords at Bloodvein. For each quarter production was approximately as follows: and you can see the listing there. April to June there was no production; July 1st to September there was 200 cords cut at Berens River; October 1 to December 31st was 1,470 at Berens River and Bloodvein had 165 cords; January 1st to March 31st, 2,000 at

(MR. LAZARENKO cont'd) Berens, 475 at Bloodvein.

As indicated, production for the first quarter was nil as a manager was not hired until June 1 and the remaining portion of the quarter was devoted to organizational matters in preparation for training and operations. During the second quarter there was only minimal production at Berens River as most of the period was devoted to a training program. Increases in production were evident in both the third and fourth quarters although production was still well below projected levels. Nil production at Bloodvein was due to the fact that tree farmers and fuel did not arrive until mid January, 1974. Main reasons for the low production at both locations includes turn over in management personnel, machinery break-down, absenteeism and unusually deep snow. It is anticipated that with improved organization production should increase in the forthcoming year.

Financial Statements. Appended to this report are Audited Financial Statements for the 1973-74 fiscal year as audited by the Provincial Auditor. For the year the Company incurred a loss of \$82,297.79 of which amount approximately \$28,000 is directly attributable to training and organizational expenses. The training program officially terminated in mid October. In addition, a large proportion of the remaining loss is not expected to recur as it was related largely to the fact that stable management and proper organization was lacking until Mr. Clarkson was hired in late November. As a result, production was low while overhead remained high. The late arrival of the skidders at Bloodvein was also a contributing factor in the low production from that area.

During the year the Company paid off several debts that were incurred by the Berens River Indian Band during the period prior to the formation of the Company. At that time, the Indian Band was issuing payroll cheques to the loggers in their capacity as contractors for the Department of Mines, Resources and Environmental Management. Total cost to the Company for discharging these debts was \$2,108.68. The Board of Directors consider that much goodwill was created in the community in this way. Funds to pay off these debts were obtained from Abitibi through a price increase of \$5.00 per cord on 726 cords of wood that the Company purchased from the Department of Mines, Resources and Environmental Management.

The Company is financed by means of bank loans that are guaranteed by the Province of Manitoba up to a maximum of \$500,000. Banking is currently carried out through the Royal Bank, Broadway and Smith Branch in Winnipeg where all loans are made at the Royal Bank prime lending rate. This method of financing has proven to be very effective as decisions of the Board involving large expenditures can be carried out very quickly.

During the year there were several changes in personnel involved in the bookkeeping and accounting functions. Initially, records were maintained by Mr. Humenick the first manager until Mr. Collin Moar was hired as bookkeeper on September 4, 1973. Following Mr. Moar's resignation at the end of December books were maintained by the new manager, Mr. Dale Vizina, and by Mrs. Carter who was hired as an interim bookkeeper and who resided at Berens River.

Financial statements for the year were prepared on 4 separate dates, namely August 31, 1973, October 31, 1973, December 31, 1973 and March 31, 1974. With the exception of the December 31 statements which were prepared by the Department of Co-op Development, all other statements were prepared by Mr. Abe Posen of the Department of Mines, Resources and Environmental Management. Following the close of each fiscal year, the Company's books are audited by the Provincial Auditor.

It is anticipated that the Province of Manitoba will reimburse the Company annually for any operating losses that may be incurred.

Cost-Sharing. Although the Company has been unsuccessful to date in concluding any major cost-sharing agreement with Indian Affairs or DREE, a proposal is currently under serious consideration by DREE and, if approved, could result in a substantial grant towards capital costs and training.

In addition, the Company was successful in arranging for Canada Manpower to share the costs of the initial training program that was held during the period July to October in 1973. Receipts from Canada Manpower for this program amounted to \$4,567.36.

Sale of Wood. Following extensive negotiations between representatives of the Board and Abitibi an agreement was reached whereby Abitibi purchases wood cut by the Company at a price of \$27.50 per cord. Although final payment is based on scaling done following

(MR. LAZARENKO cont'd) barge delivery to Pine Falls, the Company responsibility ends when wood is delivered to the barge landing sites at Berens and Bloodvein. An advance of \$10.00/cord is received for wood cut in the bush and a further advance of \$14.50/cord is received when wood is delivered to the barge landing sites. It was learned following the close of the fiscal year (June 7, 1974) that the Company will receive an additional \$2.75/cord or \$30.25/cord for all wood cut and on hand in the bush and for all additional wood produced to August 31, 1974.

The Company during the year, in addition to its own wood, purchased from the Department of Mines, Resources and Environmental Management the remaining volume of wood (726.28 cords) that had been cut at Berens River during the period that the Department supervised the operation. This wood was purchased at the Department's contract price with Abitibi of \$22.50/cord less stumpage and delivery charges.

Employment and Earnings. When in full production there are 8 four-man crews operating for a total of 32 men involved in actual production. These crews receive \$10.00 for each cord of wood that they harvest. I should say that it started out at \$8.50 and then when we got the price up it was increased to \$10.00. In the winter months three of these crews were operating at Bloodvein and five at Berens River. In addition to the crews there is a mechanic, bookkeeper, manager, foreman, bulldozer operator and truck drivers.

In total, the Company payroll for the year was approximately \$103,000. Of this amount close to \$89,000 was salaries and wages related directly to log cutting while the remainder was administrative salaries (managers and bookkeepers).

The best production period (2 weeks) during the year was the last pay period of the fiscal year when 483 cords were produced. The best production by any crew for a 2 week period was accomplished by Leonard Bouchie's crew for the period ending February 8, 1974 when they produced 177.50 cords. This represented gross earnings of \$1,775.00 for the 2 week period or \$443.00/man.

Buildings and Equipment Purchases. As this was the first year of operation of the Company much equipment had to be purchased and much time was spent in getting organized for actual production. Equipment purchased or leased during the year included: 8 skidders, 5 used and 3 new (5 rented and 3 purchased); 1 new and 1 used hauling truck (1 purchased, 1 rented); 1 used mobile home (purchased); 1 new office trailer (purchased); 1 used and 1 new pick-up truck (purchased); 1 new garage (purchased); 1 used bus (rented); 1 used D5 bulldozer (rented); miscellaneous equipment, the cost of which you can see in the report.

In addition to the foregoing equipment it is anticipated that a loader and additional trucks may be required in the future and if interest in the operation by the communities is high and machines are fully utilized then additional skidders may also be required.

Management. One of the important factors responsible for the lower than projected production and the longer than expected organizational and training period was the lack of continuity in management. As mentioned earlier, the first manager, Mr. Humenick was hired on June 1, 1973 but shortly thereafter became ill and was forced to resign at the end of September. Mr. Appleby of the Cranberry Portage Logger Training Centre filled in temporarily until late November when Mr. Clarkson was hired as operations manager. Shortly thereafter Mr. Dale Vizina was hired as general manager on January 1, 1974. It was not until Mr. Clarkson and Mr. Vizina were hired that the operation was more fully organized and production began in earnest.

Local Involvement and Participation. The position of the Board of Directors is that in all matters related to hiring, preference is to be given to persons from the communities involved. To this end all employees of the Company at year end, with the exception of the general manager, were persons normally resident in the communities of Berens River and Bloodvein.

To ensure that the views and concerns of the communities and employees of the Company are heard, four of the members on the Board of Directors of the Company are chosen by the communities involved. These Board members have played a vital role in maintaining a good Company image in each of the communities.

Training. As mentioned earlier in this report a logger training program was conducted at Berens River during the July to October period in 1973 for both persons with no experience and those with some experience. During the period 30 men were trained.

At year end plans were also being made to provide special training for the mechanic

(MR. LAZARENKO cont'd) and the Company truck drivers to up-grade their skills.

Future Developments. At year end there were several important matters being considered for 1974-75. These included:

Development of 5 year operating plans for both Berens River and Bloodvein including cutting areas, scale of operations, types of operations, roads required, equipment and buildings required, staff required, etc. It was anticipated that these plans would be developed in co-operation with the Department of Mines, Resources and Environmental Management and Abitibi. In this way the organizational problems such as were incurred at Bloodvein in 1973-74 should be overcome.

Development of a comprehensive training program that would ensure that residents of Berens River and Bloodvein are trained for all positions in the Company including the staff positions of manager, foreman, mechanic and bookkeeper. Training for operators of specialized machinery (loader and bulldozer) is also being planned for the future. Efforts were underway to obtain funding for such training from various government agencies, etc. to ensure that the Company's financial statements would not be adversely affected.

The possibility of diversifying into a sawmill at either or both Company locations or perhaps supply logs to a proposed sawmill that the Indian Band at Bloodvein is working toward with Indian Affairs. This would be dependent on inventories determined in the operational plans being developed.

The possibility of the Company bidding on some winter road construction in the Berens River area for the winter of 1974-75.

Open meetings between the Board of Directors, government personnel and both communities were being planned to allow a free exchange of ideas and concerns of each group. In this way corrective action could be taken whenever possible to ensure that problems do not build up.

MR. CHAIRMAN: Thank you, Mr. Lazarenko. Are there any questions? Mr. Minaker.

MR. MINAKER: Some of the questions were answered as we went along here, but I'm just wondering if Mr. Lazarenko could advise us of the remuneration for the senior officers of the company, the \$28,998 shown in the Notes on the Financial Statement. I think it's the last page.

MR. LAZARENKO: The direct aggregate remuneration paid to the directors and senior officers of the Company was \$28,998.01.

MR. MINAKER: How much would the directors get?

MR. LAZARENKO: Of which nil was paid to Winnipeg directors.

MR. MINAKER: To Winnipeg directors.

MR. LAZARENKO: To any outside of the local communities.

MR. MINAKER: How much was paid to local community directors?

MR. LAZARENKO: \$35.00 per day at their attendance of meetings.

MR. MINAKER: How many meetings did they have?

MR. LAZARENKO: I'm sorry, I can't answer that just off the top of my head. My apologies. About 10 meetings?

MR. MINAKER: Also, how many senior officers would be included in that?

MR. LAZARENKO: Maybe I could help you on that; I think that's the same question you asked Mr. Minaker. Above includes Manager, Assistant Manager and Directors; does include five highest-paid employees according to requirements of The Companies Act. The Manitoba Corporation Act defines "paid to senior officers as total remuneration, paid to directors, including five highest paid employees, which may include directors."

MR. MINAKER: Now if we look at Exhibit B that shows here Revenue and Expenditure - would that \$28,900 be included under the log-cutting salaries and wages?

MR. LAZARENKO: It would be broken down on both of those. Yes, it would be broken down in both.

MR. MINAKER: It would? So then who would be involved in the General and Administration salaries for \$14,037?

MR. LAZARENKO: This would be Manager, Assistant Manager last year, bookkeeper, mechanic and the highest paid cutter.

MR. MINAKER: I see. So that there is a portion of the \$28,998 in that figure of \$14,037, is there?

MR. LAZARENKO: I'm advised that that's . . .

MR. MINAKER: You don't know what quantity?

MR. LAZARENKO: About \$14,000 would be included in that.

MR. MINAKER: The total would be in that \$28,900 and the remainder would come out of the log cutting?

MR. LAZARENKO: That's correct.

MR. MINAKER: So that, in actual fact, that would be the total salaries for administration then, the \$28,900?

MR. LAZARENKO: That would be correct.

MR. CHAIRMAN: Are there any other questions? Mr. Craik.

MR. CRAIK: Your statement just shows the one fiscal year, 1973-74. Was there a year prior to this for which you had a statement?

MR. LAZARENKO: No. This was the first year of operation.

MR. CRAIK: This is your first statement.

MR. LAZARENKO: Right.

MR. CRAIK: You show in your balance sheet your Revenues and Expenditures, a carry-forward of \$60,000 of log inventory. You would have brought into the year no log inventory, I presume, from the preceding year.

MR. LAZARENKO: I think that you would have to take into that, 726 cords that were at Berens River when we first became involved, from the Natural Resources.

MR. CRAIK: 726 the previous year, and this 60,000 would represent . . . or 127,000 actually would represent how many cords. Thirty bucks into that, I guess eh? Would that be right? Three into 12,000. You here then are about 4,000 cords. Your inventory has gone up from seven to - which makes a pretty substantial difference to your statement. Well, I guess the answer to the question is your statement. I know it satisfies your auditor's requirements carrying that. It's a fair statement to show the position of your company at the present time. In other words, you've built your inventory up from 700 cords to 4,000 cords and showed it as an expenditure. --(Interjection)-- Oh no, you haven't. Sorry about that. Yes. You've shown it as a credit then. Pardon me.

MR. CHAIRMAN: It shows "less closing inventory of logs," it gives you a balance of 60,000.

MR. CRAIK: No, 127,000.

MR. CHAIRMAN: Yes.

MR. CRAIK: 127,000, of which you had a carry-forward from the year before of a certain amount that's incorporated into that, so your credit is probably shown as being higher than it may well have been. Well it's going to be difficult to tell until we see your next year's statement just what your position is as far as . . . what your current cash flow picture is.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: On Page 15 of the report, Mr. Lazarenko, you have indicated your proposed future developments. I'm wondering what stage some of these developments are in at the present time, in particular Item 4. Did the company bid on some winter roads last year?

MR. LAZARENKO: The company did not become involved. It did come before the directors and we felt that possibly we should carry on with the logging operation as much as possible, although there was some work before them when an emergency arose. If there was an emergency and trucks were coming into the area, then they would go out and take off. But we felt for the amount of equipment that was in at Berens River or at Bloodvein that we for last year would not become involved in it.

MR. MINAKER: Has anything developed in the plans to diversify into a sawmill at this stage?

MR. LAZARENKO: There has been some talk about it. If you're talking about the present day operation, as of yesterday we had a meeting at Berens River and we are exploring the possibility of a box mill at Berens River more so than possibly a sawmill.

MR. CRAIK: What would be the main purpose of the end product? Where would the market be? In the North country?

MR. LAZARENKO: Well there's quite a number of fish boxes used on Lake Winnipeg which are shipped from Winnipeg and are pretty expensive. I think the last price was around \$1.20 for a knockdown box, and by the time you get it up into some of the fishing stations such as Norway House or Black River they become pretty costly; where with freight going into

(MR. LAZARENKO cont'd) Berens River, the boxes could be picked up at about half of that rate and taken on North. Plus the fact that this could make good sense in conjunction. Now I should have maybe answered you a little differently and said yes, the idea of a sawmill is also being explored in conjunction with a box factory, because one somehow goes hand in hand with the other. But the production might only be for community level use instead of commercially.

MR. MINAKER: Mr. Lazarenko, I don't know whether you mentioned it or not, I was just wondering how your schedule is to date this year with regards to - I think you cut 4,300 cords last year in the period of time, and I'm wondering how the schedule is at the present time for this year. Or if you indicated that already, my apologies.

MR. LAZARENKO: No I haven't. We're up to approximately 7,000 cords, 7,500 cords.

MR. MINAKER: So it would appear that the company may turn around this year and make a profit then.

MR. LAZARENKO: No. We had a bad . . . You're asking me on this year's operation now?

MR. MINAKER: Yes. Because that would look like you're going to have about 220,000 . . .

MR. LAZARENKO: Well we'd like to say that. Unfortunately, it was the will and pleasure of the community, which we felt we should go along with, plus the fact we wanted to find out for ourselves. We operated last summer at Berens River. This was a very costly operation running hand in hand at the same time as the commercial fishery was on. It's a different area to what Mr. Minish - it was something to hear from him saying, well, his operation was all summer, their biggest operation was summer, where ours is now turning to be all winter - and it's a tough one. So our last summer's operation was very costly to the organization and this is not going to help the picture for this year.

MR. MINAKER: But at the present time you have 7,000 cords . . .

MR. LAZARENKO: 7,500 . . .

MR. MINAKER: . . . sold or in . . .

MR. LAZARENKO: Well this is all spoken for by Abitibi.

MR. MINAKER: At the new rate of \$30.25 a cord?

MR. LAZARENKO: That's correct.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, to Mr. Lazarenko. Early in your report you outlined the objectives. No. 2 was to achieve a break-even or profit position in the shortest possible period of time. What is your projection on the achievement of that objective, Mr. Lazarenko?

MR. LAZARENKO: Most things in the North you've got to go by year after year rule of thumb. It's a little hard to project. Berens River is an odd community. As you know, it's all flying or boat; it's not like your Moose Lake area or some of your other areas. It's a tough one. And you have to feel your way in this. We hope that by the possibility of a box factory in there, by the possibility of maybe a little diversification, maybe we can talk the powers that be to maybe give us some road contracts next year if we can get some more equipment in. This can help, diversification, in the objective, if this is what you're . . .

MR. MCGILL: There are a lot of "ifs" in there. You don't have sort of a year in which you expect to achieve a break-even point?

MR. LAZARENKO: The last two years of cutting were done - we have now reached a point of approximately 15 miles away from the landing site to haul logs. There has been a road cut or cut out from Bloodvein to Berens River this past winter, which can be of tremendous help to get into a heavier populated site for spruce that we will be cutting for pulp, and this also will give us the poplar for boxes, as I was saying earlier. I think after this year I could answer that question, Mr. McGill, with more positiveness than I am at the moment.

MR. MCGILL: No. 4 on your list of objectives was "To transfer control and ownership of the logging enterprise to participants from the area once the operation has proven to be economically viable," and so on. You heard Mr. Minish's testimony and he didn't think that was an attainable objective in his area. How about your area?

MR. LAZARENKO: We have a mixture of people there. We have the Metis and we have the White and we have the Native. One of the things we're trying to do is to get a community

(MR. LA ZARENKO cont'd) . . . effort, a complete community effort, to get away from this segregation of what Mr. Minish is speaking about - Reserves and so on, if we can ever do . . . I don't know. Mr. McBryde is grinning. I don't know if he's grinning about that or not but this is really something that possibly can happen. We do have good, conscientious white people in Berens River who have been there for years and are very interested in Berens River as such. The area itself has got a great potential.

MR. MCGILL: I notice in your report you indicate that a Mr. Jack Clarkson was hired as Operator-Manager. What is his background in this particular kind of operation?

MR. LA ZARENKO: Jack used to operate a pulp operation at Bloodvein prior to us becoming involved in that. He is not what could be considered the perfect man. As a matter of fact, he took it on as a part - well, as of the end of this month he's through with the kind of a contract that we had with him. But at the time we had nobody, and we had to get somebody who was familiar with the country and knew something about the pulp industry and Jack just happened to fill the bill. He lived at Berens River; still does. His wife teaches there. The perfect combination was Jack Clarkson as Assistant Manager and Dale Vizina as the Manager last year. Dale had the expertise and the knowledge of the lumber, of pulp. He came from Prince Albert - we hired him out of the Prince Alberta pulp industry. Jack, in turn, knew the areas and the two were a perfect combination when we did this at the time.

MR. MCGILL: Is that situation continuing or do I take it that it's . . . ?

MR. LAZARENKO: No, unfortunately Dale Vizina quit, left, and we just carried on until the end of Jack's contract period, which is the end of this month. We are at the moment advertising for a manager for the Channel Area Loggers' operation.

MR. MCGILL: So you're looking for a general manager and an operations manager both.

MR. LAZARENKO: Not necessarily. At the start we felt we needed it and it was good at the start. Now that we've got two years under our belt we feel that possibly we can get away with just the manager, just a good manager that knows the pulp industry.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: One of my questions was answered but I think the other one was that you appear to be patterning this after what were the original objectives of the Moose Lake operation, which are very much similar to what you have here. You say there's some differences in the make-up of the community which may in fact cause a different arrangement or evolution of events at Berens River than occurred there.

MR. LAZARENKO: I think a little diversification will help.

MR. CRAIK: The original objective was the same at Moose Lake as you have on Page 2 in that Item 4 of your objectives, which was to transfer control and ownership, you know, to the participants. You know, the question is whether or not it's realistic to lead people there to think that's going to happen if, in fact, your experience so far is that it's not just possible.

MR. LAZARENKO: Unfortunately we're not leading them. That's the problem we've got. I wish we could lead them in that direction; then they could take a lot of that problem away from us. What we've got to do, or what we've got to try and do, is get the community to be as a community regardless if they're Native or Metis or White. They do it at the dances, they do it at parties, but to try and get them, there seems to be a clique. Maybe the answer is that our government or our province, regardless of who is in power, really becomes involved in all the North, and maybe stop the segregation of Indian Affairs and provincial getting into Acts. --(Interjection)-- Well, I'm talking about province. The segregation of Northern Affairs or whatever programs they have are different, but I'm saying that this . . . Well, I'll go back not only to this operation, but years I've been there. The most confusion you've got is that just as you get a pattern set, Indian Affairs will come in and you've got the pattern all upset because there's a select bunch of people will be pulled out of something, and they say, well, they're the preferred people. This is the opinion of the people in the area - the whites or the Metis. So sometimes I feel that somewhere maybe I'll see that happen. And I'd sure like to.

MR. CRAIK: You have . . . you mean split jurisdictions in the Community?

MR. LAZARENKO: Definitely. Definitely. Which play havoc.

MR. CRAIK: You have then, I gather, at Berens River and so on, you have people who have Treaty status and others who don't have.

MR. LAZARENKO: That's correct.

MR. CRAIK: You've got those two groups there.

MR. LAZARENKO: That's correct. You have three types.

MR. CRAIK: Some are under provincial as far as their rights to provincial welfare or whatever it may be, or job opportunities, the others are under the complete aegis of the Federal Government.

MR. LAZARENKO: Right. I notice one thing, though, that for this year . . . and yesterday we took a tour around the community and it was nice to see that, I guess under Northern Affairs or I guess under somebody's department in the province, they are building homes for the Metis and the Indian Affairs are also building homes, so they seem to have patched that one up. Because there's always been that feeling of, "Well, look at that home there; it's costing him nothing and we've got to live in this log shack." They may be fishing together. This is a real problem up North.

MR. CRAIK: How does the school operate?

MR. LAZARENKO: It's mixed. It's a mixed school.

MR. CRAIK: Is it under the Department of Education? I think it is.

MR. LAZARENKO: Frontier School Division.

MR. CHAIRMAN: Mr. Osland.

MR. OSLAND: Thank you, Mr. Chairman. Mr. Lazarenko, you were referring to your summer operation as being a loser. If you hadn't been there and performing, what would have taken its place as far as jobs?

MR. LAZARENKO: Fishing.

MR. OSLAND: The fact that you did operate, did that help the community?

MR. LAZARENKO: It just seemed last year - and by the way, this year it was on the request of the community. Now last year they requested an experiment, and we went into it quite deeply and we thought, well, this can be a problem, however we've got to try it for one year, even for our own. It has never been tried really, and we did try it. Now this year they sent a brief from the community asking us not to open up this summer, but I feel that that void for the summer months can be filled if we get a box factory so we can bring the younger ones up to do something during the summer months. It's a shame to see them sitting around. This is where we've got to do it. We've got to get something in there for the younger people to work on, to go to the job every day, to realize that they've got to work. Start there. If they want to come on the outside, fine. Come on the outside and find a job on the outside, but at least they're educated to working then. You know, really, these communities as a whole should be more pitied than ridiculed because the lack of projects such as this is just holding them back. And these people are aggressive; they can be aggressive, very aggressive.

MR. OSLAND: I have one other question. We know we can measure the dollars and cents of any of the operations that we have been listening to tonight. I don't know whether you can or not, but can you give us some measure of the social impact that your group has had on the community? Is it in the red or in the black?

MR. LAZARENKO: The answer to that question would be just about what I said before. It's trying to bring them together closer. How we can attain this we're not sure at the moment really, but I think by diversifying a little bit that this might come into the picture.

MR. OSLAND: Thank you.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. I notice on Page 11 there you talk about cost-sharing and you mention Indian Affairs and DREE. Have you received any money to date from any of those two agencies.?

MR. LAZARENKO: No we haven't.

MR. BANMAN: Is there something on the drawing boards as far as DREE is concerned? Have you made a DREE application?

MR. LAZARENKO: We have been talking to them for some time.

MR. BANMAN: How about Indian Affairs?

MR. LAZARENKO: Indian Affairs. There is something going on at Indian Affairs at the moment.

MR. BANMAN: So that you anticipate that you'd probably get some funding from either one of those agencies?

MR. LAZARENKO: There's a strong possibility.

MR. BANMAN: Another question, Mr. Chairman. I notice on Page 13 you've got one

(MR. BANMAN cont'd) used D5 bulldozer rented there. Do you intend to purchase that machine or . . . ?

MR. LAZARENKO: What page is that ?

MR. BANMAN: Page 13. It's under Equipment - one used D5 bulldozer. It says rented, \$20,000.

MR. LAZARENKO: I think we purchased that. --(Interjection)-- No, it's still rented from the Department of Mines and Natural Resources.

MR. BANMAN: Have you got any people from the Northern Affairs Department directly involved in the company ?

MR. LAZARENKO: No.

MR. CHAIRMAN: Mr. McBryde.

MR. MCBRYDE: A follow-up on Mr. Osland's question. Probably not the company, but has anyone from outside the company, like the Department or a university group or anyone, studied the social impact of the Channel Area Loggers and took some general measurements in terms of reduction of welfare payments or court cases or anything like that ?

MR. LAZARENKO: That I couldn't tell you, Mr. McBryde. I don't know.

MR. CHAIRMAN: Thank you, Mr. Lazarenko. That concludes the -- Mr. Craik.

MR. CRAIK: Mr. Chairman, let me ask one more question on the social impact. Any time when you have a community, when you introduce a very wide differential in scales of income, doesn't it provide you with problems regardless of what the source of that is ?

MR. LAZARENKO: Well, I don't think it's any different than the outside world. You've got the person that may be earning \$500.00 a month, another one is earning \$1,600 a month. You'll get a Native that is every bit as good as an outsider.

MR. CRAIK: We had a case here, this example given before, where the two people were in a good production spree in January and in a period of ten days earned \$1,600 apiece. When you're in a large community, of course, people are spread all over, but when you're in a small community what does this do, just generally? I know this is one of the great concerns, you know, in the far North, in the Territories and so on, where you have these massive pipeline projects and so on where people are making this kind of money on a regular basis, and the Native communities there are very upset about the impact of introducing into the communities people, their young people all of a sudden going from, you know, an average of a few hundred dollars on their traditional lifestyle income from fishing and trapping and so on, and all of a sudden they're pipeline labourers making \$1,500 a month. The people are very upset worrying about what this does to their whole lifestyle. Bang! It's changed their community; it's introduced a whole new scale of income for a certain group in the community. This is kind of an important question because it's one that everybody is trying to answer. What happens here when all of a sudden you introduce a logger who turns out to be very productive, making \$1,600 in ten days, and his next door neighbour is making \$1,600 in half a year.

MR. LAZARENKO: If the opportunities are there, this seems to be acceptable. In other words, if his neighbour has got the same opportunity as he has, this seems to be quite acceptable.

MR. CRAIK: It doesn't bother him. It doesn't create . . . ?

MR. LAZARENKO: It's strange, it doesn't seem to bother them. Mind you, in the Native life you'll see where if one attains a higher goal they try and drag him down for some reason or other. But this is slowly slipping away now, I notice, in the last couple of years. They're becoming a little more proud of the person and trying to take his leadership in that respect.

I'll give you an example of what we've tried to do. When we were negotiating with Abitibi we made darn sure that at least a couple of these people, northern people, were there on the negotiations with the head people of Abitibi, formed a committee, and sent them with people who knew. We're fortunate - and much thanks to our Board of Directors we have; in one case Tony Schreyer and a couple of the boys from up North met with Mr. Mundy - Mr. Mundy is the head of the Abitibi where you deal with. In another case Mr. Penner, who knows the pulp industry. And from them these people are learning a little bit. They come out and they say, "Well gee, you know, we didn't think we'd get that extra couple of bucks." A small thing like, in the past, the barge would come along and they would throw the wood on the barge and they'd say, "Well, you've got 400 and some odd cords, you'll see."

(MR. LAZARENKO cont'd) When it got to Pine Falls, they thought they had 450 cords, they only had 420 cords. Well maybe the barge got into a storm and they lost 30 cords. It's not their fault, it's not the cutters' fault. So we got them to get into the act and help resolve this, where today it's measured at the landing and that's what it goes out at. This is just one example. The other is buying equipment. We form a committee, say, to go out and buy equipment, let them go and deal instead of leaving it to somebody else to buy. "Go on out and see Carter Motors, go out and see Ford", and send somebody along with them. Let them sit in on the dealings where you negotiate and you save some dollars. Get them dollar conscious. Exactly what you're saying. They haven't had that opportunity, a lot of them, you know, to talk about the dollars involved.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: Just a couple of questions, Mr. Chairman. Mr. Lazarenko, I believe the report states that the total payroll was \$103,000 last year. Is that continuing now? It's about \$8,000 a month approximately. Is that continuing pretty well the same, or has it increased?

MR. LAZARENKO: Yes, and I'd say it could be increased.

MR. ADAM: Increased by how much? Have you any idea?

MR. LAZARENKO: No, it will be about the same.

MR. ADAM: About \$8,000, in that neighbourhood?

MR. LAZARENKO: Right.

MR. ADAM: The other question was just more or less clarification. I'm not very well versed in pulp operations. I notice that the skidders at Moose Lake were two to a crew as opposed to four here. Is there any reason for that? Do they have four men with four saws or - and one skidder or . . . ?

MR. LAZARENKO: There's four men to a crew. Where Moose Lake are, they're cutting all bush, for lumber and for pulp, where we have to be selective in order to only cut spruce for pulp. Although we did talk Abitibi into giving us a 10 percent edge of taking jack pine, the rest of it has got to be spruce, so consequently they've got to go and be selective on their cutting plus piling. So there's four men to a skidder.

MR. ADAM: Is there a considerable amount of jack pine there?

MR. LAZARENKO: There's a fair amount, and what happens you're just right into a berth where you're going to go in and cut pulp, and you have to go around it or you go . . .

MR. ADAM: Tamarack?

MR. LAZARENKO: Pardon?

MR. ADAM: Is there tamarack there too?

MR. LAZARENKO: Not too much, no. More poplar. There's quite a bit of poplar in that area.

MR. ADAM: There's been no studies made on the possibility of post operations?

MR. LAZARENKO: We started the hydro pole this year. We started supplying hydro poles. This is another diversification.

MR. ADAM: I see.

A MEMBER: What . . . ?

MR. LAZARENKO: We're using spruce and tamarack for the poles . . .

MR. ADAM: Do you treat them there or . . . ?

MR. LAZARENKO: We tried some spruce in there but . . . too wet, I guess. Jack pine and . . .

MR. ADAM: They're just raw; the hydro poles are just raw and they're treated elsewhere, or what?

MR. LAZARENKO: Yes, that's correct.

MR. ADAM: I see. There's a considerable demand for fence posts, you know, for livestock fencing, and that might be a possibility that your operation could look into as another . . .

MR. LAZARENKO: Well, now that you gentlemen know what's going on there maybe you can send us some suggestions. They're welcome. You know, anything such as you're suggesting - poles or anything - is good. It's there.

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: How many hydro poles are you getting out of there? What percent of your cut now are you getting hydro poles, and what kind of money are you getting paid for it?

MR. LAZARENKO: We got our 200 poles, I'm informed.

A MEMBER: How much are they worth a pole?

MR. LAZARENKO: Depending on length, they vary from \$9.00 to \$20.00 per pole.

MR. CHAIRMAN: That concludes the Channel Area Loggers Limited. Thank you, Mr. Lazarenko. Somebody move that the report be reported. Mr. Adam?

MOTION presented and carried.

MR. CHAIRMAN: Committee rise.