



**Legislative Assembly of Manitoba**

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**HEARINGS OF THE STANDING COMMITTEE**

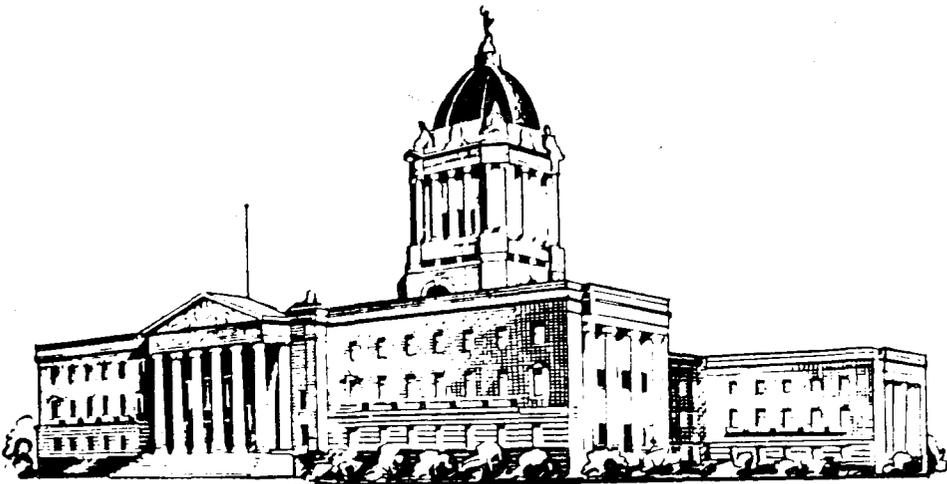
**ON**

**ECONOMIC DEVELOPMENT**

**Chairman**

**Harry Shafransky, M.L.A.**

**Constituency of Radisson**



**10:00 a.m., Tuesday, May 4, 1976.**

THE LEGISLATIVE ASSEMBLY OF MANITOBA  
STANDING COMMITTEE ON ECONOMIC DEVELOPMENT  
10 a.m., Tuesday, May 4, 1976

Chairman: Mr. Harry Shafransky

MR. CLERK: It's shortly after ten. Your first item of business would be the election of your Chairman. Are there any nominations?

MR. JOHANNSON: I nominate Mr. Shafransky.

MR. CLERK: Mr. Shafransky. Are there any further nominations? Hearing none, I would declare nominations closed and ask Mr. Shafransky to take the Chair.

MR. CHAIRMAN: I believe the first order of business would be to establish a quorum. There are twelve members on a committee, would seven members constitute a quorum? Is that agreed? (Agreed)

I believe it has been the practice, or has been established as a practice to have the meeting recorded and transcribed. I'll call upon the Minister responsible, Mr. Bostrom, to call upon the Chairman who has the report of the Moose Lake Loggers. Mr. Bostrom.

MR. BOSTROM: Thank you, Mr. Chairman. The first report we propose to present this morning is the Annual Report from Moose Lake Loggers Ltd. for 1974-75 and I will call on the Chairman, Orville Minish, to make the presentation of the report.

MR. CHAIRMAN: Mr. Minish. You have copies? I believe members would like copies of the report. Yes, I see there are some extra copies here. Thank you. Mr. Minish, you may proceed.

MR. MINISH: Gentlemen, I report on 1974-75 logging operations of Moose Lake Loggers Ltd. As you know, our year ends on the 31st of March, so therefore we go through a calendar year. In 1974-75 the company was able to maintain the same level of production as in 1973-74 (approximately 6,400 cords) while substantially reducing its financial losses. Compared to a loss of approximately \$220,000 in 1973-74, the loss in 1974-75 was reduced to approximately \$68,800 (audited financial statements are attached). This reduction in losses was accomplished by minimizing costs during the last three quarters of 1974 when the operation was shut down and by increasing production during the first quarter of 1975 after new management had been hired and operations recommenced. At fiscal year end (March 31, 1975) the campsite had been moved to a new cutting area and production levels were surpassing those of 1972-73 when production was in excess of 23,000 cords. The company is looking forward to production of approximately 30,000 cords in 1975-76 and hopes to achieve a break-even or profit position.

The following chronological outline describes the activities of the company during the fiscal year 1974-75:

At the 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, advertise for new staff and recommence operations at a later date. It was also agreed that before any action is taken towards hiring new staff a written work commitment should be obtained from enough cutters to warrant reopening the camp.

April 30, 1974. On this date a written commitment was obtained from 24 persons from Moose Lake indicating that they desired to work at the logging operation on a regular basis if it is reopened. On the same date, the community outlined several requests that they wanted either the government or the company to meet. These included among other things:

1. Complete overhaul of all skidders.
2. A large garage to be purchased or built.
3. A power saw repair shop to be provided.
4. Training programs to be implemented for manager, bookkeeper and mechanics positions.
5. New manager to be hired in consultation with the community.
6. All-weather road to be constructed from Moose Lake to the campsite.
7. Operations to be conducted on a year-round basis.

(MR. MINISH cont'd)

And there was one other request, it's not in there, that they wanted a recreation hall.

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 30, 1974 requests of the community were discussed and decisions satisfactory to both the Board of Directors and the community were reached with respect to each request. At this meeting it was agreed that the community should not assume 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 to the community providing myself 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 by the company until August 9, 1974.

In the summer of 1974, while the company awaited the foregoing resolution respecting "outside" cutters interviews were held with those persons who had applied for the position of logging manager. During this period the company bulldozer was also used by the community in constructing an all-weather road from Moose Lake to the company campsite. Although this road was not completed some progress was made in this direction.

November 4, 1974. On this date a Board of Directors' meeting was held and a decision reached to hire Mr. Reino Kivisto as general manager effective December 1, 1974 at a salary of \$1,420 plus a bonus of \$1.00 a cord for production in excess of a specified volume based on the number of machines owned and/or leased by the company. It was also agreed that Mr. Kivisto should be responsible for hiring a suitable bookkeeper, foreman, mechanic and cook.

November 29, 1974. A new logging contract is finalized between the company and Manitoba Forestry Resources whereby the company agreed to produce 6,000 cords of wood by March 31, 1975 at a contract price of \$18.50 per cord, plus \$1.50 a cord to cover stumpage for any wood cut on the Moose Lake Indian Reserve. This basic contract price of \$18.50 a cord was subsequently increased to \$21.05 (effective December 2, 1974) to cover union-negotiated increases in wage rates.

December 1, 1974. Mr. Kivisto commences employment as general manager of the company and begins re-establishing the campsite at its former location. At the same time, he begins construction of the winter road from Moose Lake to The Pas since the company had been successful in obtaining the contract for this work by bidding \$40,000, the lowest bid which was submitted, including maintenance of the road for a minimum of eight weeks. Initial preparation of the winter road by tramping with skidoos and bombardier had already been carried out under the direction of Mr. Dave Lathlin of Moose Lake.

December 19, 1974. 1. Construction of the winter road is completed early in December and it is officially opened by the Department of Northern Affairs on January 6, 1975.

2. The company campsite is re-established at its former location.

3. Some of the equipment is repaired at the Cranberry Portage Logger Training Centre and some by Vulcan Machinery in The Pas. The balance of machinery repairs awaits the hiring of a company mechanic who is to commence employment in January 1975.

4. A used grader is purchased to keep the winter road open and a used bus is purchased to transport employees from the company campsite to the cutting areas.

January 8, 1975. Cutting operations commence again after a lengthy shutdown that commenced in early March 1974. Although production started off fairly slowly as crews were gradually being hired and as the balance of the machinery was being repaired by the company mechanic, by early February production has escalated to respectable levels. By the end of March the Manitoba Forestry Resources Ltd. production figures of 6,000 cords had been exceeded by 400 cords.

January - March, 1975. During this period the company purchased a new welder plus three generating plants, and these generating plants as you noted in the statement replaced the three we lost with a fire. In addition, two new C5 Tree Farmers were purchased at a cost of approximately \$50,000. The purchase of these two new Tree Farmers increased employment opportunities for the community and increased the

(MR. MINISH cont'd) . . . . production potential of the company. During this period two crews owning their own skidders were also employed by the company to help boost production.

March 10, 1975. On this date the Annual Meeting of Shareholders was held in conjunction with a Board of Directors' meeting. At this meeting the following persons were elected officers of the company: O. H. Minish as Chairman and President; D. Lathlin as Vice President; M. W. Fisher as Secretary; and J. Ettawakapow as Treasurer.

At this meeting it was also agreed that the company campsite should be moved to a new location before spring break-up as the reserve timber had now been cut and a new cutting area would soon be required. This move took place subsequent to this meeting and at the year end, March 31, 1975 the campsite had been relocated and was in the process of being re-established at the new location.

March 31, 1975. Following the close of the company fiscal year on March 31, 1975 financial statements were prepared by the Department of Co-operative Development and then audited by the Provincial Auditor. For the fiscal year 1974-75 the company incurred a loss of \$68,805.45 which is established by the auditor's statement attached. Included in the total expenditures for the fiscal year was bank interest, \$36,864.27, depreciation of \$37,574.53, and camp start-up and moving costs of \$17,694.41. These overhead costs were the major reason for the loss of \$68,805.45, which in 1974-75 should be largely offset by increased production in the fiscal year 1975-76 thus substantially reducing losses.

It should be noted that 1973-74 loss of approximately \$220,000 was reimbursed to the company by the province.

Other comments on the 1974-75 operation:

1. With improved organization and management the earning potential for employees of the company was greatly increased. For instance, in one 2-week period two cutters earned in excess of \$2,100 each.

2. Because of previous insurance claims the insurance rates for the company was increased from \$1.10 per \$100 of value to \$1.30 per \$100 during the year with the deductible also increasing from \$250 basic to \$500.00.

3. During the year one of the Tree Farmer skidders was stolen by a resident of Moose Lake with resulting damage of approximately \$3,000 of which \$2,500 will be recoverable under the company's insurance policy.

4. Insurance settlement of close to \$10,000 was received during the year for damage that resulted to the company power plant from a fire in the previous fiscal year.

5. At fiscal year-end, an on-the-job training program was about to get under way to train residents of Moose Lake for the position of manager, bookkeeper and foreman. This training will be funded by the Province of Manitoba.

6. Fiscal year '73-74 was the last fiscal year for which Indian Affairs cost-shared losses of the logging operation. As a result no Federal Government cost-sharing will be received for the current fiscal year.

7. During the year the company and the community agreed that takeover of the company by the community should be deferred until the operation had proven itself to be economically viable and until local residents had been fully trained for all the important staff positions; manager, bookkeeper and mechanic.

8. At the March 10th meeting of the Board of Directors it was agreed that a boat and motor would be purchased by the company for transporting supplies from The Pas to the campsite and for transporting men to the cutting site from Moose Lake.

During the year an employee of the company, Mr. William Patchinose was fatally injured while felling trees. The company extends its deepest sympathies to all Mr. Patchinose's friends and relatives.

That, gentlemen, is the extent of the financial . . .

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Thank you, Mr. Chairman, through you to Mr. Minish. I wonder, Mr. Minish, if you could advise how many people are employed by the Moose Lake Loggers in '73-74 and how many were employed in the '74-75 year?

MR. MINISH: I have the '74. . . there was an average of 31 employees in the '74-75 season.

MR. MINAKER: You haven't got, Mr. Chairman, the information with regards to the previous year isn't available at this time?

MR. MINISH: Mr. Grey might have it. While we are working it would be about the same volume, while we're working, but we only worked three months in that fiscal year '73-74.

MR. MINAKER: Mr. Chairman, through you to Mr. Minish, on Page 2 there's a list of objectives that the community were seeking and I noted as Mr. Minish presented the report that some of these objectives appear to be on their way to completion. I wonder if maybe Mr. Minish could sort of summarize with regard to these objectives, how many have been completed.

MR. MINISH: Yes, I would. A complete overhaul of all skidders. You notice in our '73-74 report that we allocated \$35,000 for the repair and rebuilding of the skidders because of the fact that they were smashed and put out of working order in that year and as that year ended, I think there was only two operational skidders out of the eight that we owned, and those have all been completed and those I'm happy to report have been used for the full year.

MR. MINAKER: All eight.

MR. MINISH: Yes. At the present time we had a fire in one skidder which is unserviceable at the present time and I believe it's been decided that it's a write-off. But it will be replaced, or if it's possible, repaired.

A large garage was to be purchased or built and that garage is completed now. It was built by our man in Moose Lake.

A power saw repair shop was to be provided and this was. . . we converted one of the buildings that we had there into a repair shop.

A training program was implemented for manager, bookkeeper and mechanical position, on all three.

MR. MINAKER: And they have been completed then.

MR. MINISH: It was implemented.

MR. MINAKER: Mr. Chairman, so that they're still in the training program at the present time?

MR. MINISH: Yes.

MR. MINAKER: And, Mr. Chairman, is it a general program for more than three people involved or is it just the three people that have been selected for the position and they are still maintaining that position.

MR. MINISH: We advertised in the Community of Moose Lake for these positions and we accepted after ferreting out different applications and picked what we thought was the most responsible and responsive people and we put them in these positions. One in each position, three people.

MR. MINAKER: Then, Mr. Chairman, the original successful candidates are still taking the course?

MR. MINISH: No, they are not. We are having problems in that respect, we can't seem to sustain a long program with any one individual. We have the foreman that we hired, David Lathlin has proved to be quite satisfactory but the other two positions have not.

MR. MINAKER: So that there are new people being trained for those positions?

MR. MINISH: Yes.

MR. MINAKER: How long have they been in that position, these particular people?

MR. MINISH: Ray, would we have anyone there now? The bookkeeper and the mechanics position, those two are being advertised at the present time. Number 5, the community was set on the meeting and as you know, that three or four people from the community are members of our Board, and they of course were responsible for helping us hire the new manager - Number 5. Number 6.

MR. MINAKER: I wonder, Mr. Chairman, Mr. Kivisto is still presently the Manager?

MR. MINISH: Yes, Mr. Kivisto will be coming through tomorrow, we're scheduled to start operations for '76-77 on the 15th of May.

MR. MINAKER: I wonder, while we're on that subject, Mr. Chairman, if Mr. Minish can comment with regard to the salary and bonus arrangement with this gentleman.

(MR. MINAKER cont'd) . . . . There is an indication that there is a dollar per cord bonus for excessive specified volume. Is Mr. Minish at liberty to advise what the specified volume was before say the bonus took effect?

MR. MINISH: Yes, I was there when we set up the bonus. The bonus was production of so many thousand cords per skidder and this was arrived at at approximately 20,000 cords, and after we got into the production, as you know, it hinged on what this particular operation could produce with the type of help that we had in the community, and it was not to be set up on what Kivisto's past experiences had been because his operation in the east was quite more efficient, but we based it on that type of thinking and he . . .

MR. MINAKER: Which I support, by the way, I think that's a good idea.

MR. MINISH: Well it was an excellent idea and as it turned out he was paid, I think the figures are 5,000 cord bonus. I think that's correct because of the fact that we had produced over and above what we had set as a minimum which was 20,000 cords with our operation, and that took in 10 skidders.

MR. MINAKER: Mr. Chairman, then you - oh, 10 skidders, okay that answered the question.

MR. MINISH: We bought two new skidders and we had two company skidders owned by individuals that we hired, those two skidders that we hired with their own crew were not native people, and this was to compensate for the paragraph that we placed as a directive to the community, that we insisted that unless they provided production men to keep our operation at a certain force that we could hire without their interference outside help. And this was done. We felt that production wasn't staying up so we hired two crews with their own skidders. All weather road, we had nothing to do with that all weather road and therefore I can't comment on it except that the road is not passable at the present time. And 7. Operations to be conducted on a year-round basis, definitely that's the way it's been operated on a year-round basis, and the recreation hall which I added to my notes and you can add to yours was constructed. This wasn't so much a favor to the community as it was to the rules and regulation laid down in the trade union requirements. And that has been built on the site.

MR. MINAKER: Mr. Chairman, that's all the questions I have at this time, thank you very much, and it looks like you're making fairly good progress so far.

MR. MINISH: Yes.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman, through you to Mr. Minish. I wonder if he could tell us what the cutters are getting, I imagine you're paying them on a per cord basis, eh?

MR. MINISH: Yes. I'm glad you're sitting down because the price we're paying them is about \$11.76, within a few cents, a cord. That's the last negotiated wage. And as you recall the comment that was made near the last of the report that two cutters received \$2,100 take home money from 10 days operation, and that can be done every 10 days of the year if they want to.

MR. BANMAN: A further question then. In the report it also mentions that ManFor is paying what - \$21.05 per cord.

MR. MINISH: Yes.

MR. BANMAN: At what site is that, is that . . .

MR. MINISH: That's on our landing sites. We're responsible for the landing site, we bulldozed a clearing and we piled it on the landing site and our responsibility ends right there.

MR. BANMAN: So as far as the transportation, that is picked up by ManFor?

MR. MINISH: We have nothing to do with it, no.

MR. BANMAN: You also mentioned you had a production of roughly about 25,000 cords.

MR. MINISH: We had, 25,200 I think was the exact figures for the year and our objective was 30,000 and the reason we didn't reach that was strictly because ManFor cut back on us and we couldn't reach it. We had it in the bag if we could of cut because we quit for three weeks in December which is our top production month and cut back in January, February and March which is our top production months, of course, and as you

(MR. MINISH cont'd) . . . .know this year was one of the years in history that there was no snow and everything was frozen, was ideal conditions.

MR. BANMAN: In your report you also mention that the federal cost-sharing as part of the training, I think, has been cut. What effect will that have on the companies operations as far as the next year is concerned?

MR. MINISH: No, I didn't say the cost-sharing of trainees, you mean the cost-sharing of expense?

MR. BANMAN: Right.

MR. MINISH: That was from the Federal Government. This will have no effect on us because we hope that we are going to break-even or maybe a small loss for this year. You can't get this federal assistance unless you've got a loss apparently. It seems to be a negative approach to me but that's the way life is I guess.

MR. BANMAN: Yes, that's a negative incentive. You also mention that you hadn't in '75 put away any provisions for equipment. Other than that one skidder that burnt on you which you said you were probably going to get a write-off on insurance for, is the equipment in fairly good condition?

MR. MINISH: Yes. I get a report every week on the performance from our manager and he shows the number of skidders working and the number of skidders down, and our down time in skidders, there's never been any down time contributed to the skidders being down mechanically, our only down time has been because of our lack of work force not being there to operate them. And this still is a very serious thing with us, our absenteeism from the work.

MR. BANMAN: In your statement here, too, you mention that one of the objectives, of course, I guess the final objective as far as the Moose Lake Loggers is concerned is try and get the residents of the area to operate it and if my memory serves me right, last year you mentioned that you were trying to get people that were capable of running this thing, running it with a pretty tough hand, and I guess that's what has happened and that's why you sort of turned the thing around. But I'm just wondering, if we're any closer to getting more local people involved in the management of the thing?

MR. MINISH: Well, as I stated, our trainer program has proved that this is not the case, that we're not getting too much closer, but I believe it's a beneficial thing, the way that we're operating now with this trainer program, I believe that it's doing quite a bit of good even though we have been plagued with this since day one of them not taking the job seriously enough to be there all the year round. I don't know whether we're gaining too much. We are in the foreman's position, Dave Lathlin, he's one of our better workers, but the other two positions we haven't seemed to gain too much there. But I still think it's quite an ideal thing because the people there they do get some real good training on the job.

MR. BANMAN: The absentee rate last year, you mentioned you had taken a fairly hard stand with regard to the problems of getting people and sitting down with the chief and the mayor, I think, if my memory serves me right, and had more or less laid it on the line to these people. Has that sort of helped out as far as the absentee rates are concerned?

MR. MINISH: Yes, it helped out. Our written agreements with them that I insisted on obtaining before we opened the camp was one of the main features of the thing working because they knew that we were serious about it and we knew that if they didn't show up for work that we were going to work this operation so that it would pay. It has caused quite a bit of concern with the community and they have seen to it that a lot of their crews have been steady. But we still have the old bug bear of every payday we have nobody turn up for work. We're implementing a new system this year that we feel is going to be even better; and that is we're going to hire certain crews for, these crews we know, we've gone through the whole community maybe four times on hiring staff, so what we are going to implement is hiring one crew, give him a two-week period of cutting and then we have a crew replacement for him that comes in and he goes back to the village, that crew goes back to the village for two weeks, and then we have another crew come in for two weeks and we're going to rotate this procedure and see if it won't work.

MR. BANMAN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Minish, on your Balance Sheet I believe you show that the equity capital in this operation is \$90.00.

MR. MINISH: Yes.

MR. GREEN: And therefore you are dealing with an interest payment which would be much lower if there was more equity in the company.

MR. MINISH: Yes.

MR. GREEN: So, if one put some equity into the company and dealt with your cash flow rather than your depreciation, the figures would be a little better than they are even with the improved figure.

MR. MINISH: We're the only company that I've ever run, ever had anything to do with, that ran on a cash deficit and paid interest on our working as well as our capital investment.

MR. GREEN: So the financial picture, if you were not including the depreciation, not including your interest on, at least, part of your capital would be much better than it is?

MR. MINISH: Yes. As our figures show, in that loss of \$68,000 we paid interest of 24 thousand some hundred dollars, and that was on working money as well as their capital money.

MR. GREEN: I gather, Mr. Minish, that you are a businessman, in Swan River?

MR. MINISH: Yes.

MR. GREEN: That you've lived in Swan River most of your life?

MR. MINISH: No, I've lived there since '65, but I had a business in Swan since '58. I was in business all my life since I got out of the Air Force.

MR. GREEN: And my impression is that you have not suffered in business, you've made your way in life.

MR. MINISH: Yes.

MR. GREEN: Why are you doing this?

MR. MINISH: Well I don't know who I'm supposed to embarrass, you or me.

MR. GREEN: Well I think you should tell the truth regardless of who it embarrasses. Why are you involved in trying to make a go out of this company which gives very negligible financial returns to yourself, why are you involved in coming before the members of the committee and answering questions and trying to put this company on its feet?

MR. MINISH: Well I have been interested in the northern part of Manitoba all my life and I'd like to contribute, I guess would be the word, to see if we could better the situation in some of these rural municipalities and besides, I believe in some of the things that the government is doing in the north and I suppose that would answer partly it.

MR. GREEN: Thank you.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I'm looking at the list of the Board of Directors. Mr. Minish, have there been any changes in that list since the completion of this statement?

MR. MINISH: Is that the ones that were, the Board of Directors, it's Page 1 I guess. Yes, Resource Analyst, Mr. M. W. Fisher is no longer our secretary. Our secretary is now Mr. Ray Delbar who is sitting right here on my left. E. Bercier is still for Moose Lake; Mr. Holmgren, I'm sure everybody knows Mr. Holmgren, and Dave Lathlin is from Moose Lake, Ettawakapow is for Moose Lake, Rod Grey is for Moose Lake and Boyle is a Forester at the Provincial Building in The Pas. Those are all our immediate directors at the present time.

MR. MCGILL: How many meetings of the board were held during the year under review here? Do you have that information?

MR. MINISH: Well I tell you there was quite a few meetings that the Executive held, but I can't give you that number, Sir. Would you have any figures, Ray? Three board meetings. Well there was three or four board meetings and then with the executive in Moose Lake I held three personal meetings myself and then three personal meetings at The Pas. And then I held meetings personally to interview the prospective managers that year. That's about the answer, I think.

MR. MCGILL: Directors are paid, I imagine, on the usual basis of so much a meeting. Is that the way . . .

MR. MINISH: That's correct. I believe there's something in the minutes that that is now \$35.00 a meeting plus their expenses. That's the only remuneration that's paid to any board member except myself, and as you can see, I get the full sum of \$300 a month.

MR. MCGILL: Mr. Chairman, I'd like to ask Mr. Minish about the - on the general subject introduced by Mr. Green of the problem of financing on bank credit all the time. You have a list of things that were requested of the company in order to get back into full operation. You say that you built a large garage, and did you mention about the powersaw repair shop this afternoon?

MR. MINISH: Yes, we converted a building that we had into a powersaw repair shop.

MR. MCGILL: And a recreation hall.

MR. MINISH: Yes, it was built, a new one.

MR. MCGILL: Now you got all this money from the bank?

MR. MINISH: Yes, we pay interest on it.

MR. MCGILL: About how much did these new capital additions cost?

MR. MINISH: I'm not making excuses but you see this was done in the '75-76 season which I have not had any figures on yet, and I would be only guessing. But I think the recreation hall was in the neighbourhood of \$2,000 and the garage was in the neighbourhood of four or five. It was a substantial building that we built on the site by our carpenter. Would that be close, Ray? -- (Interjection) -- Maybe a little low? I'm just guessing as a builder myself, but we have a problem there. As you know, we took all that material in by barge, and I believe it's \$700 or \$800 just for a trip on the barge. So it could be more than that.

MR. MCGILL: I guess the principal beneficiary in this whole operation is the bank.

MR. MINISH: I would think so. They're a private entrepreneur that wants to make some bucks so we can't kick that.

MR. MCGILL: I notice the bank interest for this year's operations is \$36,864 and yet the net bank loan at the end of the period is somewhat reduced from the previous year-end. But the amount of interest would indicate that that reduction took place just about at the end of the period, that you are operating on a much larger bank loan during most of the currency, probably got some money from the Provincial Government to pay off some of it.

MR. MINISH: They put in our \$220,000 deficit that we occurred the year before, that money was received and put in the bank.

MR. MCGILL: What is your bank loan at the moment, have you got that information?

MR. MINISH: Yes, right now it's about \$100,000. So we have to explain that by saying that we have been working on, and Mr. Green, of course, knows that I have been working for some time since I've been chairman of this board to get a positive position of money in the bank and be involved in the writing off our capital costs and putting the money in the bank so it can cover that so we can be working on a break-even basis, at the worst pay for our operation, borrowing money for operation. And that was done by the tune of \$250,000 as of - Ray will tell me the date. January - \$300,000 in January of this year.

MR. MCGILL: Oh! In addition to the reported payments, and there is some equity capital now?

MR. MINISH: Yes, there's equity capital and this reduced our bank operating deficit by \$300,000.

MR. MCGILL: I see.

MR. MINISH: We still should have about another quarter of a million dollars in the bank to operate on and then we would be operating on our own money and wouldn't be paying interest at all. In fact we would be getting interest on our reducing balance in the bank. This would be an ideal setup. This is the way most businesses are run, but . . .

MR. MCGILL: What has the province got now in return for that equity capital that they have put in, what did they get specifically?

MR. MINISH: They got the Moose Lake Loggers operation. All the machinery and the shares. The shares are covered by - they're actually a share capital organization but that in turn is what covers our money that's been put in there, machinery, campsite, everything, the whole complete operation.

MR. MCGILL: There will be no more equity capital then coming from the Provincial government, you feel that under this infusion that you'll be able to show a profitable or break-even position financially in the future?

MR. MINISH: Well we're still operating on a deficit of about \$100,000 and we're going to have to pay interest on that money and that will show in our expenses, but even at that I think this year we'll be a small loss or a break-even point.

MR. MCGILL: It seems to me at one time in this development of this logging operation, that it was hoped that the operation and ownership would eventually be taken over by the local residents. The now situation which meets your financing problems in terms of infusion of capital, would probably eliminate the possibility of that happening in the future. Is that . . .

MR. MINISH: I don't see why it would eliminate that taking place in the future. The whole criteria that we discussed with the community was that we would be the people that would tell them when their ability is such to the point where they take over and run this as a capable organization. I believe this is only reasonable, that we should do this to safeguard the government's investment in this project, and therefore we don't feel at the present time they're able to take it over, and at what point they will I'm not prepared to say. But I'm speaking right now, of this date, they're not able to take this operation over because this is too extensive an operation for them at the present time.

MR. MCGILL: Yes, the ability then in terms of operating skills and managerial skills which they presumably will develop would bring them to a point eventually when you feel that they'd be able to take it over. What about ownership of the whole operation?

MR. MINISH: I don't believe that it would be wise to transfer ownership of this operation to the people of Moose Lake. Is this the question that you'd like . . .?

MR. MCGILL: Well I'm just asking if this is still your objective and if it is a possibility for the future or whether you feel merely the operating expertise and so forth would rest completely in the community but that the ownership would continue to remain with the Provincial Government.

MR. MINISH: My personal opinion is that the expertise would rest with the community and that the government would still own the operation. This would be my personal feelings, but that's a personal response to your question.

MR. MCGILL: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Thank you, Mr. Chairman, through you to Mr. Minish. Following on Mr. Green's statement, having known Mr. Minish for some years, if he might wonder what he's doing in his present position, that it's probably not the first time in his life that he's done something that people wondered what he was doing it for. It's pretty obvious from the statement that his efforts there haven't gone completely unrewarded in any event.

I may have missed the answer to the question I wanted to ask, Mr. Chairman; if I have I apologize for not attending at the start of the meeting. I know we're considering the statement ending 1975 but I'm wondering if you could give us just some idea of what the position the company is going to be in March 1976.

MR. MINISH: Yes, I could give you pretty close. We have a kind of interim statement taken off for our satisfaction as of the first of January, is it? Anyway, 9 months, and our statement shows that we have a net loss of \$18,000. Now on top of that we have the production from then until the end of the year to put on that and the expenses to take off. It looks as if with our road contract, we had a substantial profit on our road operation this year and we have nobody to thank but the Lord himself because we had no snow to move and it looks as if we could maybe break-even or maybe a small loss. I would say less than \$25,000.

MR. BLAKE: So there's every reason to be optimistic, that you're getting close to the break-even point?

MR. MINISH: If we hadn't been cut back on our cordwood in December and January, I can assure you that we would have had a break-even point because . . .

MR. BLAKE: Fine. Thank you very much, Mr. Chairman.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Thank you, Mr. Chairman. Mr. Minish, just going further on with the future of the company, I notice that the rate that ManFor was paying you I think was \$21.05 per cord. Is that the present rate that they're paying?

MR. MINISH: No, it's not, our present rate is up in the area of \$26.00 now.

MR. MINAKER: \$26.00 per cord. Is the rate still 11, was it 11.05 or . . .

MR. MINISH: \$11.70 something, I believe; 11.76 isn't it, is our cost of cutting a cord?

MR. MINAKER: And I'm wondering what is the present predicted requirements of ManFor for cordage this year. Do they sort of advise you in advance how many cords.

MR. MINISH: I'm not in a position to answer that question because on the 12th of May, that's next Wednesday, I sit down with the Manitoba Forestry Resources Board and we negotiate for our 1976-77 contract.

MR. MINAKER: I see. What will it look like the requirements were for this year, completing as of March 31st.

MR. MINISH: Requirements for what?

MR. MINAKER: What were the requirements in the past year for cordage.

MR. MINISH: We agreed to a 30,000 cord production. Now whether that is going to be the same this year I can't tell because as I say we haven't got the cordage or the price negotiated as yet. We're hoping that it will be that at least because we feel that we'll be able to reach that with no problem at all, 30,000 cords.

MR. MINAKER: I see, and then if the general rates stay the way they are now, does it look like the logging operation will carry the company more or less, is that what you were indicating, that it wouldn't be very dependent on say a lot of road construction next year.

MR. MINISH: It would not. I like to be optimistic in that respect, too, that there is a lot of unforeseen. . . the labour part of it is the thing that we have to overcome, our absenteeism from work. We're negotiating as I told you several new ways to overcome this, and if this is done . . . I might say at the present efficiency of operation, if we cut 30,000 cords, we would break even on this operation, at the negotiable price of something like we've been getting.

MR. MINAKER: Mr. Chairman, on the back page, Exhibit "D", Page 2 of the report, it shows the general and administrative expenditures, and it looks like the directors are taking out a large amount of \$5,700, which is very small when we compare over on the other final page under Item 4, it says "the aggregate remuneration paid to the directors and senior officers of the company was \$36,582." Would that mean that the senior officers' salaries would be somewhere in the order of about \$30,000 a year?

MR. MINISH: \$32,000, I think it states, doesn't it?

MR. MINAKER: I'm just trying to find that figure.

MR. MINISH: The total paid out to the directors is \$3,825. You haven't got that page have you?

MR. MINAKER: I'm trying to find out - like on the last page it says the total remuneration for directors and senior officers is \$36,582 -- (Interjection) -- That, Mr. Chairman, is what I'm trying to find out. How much of that would be the senior officers' income?

MR. MINISH: It just so happens that this is a unique situation, that some of our senior officers are cutters, Sir.

MR. MINAKER: I see.

MR. MINISH: Rod Grey and Etawakapow, they're cutters, and Dave Lathlin is a foreman and cutter, and the Act says that you must show the senior officers and their full remuneration, and this is what we're doing and this is why - see they get paid for cutting, too.

MR. MINAKER: So in that figure of \$36,582 there would also be the remuneration that they got for cutting fees?

MR. MINISH: Right, those particular cutters.

MR. MINAKER: Then that particular portion of their cutting would not be under the Wage and Benefits shown on Page 1, then?

MR. MINISH: Yes, yes it would be. It's just a breakdown.

MR. MINAKER: Okay. In that figure they take out a portion of those three men out of this figure, and tie it back to the other one.

MR. MINISH: Right, that's right. It's just a breakdown to show you where the money went that's all.

MR. MINAKER: What is their salary that's not involved in the log cutting?

MR. MINISH: There wouldn't be any except \$25.00 for meetings.

MR. MINAKER: I see, okay.

MR. MINISH: And expenses.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: By way of what I think is the explanation, if I can - is that an auditor has to or generally wants to show that the . . . I think perhaps he has to show the amount of money that is being paid out to officers of the company so that people know this is what is going to them, but in this case as Mr. Minish has indicated, the officers by coincidence happen to be cutters as well and therefore that money is going out to them as cutters.

MR. MINAKER: Mr. Chairman, the reason why I raised the question was just to try and interpret directors and senior officers. You know, it's been clearly indicated under Item 4 that it's paid to directors and senior officers and when one goes back to Exhibit "B" on Page 2, it just lists the directors. So I was not aware or I still am not aware that the senior officers of the company - I'm thinking of the manager, etc. - do you not receive an income besides the log cutting. I'm thinking of the secretary, the manager and the . . . it's obvious that the manager is receiving a salary plus a bonus on the woodcutting, and I was trying to find out what the secretary and the other senior officers income was, whether they cut wood or not.

MR. MINISH: I can break it down to the exact cent of what these men got.

MR. MINAKER: No, just ball park figures.

MR. MINISH: Okay. \$32,757 is what these five employees got that we have to report under the laws of the auditing, and the balance was \$3,825 received by the likes of myself and the other shareholders. And that's as simple as that. And the reason that we like to see that put in, I don't know whether you were here last year, but this received some confusion because of the fact that we didn't have it broken down properly, and this is why we broke it down this year to explain exactly why it was such. I hope that answers your question satisfactorily.

MR. MINAKER: Not completely, but thank you.

MR. CHAIRMAN: Mr. Barrow.

MR. BARROW: Thank you, Mr. Chairman. I gather the work motive you mentioned that one crew made \$2,100 a month, that's unusually high. . .

MR. MINISH: \$2,100 for ten days, I might correct you.

MR. BARROW: Oh, I thought it was a month.

MR. MINISH: One ten-day period.

MR. BARROW: Well that's unusual, is it not?

MR. MINISH: No, it's not unusual.

MR. BARROW: The working incentive, it's a piecework deal, I've worked under that system, the crew is generally, as a whole are trying to outdo each other by making more money, cutting more wood. Do you have this attitude among . . .

MR. MINISH: No, we don't have that attitude; in fact that attitude is entirely missing in the Moose Lake Logger community which we feel is one of the reasons that we have so much absenteeism, they get jealous of the one that has the most money and he's abused and therefore he doesn't come back to work. I might add, that that crew that made the \$2,100 didn't come back till the following Wednesday and they didn't have five cents when they got back.

MR. BARROW: They should have been miners. I'm burning with curiosity on why would anyone steal a Tree Farmer, what would he do with it, and how would he get away with it?

MR. MINISH: Well, I'm not in a position to answer that being a teetotaler all my life, but it seems from my observations in life that this liquor does various things to various people, and to an Indian it does terrible things.

MR. BARROW: Liquor is the problem?

MR. MINISH: Yes, liquor was the problem and he was barred out of a party in the community by one of the men that made so much money because he was a renegade and he went and stole our loader and went and pushed in the house so that he could get into the party.

MR. BARROW: Well that's good thinking, thank you.

MR. CHAIRMAN: Order please. Well that concludes the questions. . . Mr. Green.

MR. GREEN: Well, Mr. Chairman, just before Mr. Minish leaves, I don't want to usurp anybody's authority, but since I was first involved in having Mr. Minish come I express my own, and I hope what is the general view, that the Committee wishes to express its appreciation to Mr. Minish for his work and to the Board of Directors for their work with this company.

MR. CHAIRMAN: I'm sure Mr. Minish will extend those good wishes to the board.

Moved that the report be received. Is it agreed? (Agreed) Mr. Minish, do you . . .

MR. MINISH: I want to thank you for the opportunity of presenting the report and I'm quite optimistic that our next report will be even better.

MR. CHAIRMAN: Thank you, Mr. Minish. Mr. McBryde, I believe we have some more logging companies to report. Mr. McBryde will introduce the Chairman of Channel Loggers.

MR. McBRYDE: Mr. Chairman, I'll introduce the Chairman of Minago Contractors Limited.

MR. CHAIRMAN: I'm sorry, Minago Contractors Limited, for the year ended March 31, 1975.

MR. McBRYDE: Mr. Chairman, I'd like to call upon Mr. Murray Harvey who is the Chairman of Minago Contractors Limited to take the committee briefly through the Annual Report ending March 31, 1975. As members will realize from hearing the report, it's not a logging company as such that we're dealing with, that they're under Minago Contractors Limited.

MR. CHAIRMAN: Mr. Harvey, you may proceed. You have the copies of the annual report. I believe it's being distributed. Proceed Mr. Harvey.

MR. MURRAY HARVEY: Mr. Chairman, Minago Contractors, as some of the committee members are aware was incorporated with the express purpose of engaging and training and employment in the heavy construction area, starting with an initial contract with Manitoba Hydro at Jenpeg in 1972, and from that point we went to a similar contract in the South Indian Lake - South Bay area, also into some winter road construction and an all weather road on the first 16 miles of the road which will ultimately lead from Thompson to Gillam.

In this past year, Page 2 of the report, gives a summary of the activities of the year under review. The Jenpeg clearing contract, which was our first contract, was completed in this year and the settling out of the contract was arrived at, in accordance with the note on Page 2, the contract was generated at a price range and settled out at the median of that price range. That particular contract supported the equivalent of 1,347 man days of employment and the average wage for that employment was about \$44.80. There was a 15 percent holdback which is normal to the Hydro contract and that was held over to the current fiscal year. The bottom part of that indicates that there was a gain on assets resulting from the conversion of some lease agreements and the sale of some equipment; that's also reflected in the auditor's statement. The equipment was used on the Jenpeg project primarily, an adjustment therefore goes to the Jenpeg project for auditing purposes.

There was some short-term commissary contracts in the Jenpeg area with respect to some of the contractors and the provincial Crown agencies; that just means the provision of board and lodging generally for people where we had space for them at the camp.

In South Indian Lake the company did the winter road in the year of '73 and also did the same work in the year under review.

The South Bay clearing contract was a contract signed in '73; in '74 we had some 610 acres which had been accepted by Hydro; during the year under review a further 400 acres was recorded by Hydro as acceptably cut, piled and burned. However, there was an inspection of the project in the spring of that year after the snow had gone, indicating that a lot of the work was not as the reports had indicated and some of the work had to be done over again. That resulted in an additional cost to the company and that's been carried out in the audited statement by deferring some revenue, so that when the costs come in a succeeding fiscal year the revenues will be deferred to allow for that.

There were some additional revenues in the Leaf Rapids area which was a result of rental of equipment which was on-site at South Bay for winter work with Leaf Rapids Corporation and the Department of Highways in the area.

On the Thompson/Gillam road, the company commenced operations on this road in August of '74 under the terms of a work order from the Department of Highways. The initial work order covered 10 miles and was extended in late '75 to the first 16 miles of that road which connects it to the existing highway system just west of Thompson.

We were able to reinstitute some training in conjunction with Keewatin Community College because the operation lent itself to some training and this was carried out, as I think I have explained to the committee before, by Keewatin operating a training course on site on the actual road area that we were working in, they have their own instructors and they had their own equipment, and it's a continuous intake program with

(MR. HARVEY cont'd) . . . . about a maximum of four trainees on the site at any one time. Our involvement with it was to provide the site and to provide camp facilities and some maintenance, I think the maintenance was the extent of our . . . well the Moak Lake road during that period supported about 4,100 man days of employment and the average wage was the same, they're mostly operators at \$44.80.

At the end of this fiscal year, just previous to the fiscal year, the incumbent General Manager resigned and the position was filled by a Mr. Jim Benoit who was the Project Manager on the Jenpeg Clearing Contract and the Thompson/Gillam Road Project.

In the existing fiscal year the company would be completing, we have completed the South Indian Lake Contract and virtually completed the Thompson/Gillam road, I think that's finished for all intents and purposes, and we were to start on the Easterville Road from Highway 10, the first 35 miles from the west side towards Easterville.

That's the summary of the activity during the fiscal year under review, the audited statement is at the back of your report.

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

MR. MINAKER: Yes, Mr. Chairman, through you to Mr. Harvey. On, I think it's Exhibit C, Changes in Financial Position, not being an accountant by profession I wonder if possibly Mr. Harvey you can advise, under purchase of fixed assets you indicated there was, I believe, an option taken up on the lease program that you have, your option to purchase, can you advise whether there was any infusion of capital from outside sources as far as to pick this up or was this done with internal financing of the company?

MR. HARVEY: No, this was internal financing of the company - I believe that's where it is, isn't it Barry at that time?

MR. BERNHARD: Yes, we did have some increase on our loan guarantee from the province for the year.

MR. MINAKER: Mr. Chairman, through you, would Mr. Harvey or the gentleman have the amount of loan increase guarantee?

MR. HARVEY: The original loan guarantee was \$350,000 when we started the company, and it was increased - I'll have to ask Mr. Bernhard if he knows what the amount of increase was at that particular point.

MR. BERNHARD: I don't have that information right at this hand, but the current loan to the company is around \$776,000, I'm sorry, loan guarantee.

MR. MINAKER: And that, Mr. Chairman, is with a bank or some financial institution?

MR. HARVEY: Yes, that's correct.

MR. MINAKER: Is there any suggestion of capital equity being put into the company as in the case of the previous people before us, the Moose Lake Loggers, has there been any discussion in this regard?

MR. HARVEY: Yes, Mr. Chairman, we address that problem about . . . just following the end of this particular statement, we asked when considering the Easterville road contract that some equity be expressed in terms of financing equipment for the new project, but at this particular stage there was no equity in the company. We have received some equipment grants to cover down payments on the Easterville road, and we have also asked for grants to cover debt servicing as a result of the loan guarantee. But at this particular stage there was no equity in capital.

MR. MINAKER: Mr. Chairman, I wonder - unfortunately I'm just flipping through this right now, what is the assets of the company at the present time?

MR. HARVEY: At the present time, or as reflected in this statement? We don't have our year end completed yet.

MR. MINAKER: When will it . . . ?

MR. HARVEY: At this time it's 520 on your Exhibit "A" Balance Sheet less the accumulated depreciation, Exhibit A of 159 for a figure of 360,712 as of March 31, 1975.

MR. MINAKER: 367 . . . I don't have Exhibit A or maybe . . .

MR. HARVEY: It's the long . . .

MR. MINAKER: 367 . . .

MR. HARVEY: 360,712 it's the bottom line in the second . . .

MR. MINAKER: And does that account for equipment that has been sold to Keewatin College?

MR. HARVEY: No. That equipment would have been sold out previous to this balance.

MR. MINAKER: Okay. That's all that I have right now, Mr. Chairman.

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

MR. BLAKE: Yes, Mr. Chairman. I wonder if, through you to Mr. Harvey, they don't have their statement completed yet for the year ending 1976, I realize, I wondered if they have run off an interim statement say at the end of December or if they have some indication of what the position of the company is as of March 31, 1976, did they show a profit or did they show a substantial loss, a small loss or . . . ?

MR. HARVEY: Our trial balance at the end of December would indicate almost a breakeven position, but indications on the March 31st statement will indicate about the same position as we are right now, no substantial change in the financial position. In other words, there would be no decrease in the deficit and no substantial increase, we don't see any.

MR. BLAKE: What about maintenance costs on the machinery, have your maintenance costs been high?

MR. HARVEY: If I may, Mr. Chairman, the general manager is sitting there. He might be the best man to address that, he lives with it day to day and . . . Mr. Benoit could you come up please?

MR. CHAIRMAN: Mr. Benoit, would you care to come forward and take a microphone please.

MR. BENOIT: Yes, Mr. Chairman, our maintenance costs are quite high.

MR. BLAKE: And do you experience difficulty in getting good qualified mechanics to come into the remote areas where you work and service these vehicles?

MR. BENOIT: Yes, to keep them anyway steady or any way permanent it is a problem. We're generally quite a ways from a community and they don't care to spend too much time out there, but on temporary basis we're doing quite well.

MR. BLAKE: We get reports filtering out fairly often of misuse of equipment. Is this a problem do you find or are there only isolated incidents coming to your attention where the equipment is sort of abandoned or left running for long periods of time without anyone attending it, or are these isolated cases?

MR. BENOIT: Well they would be isolated in that way. The misuse - there's a lot of misuse but I don't believe it's intentional, it's just not capable of their handling it properly.

MR. BLAKE: Not fully qualified people.

MR. BENOIT: That's right.

MR. BLAKE: The Native people that are being trained to operate the equipment are they operating it fairly well, are you satisfied that there is progress being shown in the upgrading of their skills in handling the equipment and are they grasping the situation whereby they have responsibility if they're given a machine to make sure that it's oiled and looked after properly?

MR. BENOIT: I believe there's an improvement in the operation but not so much in responsibility.

MR. BLAKE: This is something that's going to be a long long program I suppose to . . .

MR. BENOIT: Probably will be.

MR. BLAKE: . . . establish to a reasonable satisfactory level. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I just have a couple of questions just really to find out a little bit more about the operation. When you take contracts with Manitoba Hydro, Manitoba Telephone and so on, are those done on tender or are they negotiated when these contracts are arrived at?

MR. HARVEY: The majority if not all of them to date have been negotiated. I think at the Jenpeg one there was a range that we could look at, or Hydro could look at with respect to tendering. On other like areas we were able to establish with them a range of prices per acre which was not less than and not more than. I don't think there has been an actual tender. I think they're mostly work order kinds of arrangements where we get a work order type contract from the Department of Highways or Manitoba Hydro.

(MR. HARVEY cont'd) . . . . I would make one reservation on that, I'm not sure about the South Bay clearing contract. I wasn't in the company at the time and maybe Mr. Benoit could answer that question, whether it was actually tendered or not, although he wasn't General Manager at the time either.

MR. AXWORTHY: Well, Mr. Chairman, I'm just wondering, then when these contracts are assigned, is it done on the basis that there is an accepted obligation on the part of the Department of Highways, Manitoba Hydro, other provincial agencies that this is going to be in effect, a subsidized program because of the training aspect of it, or is it done on a pure businesslike basis, that we need someone to clear this work and therefore we're going to come to Minago Contracting to do it.

MR. HARVEY: The relationship between us and the owner have been strictly business-type relationships. There is an awareness on their part that we may have some subsidy, but they don't see that as their responsibility. Their responsibility is to get the work done.

MR. AXWORTHY: Mr. Chairman, then there is no subsidy paid in terms of the cost-plus features of the contract that you'd, say, receive from Hydro. They would give you a contract as they would anyone else?

MR. HARVEY: There are no subsidies paid by Hydro. They would give us a contract like they would anyone else.

MR. AXWORTHY: I see. Mr. Chairman, is it possible to estimate at this stage what it costs per person under this training program under construction, when you net out your revenues and so on, what it's costing to take somebody and put them to work in your operation and acquire the training. Do you have any estimate of that?

MR. HARVEY: We have a number of estimates. Our problem with this, and I think that you can perceive what we have here is a company that's working on a production job also doing training the same as would be done in an institution, and then there is another fact that I think was discussed earlier this morning, which we call a participation cost where you might have a higher level of absenteeism than a normal contractor would tolerate, but nevertheless results in a cost. There is no general cost, there is an application you can use which I would reject because it doesn't really give you a true picture. You can take the total project costs, deduct the production revenue and then divide the difference, and I don't think that's really fair because you don't have any way of separating those things that might be really production costs and those things that relate to the training and employment of northerners. You could get a very unfair situation on either side. In other words, the Manager could be criticized in his production operation over things that should likely be compensated for in the subsidy side; and the reverse is also true where unwarranted attention might be paid, or unwarranted costs could be charged to the employment of northerners which wouldn't really fairly reflect that. This is one of the things we're looking to devise, and you need to start with a very clear separation of your production costs and some reasonable conclusions that your estimate prices are right. But it would be difficult for me to give you anything more than a general cost per man day which I don't think is really accurate because training costs at KCC, for example, run as high as \$118 per day, whereas we might achieve that cost in one individual and might be substantially less on another one depending on where he sits.

MR. AXWORTHY: So at this stage you have no way of estimating what the educational training component of the program might be costing?

MR. HARVEY: We have a number of formulas that we're applying at the moment and the difficulty that we're experiencing in this is to make sure that we've got a good base price to start from with respect to contract price which reflects in that cost. So while we know what we're looking for, our separations are not refined enough yet that I could reasonably expect Mr. Benoit to give me an idea on what it costs an individual to move from zero skill to productive skill and any idea in the participation cost. They're not really that hard to figure out but they're very difficult to separate because you could have a person involving all those costs at once or maybe none of them, and that's what we're trying to get at.

MR. AXWORTHY: Mr. Chairman, I wonder, have you undertaken a follow-up to the people who have gone through your program and found out what their work experience, their work record is after they leave Minago, I mean, do they stay with the company and continue working, do they go on, have you done any sort of tracking to determine, do they then go on to further employment or do they just kind of disappear and we don't know what happens to them after?

MR. HARVEY: Well, follow-up as you are aware is very difficult. Our retention rates seem to vary with where we're located. When we were located at Jenpeg in close proximity of Cross Lake and Norway House to a lesser extent we had a fairly good retention record and the people from Cross Lake showed a high level of interest. When we moved over to South Indian Lake we had a good deal of interest from the South Indian Lake people. When we moved back to Moak Lake we lost, not only the interest in employment, but some of our representatives that we were encouraging on the board lost interest.

With respect to follow-up, the programs done to date were done basically through Canada Manpower and KCC and we have asked on occasion for what the statistics are in terms of the success rate. We can usually get a pretty good reading on how graduates fit into employment, but I would have to say no, we don't have a sophisticated system that would allow us to check them at Year One, Year Two and so on.

MR. AXWORTHY: Do you have - lacking any kind of scientific or sophisticated measurement, can you give just your own judgment as to whether the objectives of the company in providing a vehicle for training has had success in allowing the northern people to acquire skills and then move on into the work force in northern Manitoba so they become sort of fully occupied members of the work force?

MR. HARVEY: I would say yes, yes there has been some gain and I would qualify that by saying that the nature of the enterprise, particularly heavy construction, doesn't allow for great gains to be made, because you need one machine for one trainee almost and you can't churn out thousands of people - not thousands, even hundreds. But I would say that for those people that we know of that were through the Jenpeg site and with a lesser degree of certainty on the Moak Lake site, they were all picked up and therefore they had the opportunity to work. So the training is a success to my mind. Adjustment to that kind of work is another question which causes us problems in Minago itself and relates to, I believe, Mr. Benoit's comment about the capacity, the skill capacity is there, the adjustment creates a problem and it's related to motivation and distances from home and those kind of things.

So training, I would say, for the limited amount that we've been able to do with that size of an operation, a reasonable success; adjustment to continuing working, I would have to have some qualifications about that.

MR. AXWORTHY: So Mr. Harvey then you're really saying that at this stage in terms of the objectives of the program to allow this as a way of northern people to not only acquire skills but a set of attitudes, that there really isn't any way of judging it at this stage other than perhaps some examples. You don't have any sort of contact, let's say, with private contractors who work up there and say we want your graduates from your program or that we've employed so many and so on, so that we can determine whether in fact they've moved into active employment in the private sector?

MR. HARVEY: I would say what we had in that area, we have probably lost some mileage in that area. The best place we had for that was the Jenpeg site where there were a lot of private contractors in the immediate area and they actually came down to Mr. Benoit and picked the people up and we were there if there were problems, we could ease the adjustment process in that particular situation much easier than we can now. For example, Mr. Benoit has told me of cases where people quite skilled and requested by contractors didn't want to go, they wanted to stay in Minago, and I think that was not because we treated them better so much as because there were familiar people around; we were there to facilitate that process which is a pretty important process, because in my experience the skill training is not the problem, it's the adjustment that's the problem.

When you move over to where we are now I would say the only remarks we could make about that is that to the extent we can involve the people of Easterville, and we've had I would say about ten, and get them to come back and stay longer, then we're working that process. But it's an expensive process, it's slow, but it's a necessary thing. It's not going to change overnight. I'm speaking very generally, there are some cases where fellows will come to us and get on a machine and be productive in no time and stay, quite well. Mr. Benoit had about 40 native northerners on the Easterville project out of a total of 58 hires. Most of them were reasonably well adjusted and you know they were fairly, I would say, a normal type of operation with the normal type of problems that you would calculate into an estimate, normal levels of absenteeism, normal

(MR. HARVEY cont'd) . . . . type of productivity, that type of thing, but they were also from the southern area of our area, Mafeking, Barrows, those places, where there is a fairly good opportunity for adjustment processes to take place.

MR. AXWORTHY: Mr. Chairman, I just wondered, just to maybe take a moment of the committee's time, but you keep using the word "adjustment" and I say what you're really saying is that you're talking about northern people who are native people, Indians who must acquire in a sense the work habits and attitudes that southern whites have, is that what you're talking about, adjustment, that really you're talking about coming out of the traditional pattern of life that they would have and begin, in effect, a different work ethic and all the rest of things that we labour under for the last several hundred years or whatever. Is that what we're talking about in adjustment?

MR. HARVEY: Yes, adjustment to me is adjusting to the industrial environment, whether that industrial environment be a construction camp or a pulp mill or whatever it happens to be, and it happens to anyone at some point in their life, probably urbanites are easier to accommodate than adjustment because they're more exposed to it than other people. But anybody going from a life of trapping into the pulp mill at The Pas, whether he's white or native, has a serious adjustment to make. A farmer would have the same adjustment if he had been self-reliant all his life and all of a sudden was working by the hour and by a set of rules that might be relatively foreign to him.

MR. AXWORTHY: So it's your conclusion then that a project like this is really a forerunner, that in effect, the traditional ways of life, making things happen in the north, are going to have to change and they're going to have to become adjusted to this industrial activity that we supply.

MR. HARVEY: Yes, that's true, but I think the adjustment is a two-way street, that there has to be some adjustment on the other side if you want to employ people, and I don't think that's only in the case of moving people to industry, I think we see all around us suggestions of adjustment that are people adjustments, not industrial adjustments, short work weeks, those kinds of things, three day weekends, those are all adjustments for people, and I think that that's the kind of thing that really has to occur if you're talking about a wide gap. You have to adjust on both sides.

There was mention made this morning in the Moose Lake presentation to a rotation system where people work for two weeks and go back. That's an adjustment. It's a people adjustment to involve people in an industrial way of life and yet make some adjustments to their particular place in the adjustment scale.

MR. AXWORTHY: Okay. Just one other set of questions, Mr. Chairman. You've been relying upon Hydro for a good proportion of your work along the way. How is that going to be affected as the construction either slows down or changes sites as the work is completed at the Jenpeg and other places. What's the forecast in terms of the operating areas for Minago at this stage? Where do you see the next four or five years, do you switch your locations and kind of follow the path of hydro construction or are there other options for these heavy equipment projects in northern Manitoba right now?

MR. HARVEY: Well, that's kind of a puzzle to us at the moment. For training purposes the best contract is a road contract because it has different operations in it. So we would be looking to, if training were the main objective which it is, training and employment, the best possible job of training in a versatility sense comes from some kind of road operations. Hydro provides a good opportunity for employment in the sense that clearing tends to be a little more labour-intensive and there can be more people involved - not at such a sophisticated level - but more people involved in the operation.

But what it means to the company, regardless of whether you pursue road construction or hydro construction, is a constant movement. Maybe once, depending on the length of the contract, once every year, or once every two years, and this is possibly both a blessing and a disadvantage because you can never really achieve a total force, if that were your objective, to achieve a total northern force, they tend to, as I said earlier, be interested depending on the proximity to their home community.

On the other hand, it can be seen sometimes as an advantage because it gives you more opportunity to train more people. But it's a mixed blessing. A continuous training program is a very costly enterprise when it's tied to some kind of a production schedule.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Yes, Mr. Chairman, through you to Mr. Harvey. On the last page of the report under Notes to Financial Statements, under Item 4 there is a deferment of income to the next year. I'm wondering, did you get paid in advance for this work, is that why this is in here or what is the explanation of this?

MR. HARVEY: Yes, Hydro's operation according to the contract is a continuous progress payment, kind of progress draw kind of thing. And what I said in the earlier part of the summary, there was some work approved and paid for, and then when they went over the ground again in the spring with Mr. Benoit after he was appointed, they said there is so much that has to be redone. That's the reason, the money was there and the work still had to be performed.

MR. MINAKER: So in other words the Hydro people paid out \$177,908 for work that still had to be done. Is this a normal procedure to pay in advance?

MR. HARVEY: They pay in advance with a holdback, not an advance, they pay on progress with a holdback. I believe from what I would understand, the process is the company clears an area, the Hydro site engineer goes out and does a preliminary of the area, does the measurements and whatnot, and issues an on-site inspection which results in a progress payment against the contract. But that would not constitute completion of that specific area in Hydro's terms, it's a progress draw against a certain amount of work.

MR. MINAKER: Okay. Then, Mr. Harvey, if I understand the explanation on Page 4, that the overall work involved 400 acres, for a revenue of \$276,000, well wasn't there any on-site inspection of that before the progress payment was made?

MR. HARVEY: To my knowledge there was, because we have on-site certificates from Hydro attached to every progress draw. They indicate the work performed to date, the work paid for to date, the work performed this period and the amount of the progress draw covering that work.

MR. MINAKER: And was the overall project for that South Bay clearing area \$276,000 as shown there? Starts on Page 3 . . .

MR. HARVEY: Page 3 of the report?

MR. MINAKER: Was that the overall contract for that 400 acres?

MR. HARVEY: I would have to ask the General Manager. Do you know the overall price of the contract at South Bay, total contract value?

MR. MINAKER: Why I raise the question, Mr. Chairman, it would look like, if that is the work value of 400 acres, there was an error of something like 65 percent. I'm just wondering does this happen often and why did it happen in this particular instance, because my understanding of an operation where a customer is getting a contract to do the work, under normal conditions he's not paid in advance, then there's a very close scrutiny of the progress payments when they're made that the work in fact has been done. So I'm just wondering, has this happened elsewhere in a contract?

MR. HARVEY: In the Jenpeg contract Mr. Benoit was on-site. Our experience then was that they came out and measured the work. I believe Mr. Benoit quotes instances where they might ask him to clean up another area before they issued the progress draw. There was, I think it's correct in saying, somewhat of a different operation there. Most of this took place before I came to the company. We felt that the company was doing well on the contract because the progress draws were coming in, and the manager indicated that he felt everything was right.

As I mentioned in the report, when we were apprised of the situation was when the snow melted and it was a cleanup job that they were after us to do with respect to heights of stumps and debris. I guess I haven't answered your question. In our Jenpeg experience there was a Hydro man on-site, weekly, Jim? --(Interjection)-- Daily. The project manager that was on the South Bay job is no longer with the company, nor is the general manager. The only thing I can go by is these site reports that came in with the progress draw, which were signed by the Hydro site engineer.

MR. MINAKER: Mr. Chairman, through you to Mr. Harvey. Then for contracts with other Crown agencies or departments you don't get paid in advance prior to doing the work, you get paid on a progress estimate basis?

MR. HARVEY: I think that's reasonably correct except there may be an advance

(MR. HARVEY cont'd) . . . . on a mobilization situation or something like that. Is that correct Jim? --(Interjection)-- Mobilization of a camp into an area, and then we are paid as we move dirt. Again, the Easterville Road situation works, we do so much work, the Highways engineer does an estimate of the yardage moved, we are paid on the basis of that estimate, with a final payment being made when the finals are done.

MR. MINAKER: Mr. Chairman, through you to Mr. Harvey. When this was discovered that payment had been made in advance of some \$178,000 was there any credit requested by the Hydro for interest lost on this money?

MR. HARVEY: No.

MR. MINAKER: Mr. Chairman, through you to Mr. Harvey. Under item 6, it says "the direct aggregate remuneration to the directors and senior officers of the Company was \$125,601." If I understand correctly under Schedule 2, the Director's fees and expenses amount to \$11,124.00. Would the \$11,000 be for the five board members?

MR. HARVEY: No. At this time there was two board members that would receive any remuneration. One was also the general manager who was a director, and that \$11,000 includes his expenses.

MR. MINAKER: So the \$11,000 covered two of the board members?

MR. HARVEY: That's correct. The other board member was a community representative and he is paid a per diem of \$25.00 a day plus expenses . . .

MR. MINAKER: Of the \$114,000 roughly \$477 would be for the senior officers, which would be what - the general manager of the project? I'm looking at Item 6 on the last page. Who would make up the senior officers that are getting the \$114,477.00.

MR. HARVEY: My understanding of that would be the salary to the general manager, the salary to the project managers and the last time I questioned this, I think there was some administrative personnel involved in the office, accountant. We don't have any board members receiving salaries from the government

MR. MINAKER: Okay. So how many people would the \$114,477 cover then? Is that three people, you mentioned project managers so it's plural I would think.

MR. HARVEY: I would say at this time there were two project managers, a general manager, an office manager, and a clerk in the office. I think that's probably what the . . .

MR. MINAKER: Through you, Mr. Chairman. Would Mr. Harvey have the salaries paid to the senior officers?

MR. HARVEY: The general manager's salary was \$2,300 per month which I think is around 25. The project managers' salaries, \$1,800 per month. And I wouldn't be able to tell you on the officer manager which is a senior clerk's position.

MR. MINAKER: Then you wouldn't have the clerk's . . .

MR. HARVEY: Well we could probably tell you what we're paying a clerk now which I think would be reasonably close. What do we pay the clerk at the office. now Jim?

MR. BENOIT: (Not audible)

MR. MINAKER: The office manager would probably be somewhere around \$1,200, \$1,300 a month?

MR. HARVEY: I would think that would be reasonable.

MR. BENOIT: (Not audible)

MR. HARVEY: That's the existing situation now, we have one less person than was on at that time.

MR. MINAKER: I see.

MR. HARVEY: There was an accountant type on at the time, in addition to the clerk. I would think that it would be over 10 anyway. It would be a guess though.

MR. MINAKER: Would the general manager be on a twelve month basis?

MR. HARVEY: Yes. And project managers.

MR. MINAKER: So they are full salaried employees?

MR. HARVEY: That's right.

MR. MINAKER: Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you. Mr. Blake.

MR. BLAKE: Just one question to Mr. Harvey. In Schedule 2, they show bad debts written off of \$4,131.00. I wonder if he could give us an indication what that debt would be?

MR. HARVEY: I could ask the general manager, Mr. Chairman. He may know what that was.

MR. BENOIT: (Not audible)

MR. BLAKE: I just want generally, I don't want the amounts. What type of items would these be, would these be small contracts you do that you don't get paid for?

MR. BENOIT: (Not audible)

MR. BLAKE: Maybe in a moment you could get that and let me have it?

MR. CHAIRMAN: Well that concludes the questions.

MR. GREEN: I wonder if . . .

MR. HARVEY: If we could have some time, we could examine that account and advise you what it is.

MR. CHAIRMAN: Okay. Is it agreed the report be received? (Agreed)

Thank you Mr. Harvey. We have another Annual Report. Mr. McBryde. --(Interjection)-- Oh. Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, we have for report also today, the Annual Report of Channel Area Loggers Limited, the Annual Report for 1974-75. To present this report I will call on the Chairman, Mr. Peter Lazarenko.

MR. CHAIRMAN: Mr. Lazarenko. Do we have an Annual Report?

MR. BOSTROM: Mr. Chairman, the Annual Report has been distributed to members some time ago. We have some extra copies here for those who have not brought theirs along today.

MR. CHAIRMAN: Yes, I believe the Annual Report has been distributed, but members tend to forget them. Proceed Mr. Lazarenko.

MR. LAZARENKO: Thank you. Mr. Chairman, ladies, gentlemen, I would like to report to you on the activities and operation of the Channel Area Loggers Limited for the year April 1, 1974 to March 31, 1975, for which I notice you do have a copy of our Annual Report.

If you will be good enough to give me a few minutes of your time I would like to express my personal comments before going into the report. When I reported to you last year on the first year of operations for Channel Area Loggers Ltd., my opening remark, if I remember correctly was, "I am pleased to report." Today I only say, "I would like to report," due to the fact that the year 1974-75 has been a most disappointing one to the directors of Channel Area Loggers and myself. Although for the first year of operation, the company showed a loss of \$82,000 it was felt that some improvement for the following year was possible. However, you will note from the Company's Annual Report that the loss for the 1974-75 was some \$175,000. This increase in loss I can assure you did not come through lack of effort, interest and time spent by company employees, participating government employees, and the directors and officers of Channel Area Loggers, for which I as Chairman would like to express to them my sincere thanks.

You will note, ladies and gentlemen, by referring to your copy of our Annual Report that this loss can be attributed to the higher operating costs of the operation. Unfortunately, it would seem that the operating costs throughout the isolated northern communities have mushroomed over the past two years. As a person who has operated in the north and by placing myself in the role of a private company, with a personal investment, my reaction would possibly be to close down the operation. However, from the standpoint of being Chairman of the Board of a government-sponsored project and being somewhat familiar with the communities involved, it is my opinion that serious consideration must be given to the economic benefits gained by the residents of these isolated northern communities and weigh it against the financial loss. I do not mean that the operation should be treated as a welfare contribution, but I do feel that operations such as Channel Area Loggers are necessary, if, for no other reason than to make employment available to the up and coming younger generation, if they are so inclined; even though at times the financial involvement may prove costly.

For example, Berens River with a population of some 1,000 to 1,100 persons, had an estimated workforce of 200 people. The only work available to this workforce is commercial fishing, which is seasonal, some trapping and the Channel Area Loggers' operation. During the year 1974-75 Channel Area Loggers employed an average of 41 workers. This past winter the payroll was approximately 75. In a recent discussion

(MR. LAZARENKO cont'd) . . . . . between our secretary and Mr. Joe Wyspinski the Canadian Manpower Counsellor for the area, Mr. Wyspinski reported that the number of unemployed in Berens River is extremely low compared to most northern communities as a direct result of the Channel Area Loggers operation.

In closing, I can only say that one of the most rewarding aspects of this operation, to the Board of Directors and myself, is the fact that out of some 75 employed during this past winter, with an increase over last year of approximately 35, approximately twenty-five to 35 were young men who had not been engaged in a log cutting operation in the past. Thank you for hearing me out on my personal comments. I can now go into the annual report for you.

MR. CHAIRMAN: Mr. Minaker.

MR. GREEN: Mr. Chairman, I think he's now going into the report.

MR. LAZARENKO: The Introduction. A. Objectives.

Channel Area Loggers Ltd. is a Province of Manitoba owned company formed in 1973 under the Manitoba Natural Resources Development Act. The main objectives of the company are to create a viable economic operation providing employment for residents of the remote communities affected and to train local residents to fill the jobs created and eventually manage and control the operation themselves.

MR. BLAKE: Mr. Chairman, if I might interject there, I think probably we could dispense with the reading, we've all read the report and it would save Mr. Lazarenko considerable time, and it would save our time and we can get into the questions.

MR. LAZARENKO: If that's agreeable with the Committee, unless there's something in the report you want to touch on.

MR. GREEN: Well as a matter of fact I think Mr. Lazarenko has done that. He's sort of given you his personal additional comments and now you have the report, and I think it's a good time to ask questions.

MR. CHAIRMAN: Is it agreed? (Agreed) Thank you, Mr. Lazarenko. Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Lazarenko. In your report you indicate that there was a shortage of 1,000 cords of wood when the inventory was taken. Is that 1,000 cords of wood shown in the production for the year, 6,420 cords?

MR. LAZARENKO: Part of this could possibly, yes I would say that it is. It wasn't shown, no, we deducted that. That's right.

MR. MINAKER: In actual fact the records at one time showed there was 7,420 cords or thereabouts.

MR. LAZARENKO: Right.

MR. MINAKER: What caused it?

MR. LAZARENKO: It could have been an accumulation from the year before. There was problems getting it out of the bush. The operation is such where it's cut back in the woods, has to be brought out to the landing. The inventory or pricing of this wood is taken with the people going in, checking on the wood, paying them accordingly. Some of it also could be buried in swamp, in areas where if they're cutting during the winter, and there could be a swampy area, some of this could be lost also.

MR. MINAKER: Well, Mr. Chairman, through you to Mr. Lazarenko, I don't know your complete operation, how it operates, but in other words the payment of the log cutting is not done when it's received at the barge landing, it's done out in the field?

MR. LAZARENKO: That's right, to the cutters.

MR. MINAKER: How is that overcome now, or could it still possibly occur?

MR. LAZARENKO: No. We've pretty well got it controlled, quite a lot better than we did have. As I say, the 1,000 could have been an accumulation of the year before also, because we did not get all the wood out the first year.

MR. MINAKER: It represents about a 14 percent error roughly, based on this 1,000?

MR. LAZARENKO: That is correct.

MR. MINAKER: And I'm just wondering if it occurred in the one year or whether steps had been taken to correct this situation.

MR. LAZARENKO: Yes, there has been, definitely.

MR. MINAKER: The loss then was based on what the log cutters would get, not the market value? In other words what was lost was the actual, what was it? - \$11 . . .

MR. LAZARENKO: It was paid to the cutters, yes.

MR. MINAKER: Also, Mr. Chairman, through you. There appears to be a big turnover of bookkeepers. There was four, I think, different bookkeepers employed during the one year of operation. I wonder, Mr. Chairman, if Mr. Lazarenko could advise why the difficulties of maintaining a bookkeeper.

MR. LAZARENKO: The remoteness of the area. We've had more trouble taking people up, trying to get accommodations. We've bought trailers for them, we try and give them the best of living accommodations. Berens River is an isolated community, during the summer it's only serviced by boat or air, during the winter, winter roads for maybe two months, and air.

MR. MINAKER: Mr. Chairman, then it had nothing to do with the missing 1,000 cords of wood - that . . .

MR. LAZARENKO: Oh no, no, no. I wish we could put it down to that, it would be very simple, no.

MR. MINAKER: As each accountant came in to take over the books, saw the situation and decided to leave. . . ?

MR. LAZARENKO: No, no. With a comment like that you must have a suspicious mind but a trusting nature.

MR. CHAIRMAN: Order please. I think it would become difficult for the people who are typing from the tapes if we all get into the act, so I would hope that the members would kind of take it a little more cool or slower so that we won't create any confusion for the staff that are typing. Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you then to Mr. Lazarenko. You hired a new general manager last September. I was wondering if you could elaborate on the incentive program that has been offered and his income that he will receive being the new manager.

MR. LAZARENKO: You're talking about the '74-75 year?

MR. MINAKER: I was looking at Page 7, Mr. Chairman, of the report. It says "Finally, on September 1, 1975 a new General Manager was hired with a contract that offered an incentive for him to stay in the position at least a year and included a bonus for production." I wonder what the minimum level of production was and what type of contractual arrangements a general manager has.

MR. LAZARENKO: I could possibly get that. Ray, have you got that please?

MR. CHAIRMAN: Do you have a point of order?

MR. BOSTROM: Yes.

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

MR. BOSTROM: Mr. Chairman on a point of order, just for the member's information. That period that's mentioned here is not contained within the financial report. This is for the year ending March 31st, '75. The manager was hired in September of '75.

MR. MINAKER: I wonder, Mr. Chairman, if we could have that information anyway. I would presume the chap is working now.

MR. LAZARENKO: Yes he is. The Manager's annual salary is \$20,000 a year with a holdback of \$4,000 until June; bonus will be 50 cents per cord over production of 7,000 cords.

MR. CHAIRMAN: Are you finished Mr. Minaker?

MR. MINAKER: Mr. Chairman, how many skidders would the operation have in operation at the present time?

MR. LAZARENKO: Last year we had eight skidders but they were not all operating.

MR. MINAKER: So that they would be producing somewhere in the order of what, about 250 - I'm just trying to divide that into 6,400. It would be about 800.

MR. LAZARENKO: 800 cords a year.

MR. MINAKER: Is that a normal level expected for operation of skidders?

MR. LAZARENKO: No, very low.

MR. MINAKER: What would be the normal expected production?

MR. LAZARENKO: The normal would be about 2,000 or 3,000.

MR. MINAKER: I see. Then is there anything being looked at to try and improve this situation at the present time?

MR. LAZARENKO: Yes, we have suspected that possibly we're maybe over-mechanized. It brings back years, oh, say, 15-20 years ago where there was dogs and today there's skidoos. The dogs went out day in and day out. If one took sick, the fellow who was running the dogs pulled the sleigh with the two remaining dogs if they had three. Today, if the skidoo stops, the operation stops, and unfortunately we're thinking that we might be over-mechanized, we just can't get the right type of mechanical people to get up there to look after them. I think we've got - well, we know we've got an accumulation of repairs from year one to year two to this year and we have had the advice of a consultant which we just received a week ago which somewhat bears out what the Board's thinking was.

MR. MINAKER: Mr. Chairman, that was going to be my next question. You know, if anybody can come in to review the operation from outside, because sometimes that is more help than somebody who has been very closely involved in the operation.

MR. LAZARENKO: A Mr. McNally who has had years of experience in this type of endeavour has just completed . . .

MR. MINAKER: Mr. Chairman, I won't ask you what the general comments were in that report because I would question whether the Board of Directors have had an opportunity to see it, and I would not think that would be fair to them in the operation of their company, but we'll be looking with interest when that report is made available with regards to general guidelines. That's all the questions I have at this point.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Thank you, Mr. Chairman. I can share Mr. Lazarenko's frustration and concern with some of the problems in the turnover that he's having with staff because they appear to be paying pretty good salaries up there and you would think that that might have some attraction to keeping people in there. I believe it was a year ago, there was a chap living up there that was Acting Manager, a fellow named Clarkson.

MR. LAZARENKO: Jack Clarkson.

MR. BLAKE: Yes.

MR. LAZARENKO: Right.

MR. BLAKE: He's left the operation now I see. Was there a reason for that? Was he not satisfied with the operation or were the operations not satisfied with him, or . . . ?

MR. LAZARENKO: Not really. If you'll notice in the report, although Jack Clarkson had certain qualifications . . .

MR. BLAKE: He wasn't a bushman, or a lumberman . . .

MR. LAZARENKO: . . . he just couldn't fill out and it was felt that possibly we should try to get somebody that was knowledgeable from every aspect of the operation.

MR. BLAKE: Do you feel the progress being gained with employing some of the local people that have been going out taking courses, do you feel that they're going to be able to fit in and take over the bookkeeping chores within a reasonably short period of time?

MR. LAZARENKO: Are you referring to taking over the whole operation, or just part?

MR. BLAKE: No, I'm saying the bookkeeping spot, some of the responsible jobs there before . . .

MR. LAZARENKO: Well, at the moment we have on hand three trainees, a general manager trainee, a mechanical trainee and a bookkeeper trainee, and we're trying to bring this out right from the local people.

MR. BLAKE: At one point in the report it mentioned the Bloodvein operation had been a disappointment and had probably contributed to some degree to the overall poor showing of the Channel Area Loggers overall report. It's not any more than a couple of months ago we got a glowing communiqué from the Federal Department of Indian Affairs saying what a wonderful project they had going in Bloodvein, and I wondered if that operation had improved to the point where they were contributing their fair share now to the whole operation, or were they still being a bit of a drag on the Berens River section of it?

MR. LAZARENKO: No, a year ago the Bloodvein people elected to go on their own. They were going to diversify with the saw mill and get into winter road building. They possibly had reason for it, because the distance between Berens and trying to super-  
vise the Bloodvein operation was a costly one, it was hard to do, and the operation wasn't big enough they could warrant a manager, a mechanic, a bookkeeper, which is what they were driving for, maybe rightfully so. They were looking for this help, but with the chance of building the winter roads and with some help on cutting some lumber for local use and some log cutting, they felt that they'd like to go on their own, which they did, and I understand that they did have a pretty fair winter.

MR. BLAKE: They're doing this with Federal Assistance, then, and not . . .

MR. LAZARENKO: That is correct.

MR. BLAKE: Will the Channel Area Loggers operation use to any degree the Marine section, the barges that are being set up, all your freighting of logs is going to be done by truck or . . . ?

MR. LAZARENKO: You're talking about the new ferries that the government is going into? I don't have the whole story on it, I have some information on it. The Bloodvein one might lend itself to it where they could possibly load it on trailers and take it across on the ferry over the Pine Dock and run it around, but this I think could be fairly costly, but I doubt very much if the exposure there . . . now Cross Lake could possibly lend itself to this in the same respect, where pulp trailers could be loaded at Cross Lake, taken across by the ferry and taken to the nearest point where they would require it.

MR. BLAKE: Yes. All right. Mr. Chairman, I mentioned earlier with one of the other reports on maintenance and repairs and I notice on Schedule 1 that your maintenance and repair costs have jumped considerably from \$21,000 last year to \$62,000. I wonder if he'd care to comment on the maintenance and repair problems that you've encountered during the year under review.

MR. LAZARENKO: It just seems that it's something that we just can't seem to control.

MR. BLAKE: Would this be from over-mechanization do you think, maybe too many machines where they don't pay that much attention . . .

MR. LAZARENKO: Yes. Too many machines, not the right type of mechanics, not catching it in time, what should be a minor repair ends up to be a major repair, isolation of trying to get parts in there, back and forth, if the wrong parts come up . . .

MR. BLAKE: Have any machines gone missing on you? You haven't lost any yet?

MR. LAZARENKO: No.

MR. BLAKE: That brings me to the question that I asked earlier, too. Have you found abuse of the machines to any large degree?

MR. LAZARENKO: I don't think it would be fair to say abuse. I think in certain cases there might have been some of this same thing as Mr. Minish has said, that alcohol at times plays an important part in this, somebody gets off on a tangent.

MR. BLAKE: Sometimes does that with white people too.

MR. LAZARENKO: That's right. But one of the things we have to look forward to is that the liquor outlet at Berens River has now been closed down and we may see a good change in the community itself.

MR. BLAKE: The year ending 1976, do you have an interim statement on that, or do you have some indication of what your performance was the year just finished this past March?

MR. LAZARENKO: If you'll hold your breath, I'll tell you. I'll give it to you for ten months - \$295,000 loss.

MR. BLAKE: And the next few months wouldn't be any more encouraging for a turnabout?

MR. LAZARENKO: Well, if we can dig a nigger out of a woodpile it might help the situation.

MR. BLAKE: We'll spare you that torture until next year then I guess. Thank you very much, Mr. Chairman.

MR. LAZARENKO: Thank you.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Lazarenko, I think that we have had several years of encouraging or less encouraging results from the Moose Lake Logging operation, but it seems that with some persistence it would appear that the path becomes a little less bumpy as we go along - I'm not sure of that, but it would appear that way - do you foresee with some persistence, despite the obvious difficulties that you are now having, that in the foreseeable future there would be some stabilization of the situation?

MR. LAZARENKO: If these last three years hasn't taught us, then I would say that something more drastic has to be done such as possibly Mr. Minish has done, where he closed down the operation and said, look absenteeism, different things . . . I don't know if you can compare the two operations either, they're quite different. One is a barging of wood out in the summer, taken out of the bush, taken to a landing, the other is a trucking, directly. We hope that it will. That's the only way I can answer.

We think by the introduction of strip cutting, of some of the recommendations that the consultant has given us, getting away from the mechanical end of it, that this could stabilize the operation, plus the fact that I still feel, as I felt when I first took on the challenge of Chairman of this, that diversification in communities such as Berens River are most important. One of the other gratifying aspects of the operation is that for the first time with a population of 80 percent native and 20 percent Metis, we now have on our Board the Chief of the Band who is recognized through the young people going to work this winter, that this can be a worthwhile project and that we are getting a complete community interest, where up to this point or up to a short while ago, this wasn't there, but by having it there, is a community effort more so. People are becoming involved. They seem to be happy to join. The Mayor has joined as a Director now, the Chief has joined as a Director. The big thing there, they're intermarried, this is something of a problem, but I think by operations such as this, this can also be. and stabilization I think will come in time.

MR. GREEN: Well, Mr. Lazarenko, I gather that you have been involved in business affairs in northern Manitoba for a good part of your life.

MR. LAZARENKO: That's correct. Be going into 40 years this year.

MR. GREEN: I'm also told, I have no personal knowledge, that you've not been hurt by it, that you have managed to survive your activities in northern Manitoba.

MR. LAZARENKO: That's correct, yes.

MR. GREEN: Now, I'm going to ask you the same question that I asked Mr. Minish. Why are you doing this, why are you involved in trying to make a thing out of a Crown corporation in northern Manitoba with obviously no personal remuneration to yourself, or negligible remuneration to you?

MR. LAZARENKO: I guess the easy answer, Mr. Green, is your love for the North, you've got to give the younger generation something to come up with. If you've spent time like I have, slept in a tent on spruce boughs alongside of them and you see them wasting with nothing to do - and believe me there's a lot of these communities got nothing to do - anybody, not only myself, should do all they can to try and help and get projects of some type or another into these communities regardless of what government's in power or who is involved, federal or provincial, this is a must, and I hope that by my contribution, maybe while I'm still alive I can see some of this coming up.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I just have a couple of questions for Mr. Lazarenko. One, I was interested in the statement you made about "after all this is worth doing because it's going to supply employment," but by the latest figure that you just gave we're talking probably about a subsidy of close to \$10,000 per employee per year, if you add up the deficit and divide by the number of employees, maybe around \$9,000 - \$9,500 per person a year. And I'm just really wondering if you took that same amount of money and applied it into some other enterprise, are there other alternatives in the way of doing a Provincial Crown Corporation, trying to operate a logging operation, are we simply doing kind of a make-work type thing? I mean, if you took that same amount of money, what's the alternative using that very heavy subsidy we're paying into it?

MR. LAZARENKO: In an area such as Berens River, there's very little alternative. Welfare is the other alternative. And as I said, I certainly don't condone it, if

(MR. LAZARENKO cont'd) . . . there's a chance at all such as this, I trust that you don't feel that this is a welfare operation, because it certainly is not intended to be. It's unfortunate that its happened, possibly improvement may come about through our new approach to it, but the alternatives, logging, we're trying some alternatives, hydro poles, ties, maybe lumbering should go in, maybe box making should go in like we were talking about, maybe the community as a whole take over the operations of the fishing, these are the things that can only lend themselves to a community such as Berens River.

MR. AXWORTHY: So, Mr. Chairman, Mr. Lazarenko is saying then that we should be prepared to support this kind of, not welfare, but it is in effect a very heavily subsidized make-work project in this sense, if you're paying in this year close to \$10,000 per employee.

MR. LAZARENKO: It's unfortunate that you're subsidizing as you say to \$10,000 per employee, but it is a three year old operation. I hope that we can achieve the same goal as Mr. Minish has, in time, where his operation is now six years and he's starting to show that he's pulled himself out; maybe through what we have been exposed to, we can rectify this.

MR. AXWORTHY: Mr. Chairman, the question I want to ask, you indicated that you . . . --(Interjection)--

MR. CHAIRMAN: Mr. Green, on a point of order.

MR. GREEN: If Mr. Axworthy will so permit me, I think the latest figures that he gave, I'm not sure that you were here, were 75 employees and the --(Interjection)-- No, the latest figures that he gave are 75 . . .

MR. LAZARENKO: Seventy-five employees this last year.

MR. GREEN: And there's 295, doesn't make it any much better, but the fact is that your figures of \$10,000 are high.

MR. AXWORTHY: (Not audible)

MR. LAZARENKO: No, 55.

MR. AXWORTHY: Okay, whatever that works out then, what is it, be closer to 6,000 - 7,000 per employee. --(Interjection)--

MR. LAZARENKO: Yes, about \$4,000.

MR. AXWORTHY: \$4,000, okay. You indicated that you thought that the project had become over-mechanized, heavily mechanized as a lumber operation, logging operation. Why was that decision made? I assume that Berens River is a pretty simple community and I gather that you've brought in a lot of machinery. What was the rationale for doing that in the first place?

MR. LAZARENKO: It seemed that we had the people there to operate the machines. Last year we had 8 machines, 8 skidders, there was two at Bloodvein; with the Bloodvein people going on their own they returned the two skidders which gave us 10 into Berens River. This started out as a smaller operation and it was felt at that time that in order to support the salaries paid to management, bookkeeper, and mechanics, that more equipment should be put in and with a bigger production cutting down your costs. This just hasn't happened.

MR. AXWORTHY: Mr. Chairman, what I guess really comes to the nub of my question is, that in an operation like this, looking back on the experience you've had, where you're going into a community that hasn't had much employment, is fairly simple in its operation, would it not seem wiser, more expedient really to start off on a much simpler smaller scale fashion, that rather than trying to move into getting a man to do the bookkeeping, a mechanic and all that heavy overhead and, you know, trying to almost put a full load operation on right at the start, allow it to evolve a little bit and work its way up on the basis of you acquire the management that you need, and it seemed to me that there was an awful lot of heavy management overhead input put in before it was justified in the hope that then you'd get production up and need it and you got kind of into chasing a tail a little bit. It would seem to me that if we're trying to learn from these kinds of operations, would it not be wiser from your experience to have started off on a perhaps smaller scale, more limited scale, and as they're required, then you would add the personnel that you would need.

MR. LAZARENKO: Possibly at the start the idea was to do this, but it just

(MR. LAZARENKO cont'd) . . . didn't seem to happen. In other words, we just felt that we had to have a manager in there that was capable, and even the lowest priced manager who had any idea about the logging operation was in the \$16,000 - \$17,000 range, plus northern allowance. So where do you start?

MR. AXWORTHY: Well, Mr. Chairman, that was the question I was asking, again it's a little bit, it seems like a 'Catch 22' proposition, though, that you put a heavy input of people in there and then you have to juice up the production in order to kind of justify the cost of these personnel, but you almost have to import from the outside, and if it's a community oriented project . . . and again, I'm really asking the question, because you've got the experience in trying to run it, whether if starting on a smaller scale and building up, whether it's a co-op means, or whatever, would be a more effective way of doing it rather than trying to import people from outside at \$17,000 each, or whatever it is.

MR. LAZARENKO: With the understanding or the feeling that the community was going to participate wholeheartedly, feeling that there would be more input by the local people, you project you're thinking ahead, say, well we'll be ready for it. We had assurances that they were going to go out in strong force and really get out and produce. Absenteeism, bad! Now, had they, on the other side gone out and done what they told us they were going to do, we could also be in trouble.

MR. AXWORTHY: Mr. Chairman, I'm just wondering again, trying to benefit from Mr. Lazarenko's experience in his 40 years in working in the north, in setting up a project like this, has it ever been tried where you've gone into a community like Berens River, which again is a pretty simple community, tried to recruit some local people who would then go to work in some other logging operation where they get some experience and then come back into the community and start from that basis rather than importing people from the outside and starting it from our standards. Has that been tried, has it worked, was it thought about in terms of these operations and - I guess I'm saying it seems to me we're trying to impose a standard way of operating that would be acceptable in the custom to our ways of doing things here, but doesn't seem to be working out there.

MR. LAZARENKO: At Berens River we haven't tried that. We felt that there was enough people there, that if we could get them motivated enough that they could do this. Possibly this is another thing we may have to do, such as the Moose Lake Loggers operation has done, where they've brought outsiders in. Going back years ago into the fish business, this was almost a must, that you brought outsiders in and had the locals work around with them and slowly took them out as they got into their own, but so far this has not been done at Berens River and possibly this may be another step that we'll have to seriously consider taking.

MR. AXWORTHY: Mr. Chairman, that was really the final set of questions I had. Mr. Lazarenko, you've suggested that you're going to take some fairly serious steps and I realize that you just have a consultant's report, but can you give the Committee an indication what steps the Board might be contemplating to try to reverse this position, and . . . you suggested you're going to try something similar to what happened in the Moose Lake Loggers Corporation. Could you maybe detail a little bit more what the strategy or steps might be by the Board?

MR. LAZARENKO: The emphasis seems to be on strip cutting which does not entail the use of skidders as much, it entails the use of forwarders. Forwarders can be possibly used by operators who can own that forwarder on a contract basis. The amount of strip cutting that we have done this past winter, when we realized that there was problems here, shows us that this may be the direction to go, that they are not dependent on that skidder. If it's broken down they don't go to work for a week, or two weeks. They know that they've got an axe and a saw and they're going out strip cutting. The other is what they call in, with this consultant's report, is bunching. And this means that the cutter cuts, the strip cutter cuts, pushes it over to one side, has a little pile instead of piling it up in 4 by 8, four piles, marks the logs, and he's paid by log. The foreman comes along and takes this pile and takes it out of there, where today the skidder is running back and forth as people are piling. It should cut down from what we can see, the efforts of the cutter in piling, which can in turn be utilized in the strip cutting.

MR. CHAIRMAN: Order please. Is it the will of the Committee to proceed and finish with the . . . ?

MR. AXWORTHY: We can finish, Mr. Chairman.

MR. CHAIRMAN: Okay. Let's proceed then.

MR. AXWORTHY: Mr. Chairman, excuse my questioning, I was going to say to Mr. Lazarenko, I just finished reading an interesting book that I might recommend to the Board called "Small is Beautiful". It talked about how in some cases the simpler things are, the better they work, and things like that.

MR. LAZARENKO: Maybe I owe you an apology, Mr. Chairman, I said "Nigger in a woodpile" and what I really meant was maybe we won't have these small pieces in the end of the woodpile, that looked like whole logs, I'm sorry, I didn't mean that.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Mr. Chairman. I have just a few short questions here. No. 1, the \$32.50 per cord, at barge site landing, that was a negotiated price and seems to be a fairly good price with Abitibi. I think the people have negotiated a good price. Does this mean you're hauling it to a certain site at the Berens River, then the barging expenses and that is being paid for by Abitibi or just delivered to Abitibi?

MR. LAZARENKO: For the first time this year we have the same committee, and we've tried to throw the onus more and more on the local directors as much as possible. In that case you'll see that one of our outside directors who is quite familiar in pulp operations goes along with him and our secretary. They negotiated all the angles with Abitibi. And for the first time in operation we now get paid on the landing - we must bring it to the landing - where before we never got paid till this year. Well this will be the first year we start getting paid. But up to this point, you take it to the landing, then you'd put it on the barge, and by the time it got to Pine Falls, and if it got into a storm, maybe 200 cords would drop off, and you just had hard luck. In answer to your question, this is brought out of the bush, forwarded to, or brought by truck to the landing and piled there.

MR. BANMAN: A further question is, I wonder if you could tell us what the cutters are getting now per cord; and another question is - we noticed from the Moose Lake Loggers that ManFor cut back on the quantity required from the Moose Lake Loggers - is there any kind of prospect that this could happen to you, or is Abitibi going to take as much as you can cut?

MR. LAZARENKO: Abitibi have reservations because of the barging capacity on the lake. So we have a problem there which has really never been ironed out because we've never attained a goal of ten thousand cords, was it that we had?

A MEMBER: You haven't had the problem yet.

MR. LAZARENKO: No, we haven't had the problems yet. In answer to your first question - you're talking about this year, this past winter? The skidder operators were getting \$12.00 a cord, the strip-cutters were getting \$13.00 a cord.

MR. BANMAN: So going back to my second question here then. If by some fantastic stroke of luck you really started cutting cordwood out there and you cut 15,000 or 20,000 cords this next year, you would have difficulty moving them?

MR. LAZARENKO: Maybe not so much with the winter roads going in. There's other avenues that are being explored. Last year, on an experimental basis, we ran a tender in the paper for outside truckers and ended up hauling over the winter roads 1,000 cords of pulp into Pine Falls from Bloodvein. Now with the road system, the past road system into Berens River has been changed this past year, where it now goes through Bloodvein, Pidgeon River and Berens River, a more direct route which can possibly entice the use of trucking during the winter months. This in itself would save money especially if it can be picked up close to the cutting site, where at the moment we have to load it on trucks and take it to the landing. This alone is an \$8.00 to \$10.00 cost right there.

MR. BANMAN: Another question. The company signed a training agreement with the Department of Mines and Resources and Environmental Management in 1975. This type of training, is that paid for by the company or is that training cost picked up by the Department of Mines?

MR. LAZARENKO: I think we've pretty well picked that up; the department has picked it up but it still cost us a little money by the time we get them organized and get them into it.

MR. BANMAN: So that's sort of a thing that the Department of Mines has been doing for you?

MR. LAZARENKO: Right.

MR. BANMAN: Is there any budget projections as far as the company is concerned as to what would possibly be the break-even point, what you're shooting for as far as the number of production for the year?

MR. LAZARENKO: We do have some figures that we're projecting, but they're not complete at the moment.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Thank you, Mr. Chairman. I just have a quick question to Mr. Lazarenko who has a pretty fair track record over the last forty years as a private entrepreneur in northern Manitoba, and I know that he must feel that a \$290,000 loss for ten months, if it were his own decision, I would imagine he would make it pretty fast. I would like to ask him, it may be somewhat of a hypothetical question, but were he given the go-ahead or the green light to go into an operation such as Channel Loggers and make whatever decisions he felt necessary, that is if you had the right to go in and cut whatever wood such as you have now, and hire whatever people you want to, native or others, and go in there on your own as a private entrepreneur and run an operation, do you feel you can make money?

MR. LAZARENKO: Not on the pulp operation itself. Diversification, yes, I would say you can do.

MR. BLAKE: Fine, thank you, Mr. Chairman.

MR. CHAIRMAN: No more questions? Would somebody move that the report be received. So moved. Agreed? (Agreed) Committee rise and report.

I believe that concludes the reports dealing with the corporations under the Natural Resources Act.