



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

STANDING COMMITTEE
on
ECONOMIC DEVELOPMENT

33 Elizabeth II

Chairman
Mr. C. Santos
Constituency of Burrows



MG-8648

VOL. XXXII No. 1 - 10:00 a.m., THURSDAY, 3 MAY, 1984.

MANITOBA LEGISLATIVE ASSEMBLY**Thirty-Second Legislature****Members, Constituencies and Political Affiliation**

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Hon. Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
BUCKLASCHUK, Hon. John M.	Gimli	NDP
CARROLL, Q.C., Henry N.	Brandon West	IND
CORRIN, Q.C., Brian	Ellice	NDP
COWAN, Hon. Jay	Churchill	NDP
DESJARDINS, Hon. Laurent	St. Boniface	NDP
DODICK, Doreen	Riel	NDP
DOERN, Russell	Elmwood	IND
DOLIN, Hon. Mary Beth	Kildonan	NDP
DOWNNEY, James E.	Arthur	PC
DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
EYLER, Phil	River East	NDP
FILMON, Gary	Tuxedo	PC
FOX, Peter	Concordia	NDP
GOURLAY, D.M. (Doug)	Swan River	PC
GRAHAM, Harry	Virten	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
LECUYER, Hon. Gérard	Radisson	NDP
LYON, Q.C., Hon. Sterling	Charleswood	PC
MACKLING, Q.C., Hon. Al	St. James	NDP
MALINOWSKI, Donald M.	St. Johns	NDP
MANNES, Clayton	Morris	PC
McKENZIE, J. Wally	Roblin-Russell	PC
MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
ORCHARD, Donald	Pembina	PC
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
PENNER, Q.C., Hon. Roland	Fort Rouge	NDP
PHILLIPS, Myrna A.	Wolseley	NDP
PLOHMAN, Hon. John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
SCOTT, Don	Inkster	NDP
SHERMAN, L.R. (Bud)	Fort Garry	PC
SMITH, Hon. Muriel	Osborne	NDP
STEEN, Warren	River Heights	PC
STORIE, Hon. Jerry T.	Flin Flon	NDP
URUSKI, Hon. Bill	Interlake	NDP
USKIW, Hon. Samuel	Lac du Bonnet	NDP
WALDING, Hon. D. James	St. Vital	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, 3 May, 1984

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. C. Santos (Burrows)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Cowan and Storie, Hon. Mrs. Smith

Messrs. Ashton, Blake, Gourlay, Harapiak, Harper, Johnston, McKenzie and Santos

APPEARING: Channel Areas Loggers Ltd.:

Mr. Bill Bennett, President and Chairman of the Board

Mr. G.P. Trithart, Secretary-Treasurer

Mr. G. Kemp, General Manager

Moose Lake Loggers Ltd.:

Mr. C. Jones, President and Chairman of the Board

Mr. R.J. Kivisto, General Manager

Mr. G.P. Trithart, Secretary-Treasurer.

Communities Economic Development Fund:

Ms. Bernice O'Connor, Chairman of the Board

Mr. Hugh Jones, General Manager

Mr. Alec Musgrove, Assistant General Manager and Treasurer

Mr. Greg Goodwin, Secretary

MATTERS UNDER DISCUSSION:

Annual Report of Channel Area Loggers Ltd.;
Moose Lake Loggers Ltd. and Communities
Economic Development Fund.

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MS. C. DePAPE, Clerk of the Committees: Committee come to order. I have the resignation of our former Chairman, Mr. Lecuyer. Are there any nominations for our new Chairman?

MR. H. HARAPIAK: I would nominate the Member for Burrows, Mr. Santos, as Chairman.

MS. C. DePAPE: Are there any further nominations? Seeing none, Mr. Santos, will you please take the Chair?

CHANNEL AREA LOGGERS LTD.

MR. CHAIRMAN: Committee please come to order. We are here to consider the Channel Area Loggers Ltd. The Honourable Minister.

HON. J. STORIE: Thank you, Mr. Chairman. Perhaps we could open by introducing the staff and members of Channel Areas Loggers. To my immediate left is Mr. Gordon Trithart, Corporate Project Manager for the Department of Northern Affairs, the Chairman of Channel Area Loggers, Mr. Bill Bennett, and the Manager, Mr. George Kemp, of Channel Area Loggers.

I believe we could start by having Mr. Bennett provide some remarks on the year, 1982-83.

MR. CHAIRMAN: Mr. Bennett.

MR. W. BENNETT: Thank you. Mr. Chairperson, members of the committee, ladies and gentlemen, the report to be discussed covers the period, April 1, 1982 to March 31, 1983.

I am pleased to report the first-ever profit by the company in 10 years of existence. We are fully aware that this profit of \$38,976 would not have been possible without government assistance of 94,271.00.

The sharp decline in production from 27,260 cords to 13,000 cords was necessary in order to sell our total inventory to Abitibi in Pine Falls. Abitibi reduced our sale limits by 3,000 cords. This would appear to be a cutback in production to supply only what can be sold.

However, we have over the past eight years been depleting the stocks of spruce in the Pigeon River area to the extent that much of the wood that is left is in swampy areas, thus shortening the cutting season. We would have been hard pressed to produce over the 13,000 cords level in the remaining small wood. A timber inventory study is under way to locate and access other cutting areas for the future operations. However, we have one more year of clean-up in the Pigeon River area.

Before I close, I would be remiss if I did not bring your attention to the excellent performance of Jim Benoit over the past two years. Through his sustained efforts and cost-cutting measures, organization ability and foresight, the company has improved substantially. Thank you.

MR. CHAIRMAN: Does any member of the committee have any comments?

Mr. Gourlay.

MR. D. GOURLAY: I would like to comment on the report. I think it's gratifying to see that the year ending March 31, 1983, the Channel Area Loggers has shown the first profit ever as the President has indicated. I am just wondering if the President or the Minister or whoever would like to comment on just a little more detail as to the turnaround in the last two or three years on this operation and also with respect to the current year's situation in view of the fact that the cutting areas seemed to be somewhat limited. There is some clean-up going on in the Pigeon River area. How is the current situation looking in view of the fact that we have shown a profit up until March of 1983 with respect to this current year's operation?

HON. J. STORIE: Thank you, Mr. Chairman, despite the fact that we are showing a profit for the 1982-83 year, I wouldn't want to suggest that we're, if you'll forgive the pun, out of the woods. The profit that is reported for the year 1983 of course is I think a positive aspect and it's shown a good deal of the work on the part of the board and the manager and the field workers in the Channel Area, but it's also significant that there was some assistance provided by the province to allow us to be able to report that profit.

As Mr. Bennett indicated, there is a clean-up operation ongoing at the Pigeon River area and for the coming year, we have established a new camp location in a new cutting area and we're hoping that will turn around in the year 1984-85 what we foresee as a loss in the current year. So despite the fact that there was a profit in 1982-83, the next report I don't think will be nearly as positive. There are a number of factors and of course the fact that we're in a clean-up area is going to contribute to that as well as anybody that's been involved in forest production over the past year and recognizes, particularly given the terrain in the Berens River area, there have been some production problems because of the weather and the small wood and so forth. It's a good picture this year and very positive I think. The next year, due to other circumstances, is not going to be nearly so positive.

MR. D. GOURLAY: I notice in the report there is reference made to an outside contractor who was retained during the year to ensure adequate production levels and I know the former president, Mr. John Christensen, was anxious to make this a viable operation and I think encouraged this outside contractor to come in to ensure the production levels. I'm wondering if the Minister does not feel that this has helped to bring the Channel Area Loggers closer to a breaking-even position by having this kind of producer in the area to guarantee that the production levels would be increased.

HON. J. STORIE: Certainly, Mr. Chairman, any time there is going to be an underproduction it's wise business practice, I suppose, to take whatever steps are necessary to make sure the production is there. I don't think the fact that there was an outside producer in itself is going to make the difference in all instances. If the production levels can be maintained with local operators, then I'm sure the board of directors and myself personally would like to see that happen, but I think it's a decision that the board of directors have to take from time to time when they see the productions falling behind.

I presume that the contractor they brought in to harvest was efficient and effective and that helped them meet their quota, but I don't think that needs to happen in all cases or is necessarily in the long-term best interests in the development of operators and producers in the local area. So it's a mixed blessing, but certainly I think the board of directors made a good decision in making sure that their production quota was maintained.

MR. D. GOURLAY: Will the local operators that are there be able to sustain the kind of production levels

in order to break even on the year's operation, say for the present year we're in, 1983-84?

HON. J. STORIE: As I've indicated, of course, the current year has presented some difficulties and one of them again, and as the member knows, there are circumstances which sometimes interfere, the weather being one of them, which prevent the production being what it should be. But the production quota I think for 1983-84 is going to be down somewhat again and while the weather is certainly a factor and the quality of the timber is certainly a factor, the ability of local operators to produce is also a factor and that's something that over the years of Channel Area I suppose every Minister that's been responsible has struggled with that particular problem.

MR. D. GOURLAY: What are the production quotas for the current year? I believe last year they were set at 18,500 cords. Is that the same level for this year?

HON. J. STORIE: I believe it is, yes.

MR. D. GOURLAY: I wonder if someone can indicate at what production levels you feel that you can achieve this current year. You indicated it would be down. Is it going to be significantly down or is it going to be close to the production quotas?

MR. G. TRITHART: Yes it is, it's significantly down. It's in the area of 7,200 cords.

MR. D. GOURLAY: I notice in the report that absenteeism has been a problem over the years and continues to be one. The situation with absenteeism, is it basically static? Is it not improving? You're still apparently running into this problem.

MR. G. TRITHART: I think that in the current year just ended, March 31, 1984, we had a lot of problems as they relate to weather, as they relate to small wood. Those kinds of things present problems to the workers, and therefore we did have a lot of problems with absenteeism.

MR. D. GOURLAY: With respect to the accommodation at the site, has there been any change? As I understand last year, that wasn't being used a lot of it. Was it put back into use this past year?

MR. G. TRITHART: No. You're speaking, I presume, of when we were feeding the people and housing them right in the camp centre. Then we reverted back to the men working out at the cutting site in what's commonly called a shack. Those conditions remain and, through the help of the Northern Development Agreement, there has been some upgrading of those facilities for the workers. In fact, there were three new ones put in three years ago, and another six put in within the last year, so it's constant.

We are not feeding anybody. They are buying their own food and feeding themselves, and working out of their own accommodation.

MR. D. GOURLAY: What happened to the old campsite and the buildings that were there? Are they still there and not being used, or what is the situation here?

MR. G. TRITHART: We experienced a fire which damaged two of our trailers. Subsequent to that, we have moved our campsite from the Pigeon River area to the Berens River which is, from a geographical point of view, approximately 15 miles east and south of Berens River community on the Berens River.

MR. D. GOURLAY: I noticed in the report, it mentioned improvement in the financial position of the company is partially attributable to a \$33,000 gain on fire insurance claims. I wonder if you could explain that a little more.

MR. G. TRITHART: Okay, the buildings that burned had over the years been depreciated downward to a very nominal value. However, replacement costs were considerably more, and we had them insured for what we thought were replacement costs.

MR. CHAIRMAN: The Member for Minnedosa.

MR. D. BLAKE: Most of the questions I had have been covered, Mr. Chairman, but I was interested in the timber inventory survey that was done by the province. Could you just enlarge on the results of that survey briefly? What is the potential in the area for future harvest and the life of the company?

MR. G. TRITHART: In the immediate area that we have just moved into, there are approximately 150,000 cords of spruce in that area. We have done surveys throughout the area. I am talking about probably a 20-mile radius. I think there would probably be in the neighbourhood of 220,000 cords which would give the company at the present rate of cutting or the present rate of available sales at 18,000 a year would give us a good 12 years of cutting. So it's long term.

The original surveys that have been done so far are based on rather large overall surveys done by the Province of Manitoba, Department of Natural Resources, and we have found that, in a number of instances where we say there might be 150,000 cords, there could be 200,000. We're going to do some more work on that this summer, and hopefully have a little more organized plan of cutting than we have in the past number of years which, of course, has put us into the difficulty in the year just ended.

MR. D. BLAKE: What about reforestation in the area? I wonder if you could bring us up-to-date on what's happening in reforestation.

MR. G. TRITHART: Reforestation in the area has just been from the usual natural method where the trees are topped and limbed, and what's left grows on its own.

I think there are some moves afoot within the two major governments to improve that situation, but I don't have access to the details or whether or not the Berens River area will be affected.

MR. D. GOURLAY: Just one more question, the owner-operators, I wonder if Mr. Trithart might bring us up-to-date on the owner-operators, the length of time some have been with the company, are they becoming quite

proficient, do they make good money on the work that they do or are they on a break-even basis or just how is that working out?

MR. G. TRITHART: Based on normal business principles, only a few of them would have made it. However, we've been able to allow them to carry on over a longer period by asking the creditors to hold off and of the 11 skidders that were purchased we've had to date two failures, which has cost the company some \$28,000 which was provided through a government subsidy as mentioned in the Provincial Auditor's Report. We have one person now who is completely paid off as skidder and we're very hopeful that his efforts, some of which have been at personal sacrifice, will give the remainder some encouragement to do the same.

MR. D. GOURLAY: They might be able to see some light at the end, that if they are diligent and proficient that they might be able to make a profit at the operation?

MR. G. TRITHART: Yes.

MR. D. GOURLAY: Thank you, Mr. Chairman.

MR. CHAIRMAN: The Member for Emerson.

MR. A. DRIEDGER: Thank you, Mr. Chairman. To Mr. Trithart, do I understand correctly that no reforestation program is in place right now?

MR. CHAIRMAN: Mr. Trithart.

MR. G. TRITHART: That's correct.

MR. A. DRIEDGER: And that there's been no information fed down to you in terms of the provincial-federal agreement that was announced sometime ago regarding reforestation?

MR. G. TRITHART: Nothing except the fact that the people from Natural Resources have been out looking at the area and the outcome is just a matter of conjecture I would say.

MR. A. DRIEDGER: So you have no further details on that arrangement at all or whether it will affect you in that area?

MR. G. TRITHART: Nothing at all.

MR. A. DRIEDGER: Thank you.

MR. D. GOURLAY: Just to clarify a point, earlier it was indicated there would be a clean-up in the Pigeon River area this year and that would be completed before any of the operators would be moving into the new cutting area?

MR. G. TRITHART: That's correct.

MR. D. GOURLAY: But do you feel that the current year that we're in, the producers there will be able to come close to meeting the production limit of 18,000?

MR. G. TRITHART: When you say the current year that we're in, do you mean '84-'85?

MR. D. GOURLAY: Right.

MR. G. TRITHART: Yes, I believe so, the reason being is that we are moving into an area which will allow for some spring cutting, some late summer cutting, and therefore a longer cutting period. We're hopeful that the production can be done by local people.

MR. D. GOURLAY: The report that we're looking at today is the year ending March 31, 1983, so that we have another year, March 31, 1984, has already been completed. Do you have any projections as to the outcome of the year's operation as far as the terms - I think you indicated there would be some losses anticipated. Do you have any idea what level they might be at?

MR. G. TRITHART: I don't have any even final unaudited statements, but it will be in excess of \$100,000.00.

MR. D. GOURLAY: You indicated weather and the general cutting area. Were there any other problems associated with that year's operation? As I recall, I thought it had been brought to my attention that there was some problem with the logs that had been cut and piled were not able to be moved for some reason or other. I just wonder if you could elaborate on that?

MR. G. TRITHART: The two main problems are small wood and weather. No. 1, the small wood, anybody that's, I suppose, associated with the forestry industry will know that people who work in that industry really don't like to cut smaller wood, especially if you're in a cleanup situation where you are doing a lot of moving around which cuts back on your production.

Secondly, the weather and the fact that we had cut out all the fall and summer cutting areas disallowed us from cutting until late in the year in the Pigeon River area, thus we started there late December. Of course, you're all aware of the very mild winter which ensued, and we had a lot of problems with winter roads. So those are the main reasons.

MR. D. GOURLAY: Is there any effort or programs in place to improve the problem with absenteeism, or to try and encourage more local participation in employment in that area?

MR. G. TRITHART: We have been recently discussing some training programs. As the member is probably well aware, they're fairly expensive. We are trying to get something going through Canada Manpower to get some of the younger people in the area interested.

As you're probably aware as well, alcohol plays a very important role in absenteeism, and I am aware that there are things being done in the community insofar as alcoholism is concerned which I find very gratifying. They're doing very well.

MR. D. GOURLAY: I notice in the Moose Lake Report that the operators there have averaged something in

excess of \$24,000 per year in their operations. I'm just wondering, do you have a figure on the Channel Area Loggers as to the kinds of money that the operators can achieve there?

MR. G. TRITHART: Based on the fact that we have moved into a new cutting area with longer times in which the people can be employed, I would suggest that the annual income could increase to the \$16,000, \$18,000 per annum level based on, say, seven to eight months of work.

MR. D. GOURLAY: One other question I have. It's Exhibit C of the Report, "Use of Working Capital, Purchase of Fixed Assets." I notice there's an item there, \$87,000 as compared to \$10,000 the year before. What would be purchased in that year that would be to that extent?

MR. G. TRITHART: There was, of course, the replacement of a trailer that had burned, plus an eight-man trailer to house the staff of the company. That probably totals about 45,000.00. I'm sorry, but I just can't remember off-hand what the other items are.

MR. CHAIRMAN: Memory sometimes fails human beings.

The Member for Emerson.

MR. A. DRIEDGER: Mr. Chairman, to Mr. Trithart, I wonder if we could get a clarification. On Page 3, it indicates at the bottom that there was a 6,100 cord carryover into the fiscal year of 1982-83, thus cutting down the production that could be sold for the next year. On Page 6, it indicates the cost of financing pulpwood, 4.81 per cord in 1982. In spite of that, the figures still show a profit for last year.

What is the carryover into the current year at the present time? Is there any carryover of cordage at all into this current year?

MR. G. TRITHART: Approximately 2,900 cords.

MR. A. DRIEDGER: 2,900 cords. Would the financing of that at 4.81, the cost of the carryover per cord, would that affect the possible financial position of the company for next year?

MR. G. TRITHART: Yes it will, not as seriously as the 6,000-odd cords though, because of the interest rate decrease that I guess we're all well aware of.

MR. A. DRIEDGER: So the situation in that respect has improved, there is less cordage being carried over and with the lesser cost of the carryover it should enhance the possible position of the company for the current year?

MR. G. TRITHART: We would like to carry no wood over because it is very expensive to carry over, however, because of the mild winter, our roads went out much earlier than we had anticipated and therefore didn't get the wood out to the landing.

MR. A. DRIEDGER: Is it standard though to have a carryover? In the previous year there were 6,100 cords.

this year we're looking at 2,900. Has this happened every year?

MR. G. TRITHART: I recall one year where we didn't have any carryover, but it would be normal, I would say, to carry over 500-700 cords, but not in the 3,000-6,000 figure. The 6,000 cord figure carryover was, we got caught in increasing our production at a time when the markets for paper fell and Abitibi usually took all we could produce even though they did set limits. In all if year we overproduced, the market for paper fell and they wouldn't take any more than 22,000 cords. In the year just ended with a 2,900 cord carryover, they wanted the wood but we just couldn't get it out.

MR. A. DRIEDGER: What would be the amount of cordage that Abitibi would be taking on the average year? You say that last year they would have taken it all if you could have gotten it out and that's above the 18,500, which is sort of the maximum that they look at all the time and then they purchase more if you have more, is that correct?

MR. G. TRITHART: Yes, usually.

MR. D. BLAKE: I just have a couple of questions. You are able to carry fire insurance on your carryover timber, pulp?

MR. G. TRITHART: Yes.

MR. D. BLAKE: You have insurance on it. All of the product is trucked to Abitibi or do you still barge it down the lake?

MR. G. TRITHART: It's still barged down the lake. We truck it from the bush to lakeside landing.

MR. D. BLAKE: And then barge it down?

MR. G. TRITHART: And then barge it down. However, we sell the wood to Abitibi at the barge site and they're responsible for the barging.

MR. CHAIRMAN: The Member for Roblin-Russell.

MR. W. MCKENZIE: Thank you, Mr. Chairman. The insurance, you cover the pulp, two policies, and one for the equipment. Are those two separate policies? I was reading here, it's mentioned in two different places in the Financial Statement the insurance, or is it just one blanket policy?

MR. G. TRITHART: There are two separate policies. We don't carry a general policy on wood because normally, as we cut it, Abitibi makes advances and as soon as they make advances they're responsible for the insurance. However, when we have a carryover on which they will not advance any money, we have to insure it ourselves, so we set up a policy at that time.

MR. W. MCKENZIE: Then on the equipment you'd likely have liability coverage as well?

MR. G. TRITHART: That's correct.

MR. W. MCKENZIE: One more, Mr. Chairman, if I may. The Pigeon River area that you're leaving now, are there environmental standards that apply there that you have to leave it in a certain condition? I've had concerns with the Duck Mountains. The people who were foresting the area leave it in a hell of a mess literally speaking or are there any standards applying?

MR. G. TRITHART: The standards are set and governed by the Department of Natural Resources and if we don't do the job to their satisfaction, we have to go back in and clean up.

MR. D. BLAKE: The owner-operators, are they all covered under Workers Compensation coverage by the company or are they responsible for their own coverage if they're an owner-operator?

MR. G. TRITHART: No, they're covered under the company.

MR. D. BLAKE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Any other comments? The report is passed by the committee. Thank you.
The Honourable Minister.

MOOSE LAKE LOGGERS LTD.

HON. J. STORIE: If there are no further questions, I would ask Mr. Trithart to remain and thank Mr. Bennett and Mr. Kemp and ask Mr. Jones and Mr. Kivisto to come forward please. We'll deal with Moose Lake.

Mr. Chairman, just before we begin, I would like to formally introduce the Chairman of the board, Mr. C. Jones and the Manager, Reino Kivisto of Moose Lake Loggers and of course Mr. Trithart.

I suppose we could start in a similar vein and ask Mr. Jones if he would like to make any comments with respect to the fiscal year 1982-83 in Moose Lake Loggers.

MR. CHAIRMAN: Mr. Jones.

MR. C. JONES: Thank you, Mr. Minister, Mr. Chairman, ladies and gentlemen. This report covers the period of April 1, 1982 to March 31, 1983, Moose Lake Loggers.

I am pleased to report that in these troubled economic times and in the fall of reduction of sales of 8,521 cords or 13 percent, the company was able to show a small profit of \$1,029.00. The directors and I are particularly pleased in this area by the concentrated effort by management to cut cost. During their summer shutdown and with the assistance of Canada and Manitoba Governments, a 12-week reforestation program was sponsored employing 32 people. The project was used to thin dense, young stands of spruce allowing for an increase in the long-term growth of the forest.

There have been no changes in the directors since our last report to this committee on May 12, 1983. While absenteeism remains a problem, the company adjusts very well and employee assistance is available to those with medical problems through a comprehensive health plan.

Mr. Kivisto and I and Mr. Trithart will be happy to answer any questions you may have.

Thank you.

MR. CHAIRMAN: The Member for Swan River.

MR. D. GOURLAY: I'd like to thank Mr. Jones for his comments. I think it's gratifying to see that the Moose Lake Loggers has shown a profit, albeit only small, but certainly I think that this corporation has provided a very useful employment opportunity to the people in Moose Lake. It has established a fairly successful record over the last five or six years. I'm just wondering how the current situation or the year just ending, March '84, will it show a profit or will it be in a deficit position?

MR. CHAIRMAN: The Honourable Minister.

HON. J. STORIE: Thank you, Mr. Chairman. I respect the fact that the honourable member is interested in what is happening in the current year. The committee's here to review the year 1982-83. I will satisfy his curiosity, however, and suggest that Moose Lake Loggers are in a similar position to the Channel Area Loggers with respect to the year 1983-84. Obviously, some of the same conditions apply to the difficulties they experienced in the current year. I expect that the loss for Moose Lake in '83-84 will be in the area of \$70,000 to \$80,000.00.

So while I appreciate that the member would like to know that information, I hope we will try and stick to the current year, to the year '82-83.

MR. D. GOURLAY: Thank you, Mr. Chairman. I respect those comments. I was just curious as to, in view of the market situation, whether the company could expect to at least come close to breaking even under adverse conditions.

Maybe I'll pass, have you got some questions?

MR. CHAIRMAN: The Member for The Pas.

MR. H. HARAPIAK: I would also like to thank Mr. Kivisto and Mr. Jones for that profitable report, although it was moderate, during very difficult times.

The area that I would have some interest in, there has been a lot of interest in the community becoming more in control of the Moose Lake Loggers. I am wondering if there have been any efforts made by the local community to take away your position as Chairman, Mr. Jones.

MR. CHAIRMAN: Who wants to answer the question?
Mr. Minister.

HON. J. STORIE: Mr. Chairman, I think the question asked by the Honourable Member for The Pas is a good one. I think that certainly there has been interest expressed, and has been continually over the past more than 10 years to have the community become more and more involved. I think that Moose Lake Loggers have a very good record of involving the community.

It's significant to note that in line with the Member for The Pas' question, currently the three foremen that do an excellent job for Moose Lake are people native to the Moose Lake area. As well, the superintendent - I don't know what the official title is - is also native

of the area. So we're seeing the development of a greater community sense of responsibility for the company.

I think to a large extent they have to be credited with the success that Moose Lake has had over a number of years. As any forestry operation, it has had a mixed history. Because of the volatility of the market basically, it's difficult to imagine a consistent, straight-line profit, but their record is good, and it's because there are developing skills in the area.

I think as a government and I know as a board there is the continuing look for a search for expertise within the community to maximize the amount of control that can be made by the local community.

Maybe Mr. Jones would like to comment on the development.

MR. CHAIRMAN: Mr. Jones.

MR. C. JONES: Thank you, Mr. Minister. Yes, indeed, this has of course been the long-term mandate of the board is to have the control by the local community. I think that the community will appreciate that the history of Northern Manitoba sort of thing, we are slowly evolving that some of the northern residents are getting to become quite capable, but it is always experience and attitude.

The attitudes I see are changing to a more responsible role in such a vital industry as Moose Lake Loggers. I look at it very positive that we are taking steps in this regard.

How we are doing it, the mechanics of doing it is simply by one-on-one conversations with board members. We have two board members from the Band and two board members from the Metis side. It's just an attitude that has to be instilled, and it is being instilled in the Moose Lake community.

MR. D. BLAKE: Mr. Chairman, I just want to direct a question to Mr. Kivisto probably. I think there is no question about it that his efforts on behalf of Moose Lake have been responsible for the vast improvement over the years of the company. I just wonder if he feels that his efforts are being rewarded, or is he wearing thin with patience and expertise in trying to keep this ship afloat and heading in the right direction.

MR. CHAIRMAN: Mr. Kivisto.

MR. R. KIVISTO: Well, I hope that my efforts won't go unrewarded, and I'm satisfied.

MR. D. BLAKE: Thank you, Mr. Chairman.

MR. A. DRIEDGER: It indicates on the report on Page 4 that there was a reduction last year of 8,521 cords, creating some difficult obviously, which is a reduction from 1981. There has been a considerable reduction in that respect. Is there anticipation of a further reduction for the current year, or do you have that indication beforehand?

MR. R. KIVISTO: There will be a further reduction of about 7,000 cords.

MR. A. DRIEDGER: That's for the coming year, for the reduction of 7,000 cords?

MR. R. KIVISTO: March 31, 1984.

MR. A. DRIEDGER: That will create additional pressure, I suppose, on the financial aspect of it, or would that make a big difference in the profit prospect for the coming year?

MR. R. KIVISTO: Yes, it will make a deficit position for this year ending. We already got the statements so we know.

MR. A. DRIEDGER: Just a further question regarding reforestation, is there any activity taking place at Moose Lake Loggers regarding replanting or reforestation in that area?

HON. J. STORIE: Mr. Chairman, I believe that there is. The Chairman indicated that last year there was a program of reforestation in the area. I believe there is another one scheduled to be under way shortly.

I perhaps can take a liberty here and comment on the previous question with respect to reforestation. As members will know, there is a \$25 million agreement. The Department of Natural Resources is now reviewing all of the cutting areas, determining which through natural regrowth and so forth are the most appropriate for reforestation. I think we have to invest our money in reforestation in those areas where it's necessary. I think that in Moose Lake, the production capacity for the Moose Lake area is significant, and that there will be continuing reforestation not only in Moose Lake but in some of the other areas surrounding Moose Lake.

MR. A. DRIEDGER: Could there be some indication as to what the program was in terms of, was it tree planting of seedlings that was going on last year or what type of program was in place?

MR. C. JONES: The reforestation was a system of thinning out the more mature stands of spruce so that they can thrive a little better by, I guess you would call it, grubbing them out. It's a thinning program rather than the actual planting.

HON. J. STORIE: If I could add to that. Mr. Chairman, I believe the upcoming program is a planting program as well, so it probably would encompass different areas but it will be a planting program, at least that's my understanding of it.

MR. A. DRIEDGER: But last year's program was not a planting program, that was just a grubbing-out or a thinning-out program that was in place.

MR. G. TRITHART: The thinning program, when a forest burns, when the spruce comes back, it comes up in very dense, just small sticks. These were thinned out so that the ones that were left could expand and grow. I don't know if you've ever seen it, but there's a substantial growth that takes place when you thin an area.

MR. A. DRIEDGER: I'll pursue that a little further. To the Minister then maybe, indications are then that under the new agreement that has been signed that a planting

program could possibly be taking place in this coming year, is that correct?

HON. J. STORIE: Mr. Chairman, that's my understanding with respect to the Moose Lake area and some of the surrounding areas. I'm sure that, you know, reforestation takes place by a number of processes, scarification and so forth. To my knowledge, that's what's been taking place in the Moose Lake area. Whether there will be other kinds of programs in the Berens River area or some other areas, I'm not sure, but that's my understanding at this point.

MR. A. DRIEDGER: If we talk of possibly a replanting program coming up in the current year, those costs would again be charged against Moose Lake Loggers, would they or would that be - because obviously when you do a planting program you hire people, at least that's the way it's happening in the southeast. There are crews of people that are out there doing the replanting. Would the costs of this be borne by the province or would that be charged against the Moose Lake Loggers?

HON. J. STORIE: Mr. Chairman, the costs would not be to Moose Lake, they would be to Canada and Manitoba as per the forestry agreement.

MR. A. DRIEDGER: In cases of private organizations where cutting is done, would those charges be charged to the individual operator or are they going to be borne strictly by the province in all cases?

HON. J. STORIE: I would assume that would depend on the type of agreement that the industry, the corporation, whatever had with the province. I'm sure that if we went back over the years, you could find situations where the terms of the agreement included reforestation, perhaps replanting, I'm sure that's the case in some other provinces, so I'm not sure that it would be accurate to say the province would bear the costs for all companies. It would depend very much on the terms of the agreement, the Timber Licence Agreement, and so forth.

MR. A. DRIEDGER: To the Minister then, in your anticipation though in the case of reforestation or planting take place in the Moose Lake Area Logging operation, those costs would be borne by the province, not by the company?

HON. J. STORIE: To my knowledge, yes.

MR. H. HARAPIAK: Mr. Chairman, I'm pleased to say that I've seen the results of some of the reforestation that took place last year and it's also the result of the thinning. It's a little early to really evaluate how effective it's going to be but even after one year there are already some results and also I'm pleased that the new agreement that was signed by Canada and Manitoba, The Pas will be receiving some benefit of the agreement by the nursery, some of the stock grown in the nursery will be supplied by that facility.

I was just going to ask Mr. Kivisto if that massive forest fire that went through your cutting area last year, were you able to salvage much timber from that fire?

MR. R. KIVISTO: We salvaged close to 5,000 cords and because of the fire burning quite hotly, Manfor wouldn't take any pulp, just saw logs. So, I'd say that we salvaged approximately maybe 30 percent of the volume of timber that burned. It didn't really burn that big of an area, because quite a large amount of it was small scrub with more swampy areas, which don't grow at all, or big wood.

MR. H. HARAPIAK: Is there much interest in that area for utilizing the waste or the burnt overarea as firewood?

MR. R. KIVISTO: Well, we have left some of the debris, the tops, for the Moose Lake people so that they can salvage the firewood from these tops. There is lots of available standing wood right next to the road which they can also use as firewood.

MR. W. MCKENZIE: Mr. Chairman, my question is just more or less curiosity. Do you operate under the metric system?

MR. R. KIVISTO: We get paid all on the metric system and we scale on the metric system.

MR. W. MCKENZIE: Is a cord of wood a metric term?

MR. R. KIVISTO: No.

MR. CHAIRMAN: The member wants to know what the meaning of the cord is.

MR. R. KIVISTO: No, it's not a metric system, it's a metre which is 2.405 times a cord, like one cord equals 2.405 metres.

MR. CHAIRMAN: The Member for Rupertsland.

MR. E. HARPER: Yes, Mr. Chairman, first of all I would like to say the two reports indicate that the Channel Area Loggers and also the Moose Lake Loggers are doing quite well. I would like to congratulate the people in both communities, but first I would like to make some comments to the reports indicated about it reflects I guess the character of communities. When you use words like absenteeism and in terms of when you talk about attitudes. There is also discussion as whether they're capable enough so the lack of responsibility. I think when Mr. Jones mentioned that we have instill those attitudes and responsibilities, I think that's, I would say a negative approach. I think what you would like to see happen in those communities is develop the human resources that are in those communities, rather than trying to instill or change attitudes of people.

I'd like to maybe ask Mr. Jones what the problems that he sees in those communities as they relate to absenteeism and what the causes are?

MR. H. JONES: Mr. Chairman, I think perhaps maybe it wasn't clear. I think I should have meant the installation of - I say responsibilities and attitude is maybe towards the worker that is just going into the work force, that is not familiar with the work place as such, sort of thing. I certainly didn't mean that they weren't responsible

enough. It's perhaps maybe the orientation in the work places I had in mind when I mentioned that.

MR. CHAIRMAN: Any other member? The Member for Swan River.

MR. D. GOURLAY: In this report, what percentage would be pulp wood as compared to saw log production?

MR. R. KIVISTO: Well, we don't have any control over which becomes saw logs or pulp. We cut wood strictly in tree length to roadside and we make the roads so that the trucks and the slashers can get to them and Manitoba Forestry Resources send in their team of slasher operators and they separate the saw logs from the pulp. Their foresters also determine which blocks we're going to cut and they at times want more pulp wood than saw logs so they pick a block that's got more saw logs in it according to size. If it's a stand of larger wood that they want, well, they pick a block that contains larger wood. If they want pulpwood, they pick a stand with very small wood and then they slash it all into pulpwood.

MR. D. GOURLAY: Do you have a rough idea what the percentage should be, do you have that kind of information come back to you from the plant?

MR. R. KIVISTO: It's approximately 60 percent to 70 percent saw logs that they can get out of our wood.

MR. D. GOURLAY: One other question, what is the inventory in the Moose Lake area? How long is it anticipated that Moose Lake can successfully operate there with their inventory that they have available?

MR. R. KIVISTO: From the present camp?

MR. D. GOURLAY: Yes.

MR. R. KIVISTO: I would expect that we could operate between 10 and 15 years. If we cut at the normal rate of 72,000 cords, we are probably good for 15 years from the present camp.

HON. J. STORIE: If there are no further questions, I would just like to close by saying that I think the year, 1982-83, for both Channel Area and Moose Lake have been very positive. I think that, like any primary industry I suppose, there are going to be fluctuations. We don't seem to be able to maintain stable prices with respect to forestry products.

However, I think that the report before you indicates that there is a strengthening of the operations. I hope that will continue. I would like to personally thank the Chairman of both the Channel and Moose Lake, the board of directors and to the people who continue to make this an important part of both of those communities. It is appreciated.

I should note that approximately 100 people were employed by these two operations in the communities of Moose Lake and Berens River and the Berens River area. It is a significant contribution to their local economies. The work that the board of directors and

the people put in on behalf of those communities is very much appreciated by the government and all involved, I'm sure.

MR. CHAIRMAN: I take it that it's the consensus of the committee to accept the Annual Report for 1982-83 for Moose Lake Loggers Ltd.—pass.

Is there any other business?

The Honourable Minister.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

HON. J. STORIE: Thank you, Mr. Chairman. I'll begin with the formalities and introduce the staff to members of the committee. On your immediate left, Mr. Chairman, is Mr. Hugh Jones, the General Manager of the Communities Economic Development Fund. To his left is Ms. Bernice O'Connor who is the new Chairman of the Fund. Continuing around is Mr. Alec Musgrove, the Assistant General Manager and Mr. Greg Goodwin, the Secretary.

I would ask perhaps Ms. O'Connor to begin with some opening remarks with respect to the Fund's year, '82-83.

MR. CHAIRMAN: Ms. O'Connor.

MS. B. O'CONNOR: Mr. Chairman, the report before you covers the activities of the Fund to March 31, 1983. The General Manager has brought along information by way of up-date, but before asking him to comment I would like to confirm the present board content and review some of its policy matters.

Because of other significant pressures on his time, Mr. Wood resigned as Chairperson on March 5th of this year. I must say, until the time I succeeded him in that position on March 7th, I did not fully appreciate precisely how much time this job entails. The board then at the present time is as you see on Page 5 of the report before you with the exception of Dr. Paul Duprez, who resigned on March 17th of this year. We have, therefore, seven members out of the possible eight in terms of the act.

Last year at this committee, we briefly reviewed three of the then principle policy changes. They involved the geographic widening of the Fund's mandate, accessibility to the Fund by Indians of Treaty status, and amendments of the authorization limits.

Since the geographic restrictions have been removed, we have approved eight loans south of the previous boundary. But as you can see, the declared emphasis upon the North is still very much in evidence, but we have been able to assist other communities which have difficulty in terms of access to capital.

We have approved only nine loans to enterprises owned by Indians of Treaty status on reserve. There was not any intention, of course, that the Fund would supplant other appropriate federal programs, but the board has concluded in these cases that adequate assurances of earnings and debt repayment ability existed. All the businesses concerned are progressing well with no problems foreseen at the present time.

The change in authorizing limits, for example, 150,000 for the board and 25,000 for Chairperson and/or

General Manager reflects a general higher average loan in the Fund, and it has enabled the decision-making process to better respond to need.

My colleagues on the board and I have continued to review the Fund's progress, and we recently concluded that some change was warranted in the long-established formula for the interest rate structure. We had been charging the same rate as the government charges its Crown corporations which today would be 13 percent. This rate, not surprisingly, has changed frequently in the terms of the marginal enterprise which we are obliged to assist within our mandate.

The board felt that some further adjustment was required. Accordingly, the interest rate fixed at the time loans are approved henceforth will directly be related to the Bank of Canada's own rate which today is approximately 10.82 percent.

Mention was made at last year's committee of the concentrated effort required to refresh communication between the Fund and the areas in the province which it serves. The board from time to time has continued to hold its meetings in Northern communities, but more recently we have directed the General Manager to commence well-prepared and well-advertised visits to the communities to clearly present the Fund's program.

Let me give you an example. Last month such a meeting was held in The Pas and an open meeting of 109 people attended and participated actively in the discussions and we subsequently received 41 requests for follow-up. The next such meeting will be held in Norway House next month and during the year I have directed that they continue throughout the North. The board continues to encourage staff to become involved in discussions with community and individuals even though the Fund itself may not be the appropriate source of capital. In other words, we support the notion that in many cases this agency can be a conduit with some effect.

The balance sheets specifics and administrative matters I will leave to the general manager, but before asking him to comment, Mr. Chairman, I would like to take this opportunity to express my thanks to my colleagues on the board for the considerable time and effort they expend on what is essentially a pretty tough job. My thanks also to the general manager and his staff for their hard work.

Now, may I ask Mr. Jones to summarize significant issues in our financial statements and briefly update the committee on our activities. After that, we would be pleased to deal with questions from the members.

MR. CHAIRMAN: Mr. Jones.

MR. H. JONES: Mr. Chairman, just to briefly highlight some of the significant issues in the report, on Page 5, as we do every year, there's the listing tabulation of the approvals and dollar amounts since '72 to March 31, '83. We've also listed the communities where we've been involved. Each year for the last three or four years, I've made the standard comment and I want to make it again that CEDF is essentially administered jointly with the Manitoba Development Corporation with common administrative expenses as indicated.

You can see, on Page 9, when we get to the balance sheet, the final subsidization of CEDF by MDC. Just a

little note, Mr. Chairman, on the Fund's Capital Supply. We've not been obliged to go back to the province for the current fiscal year and on the basis of the revolving nature of our overall capital - and it truly is revolving - of about \$8 million, we expect to see the same situation exists for 1985.

Undoubtedly, as Ms. O'Connor has mentioned, the commitments now are larger than they were three or four years ago, but in many instances so are the federal grants which play a large part in projects we undertake.

At last year's committee there were some questions raised on one item in one of the schedules to the balance sheet on Page 9 on the consultant's fees and expenses. In this report you can see there's a reduction of about \$41,000 from the previous fiscal year. Even so, Mr. Chairman, my opinion is that this is still significant but it is related mainly to assistance we seek from outside primarily accounting firms. In fact, the majority of the money is spent on accounting firms on behalf of our clients.

In one case in this particular year we spent some money on an architectural firm to give us some independent certification of construction costs on one of our projects in Lac du Bonnet.

Coming to allowance for doubtful accounts and the bad debt write-offs, I should comment that in the report before you the largest write-off was related to the old Pi-Mi-Chi-Ka-Mac Development Corporation loan which we did discuss at some depth last year. Again, I make the usual comment, the whole question of providing for doubtful accounts, we believe, not only does it have to be done, but is a prudent exercise and we assess on a very frequent basis in conjunction with the Provincial Auditor's staff from time to time businesses which have problems. There again I find it interesting to note to this committee, Mr. Chairman, that overall the Fund's ratio, success ratio, still remains somewhere between 79 and 81 percent despite some of the write-offs we've had in the last couple of years.

Just almost at the end of my comments, Mr. Chairman, on Page 13 on the Report of Assistance granted, I'd like to emphasize that not all of the names indicated in that list necessarily mean the loan offers have been accepted. I can give you one example fairly quickly. There's \$150,000 listed under the Interlake Reserves Tribal Council. That loan was approved by the board, the letter of offer was issued, but the group concerned chose not to accept it, so it never went ahead.

Also close to the top, Churchill Arctic Enterprises, we showed two bank guarantees and that could be a bit misleading for the committee, but they certainly were not running concurrently. One ran out on March 1, '83, and we went back into this business by support, my means of a bank guarantee of \$100,000.00.

Briefly, Mr. Chairman, for the year subsequent to this one, we've approved a further 49 loans for a total of about \$2.7 million. If I could conclude by adding my support to Ms. O'Connor's comments on the need to communicate with communities, and I truly believe we've begun a good process. I would hope by the time we meet again that we can report back to this committee, Mr. Chairman, on the result of visits to a very large number of northern centers.

Those are my comments.

MR. CHAIRMAN: Thank you, Mr. Jones.

The Honourable Minister.

HON. J. STORIE: Thank you, Mr. Chairman. I would just like to put into context what Mr. Jones and Ms. O'Connor have said. I think that we have to recognize that CEDF's mandate is to deal with those operations which, for whatever reason, have not been successful in securing loans through private financial institutions, namely, the banks. So we're talking about a group of loans, a portfolio of loans, which are by their very nature, somewhat risky. I think that the overall success of the CEDF for the year '82-83, which is in the neighbourhood of 80 percent is remarkable in light of the particular economic circumstances that the Fund and individuals who applied for loans were facing in that year. I think it's all the more remarkable when you consider that by far the vast majority of the loans are going into Northern communities and come into being without the same kind of assistance and resources that are normally available to smaller businesses in the south.

I'm not saying that there aren't resources available, but they are certainly much less accessible to businessmen, to enterprises that are established in remote communities. So it's important that we recognize that the Fund has maintained its reputation with respect to the analysis that it does for the companies. Our success rate is relatively high. I suppose it would never be completely acceptable until it was 100 percent, but given the circumstances, given the conditions under which businesses and individuals approach the Fund, I think their success has been remarkable. I know that there have been failures, there have been cases where the enterprise did not succeed, obviously for a variety of reasons and we tend to focus on those. But I think it's appropriate to commend the board of directors and the staff for the job they do because the majority succeed and for this government it's particularly important to be able to encourage and to support small enterprises in our rural and Northern areas.

As Mr. Jones has indicated, the Fund has supported approximately 49 loans in the current year compared to 31. I think that indicates as well the improvement in the economy. There are more opportunities out there and I anticipate fully that we'll be able to come back next year with a report that has shown the progress that the board has made.

Two significant things that were commented on and I have encouraged and the board I think has encouraged me and supported me are with respect to communications. The meeting that was held on April 25th in The Pas was a success. I was not able to attend. The Honourable Member for The Pas was able to attend on my behalf, but the comments, the response from the people was tremendous. They understand the mandate of CEDF, and I think are very pleased with the new attempts to communicate what the Fund is doing, what's going to be available with respect to their particular business interests.

So as the Chairman of the Board indicated, we are going to continue with that, because we see CEDF having a very important role to play in the development of Northern business interests. So we are going to continue with the communication part of it. We intend to be out there, saying, this is what we can do for you, and certainly looking to expand the base of many of

our Northern communities which CEDF has done very effectively over the past number of years.

The other issue that I would comment on is the board's decision, and a good one I think, to lower their interest rate to reflect the Bank of Canada rate. That will make, I think, certainly the borrowing of money more attractive and, in the long run, will not detract significantly from the revenues to the Fund, and will I hope stimulate the interest. I understand from The Pas meeting, there were some 41 inquiries with respect to opportunities with the Fund.

So I think we are approaching this aggressively in terms of communication, cautiously as always with respect to the approving of loans. But I hope to be able to report further and I know the board hopes that we continue to have an improved success rate and, with the broader mandate as it were, a more effective role even still in the development of our Northern community.

So with that, I would certainly invite questions.

MR. CHAIRMAN: The Member for Swan River.

MR. D. GOURLAY: Thank you, Mr. Chairman. Referring back to Ms. O'Connor's opening remarks with respect to policy changes, first of all geographic. I understand that the Fund is available for anyone within the province?

MR. CHAIRMAN: Mr. Jones.

MR. H. JONES: Legally, Mr. Gourlay, yes, but two things. The emphasis is clearly on the North, and we certainly never have made loans in Winnipeg. I couldn't foresee the day when we would but, apart from that, it's open.

MR. D. GOURLAY: Apart from the City of Winnipeg, have you been receiving many inquiries from southern Manitoba?

MR. H. JONES: We have and we do continue to receive a lot of inquiries, Mr. Gourlay, from southern Manitoba, but I think - I'm trying to remember whether it was Ms. O'Connor or myself - we indicated to you that in fact, the last year and the year reported before you altogether south of the previous boundary, we've only approved 17 loans in the south. So we have to take into consideration the better access to conventional sources, and we do. But people in the south are not prohibited from coming to the Fund, and we try to help them in perhaps redirecting them to banks or whatever. We try to be careful in allocating the major portion of the capital to Northern Manitoba.

MR. D. GOURLAY: I didn't remember the reference to 17 or so approvals. I was just wondering the number of other inquiries you may have received and, as you indicated, maybe redirected to other sources of financing.

With respect to making loans available to Treaty Indians on reserves, I believe Ms. O'Connor indicated that there had been nine approvals this past year. Is that right?

MR. H. JONES: I'd say that was for the last two years, Mr. Gourlay. In the year ending March 31, 1983, there

were six loans approved, commitments made to Treaty Indians on reserve. Then the year ending March 31, 1984, there were another four loans.

MR. D. GOURLAY: What impact has this had with respect to making funding available to Treaty Indians through the appropriate federal agencies? I know that you make reference to it in your Annual Report. As I recall, in previous years, the federal agencies never really made much money available to Treaty Indians. Now that the fact that CEDF is involved in granting loans, has this had any impact on the federal people? Have they withdrawn or increased their level of funding as well to Treaty Indians?

MR. H. JONES: I have frankly not seen that much of a change. I made some fairly devastating criticisms at the last committee meeting, so I had better be quiet about Indian Affairs. It gave me a bit of a shock when I reread it last night.

Really, Mr. Gourlay, there hasn't been that much of a change. If you look in terms of the dollars approved by CEDF and the numbers of loans, they're really very small. Indian Affairs Economic Development Program as far as I know and as far as we know is still active.

The Fund's board has chosen to look at certainly the specific ones here in relation to a number of things not least, and I would continue to make this criticism, the way the Fund is able to as a mechanism make decisions more quickly. I have observed in the last year that's been one of the main problems that the Treaty Indian people have experienced through Indian Affairs. I think it's just the way the system works.

Really answering your question, I have not seen that much of an impact. I have not seen any significant withdrawal by Indian Affairs.

MR. D. GOURLAY: With respect to securing the loans on reserves, I wonder if you could comment on that. Has there been any great difficulty getting the expected kind of security on the loans on Indian reservations?

MR. H. JONES: There has been no change in that process, Mr. Gourlay. Where we are financing equipment, for example, we insist and we have done for the last couple of years that the instrument will not be a chattel mortgage but a conditional sales agreement which does give us some better rights in terms of access onto the reserve, because title doesn't change. But there has been no change in the legal process for taking security.

The Fund's board and the staff have tried to take a - we continue to recognize that it is a problem, and I don't know how we surmount that. We have taken the view - for example, in one of the larger loans we made in the fiscal year just ended, it's a loan - and I did refer to this last year. I want to use it as an example in terms of security. It's a conglomerate of eight Indian Bands, a very healthy business indeed, and the earnings that we projected, frankly we were wrong on the wrong side which is always a very pleasant surprise for us. They are making considerably more money than we expected. So that the repayment ability, the management is good and so on. That's an intangible in terms of real security, but the physical security

certainly is not there. We take the instruments, but it really isn't of that much value. So we try to use a different measurement.

We take a harder judgment on management capability and a harder judgment on what the business potential can be. — (Interjection) — That's it. We try to be, Mr. Chairman, like a bank and we lend on cash flow.

MR. CHAIRMAN: The Member for Minnedosa.

MR. D. BLAKE: I just have one or two questions, Mr. Chairman. On page 9, the director's fees and expenses, could you give me some idea of what the director's fees are?

MR. H. JONES: The director's fees have been set at the same level for many years, Mr. Blake. They are \$3,000 per annum. I believe they're paid on a monthly basis now, so it's \$250 a month. Those are the fees. The expenses of course are strictly out of pocket expenses and because we have many members in the North and out of Winnipeg, those expenses are necessarily high.

HON. J. STORIE: Mr. Chairman, I would conjecture that the Member for Minnedosa is looking at the increase of some \$8,000 in terms of the expenses to the director's fees and would like to comment that, if you will notice who is on the board of directors of CDF, the chairman is from Churchill. We have representatives from Norway House, God's Lake, Red Sucker, Matheson Island. I think what we have done is drawn a number of very capable people from across the North. It's increased our expenses in terms of what the director is being paid and the expenses that go those to attend the CEDF Board meetings, but I think it's given us a better perspective in terms of the loans that we're approving. I don't like to play up the fact that there is a northern perspective and an understanding of what makes a business successful in North.

Coming from the North, I'm sure the Member for Minnedosa who has had some familiarity with it understands that there are some differences, that there are different factors to be taken into consideration and the fact that there is a small increase in expenses is certainly not a concern of mine. I think the board of directors is representative of the North in that their perspective has added to the success that there has been.

MR. H. JONES: If I could add to the Minister's comment on that. One of the other reasons for that increase, Mr. Blake, is that we're having more out-of-town board meetings, that getting that group of directors together to go to community X does cost money, because there is always an overnight stay. That's really frankly the prime reason.

MR. D. BLAKE: I think, Mr. Chairman, the Minister got a little overly defensive there. I was just asking for information, I wasn't being critical at all of the additional expenses. I realize what the expenses are and I'm not critical of that at all. I was merely asking for information to have it on the record of what the directors were paid for their efforts.

Another question, interest-free loans that you commented on earlier, could you give me some idea of how many there are and when do you assess it as being a viable operation and start applying interest, and when do you decide that it should be a grant rather than a loan?

MR. H. JONES: Two things, Mr. Blake. No. 1, we don't intentionally at any time make grants. Sometimes it inevitably looks that way and they turn into non-repayable situations. Also we don't make - I hope I didn't comment on interest-free situations - you can see on Page 13 that Pi Mi Chi Ka Mac had two demand loans approved and they were interest free. That frankly, and I wish that hadn't had to be put in there that way, but they were very special situations where we were trying to assist by means of debt financing, which frankly proved to be the wrong way, a community project and to have set that demand loan with any kind of interest was frankly an untenable situation. There's no way they could have repaid it, but that was really unique and we do not intentionally make grants. We're not permitted to under the legislation.

MR. D. BLAKE: Thank you. Just another question, in the provisions for losses, I had expressed an interest to Mr. Jones a few days ago on one potential loss, a camp on Elbow Lake and I just wondered if the situation had changed at all or if he would have had some good offers that are going to see him bailed out without suffering a loss?

MR. H. JONES: I can't remember the exact number of offers. I can check with Alex and Greg in a minute. The closing date, and you're talking about the Wilderness Camp on Elbow Lake, for accepting offers is May 10th. We have, I think, about 14 or 15 offers of varying merit. We'll be making a decision of May 10th, but there are some in there that are really worth looking at.

MR. CHAIRMAN: The Member for Rupertsland.

MR. E. HARPER: Mr. Jones, you mentioned that you had some problems in terms of getting access to the reserves under security. I know that's the problem with Indian reserves because I myself had some dealing with the banks and institutions in terms of trying to get security. What kind of security do you ask for? Do you request that maybe a Department of Indian Affairs send a letter or what's the procedure or what are the requirements?

MR. CHAIRMAN: Mr. Jones.

MR. H. JONES: Mr. Harper, we've tried over the years with no success whatsoever, and perhaps it was not from a philosophical point of view the best way to do it, but the board of the fund said to me, talk to Indian Affairs from the point of view of at least getting 50 percent of our exposure guaranteed by the Federal Government, but we could not do that. Apparently CEDF as a provincial Crown agency does not qualify to receive those kinds of guarantees. So we've given up that notion completely, we just don't ask anymore because we know it's useless.

In effect, Mr. Harper, all we get that's of any value is a promissory note, a promise to repay. If it's a piece of machinery, the Fund itself buys it in the Fund's name and sells it back on a sales agreement to whoever the Indian person is. Those are the only two valid pieces of security we can take.

MR. E. HARPER: In terms of CEDF, how many loans have been received from the bands. I realize you made some approvals within the last year and other previous years, but were there more applications received from the reserves?

MR. H. JONES: Mr. Chairman, if I could just delay the answer, I'll just get the facts on that and we've got the information here. I'll give it to you in a minute.

Just one comment, Mr. Harper, we have not to my knowledge received any applications from the bands themselves as entities, and quite frankly I think that's probably a good thing because if an Indian band is going to an economic development project, we try to encourage them to form a development corporation so there's some arm's length entity, but we'll get you the answer to that question.

MR. CHAIRMAN: In the meantime, while we are waiting for the information, the Member for Swan River.

MR. D. GOURLAY: With respect to the loans paid to Pi Mi Chi Ka Mac at Cross Lake, is that operation now defunct or what is the situation there?

MR. H. JONES: Quite frankly, Mr. Gourlay, I'm not sure. I wonder whether the Minister is aware. When CEDF bowed out of the picture, it wouldn't be fair to say we lost interest, but I've lost - and that's not true, we did - I really don't know what the current status is, maybe the Minister has some comment on that.

HON. J. STORIE: I never liked to hear that phrase from CEDF that they've lost interest but . . .

MR. H. JONES: I mean the interest rate.

MR. D. BLAKE: Old bankers never die, they just lose interest.

HON. J. STORIE: I don't believe it is functional at the current time, but I stand to be corrected on that as well. That's my impression.

MR. D. GOURLAY: Does CEDF have any security on the equipment that is obviously still there, I would expect, on the sawmill itself?

MR. H. JONES: I'm trying to refresh my memory now. I think you asked me this question last year, Mr. Gourlay. Technically - maybe do you want to answer this question in terms of the security? Mr. Gourlay's asking, what security do we have, if we have any, in the equipment we financed.

MR. CHAIRMAN: For the purpose of the record, Mr. Musgrove. Speak to the mike, please.

MR. A. MUSGROVE: We have a chattel mortgage, and there was some charge on the equipment. Is that the question?

MR. D. GOURLAY: Yes, there are two loans involving some \$43,500 in one case and \$110,000, and I was wondering, the mill apparently is not operating, but it's still sitting there, and I was just wondering what kind of chattel value there may be in that.

MR. A. MUSGROVE: We have never been able to establish what the value was of any equipment that was left over. It was decided that we would not take any action to seize any equipment. We thought we'd leave it there for the operation. We understand now that the operation is using some of this equipment, so we never did seize the equipment.

MR. CHAIRMAN: I believe Mr. Jones now has the information for the Member for Rupertsland.

MR. H. JONES: No, I just wanted to add something, Mr. Chairman, to Mr. Musgrove's comments for Mr. Gourlay. We tried to assess the value over a year ago, the value in terms of us removing the equipment from the community which, of course, is always a very expensive process.

There are two reasons why we didn't. One was that through assistance from elsewhere in government, if the community did try to persist with this operation - and I've just been advised. I had forgotten this too. There is some fresh money that has recently been approved, I gather, federal money from the Northern Development Agreement to attempt to reactivate that sawmill operation on a smaller scale.

You're quite right. The Fund does have standard security on that sawmill equipment and we could have taken action under that security, but the Fund's board resolved we wouldn't do that, we would let it sit there, because the cost of doing it, the recovery would have been absolutely minimal. So it's something that the board in its discussions just made that kind of decision.

Does that help?

MR. D. GOURLAY: In that event that mill can, in fact, start up again and get back into business with some help from the Northern Development Agreement, is that actively being pursued at the present time? Is it anticipated that mill would be relocated within the area to get back into business, or what is the situation there?

MR. H. JONES: I was going to suggest if it's acceptable to you, Mr. Gourlay, and to the Minister, we could take that as notice, because we could find out from the Northern Development Agreement people precisely what their intention is in the recent grant. I would like to get some factual information, and then report back to you.

MR. CHAIRMAN: The Honourable Minister.

HON. J. STORIE: I guess in terms of our business here today, as far as CEDF is concerned it's no longer interested in the particular operation, the funds are coming from another source. I am not sure whether

they have been granted or not. They may have been granted, but I still don't think that the thing is operating at this point, but again, it's outside the purview of the Community Economic Development Fund at this point.

MR. D. GOURLAY: Mr. Chairman, I'm wondering, what is the status of these loans then? Is the CEDF just abandoning the possibility of recovering some of their funds? In the event that this mill starts up again with new funding, what becomes of the status of the loans that are on the books? Are they just written off, or what is the situation there?

MR. H. JONES: Actually there was considerably more money than the two loans you see listed here, Mr. Gourlay. Approximately, running the figures out, about \$600,000 was invested in that operation.

That amount has been completely written off, but that does not mean that if there is a revival in the future and the entity's still there, we don't have the legal right to go back and claim that money. I think it is a very remote possibility.

HON. J. STORIE: Just to add to that, I suppose the situation, as Mr. Jones has indicated, is that the recovery would not have been a significant amount if we had moved in. The chance for a revival was there, and the request of course was to stay proceedings as it were until the Northern Development Agreement would make a decision with respect to additional funding to see if it could be reconstituted in some form. So while we still maintain an interest in it, I guess we will have to wait and see what success any restructuring has with respect to the operation. At that time, I suppose it would certainly be possible for the Fund to restate its interest in the asset.

MR. H. JONES: Mr. Chairman, I have an answer for Mr. Harper. He asked what we have in the system from Treaty Indians. We have only three applications currently under review, they haven't got to the board yet: one from Red Sucker Lake, one from Easterville, and one from Norway House. They're under review. I think they are probably a couple of months away from decisions.

MR. E. HARPER: Oh I see, I was asking about the other part which is, are there any applications that have been not approved within the last year? I just want to get the amount. I wanted to find out whether the reserve corporations or whatever are . . .

MR. H. JONES: For the year in this report, we approved six loans for \$237,500.00. Now that included the Interlake Reserves Tribal Council which they didn't accept it. In the year following, four loans rounding the figure out, \$348,000.00.

MR. E. HARPER: But you haven't disapproved any applications at all that came from . . .

MR. H. JONES: I can't think of anything that we declined that has come into us in the last year or so. We have declined no applications from any Treaty entity that I am aware of.

MR. E. HARPER: Okay, that's what I wanted to find out.

MR. CHAIRMAN: The Member for Swan River.

MR. D. GOURLAY: Thank you, Mr. Chairman. I notice on Page 6, you made reference to the fact that the board has direct financial involvement in the Lake Winnipegosis Development Corporation. I wonder if you could elaborate further on that financial involvement by the board in Lake Winnipegosis.

MR. H. JONES: Let me clarify that, Mr. Gourlay. I've said, if I go back to the beginning of the sentence, "The Fund maintains its non-lending activity with representation," that's board representation by either CEDF directors or staff and there were two companies there I mentioned, "as well as on board where the Fund itself has a financial involvement." I'm sorry it's a cumbersome sentence. What's meant by that is that CEDF has been and is heavily involved in lending money to that corporation, and the Fund under its act has chosen to appoint to the board, or they had to that company, one of our own directors and one member of the staff of CEDF as an extra means of - oh, I'll use the word "control" or flow of information. I'm sorry if that's a bit cumbersome.

What is meant is that the Fund loaned money to Lake Winnipegosis Development Corporation and one of the conditions of lending the money was that we would have representation on that community board.

MR. D. GOURLAY: Mr. Chairman, then could the general manager elaborate further on the types of operations, the undertakings that that development corporation is involved in.

MR. H. JONES: The only one - the loan was approved early in 1983 with a combination of federal money through Special ARDA and the only activity was sawmill and lumber harvesting. The entity is called a development corporation, but the only business it undertook was that.

MR. D. GOURLAY: This corporation is not involved in any way with hotel development at Winnipegosis?

MR. H. JONES: Not in any way to my knowledge.

MR. D. GOURLAY: There's no funding involved by CEDF in the hotel project?

MR. H. JONES: There is another company, not this company, I think it's called Winnipegosis Holdings Limited, which is involved in attracting money from another provincial program, not CEDF. There is no linkage, Mr. Gourlay, with this one.

MR. D. GOURLAY: On Page 5, it mentions Winnipegosis, two loans totalling \$754,000.00. These are the same applications you referred to earlier with respect to the sawmill, is it?

MR. H. JONES: Sorry, Mr. Gourlay, what page is that?

MR. D. GOURLAY: It's on Page 5, where it lists the number of loans and it's got Winnipegosis two loans, total of \$754,000.00.

MR. H. JONES: Well, one of them was this Lake Winnipegosis Development Corporation, the sawmill. It was the acquisition of the old Winnipegosis Box and Mill Company for a \$650,000.00 loan from us, but there is another loan in that community as well, not this one at all, separate individual.

MR. CHAIRMAN: The Member for Minnedosa.

MR. D. BLAKE: I just had one or two questions. I see it pretty well answers it on 5, with the types of operations that Fund is involved with, but where is the Beef N Reef Restaurant?

MR. H. JONES: It's in Lac du Bonnet.

MR. D. BLAKE: It's in Lac du Bonnet. It sounds like a pretty fancy restaurant, I'll have to drive out there sometime.

Okay, the other ones, I was just wondering what type of enterprises you were involved in and it pretty well covers it on Page 5.

MR. W. MCKENZIE: Mr. Chairman, I wonder can Mr. Jones give us some idea of how the Churchill Research Centre is operating. We had a long discussion on it last year and I understand the CEDF has a member on the board, just briefly how it's functioning.

MR. H. JONES: It's gone through, Mr. Chairman, a little bit of trauma in the last year to the extent that it uses and so on, as we all talked about at the last committee, Mr. McKenzie, is still there and is still attractive to students in academics from all over the country. We have commented from time to time, there was no long-term funding base and we've attacked this from time to time, or at least the Fund has helped to attract money from grant foundations and whatever, because of the steady economy we weren't so successful last year. The then Minister for the Fund agreed that some real strategic work had to be done and an interdepartmental committee of the government was set up to review the whole operation: where it is, where it should be, how we get to where it should be. That committee has been working for the last five or six months and has come up in the last couple of weeks with its final report and recommendations to the government. That now will be circulated to the Churchill Research Centre's Board which is a mix of one from CDEF, the community and the universities and that will be reviewed, so I would hope it would be a long-term project.

MR. W. MCKENZIE: Thank you, Mr. Jones. The next question is on Page 9, the Salary and Employee Benefits, I notice there is an increase of some \$130,000, is that an increase of SMYs?

MR. H. JONES: No, Mr. McKenzie, one previous member of the professional staff was transferred back to MDC for Destination Manitoba and in his place we did take on one. So, overall, there has been no change. That really reflects the adjustments under the MGEA Agreement.

MR. W. MCKENZIE: One final question, Mr. Chairman, on the 6th page it's mentioned the doubtful accounts

increased, that six were written off. I wonder, could I ask for the list of those that were written off during the year ending March 31, 1983.

MR. H. JONES: With your permission, I'm going to pass this back to our Treasurer and he can take a look at the list and give you the answers.

MR. CHAIRMAN: Are there any more questions? While they are looking for the information, we might as well deal with some of the questions.

The Member for the Pas.

MR. H. HARAPIAK: Mr. Chairman, just last week, Mr. Jones and Mr. Goodwin and our chairperson, Mrs. O'Connor, were in the Pas and I was pleased with the response they have received in the community and I have heard some very favourable comments on the meeting since that time. I just want to say that I'm also pleased with the change in policy - and I should direct it to the Minister - where your Treaty Indians are now being accepted into the Fund and they're eligible for loans. I think they are all citizens of the province and the funds should be available to the Treaty people and I'm glad to see that policy was changed. During this public meeting, there were also some questions on the utilization of local law firms to carry out the business. I'm wondering if you've had an opportunity to give that any more thought to see if local offers can be utilized.

MR. H. JONES: As soon as I got back, Mr. Harapiak, to Winnipeg, I immediately had a meeting with our legal counsel and we stood in the process of discussing this. Certainly from his standpoint and he's appointed with the approval, as you know, of the Attorney-General's Department - his job at all times is to protect the interests of the province for this provincial agency. He has no objection whatsoever, suggested to me on an experimental basis that we use northern counsel. I still have to discuss that with the A-G but one thing that still does concern me, I know it was raised a number of times in that open meeting in the Pas, where in the North, and in fact there was a legal counsel present and he suggested that he could act quite correctly for the client in the North who was getting money from the Fund and also act for the Fund. He seemed to downplay the conflict situation that would arise in that case, and all I can say to you at this stage - we have not finished reviewing it - is that our own legal people are very concerned about the kind of position that would place that lawyer in.

The objective, Mr. Chairman, is to do two things: to speed the process of getting the money that's been approved out to the northern business; and secondly, to minimize the legal costs, which the borrower has to pay, and that is a concern. It's been a concern of the board and of mine for a long time, and we simply have to address it, and we are. So the process is being reviewed and I would expect to see some changes.

MR. H. HARAPIAK: Mr. Chairman, through you to Mr. Jones, I would suggest that when you're looking at examples that you possibly check in with the Federal Farm Credit Corporation. They utilize legal counsel, one counsel for both the customer and the Farm Credit

Corporation, and it seems to be working without too much difficulty. So I think that if you were looking for an example of where it is working or can be worked, then I think you can look to there as a source of information.

MR. H. JONES: Certainly, that's one of the better examples, and yes, we will. As you remember, at that meeting I got a lecture from some of the bankers present. I better be careful because Mr. Blake is listening.

MR. D. BLAKE: It's okay, I'm on pension.

MR. H. JONES: They said many times, "What's the problem CEDF, we do this all the time? But because a bank does something, it doesn't mean to say it's right.

The problem that we face is that, as the Minister said at the beginning, this is a very high risk program, and where we run into a default situation and sometimes not because of the dollar amounts but the complexity of the receivership and so on, we have to be so careful that the advice that's given to the people borrowing money from the Fund is independent from the advice that we get from our lawyer.

Let me give you an example, Mr. Harapiak. If we're lending to a limited company we always, like any other lender, ask for the guarantee of the owners of the company, and the guarantee of the husband and wife for example. When they execute that guarantee it is expected, as a normal process, that they be advised independently what that means, and there can't be independence when you've got one acting for the same, but that's not to say we're not going to pursue it and we will.

MR. CHAIRMAN: The Member for Minnedosa.

MR. D. BLAKE: Just to clarify that, Mr. Jones, there's a requirement under The Bank Act that under a guarantee over \$50,000, even if it's a wife guarantee on a husband's loan you have to have a certificate of independent legal advice that she fully understands the commitment.

MR. H. JONES: I'm sorry, I was hoping you were ready to answer the . . .

MR. D. BLAKE: No, no, I was just clarifying the guarantee. It's a normal practice that has to be obtained.

MR. CHAIRMAN: Now we are ready for the information.

MR. H. JONES: I'm sorry, Mr. Chairman, I wish we were. I'm going to have to supply this in writing to the committee. I thought we had the listing here, but we don't.

MR. CHAIRMAN: We don't? Any other concerns?
The Member for Swan River.

MR. D. GOURLAY: I wish to clarify a point, Mr. Chairman. Did Mr. Jones indicate that the Churchill

Research Centre report would be available to us in the near future?

MR. CHAIRMAN: Mr. Jones.

MR. H. JONES: I could ask Mr. Goodwin - what are you on that one, secretary?

MR. CHAIRMAN: Mr. Goodwin.

MR. G. GOODWIN: Yes, Mr. Gourlay, the financial information for the fiscal year ending December 31, 1983, because we asked for an audit, last year hasn't quite been completed yet. Once that is finished we can send copies to the committee and everyone who is interested in the setup.

MR. D. GOURLAY: Also on Page 5, it makes reference to the number of loans in the community and the amounts of money approved, and I think earlier in these discussions today it was mentioned that one loan approved for \$150,000 was not taken up by Interlake Tribal Council.

MR. H. JONES: Yes, that's correct.

MR. D. GOURLAY: Is that the same one as for Ashern?

MR. H. JONES: Yes, that's the one.

MR. D. GOURLAY: Are there any other loans that were approved that have not, for whatever reason was not taken up, in addition to this one?

MR. H. JONES: On that listing, Mr. Gourlay, I think that was the only one that was - yes, that's the only one that was offered and not accepted.

MR. D. GOURLAY: As I recall, the application from the Interlake Tribal Council was for the operation of a lumber yard in Ashern.

MR. H. JONES: It was the purchase of the Ashern Lumber Company.

MR. D. GOURLAY: Is that operating under the ownership of the Interlake Tribal Council, or what is the situation there?

MR. H. JONES: No, the sale never went through.

MR. D. GOURLAY: Oh, I see, so that's a dead issue then?

MR. H. JONES: Right.

MR. D. GOURLAY: I have no further questions. I would like to thank the board for giving us information this morning and you will be sending some details to us in writing at a later date.

Thanks.

MR. CHAIRMAN: Does the Minister want to make a final comment?

HON. J. STORIE: Thank you, Mr. Chairman.

I would be remiss if I didn't thank the staff of CEDF for their continuing hard work in support of the Fund. The new chairperson has a big task before her. I think that the coming year, as has been indicated for the year 1983-4, there is an increased number of loans being offered by the Fund. I think that indicative of the increasing enthusiasm with respect to the economy of the province. I think things look a little brighter and it puts a heavier load on the Fund.

I'd also like to congratulate the Fund and the Board of Directors for their initiative in the changes in policy that they have made, both respect, as was commented earlier, to the making available of loans to individuals

and groups on reserves, as well the changes to the Fund's interest rate, I think is going to be an important incentive for the development of northern businesses, along with their new direction with respect to communication and their pro-active stance with respect to getting out to the communities and offering their services to entrepreneurs. I think it bodes well for the future and I would like to thank them on behalf of the government for their diligence and their hard work. No expense to you, Dave.

MR. CHAIRMAN: What's the pleasure of the committee with respect to the . . .
Committee rise.

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