



Third Session - Thirty-Fifth Legislature  
of the  
**Legislative Assembly of Manitoba**

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**STANDING COMMITTEE**

on

**ECONOMIC DEVELOPMENT**

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39-40 Elizabeth II

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*Chairperson  
Mr. Bob Rose  
Constituency of Turtle Mountain*



**VOL. XLI No. 2 - 10 a.m., THURSDAY, APRIL 16, 1992**



**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Fifth Legislature**

**Members, Constituencies and Political Affiliation**

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<b>NAME</b>	<b>CONSTITUENCY</b>	<b>PARTY</b>
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Guizar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward	Portage la Prairie	PC
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Ciif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda, Hon.	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PENNER, Jack	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric, Hon.	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary, Hon.	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**

**Thursday, April 16, 1992**

**TIME – 10 a.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Bob Rose (Turtle Mountain)**

**ATTENDANCE - 10 – QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Downey, Enns

Messrs. Evans (Brandon East), Helwer, Lamoureux, Lathlin, Reimer, Mrs. Render, Messrs. Rose, Storie

**APPEARING:**

Gordon Trithart, Secretary, Moose Lake Loggers and Channel Area Loggers.

**MATTERS UNDER DISCUSSION:**

To consider: the Annual Reports of the Channel Area Loggers Ltd. for the years ended March 31, 1990, and March 31, 1991, and the Annual Reports of Moose Lake Loggers Ltd. for the years ended March 31, 1990, and March 31, 1991.

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**Mr. Chairperson:** Order please. Will the Committee on Economic Development please come to order?

When this committee last sat on February 27, 1992, we were considering the 1990 annual reports of Channel Area and Moose Lake Loggers. We will continue to consider these annual reports as well as the 1991 annual reports for both corporations.

Copies of all four reports are at the front of the table here if any of the members wish a copy.

Does the minister responsible have an opening statement for the 1991 annual reports?

**Hon. James Downey (Minister responsible for The Manitoba Natural Resources Development Act):** Yes, Mr. Chairperson, if I understand correctly, we will deal with the 1989 and '90 Channel Area Loggers and the 1990 and '91 Channel Area Loggers. Before I make my comments, I would like to introduce the ADM for Northern Development, Brenda Kustra, who is with us this morning; Percy

Williams who is the Manager of the Economic Development Branch, and Gordon Trithart, who is the secretary-treasurer of both Channel Area and Moose Lake Loggers.

(Mrs. Shirley Render, Acting Chairperson, in the Chair)

The reports that I am dealing with this morning, particularly with Channel Area Loggers to start with, Madam Acting Chairperson, is, as I said, the 1989, '90, '91. The government in co-operation with the communities have been working over the last few years, two years particularly, to have the communities fully take over Channel Area Loggers, so this will be the last report as it relates to Channel Area Loggers.

The transition, I can report, has gone very smoothly. The community was very supportive of it, and I understand from recent reports that the individuals who have accepted the responsibility and now are working directly with Abitibi are doing so quite successfully. Any further communication I get as it relates to the successes of the Channel Area transition to the community I will report to the members.

As the report indicates, and I will deal with the 1989-90 to start with, we saw again a substantial loss in the corporation of some \$179,000, which is due in part to several things: (1) the fact that we had a major difficulty with some of the sizes of the woods that were produced under the management of the time, which cost us a substantial amount of money in re-sorting, so that the wood supply was acceptable to the Abitibi company. Secondly, there was a fairly major expense in road construction which had to be undertaken to get into new cutting areas. The reason for getting into new cutting areas—I want to welcome my colleague the minister responsible for allowing these individuals to cut wood, the Minister for Natural Resources (Mr. Enns). The fact that they had severe forest fires in that community caused the need for additional roadwork to take place to get to new wood supplies. As I said, that pretty much sizes up the 1989 and '90.

\* (1005)

I will go to the '90 and '91 report where again we saw basically the same level of employment, but again a substantive loss which was incurred due to more road construction and various costs that were incurred by the corporation. We as well under both years had carried out seedling plantings, which is an important part of any forestry operation and, again, I want to thank the Minister of Natural Resources (Mr. Enns) and the Department of Natural Resources for their co-operation with the Channel Lake community to assist with the replanting, creating employment, but as importantly, re-establishing some of the harvested forested areas.

That, Madam Acting Chairperson, is my opening comment as it related to Channel Area Loggers, and I ask for support by members of this committee.

**The Acting Chairperson (Mrs. Render):** Thank you, Mr. Minister. Does the critic of the official opposition have an opening statement?

**Mr. Oscar Lathlin (The Pas):** No. I do not have a big speech. I really do not have, at least as an individual do not have, too much to say on the '89-90 report for both projects. I would be interested in going into the 1991 reports.

The one question I would have for Channel Area Loggers, Madam Acting Chairperson, would be to ask the minister: Since March 31, 1991, I am interested in knowing the number of jobs that were in Channel Area Loggers at the time, March 31, 1991, and if the minister has any information as to how many jobs are still there as of today.

**The Acting Chairperson (Mrs. Render):** Excuse me, Mr. Lathlin, do you want to just move the mike right in front of you when you do speak? You have a soft voice.

**Mr. Lathlin:** Yes, Madam Acting Chairperson.

**Mr. Downey:** In 1989-90, retained 22 employees, of which 80 percent were of aboriginal ancestry; 1990-91 were 21 employees, and it is my understanding, though I do not have the direct, absolute information, that there are approximately the same number there today, probably 20 to 22 people. It varies a little bit as to the activities they are carrying out, but approximately the same number of individuals.

**The Acting Chairperson (Mrs. Render):** Does the critic for the second opposition have an opening statement?

\* (1010)

**Mr. Kevin Lamoureux (Inkster):** Yes, Madam Acting Chairperson, I did want to put a few concerns on the record. You recall, back in April of '91, our critic, Mr. Alcock, had raised some concerns in regard to what the government's real intentions were with Channel Area Loggers. As the Minister alludes in his opening remarks, he makes reference to the government's intentions to get out of the Channel Area Loggers and is basing his arguments on that it has been losing money now for a number of years. I understand that they are looking at Abitibi-Price possibly doing the contract work as opposed to going through the Channel Area Loggers, which causes some concern because, after all, this is a major employer for that area of the province.

There is some concern in terms of the future development of that area and those jobs, the potential for job losses and assurances from Abitibi-Price in terms of what would be coming from that area. The government has chosen, and we would like to get further information as to why the government has chosen, to leave the Channel Area Loggers.

He makes references to the losses over the past couple of years, but one has to concede that in order to have some form of economic development, in some cases you have to be prepared to invest tax dollars, especially if you are talking about job creation in rural Manitoba.

Having said that, Madam Acting Chairperson, we would just as soon deal with the two annual reports as one and ask the questions regarding the first and second annual reports, and then, after the questions are done, pass both reports at the same time.

**Mr. Downey:** Yes, Madam Acting Chairperson, as it relates to the Channel Area Loggers, I will try to help the member along so that he is not put in an embarrassing political position with the community. There was a community meeting held in Channel Area Loggers, and I do not have the date, but it was held several months ago with the Deputy Minister of Northern Affairs and staff who are responsible for Channel Area Loggers several months ago. At that time it was a decision of the community that they were desirous of taking over the responsibilities of operating the Channel Area Loggers operation if the province were to turn it over to them and assist them in making an arrangement with Abitibi to deal

directly with them. That, I can report, has taken place.

The commitment of the province was to further support the road development into some wooded areas which were needed for resource recovery. As I have said, that has taken place in full and absolute total consultation with the community, and to my understanding, reports are the community is extremely pleased with that process. It will, it is my understanding, remove the overhead costs or the losses that have been incurred by the provincial taxpayers, which I would hope he would be supportive of as well. In doing so, we are still maintaining, or the operation there, is still basically maintaining the same number of people employed, which I think is again a very important aspect of it.

We want employment, we want to do so as efficiently as possible and the direct linkage now between Abitibi and the community, as I understand it, is working successfully. So I say to my colleague, I am trying to report as it has been reported to me, I think the strategy that was developed by both the community and the department has been successful. The understanding that I have, and I could be corrected by some of the members who have been here previously, is that it would have been the intention of the initial establishment of organizations such as Channel Area Loggers that it would not be forever and a day operated by government, that the communities would in fact have the opportunity to operate them as their own operation.

It is my understanding as well today that there are something like 90 percent of the opportunities and little jobs that are there in Channel Area which are of local nature. Some of the problems previously, as it related to the operations, were outside activities and operators coming in and taking away some of those jobs. Now, because it is more controlled directly by the community, it is a benefit to that community.

\* (1015)

I thank the member for his interest and his inquiry, but, to the best of my knowledge, at this point the community is pleased with what we have done. I think that he as a member of the Legislature should be as well pleased as it relates to the, hopefully, stoppage of the losses that have been incurred under this corporation.

**The Acting Chairperson (Mrs. Render):** Maybe before we proceed with any more questions and

answers, I would appreciate some guidance from the committee as to how we consider these annual reports. Shall we consider the 1990 Annual Report of the Channel Area Loggers first and then proceed with the 1991 Annual Report and so on with the Moose Lake Loggers annual reports? What is the wish?

**Mr. Jerry Storie (Flin Flon):** Madam Acting Chairperson, we normally follow the will of the committee. I think we have no problem with a suggestion made by the member for Inkster (Mr. Lamoureux) that we simply discuss Channel Area Loggers as a whole. We are not going to be asking specific questions, bouncing from one report to the other anyway, and we will pass them in due course. I do not think there is any need to follow page by page or year by year in this case.

**The Acting Chairperson (Mrs. Render):** Is that the will of the committee?

**An Honourable Member:** Agreed.

**Mr. Downey:** As I understand it, we can deal with the 1989-90, 1990-91 Channel Area Loggers reports, pass them, and then go to Moose Lake. That is agreed to? Thank you.

**Mr. Storie:** Just following up on some of the questions asked by the member for The Pas (Mr. Lathlin). Perhaps we could just get a bit of an overview on the employment situation over the last 10 years at Channel Area Loggers. The minister commented that it was probably the intention when Channel Area Loggers and Moose Lake Loggers were formed that they would not be Crown corporations necessarily forever.

One of the goals when these corporations were established was not only to involve local people in forestry activity but to train people; not only to get involved at the lowest level of employment, but also to train them to be owner-operators, train them to be woodlands managers, et cetera. I guess we will only know if we have succeeded by the end result. I would like to know what the employment levels look like in 1983, '84, '85.

I am certain, given the fact that certainly the last two reports identified the number of people who were employed—perhaps we could ask him the simple question: What was the peak employment of Channel Area Loggers?

**Mr. Downey:** Madam Acting Chairperson, I think probably it would be fair to say from staff reporting that the maximum would have been probably 30.

As mechanization, the new modern snippers and cutters were brought into the forestry operation, there was a reduction. Mechanization, as it does in most areas of activity, had reduced in fact the numbers of employees.

It has fluctuated. I think, with a peak of 30, it has fluctuated between 20 and 30 in that area. Again, we have to remember in some of those years, particularly the first year I believe I was responsible for it, we saw a tremendous number of forest fires which, in fact, basically disallowed the operations in the wood areas for a large period of time, plus there had to be a major shift to new cutting areas.

I appreciate where the member is coming from, but, in the general sense, I think the mechanization, if anything, has been the reason for the reduced numbers of employees in that area. As I say, it is basically stabilized in the numbers of 20 that are currently looking after the operations there.

\* (1020)

**Mr. Storie:** Madam Acting Chairperson, we have seen a decline, and I am not sure what the minister refers to when he says mechanization. I am not sure whether they have any mechanical harvesters in the Channel. So that is a recent addition, one mechanical harvester, but the others—so the majority of the cords are still being produced with sort of the traditional cut and skidding.

**Mr. Gordon Trlthart (Secretary, Moose Lake Loggers and Channel Area Loggers):** . . . strip board cutting, provide people to come out and use the chain saw . . . and nobody will do that any more.

### Point of Order

**Mr. Storie:** Madam Acting Chairperson, on a point of order, it is quite normal in these kinds of circumstances for other people to be able to answer the question, and I do not know whether Mr. Trlthart's response was recorded on Hansard or not. I certainly heard it and appreciate it.

My other question to the minister was, he commented on an 80 to 90 percent employment of aboriginal people, and the 1989-90 Annual Report suggests that only 30 percent of the total wages were actually paid to local residents. That leads to a couple of other questions, I guess. Are the skidders and the mechanical harvesters owned and operated by Berens River residents or are they simply the support staff? Is there currently a trucking operation operating out of Berens River or is the trucking all done by contract? How many of

these people who are employed there—what sort of change has there been in the local resident versus outsider over the last couple of years?

**The Acting Chairperson (Mrs. Render):** Okay, Mr. Storie, that was not a point of order, but your suggestion is well taken, and perhaps we can have Mr. Trlthart speak directly into the mike.

\* \* \*

**Mr. Trlthart:** Madam Acting Chairperson, members, as far as the employment is concerned, there has been a change since the government shutdown and takeover by local people. The employment now, we had one outside contractor, insofar as the cutting and the roads were concerned, from Riverton, and he sold his equipment to a local entrepreneur who is reportedly doing very well, and I get this information from the people who are hiring the local skidder owner-operators.

All the skidders are owned and operated by local people. I think there are five skidders there now. The production has gone up from the prior year by about 500 cords. One must understand, too, that Abitibi, because of the quality of wood, does not allow any cutting until approximately September, annually now, so that cuts back to a certain amount.

As far as the trucking is concerned, there is one person in the community operating with a rather old truck, and the production there has not been that good, but the original owner-operator, who had a fairly new truck, sold out to a local individual, so that was retained, and there were two outside truckers who were in there last year, both from Riverton, I might add.

**Mr. Storie:** So if I understand you correctly, there are two outside truckers and one local trucker as well as another small contractor, who may or may not haul very much.

**Mr. Trlthart:** That is correct.

\* (1025)

**Mr. Storie:** Well, I guess as a final comment before we pass the '89-90 at least—I do not know whether my colleague from Brandon has some additional questions.

The record of the government since 1988 is not particularly good when it comes to Channel Area Loggers. The government has recorded losses of \$800,000 in the last four years compared to \$425,000 in the previous six years, and on top of that, of course, we have seen lower levels of employment. Having said that, certainly at some

point we would have expected Channel Area Loggers to become a self-supporting community operation. That was certainly a goal.

My concern is, and perhaps the department can play a role in this and the Minister of Northern Affairs (Mr. Downey) can take some responsibility for ensuring that it remains in essence a community operation, that over time it does not become a subgroup of Riverton quota holders or someone else, that in fact we have to ensure that the skills that need to be developed over the next five and 10 years are developed, because it is quite easy for these kinds of operations to be sold to the highest bidder and over time become outside operations rather than community owned.

I do not think anyone would argue, despite the losses that this government has run up in the last four years, that Channel Area Loggers has not been a good experiment. We have created employment in an area of the province where there was no employment. Last year some \$330,000, approximately, went into salaries and wages in the local community that otherwise would not have been there, so I think it was a worthwhile enterprise.

The government's lack of commitment to Crown corporations is well known and the losses reflect that lack of interest. My hope is that the move they have taken, which I think quite logically was supported by the community, will be supported by the community five years from now and 10 years from now.

I think that can happen providing the government is still prepared to offer support to the community, to the people who are working there now to maintain their training, give them the financial resources, the support they need to buy new equipment to remain competitive.

If the government ignores it, over time I predict that it will turn out to be a fiasco, and we will see outsiders in there getting the contracts for Abitibi. I think the government and the department have to remain vigilant, have to work with the community to make sure this succeeds.

It is a very slight decline we have seen in employment. I do not think it is too distressing at this point. If five years from now, we find out that a couple more of the skidders have gone and someone from outside has a mechanical harvester in there and it is producing half the wood volume for Abitibi, the big losers are going to be the people from Berens River and the surrounding area.

I just put the government on notice that I hope they are watching it, and we certainly will be.

**Mr. Downey:** Madam Acting Chairperson, just let me give a brief response. We are certainly not pleased about the amount of money that has been lost in any period of time.

I want to remind the members of this committee though that we were faced with one of the most severe forest fire activities of the history of that area in 1988 which not only was a loss for that particular year but further caused, and I have noted in these two reports, \$100,000-some each year for extensive road costs to get to further wood supplies, which again is part of the expense of doing business. I appreciate his further concern about where does it go from here.

I think the initial stages, and I say that the initial stages—as we are confident, as is the community confident, that they are going to probably do better with their own local involvement and operations. The end of the day is that more jobs and more economic returns to those communities working in co-operation with Abitibi. One could criticize, rightly or wrongly, the amounts of losses that took place; these are the facts that in fact have happened. Hopefully, and I say that it appears at this stage that there will be a success story here as to local employment and economic activity and that it does not in fact further burden the taxpayers of Manitoba to further subsidize it. Pass?

**Mr. Leonard Evans (Brandon East):** Well, I thank the minister for his last comment. I certainly agree with the comments made by Mr. Storie, my colleague from Flin Flon, and I certainly hope the minister will take his comments to heart. I think there is a need for government to be proactive. There should be a commitment from the minister and from the government to be proactive, to ensure that we maximize as much as possible local employment. Goodness knows there is a terrific amount of unemployment in the more remote areas, although you could argue this is not that remote, but there is still a lot of unemployment, and we have to do everything we can to provide jobs for local people.

I had a couple of detailed questions, and then we would probably pass this. In the introduction on page 3 there is reference made to a single director being appointed to wind up the affairs of the corporation. Who is that single director?

\* (1030)

**Mr. Downey:** Percy Williams, Madam Acting Chairperson.

**Mr. Leonard Evans:** I am sorry I do not know the individual. Why was he selected, because—

**Mr. Downey:** This is Mr. Percy Williams sitting right back at the back here. He is a capable staff member.

**Mr. Leonard Evans:** Okay, that is fine. I am sure he is, but I—

**Mr. Downey:** Are you questioning whether he is capable or not?

**Mr. Leonard Evans:** No, I am questioning who was the single director. Mr. Williams, now that I recall, he was introduced earlier.

What is his role as a wind-up director as such, director wind-up?

**Mr. Downey:** To make sure that both the interests of the province are being looked after and as well to make sure that the community understands what involvement there is in negotiations with Abitibi, make sure the commitments are lived up to on government's behalf, and I have full confidence, and I am sure the reports I am getting from the communities that the communities are confident, in the work of Mr. Williams, as well as the legalities and the direction of the disposal of assets, the whole transition basically of which he is responsible for.

**Mr. Leonard Evans:** There are, in the wind-up process, assets that are supposed to be disposed of, so how are those assets being disposed or how were they disposed of?

**Mr. Downey:** Madam Acting Chairperson, they have been dispersed by tender with local preference being taken into consideration in the process of removal of assets from the province.

**Mr. Leonard Evans:** So, as I understand it, the assets were sold on a tendering basis, on a normal tendering basis.

**Mr. Downey:** That is correct, with local preference being given.

**Mr. Leonard Evans:** Has that process now been completed?

**Mr. Downey:** Yes.

**Mr. Leonard Evans:** Madam Acting Chairperson, there is reference in the summary or in the synopsis on page 3, and I will just quote: that the province provide assistance to facilitate the development of local residents as contractors.

I was just wondering, has the minister or has his department anything to report in that respect, that the province provide assistance to facilitate the development of local residents as logging contractors?

**Mr. Downey:** Yes, that has been done, Madam Acting Chairperson.

**Mr. Leonard Evans:** Well, can the minister elaborate on that?

**Mr. Downey:** Yes. The department worked with the local residents of the Berens River community and with Abitibi to make sure that they understand the proceedings, the process of contractual workings, of supplying of wood, and again, it is my understanding that it is going quite well.

**Mr. Leonard Evans:** I gather then that assistance was more in the way of business affairs and financial transactions or was confined to that. Is that correct?

**Mr. Downey:** If the question is, were there financial resources provided, the resources were provided through the use of staff from the Department of Northern Affairs and not additional resources that would take to supplement in that regard. It was basically working with the communities as resource officers.

**Mr. Leonard Evans:** That was not my question, but I thank the minister anyway for that information. The question related to the kind of assistance provided to the local residents, and I gather the type of assistance was advice in terms of financial matters. I think the minister has indicated that.

**Mr. Downey:** Yes, and working with Abitibi.

**Mr. Leonard Evans:** Thank you. In the continuation of the recommendation at the board meeting of March 21, 1991, it says: and to continue the construction and maintenance of adequate resource access and haul routes in the area.

Can the minister or staff indicate whether anything has been done in this respect?

**Mr. Downey:** Yes, there is a commitment on behalf of the government and Abitibi to carry out the development of resource road access to further wood supply so that the local residents do not have to bear that cost in the harvesting of the wood, as part of the agreement.

**Mr. Leonard Evans:** Which department would be the lead in this, is it Northern Affairs or would it be Natural Resources?

**Mr. Downey:** It is Northern Affairs and, just so that I am clear, there is an agreement in which the

province pays over a three-year period \$150,000 a year to provide resource roads. I think we have provided our first year's funding, and there are two more years to come. If he will note, we were providing basically that same amount through picking up the loss that Channel Area had imposed on it for resource roads, so we are basically investing in resource roads to harvest trees for the people of Berens River and also for the sale to Abitibi.

**Mr. Leonard Evans:** Then reference is made that the province accept the resignation of the board and proceeded to implement its recommendations. The wind-up process of CALL is ongoing. Is there any update on that particular item?

**Mr. Downey:** Yes, it is all reported here. The only additional costs may be some staff costs in consultation with the communities and/or difficulties that they may have arise. We are there as a department, with our Economic Development department, to give further advice, but the company is wound down, it is now being operated by their local operators with Abitibi.

**Mr. Leonard Evans:** I have no further questions unless any of my other colleagues have.

**Mr. Lamoureux:** Yes, Madam Acting Chairperson, I have a number of questions I would like to ask the minister. In looking at the more recent of the two annual reports, I would ask the minister in terms of page 4, Economic Dependence, and I quote from the annual report: The company is economically dependent on the government of the province of Manitoba.

I would ask the minister, what has changed from last year to now that would allow the company no longer to be economically dependent on the province of Manitoba?

**Mr. Downey:** Well, I guess there are a number of things that one could relate to. We had costs which were the direct responsibility of the corporation on an ongoing basis just to carry the corporation, whether it is the bookkeeper, the whole activity that now may well be done by those individuals.

The cost of access roads, which were shown in the books as a cost directly to the Channel Area Loggers, are now not part of that expense of which Channel Area had to express.

Mr. Trithart may have some other comments, but I would say they were really the charges that were based or that Channel Area had to show were part

of the reasons for their loss, plus, I guess, I would say this is a philosophical approach, that the community have more of a feeling of ownership themselves, it is not a government-owned organization; that it really is not anybody's, it is everybody's, so there is probably more local interest in what is going on and more production of wood, as Mr. Trithart has said. It just seems to be the right thing to have done. We do not have the cost of carrying Channel Area Loggers as a provincial corporation which is now being done more efficiently by the local residents.

**Mr. Lamoureux:** Yes, Madam Acting Chairperson, the government was doing bookkeeping, some administrative costs. When you look at the previous line, it actually makes reference to \$42,433. Now he is saying that the community itself is going to be taking that responsibility. Does the department have any role in any sort of administrative work on behalf of whether they are independent contractors or the community as a whole?

**Mr. Downey:** Basically, one of a co-ordinating role is what our responsibility is, as we would be providing for any community that has an economic development activity. It is advice provided by the department if they run into difficulties and that basically is where it is at.

**Mr. Lamoureux:** The minister has made reference to roads and building the roads. I am curious as to what type of financial commitment the government has made, not in terms of just this year but in future years. Has the government made a long-term commitment to construct roads that are necessary for the next five, 10 years? Is there a long-term commitment to the Channel Area?

\* (1040)

**Mr. Downey:** Madam Acting Chairperson, the member may not have been listening. I indicated in the wind-down of the corporation, there is a commitment made by the province to provide \$150,000 for three years for road construction of which we have seen one year now complete, two more years of commitment of \$150,000 each year to provide resource roads. That is the extent of the commitment as it relates to road development.

**Mr. Lamoureux:** That is \$130,000 every year for three years?

**Mr. Downey:** No, it is still \$150,000 for each of the next two years. We have completed one year. The agreement was for three years of which it was \$150,000 per year. We have seen the first year of

that commitment lived up to. We still have two more years at \$150,000 each of which the road work has to be done before the monies are paid.

**Mr. Lamoureux:** Can the minister tell me over the last five years how much money has gone into road construction in that area?

**Mr. Downey:** No, I cannot tell him over the last five years, but if he reads the report—I believe it is reported in there that we have had each of the last two years, 1989 and '90, we saw—I will just try to pick it out here for him—the road cost of \$121,000—the two years we are reporting, we have seen the amount of \$181,000 being spent on road construction.

**Mr. Lamoureux:** For the two years combined?

**Mr. Downey:** That is correct.

**Mr. Lamoureux:** That would be given the economic times and that, of course, as being in somewhat of a recession. If there was any sort of a major boom or any indication, the commitment from the government toward road construction is only for three years. What happens after that three years? Is it up to the community or the independent contractors to come back to the government?

I am thinking more in terms of the long-term commitment from the government to that area of the province. I can appreciate \$150,000 for over a three year period or \$150,000 for each year for three years, and the first year has already been done. It seems that three years is not a commitment. The reason why I ask for five years is because it would be interesting to note that when you have the losses as compared to—I believe, it was 1983 where there was, in fact, a profit, where there would have been much more road construction than one would have anticipated.

In order for the community to have a greater chance of having a greater success, they might require additional road construction which might have been the case in '83, but because I was not around at the time I do not have that particular annual report. I would ask the minister, if the company is cutting more pulp in order to generate the additional revenues to get on the plus side of the ledger, would there not be a large demand for road development, and would that \$150,000 even in the short term be sufficient to allow that community to develop?

**Mr. Downey:** Madam Acting Chairperson, I can appreciate the member's lack of knowledge of the

area and probably the industry to some degree. I appreciate that. The information I have at this particular time is that the expenditure that is being proposed by the government on behalf of Berens and the Abitibi program that has been established will give access to nine to 12 years of wood, so there is not an additional expenditure required every year from here on in. After that roadwork is complete, we will have access to some nine to 12 years of wood without major expenditures for the road development, which is good economic sense. If you plan your road system well, it gives you the access to the forest that you want to harvest. That is, as far as I am concerned, well planned and should look after both the community and Abitibi, as I say, for some nine to 12 years of wood products.

**Mr. Lamoureux:** Madam Acting Chairperson, maybe I will move on then to the employment training. Under the government there was provision for employment training, and I would ask what provisions there are in the new agreement or under the new system for employment training.

**Mr. Downey:** Basically, there were not any major training programs under the old system either. It is a matter of making sure that in any programs of training the citizens of that area have the same opportunity as anywhere else in the province. I am not sure what the member really would be expecting. I can tell you that the best experience that I can relate is that in this kind of work, particularly as it relates to harvesting wood supply the right size, that Abitibi would probably be able to provide the best advice, direction and training through their operation, and a lot of it is on the job as it relates to the harvesting activities.

I do not for one minute, though, underestimate that there may well be some future training activities or supports that may come about if in fact we could get support from the member and his party to develop further activities as it relates to Bipole III that would be coming down that side, and through Hydro there could well be some training programs that would well tie into that community, which would give them opportunities for future work in management in hydro, forestry, or whatever. I think that those are the kinds of training programs that can come with major developments of such things as Bipole III and other activities.

**Mr. Lamoureux:** Madam Acting Chairperson, no doubt that the support from the Liberal Party will be there if it is deemed that the government is going

about hydro development in what is the best interests of the public of Manitoba, not in what is in the best interests of the Conservative Party in Manitoba.

Having said that, I would say I am more interested in terms of the employment training than that was provided through the Channel Area Loggers. Was there any employment training? I was led to believe, in fact, that there was employment training.

**Mr. Downey:** The point I want to make is that there basically has been continually on-the-job type of training activities with the exception of some additional fire suppression training which the department has worked on with the communities. I think that kind of activity through the Firetac Program under Natural Resources will be continued as well.

There is not going to be any loss of training as it relates to either fire suppression or that kind of activity. Preservation of the resource is critical after one sees the devastation that took place through that community in 1988. I think that is again something we all have to work at collectively to make sure that the resource is protected.

Can I further add that I am a very strong believer in training? I think there could be opportunities that could well be worked on with our different projects, and that the community of Channel Area Loggers, as far as I am concerned, could well qualify for any additional training activities that may be considered as it relates to economic development on the east side of Lake Winnipeg.

**Mr. Lamoureux:** I guess the overriding concern is that the area residents are given opportunities to expand upon their skills. The concern is, of course, that by the government moving in the direction that they have, that that training will be available for the area residents. That is the largest concern that I see in terms of the whole question of employment training.

I want to get a better understanding, because by no stretch of the imagination is this my expertise, of how the government sees the community being involved. If the government could just give me, or the minister could give me some type of explanation as to what is going to happen. We know that there are going to be contractors. Is it just strictly contractors? Is there a board? Can you give me some type of an idea of the current structure now in place?

\* (1050)

**Mr. Downey:** Madam Acting Chairperson, I will try and give a quick comparison. As it operated before, the board was appointed by government. It could either be locally or from outside. I think there was a mix of both. There usually was a manager hired and sometimes, again, from local individuals or from outside. Again, not at the direction of the community but of the government of the day.

I would say at this particular point, that community now has control of the contracts that they are dealing with with Abitibi-Price. There is not a third party who may wake up in the morning and say that this particular Crown corporation should be operated or have a board appointment of somebody who does not have the community interests at heart or the manager. It might not happen, but on the other hand, as it was in the past, the community was vulnerable to outside pressures.

Today they have more control of their operations through contracts with Abitibi, more local employment opportunities, as has been demonstrated, and more wood production and less cost to the taxpayers of this province. I think we have really struck what we all would like to see and that is local direction, local involvement, local employment, less intrusion by big government, but still government there to help, as I have related, with their resource roads, and in assisting them and counselling them to further working with Abitibi.

There is not a perfect world out there, but I think we have been able to come up with what I think should be an acceptable balance. If it goes off balance, if difficulties arise, then government is always there to be invited back in.

At this point, I think, and I would hope the member would appreciate that a lot of hard work and effort has been put in by not only staff of the Department of Northern Affairs but the community leaders who have, through community meetings, come forward and said, we believe this is the way our community wants to go, and I commend them wholeheartedly for that. I think it is just the right thing to have happened and, as I say, governments do not go away. Unfortunately, some people would wish they would sometimes, but government is there to further come back in if there is a time of need to give some kind of advice and direction.

**Mr. Lamoureux:** Yes, Madam Acting Chairperson, I think the most significant thing the minister has said is that in fact the government will be there. One would like to think that everything will go well for the

area and that there would be a long and prosperous future, but I think I was encouraged by the minister's response that the government will be there not only two or three years from now, but however long it is there.

(Mr. Chairperson in the Chair)

**Mr. Downey:** If I can have anything to do with it, we will be here for a long time.

**Mr. Lamoureux:** I emphasize the government as an apolitical body.

**Mr. Downey:** Oh, I understand now.

**Mr. Chairperson:** Shall the Annual Report for Channel Area Loggers for the year ending March 31, 1990—pass.

Shall the Annual Report for the Channel Area Loggers Ltd. for the fiscal year ending March 31, 1991—pass.

Having passed both reports for Channel Area Loggers, we will now move to Moose Lake Loggers reports. Does the minister responsible have an opening statement for the 1991 annual report?

**Mr. Downey:** Mr. Chairperson, I want to again make my brief opening comments and not take the time of the committee. I want to say as well that we have basically the same kind of situation, although a couple of differences.

Moose Lake was established prior to Channel Area Loggers. We are dealing with the reports, I understand, of 1989 and 1990.

Just at the outset, I will report that basically the same process has been put in place in dealing with Moose Lake Loggers as it relates to the dissolving of it as a Crown corporation, and again with the wishes of both the Moose Lake Band and the Moose Lake communities are desirous of taking over the full responsibility of the Moose Lake Loggers.

As I said, it is not as advanced, although we expect that the next time we have a report for the Legislature that it will, in fact, be complete and again supported by the members of both the band at Moose Lake and the community. I would hope for the support of the members of the Legislature in again trying to have the community people take over the responsibility of a corporation which has been seen as theirs, should be seen as theirs and directed by them.

I think, again, some of the same things that have been said about Channel Area Loggers will, in fact, have applied to the Moose Lake logging company. We can talk briefly about the actual operations. I

believe there was something like, 1989-90, 66 employees at Moose Lake Loggers. They saw an unfortunate loss of some \$79,586. Again, the market for the wood which was produced there was to go to Repap, and again the plan in the future is to carry out the same thing between Moose Lake communities and Repap as basically the same as it was carried out with Abitibi and with Channel Area.

In 1990-91, we saw an operational loss of \$96,751. There was a reduction of about 12 employees—some 54 employees. Again, I guess, the reasoning for the reduction has been an increase in mechanization, and as well, the camp that had previously been operated no longer was being operated which would again show for a reduction of some of the employment.

Again, we went from a camp base to a computer—commuter-based operation, not a computer, computers do not cut trees at this point, but they do everything else. I, as well, say that I think from this point, and I look forward to questions from the members opposite and maybe we can get into a little more detail, of the 54 employees who were currently employed last year approximately 80 percent of them are of native ancestry, so I think it is a good indication of a program that has worked, and again a good indication of the communities of both the band and the community of Moose Lake wanting more involvement in the direct activities of the operation of their community company.

I understand that there has been an interim board established to give direction to the new company. I can give some further information on questioning, but I think it is at a stage where we are in transition at this particular time. Probably, the next time we bring the report forward of Moose Lake reporting on the end of the year of March of 1992, I can give a more conclusive report as to the activities of Moose Lake. To this point, we are working very co-operatively with the communities as to the disposition of the company to the community.

Thank you, Mr. Chairperson.

\* (1100)

**Mr. Chairperson:** Does the critic of the official opposition have an opening statement?

**Mr. Lathlin:** Mr. Chairperson, as you know I come from The Pas, The Pas being a matter of an hour's drive from Moose Lake, so I am quite familiar with what has gone on in Moose Lake in terms of the Moose Lake Loggers.

I am also quite familiar with the feelings and the concerns that the people of Moose Lake, both communities, the treaty and the community council, have in regard to the government's divestiture plans for Moose Lake Loggers. I guess too, the bottom line, you know, the mood of the discussions that I have been having with the people of Moose Lake is that—well, I could be wrong, but the feeling that I get from talking to the people of Moose Lake Loggers—and I just met with them last Friday I believe it was, in The Pas—is that they are really not sure what they are getting into.

They realize that the goal of the government when it first set up Moose Lake Loggers was to create an economically viable logging operation, to provide employment opportunities for the residents of Moose Lake and eventually to help those people who are resident in Moose Lake to get to the point where they have adequate skills and know-how in order that they might eventually operate and manage the logging operation in Moose Lake and maybe even owned by the people of Moose Lake through some kind of an entity.

With that in mind, in the minds of Moose Lake people, I get the distinct feeling that they—and I am not trying to say that I know better than the Moose Lake people, but if I were in their position, I would see myself as being backed into a corner somehow. If I were from Moose Lake and I knew the original intent of the set up of the company—and I would like to differ a little bit with the minister's numbers: 54 employees, 80 percent of them are residents of Moose Lake. That is not [interjection] I am quoting from the report. I know the minister also said 80 percent of them are—where is it, page 6—it says 80 percent of those employed were native residents of Moose Lake, Cormorant, Cranberry Portage and The Pas.

People from Moose Lake tell me that one of their concerns, and I must agree with them that it is a legitimate concern that if they were in a position to somehow take over or replace Moose Lake Loggers with another company, whether it was a group of individuals or groups of individuals or just individuals themselves, their concern is that the total work force of Moose Lake Loggers right now is such that only about five or six local residents would comprise the total work force and the rest would be from outside.

When I say people from outside, I mean people who have come in from—and these are their own words—they tell me that they are not even from The

Pas. It is those people who came in from the East, you know, when Moose Lake Loggers was first set up and people who worked for Manfor. As Mr. Bercier pointed out to me, those people who follow the industry from province to province, they are not really local residents. They may be residing in Cranberry Portage, some of them The Pas, but they are not really local residents. This is the biggest concern that the Moose Lake people have. I said I met with them jointly, the band and the community people; I have also met with the chief and council; I have met with the mayor and council of the community of Moose Lake, and they all express the same kind of concern.

I think the psychology that works in that community right now is we were expected to do this, you know, like the company was to train people. If we do not do anything, then outsiders will come in and take over. That is why I say that I think I sense some confusion; I sense some apprehension on the part of Moose Lake people. I think they are following the original intentions or they are trying to follow.

Like I said, if they do not take any action, they know that outsiders will come in. They know full well the government's intention to divest Moose Lake Loggers, so really what choices do they have? They know the government is going to privatize or get rid of Moose Lake Loggers. They also knew the original intention of the company when it was first set up, but they also know that they are not in that position, for example, managers, supervisory people.

They tell me that probably the only people who were being trained are those people who are involved with the mechanical tools, kitchen staff, maybe some clerical people, you know, people who run the machines. They tell me that they do not have any access to funding in the event they take over and three or four years down the road mechanization comes in. They tell me that they do not have \$500,000, \$600,000, \$1 million to buy the necessary equipment in order to keep up with technological changes. They are very concerned about that.

So, I guess for now the feeling that I have, and I said I could be totally wrong, but I got the distinct feeling that when I met with the representatives from Moose Lake, they are in a bit of a quandary. They are being forced into a corner, and they are being forced to make a decision. It is a decision that they

do not like to make. So maybe I will leave those as my opening comments and we will get into some detailed questions as we move on.

**Mr. Chairperson:** Does the critic for the second opposition have an opening statement?

**Mr. Lamoureux:** Yes, Mr. Chairperson, some would argue that the government of the day has a philosophical bent that likes to see certain corporations move toward privatization. We have seen one extreme in Saskatchewan where there were a great number of Crown corporations that were privatized. I guess an overriding concern for myself is that the government not be premature on privatizing some of the Crown corporations that they are talking about.

We have seen the privatization of the Channel Area Loggers, which is a corporation that was very similar to the one we are currently debating. I believe that it would not hurt for the government to wait a year or two, or two or three years, to see how the divestiture of the Channel Area Loggers is handled, and to see if there are in fact any problems that can be overcome in the possible divestiture of Moose Lake. That is one of the concerns that I would have wanted to express to the minister.

\* (1110)

It was encouraging to see the number of seedlings through the Moose Lake Loggers, just under a million over two years, actually 420,000 one year, 440,000 the previous year, numbers to that effect, which speaks a lot for sustainable development, something that this government claims that it is in favour of.

The government has influence in terms of sustainable development and that influence can go a long way within corporations. It is a bit harder to do it in terms of the private sector but can be done in the private sector.

With those few words, I would now be open for questions.

**Mr. Downey:** Mr. Chairperson, I appreciate the comments from both the member for The Pas (Mr. Lathlin) and the member for Inkster (Mr. Lamoureux). I guess if I can just reflect and respond briefly to them. Number one, it is not our intention, my intention or the government's intention to have anyone feel cornered or pressed into a decision. The request came from the communities, both the band and the community of Moose Lake, to proceed on this path. It was by their board request and by

the community request—[interjection] Well, the member for The Pas says, the government. I did not go out there and tell them to send a resolution to the government requesting the takeover of the Moose Lake operation. That was not done by government. That came from the community to us.

I guess I say this with respect, I have confidence in those communities' abilities. I am sure the member for The Pas does, as well as the member for Inkster (Mr. Lamoureux) does. If handled properly, it can be successful. I think that is the key word, if handled properly. I say I have confidence both in the communities and in the band and the staff that are working on it that it will work to be successful for those communities.

I guess it fits very much into the whole area of where we want to go with our communities in Northern Affairs, where we say we have established a process where they can become more self-determining through different activities of government. So I am not being inconsistent.

I guess the question of training was raised, and I say this with respect again to the member for The Pas (Mr. Lathlin) that, quite frankly, under the previous activities under Moose Lake the plant at The Pas was unable to take wood that was produced by lower-priced trainees because of the labour agreement. They were unable to sell their product to Manfor from a training program, because the wood costs were lower and that was prohibited, so there were some restrictions in place.

The member makes reference to, where do we go in the future? Well, again, we are in the process of negotiating and discussing where we are at. It is not my place at this committee table to pre-empt or to influence those discussions, because both the communities and the bands are working with my department, but I think there are some things that we are seeing as common ground.

The question of future viability and future support—the member is somewhat concerned as to whether or not there would be support there. Unlike previous times, we have said that by act of the Legislature that the Communities Economic Development Fund is able to lend money to promote in isolated communities and as well to the aboriginal communities. As well, they have the availability, the ability of going to the federal CAEDs program, which the provincial government did not have the ability to go to to borrow money on their behalf or to get support.

I think when you are looking at programs available to support the communities, there probably will be a greater range of support operating on their own than there may have well been with the direct control of the provincial government. Now that again could be a debatable point, but I think if we can work together on this, and I invite the member for The Pas (Mr. Lathlin), and I will give him as much information as I possibly have available to me in the whole process.

If he sees something going off track, if he sees a concern of the community from Mr. Bercier or from anyone else, then I am more than prepared to sit down at ministerial level with him to review it, as I am for the member for Inkster (Mr. Lamoureux). I do not think it is a matter of just saying it is a philosophical thing that the government of Manitoba is on this path. That is not the case. That is not the case at all.

The member for Brandon East (Mr. Leonard Evans) is sitting here. He is familiar with the operation of McKenzie's. This is not a time, I think, to try and say I have a particular philosophy to do something. My philosophy is to see the company be successful and the community be successful and local employment be provided, and at the same time, and I say this genuinely, to remove some of the costs that have been carried by the taxpayers. If we can accomplish both, I think we should proceed to do so, again not on a philosophical bent of any kind, but one of a practical approach to the situation which, I think, we are dealing with responsibly. I know the member does not have to be encouraged to do so, but if he sees it not going the way he thinks it should, he will certainly raise it. He has never been backward before about bringing things to my attention—either member.

I think the experiences we have seen with Channel Area Loggers, and I know we have passed that and I should not refer to it, but I think the experiences we have seen with Channel Area Loggers are encouraging to me as the minister that the same kind of successes early in Channel Area can well be demonstrated with Moose Lake. I am assured and I have seen evidence of it, and the member referred to the replanting. That, to me, is another major component that can be part of this overall, ongoing support for the community residents.

I do not think the member wants to get into a disagreement or be saying that this should only be the Moose Lake people that are allowed to be part

of this. I think that he has referred to the Cormorant people. If there can be successful working arrangements between those communities and people from those communities, then it helps the whole region, which, I hope, he as the member is interested in, that he takes it as a regional opportunity, again, though, directed by both the band and the communities of Moose Lake who have the direct interest in the long-time success of it.

Mr. Chairperson, I will respect any questions that the members have and try to answer them.

**Mr. Lamoureux:** Mr. Chairperson, we are going to deal with both reports at the same time and then pass the two reports?

**An Honourable Member:** We agreed on that.

**Mr. Chairperson:** Pass. Is that the will of the committee?

**Mr. Lathlin:** Mr. Chairperson, perhaps I could ask the minister to maybe elaborate a little bit more on the government's divestiture plans as they exist to date for Moose Lake Loggers.

I know when I met with Moose Lake Loggers and with both councils in the past two weeks, as of April 1 there is no longer a company called Moose Lake Loggers, a Crown corporation. I am told that the people from Moose Lake—I accept the minister's statement that it was the initiative of the community of Moose Lake to eventually try to take over the company, but I still maintain my position, because this is the feeling I get when I am talking to people from Moose Lake. Because they knew the government's privatization plans, they felt that they had to step forward, because if they did not step forward, somebody else from outside would probably come in, individual contractors, and maybe some other company would buy up Moose Lake Loggers, and they would be left behind without any employment opportunities or even getting into business for themselves. That is where I differ slightly with the minister.

\* (1120)

I am also told that there is going to be some sort of an interim organization that will oversee the divestiture. I guess what I would like to ask the minister is: Can you give us more specific information in terms of maybe what has been happening in the last little while up until now and what the plans are in terms of after March 31, 1992.

Excuse me, Mr. Chairperson. What is the role of the government, particularly the Departments of

Northern Affairs and Natural Resources and/or any other government department that may be involved in the divestiture?

**Mr. Downey:** Mr. Chairperson, just to again try to emphasize the fact that it is not a matter of government trying to push or force this thing to happen. There have been discussions taking place since I have been in office, since 1988, as to the eventual move to more community involvement and control. There has been, as I understand it, an interim board selected, however, at the community level to deal with the ongoing activities as it currently is between the provincial government's responsibility of operating it.

As we had seen with Channel Area Loggers, there is an interim process. Mr. Percy Williams, who is also responsible for the Channel Area work, is fully involved, and I say this with respect to the communities and to the process within government. There are some approvals that have to be concluded on both sides as to what the agreement actually is as it relates to ongoing conditions and support by the province.

One does not want to assume anything when you are dealing with communities like Moose Lake or any other one. They have their right of putting forward their position, what they are prepared to accept and what they are not, as I, as the minister, have to go through the proper steps of approval as well. I can say, though, I would hope that we are on track, mutually agreeing to proceed as the process that has been established, so the bottom line is, there is an interim board that are currently responsible for the activities that were currently the responsibility of the Moose Lake board that were appointed by the province.

**Mr. Lathlin:** An interim board that was appointed by the province?

**Mr. Downey:** No, locally selected.

**Mr. Lathlin:** Well, Mr. Chairperson, I ask the minister: If this board was locally selected, what authority would they have as an interim board and not having been selected by the government? If it was a locally selected group, it would seem to me that the only mandate that they would have as an interim board would be whatever they got from the chief and council and from the mayor and council.

**Mr. Downey:** The province is still involved as it relates to our interests through the director, Percy Williams, and working with the interim board of directors of this community's selected, elected

interim board for the process of taking over the activities of Moose Lake. We are in a transitional period, I guess, as we had to go through with the Channel Area communities.

**Mr. Lathlin:** So you have Mr. Williams working with this locally selected interim board . . .

**Mr. Downey:** That is correct.

**Mr. Lathlin:** I would like to come back to the minister's statement that this is not government driven. I am sorry, but I really have a hard time understanding. If this had been a community-driven idea, like right from Day One, and if government has been talking to the people of Moose Lake, why then did I detect or did I seem to get the impression that people are going to be scrambling around? There do not seem to be any concrete plans in place. I do not have anybody that can come forth with proposals on paper. I do not see any business plans coming from the community.

It would seem to me that the discussions that are going on right now with the community of Moose Lake are very preliminary in nature; otherwise, why did we not have everything firmed up in terms of proposals, a business plan? Why was there not there a proposal to CAEDs, the CEDF? By now, you would think that, if all these discussions have been going on, the community of Moose Lake by now would at least have submitted a proposal to CAEDs, one to CEDF. You would think by now that we would have a whole slew of documentation and places to where the community was going to go come April 1, 1992. That is what I do not understand, if it was such a community-driven project.

**Mr. Downey:** Mr. Chairperson, again, it is not my intention to negotiate an agreement at this table on behalf of the government. I would expect that it would not be the intention of the member for The Pas to negotiate on behalf of the band and of the community.

It is my intention, though, to reflect as to what has taken place to the process that we are at today, and again we are dealing with the '89 and '90 reports of Moose Lake and '90 and '91, which I am prepared to answer questions on as to further deal with where we are currently at with the takeover of the operations by the Moose Lake community. We will be able to more fully explain and discuss that either directly with the member at any time that he wants to or when the 1992 report is tabled in the

Legislature to explain the details of what I expect the community will make their decision on, as well the government make their decision on.

\* (1130)

Again, if I can recall, I think it was October of '88, after I had been elected, that I went out and I met with the communities. There was an expression from that time that they were interested in taking over the operations of Moose Lake which, if I understand correctly, was the intention of the initial setting up of the operation, that someday it would come under the direct control of the local communities dealing with Manfor of the day and today, of course, it would be Repap. I say this genuinely, I did not encourage them. In fact, I think if I can recall that, maybe said we should take some time in discussing this and get an understanding of what really are the opportunities and how do you feel about this.

So I can appreciate there is probably some apprehension from some of the people. I mean, I am sure the same apprehension was in Channel Area Loggers activities, there was some apprehension as to what was going to be there in the future.

All I can say is that I think I would be less than responsible. If this is what the member is suggesting, that I should have said to the communities of Moose Lake, the band and the council when they sent in the resolution requesting the takeover of the operation, I am sorry, the government is not interested in you determining your own future and your own affairs. I do not think he wants that. What I have tried to do is say, look, there is some middle ground here. Let us proceed on a path that we both feel comfortable on. The reflection that I am getting is that is what is happening, so I hope I am making myself understandable in where I am coming from.

It is not me saying to them, here it is, take it or leave it. I mean, that could have been done four years ago. We could have said, we are no longer going to support Moose Lake, dropped the company, wound it down and it would have been over with. We would not even be having this debate today, but we did not do that.

We took the conscious decision that we were going to carry on with the Moose Lake operations under a Crown corporation as we did, supplying wood, providing employment, with the objective of genuinely saying, someday, we hope that this

community will take over the operations for local determination. Gosh, I cannot understand why the member would not be supportive of that. He has been very much a leader in saying, we should have determination of activities both economically. He was the chief that was on that agenda, and I do not know why he is not now saying, you know, I am placing my concerns on the record. I am prepared to help, but he is being a little more negative than I would have thought he have been in the process that we are embarked upon, and I would hope he would clarify it.

I do not want to get into a political wrangle, because we gain nothing in that. I just am saying, I am prepared to work with him and give him all the information that I can in working toward what I thought, and I say this genuinely, the communities were really determined to have and that was the control of the Moose Lake activities, employment, give their community a chance to grow, have a base that is directed by themselves. That is what I have been interpreting.

I can appreciate it. I say this genuinely, appreciate people coming to him with some apprehension because in every community where there is leadership that goes a direction, there are individuals both within the leadership and the people who are part of the community are saying, well, you know, is it the right thing to do? There is always that second question. Is it the right thing to do? Are we going to be as well off as we were before?

I can tell him, as far as I am concerned, one of the things that they will be better off is because they do not have a minister, regardless of political stripe, either appointing a board or directing the company in the direction the community does not think is adequate for their needs. That to me is the biggest thing they have.

What I am trying to relate as well is, in the discussions, in the negotiations of the divestiture we as a government are trying to live up to a commitment of continuing to support in this interim period, as we did with Channel Area Loggers. We said, here is a commitment for resource road development, plus work with Abitibi. We are continuing to work on the package with the Moose Lake community, the interim board, to say, here is what we are prepared to commit to help this thing be a success, plus work with you, and supporting you in getting your contracts with the Repap Corporation.

It is in a period of process which I cannot make up the mind of the community, they make up their own mind. Thank goodness we have this relationship where they can and will. So it is not my intention to direct. As well, there may be opportunities that because of us being a Crown corporation directly involved in their community where they may be denied outside opportunities and support. He says, why have arrangements and work not been done with CAEDs? I imagine there have been discussions. I know that CEDF are available for vending activities. It was not available in an assured way previous to us getting into government and changing the act, but we have spelled out in the act that it is available to aboriginal communities. So, again, I appreciate the member's questioning, and hopefully I can satisfy him with the answers that I am giving.

**Mr. Lathlin:** Mr. Chairperson, I do not want to belabour the point, but I just want to make a comment once more. The minister says, you know, we could have dumped Moose Lake Loggers four years ago but we did not. But is this not in fact what you are doing now? I mean, you have done it. There is no longer Moose Lake Loggers as of April 1.

**Mr. Downey:** The community requested it.

**Mr. Lathlin:** No.

**Mr. Downey:** Are you going against the wishes of the community?

**Mr. Lathlin:** No, I am not.

**Mr. Downey:** Yes, you are.

**Mr. Lathlin:** No, I am not.

**Mr. Downey:** Yes, you are.

**Mr. Chairperson:** Order, please.

### Point of Order

**Mr. Leonard Evans:** Mr. Chairperson, we need some order here. We usually have one member addressing the chair without . . .

\* \* \*

**Mr. Downey:** My apologies, Mr. Chairperson.

**Mr. Lathlin:** My point was—and the minister referenced this earlier in his statement—yes, as a chief I was always very much interested in the development and enhancement of our communities, in the people, in the physical development of the community that I was leading, economic development, business. Yes, we took a

lot of risk. The minister knows that. I negotiated with governments, as I have said before in the House. I was not afraid to negotiate with governments, whatever stripe they were, provincial, federal, loaning agencies and so on.

Therefore, with that kind of experience I am also quite familiar with how funding agencies work. For example, Community Aboriginal Economic Development program, you do not go in there this afternoon and get funding, you know, the next day. Sometimes it took us a year, two years to get approval from CAEDs. Not only that, whoever goes in there looking for funding has to have at least 30 percent of their own equity. They get 30 percent in grant, and they borrow 30 percent from other financial institutions.

So that is why I was saying I am not against Moose Lake Loggers in doing their own thing in economic development. The concern that I have is that it be done in a planned and organized way so that in the end Moose Lake Loggers, the community of Moose Lake does not get hurt, and in the end we come out of Moose Lake and say, well, what did you expect from those people?

Even though the financial profit/loss column that I am reading here from 1988 to 1991, there was a little over half a million dollar loss. From 1981 to 1987, there was actually a profit of over \$80,000, and so anybody looking at those numbers, I know I would be concerned. What are we forced to take over? In the last four years, five years there has been a half a million dollar loss. As the member for Flin Flon (Mr. Storie) indicated earlier, that is understandable because we know where the government is coming from in terms of Crown corporations. It is clearly indicative here in the numbers.

Again, I want to come back to the minister's statement where he may be suggesting that I am not really interested for Moose Lake to take over. Far from it, all I want is that it be done in an organized way, in a planned way, so that I guess neither side gets hurt in the process. That is all I am saying.

Maybe I can ask the minister, Mr. Chairperson. I feel I am not really getting a picture or understanding of the role that this government will play or is playing as of April 1, 1992. Somehow the community of Moose Lake got the understanding somewhere along the way that there would be a transition period of three years, I believe they said. It was their

feeling when I was talking to them last Friday that perhaps it should be five years.

They also told me that there would be a loan guarantee or a line of credit mechanism set up. I believe it was somewhere in the neighbourhood of \$100,000 for each of the first three years. So again, that part I could not understand why, because what they are saying is, what if we have such a hard time during the first three years? Maybe I can ask the minister to explain that part of it as well.

\* (1140)

**Mr. Downey:** Mr. Chairperson, again it is my intention to do the 1989-90, 1990-91 reports which are before us. What the member is referring to are negotiations that are currently taking place which will be reported in the 1991-92, which will be a complete report, and expressing the success of the negotiations. As I said, it is not my intent to negotiate on behalf of the government and Moose Lake Loggers band or community at this table.

If the member is looking for some assurance, I can give him the assurance. That that is part of the discussions that are taking place is some assurance for a period of three years, not unlike what took place at the Channel Area Loggers negotiations. We want to see this transition and the ongoing operations of this activity succeed. That is, as I said, if it had been otherwise we could have walked in in 1998 or 1999 and just washed it. But that was not our intention, because what we would have ended up with was the lack of opportunities, the lack of the wood supply harvesting and the whole business of replanting of trees would not have been there.

So we are taking what I think is a responsible approach, but I think it is equally responsible not to negotiate the deal, the activities that are now currently being done by both staff here and by the leadership of the communities. I am not going to negotiate it at this table.

I cannot speak on their behalf. I can tell you though that I am interested in giving some security to the transitional period, and that is the process that the member has referred to. He has made comments about it. My comment is that I am there as a minister to work with staff, to try to make sure that it is an acceptable approach both for government and for those communities.

At the end of the day the success to continue on with the operation is what we want. That is the target, and how we get to there I think is what the

member is referring to. I openly and genuinely hope he would add his comments to betterment of the process. If he is not happy with that, I will do my best to try and keep him up to date, but I do not think he wants to negotiate on behalf of the Moose Lake Band or community either, I would hope. I would find it different if he did.

Again, the process has been ongoing not just for six months, not just for a year, but it has been going on for several years now of discussion back and forth, and we are now to the stage where we are close to some final decisions, not completed, not approved, but in that final stage, to my knowledge.

**Mr. Lamoureux:** Mr. Chairperson, I find that the real issue that is before us is the divestiture of the Moose Lake and interesting in terms of the response from the minister.

The minister wants to stick strictly to questions relating to the annual reports that we have before us. Well, questions regarding the divestiture of the company are very relevant and would suggest to the minister that they are most appropriate. There are some things, no doubt, that the minister might not want to tell us in terms of the internal negotiations, but in terms of the process one would like to think that the minister will be as open as possible to the committee members so that we can possibly find out what the real intentions are of the government and base some form of an evaluation on what the government is doing.

I would ask the minister: The interim board that has been appointed, how has it been appointed? Who is the one that selected this board when he made reference, well, it is a community board? Did he have any input into the selection of those individuals? Can the minister tell us who is currently on the board?

**Mr. Downey:** I had no input as to who is currently on the interim board. I can get the names for the member. I do not have them right here.

**Mr. Lamoureux:** So, Mr. Chairperson, how was the interim board selected?

**Mr. Downey:** Well, usually those communities operate pretty democratically, and I will find out the process for him. I would imagine they were probably elected by the community councils, both of the band and of the community, selected through a community selection process to represent them.

**Mr. Lamoureux:** Well, the interim board is currently in place. If the minister does not know how

the board came into being, specifically, can the minister give us some sort of assurances that the board, whoever, and I do not know who the board members are, but can he give me some sort of insurance that the board members that are there were—or give us some idea in terms of the process that allowed them to become the board members, that these are not just individuals that in fact the minister possibly sat around a table, as he likes to allude, with in 1988 when he met with some individuals and said, good enough, you sound like you are interested individuals, why do you not form the board? What was in fact the actual process that saw this interim board chosen?

**Mr. Downey:** Mr. Chairperson, I am quite disappointed, to say the least, at the paternalistic approach of the member for Inkster (Mr. Lamoureux) in dealing with our community of Moose Lake and the band of Moose Lake. I have full confidence that the communities elect their band council leadership, their chief. I have full confidence that the community elect on a democratic basis who they want to be their community councils.

Is the member suggesting that a Liberal government would go in and direct who they want to communicate with, who they want to run their community councils from the provincial government level? Is that what he is suggesting should happen?

I will tell him who is on the committee—it is Rod Grey, John Mercredi, Ted Bercier, Marvin Bercier and John Martin. They have been appointed by each of the community councils, by the band council and by the community council, totally a democratic process. If the member for Inkster (Mr. Lamoureux) has difficulty with that, then he should stand up and say so and be counted for the position which he would take.

**Mr. Lamoureux:** Yes, Mr. Chairperson, we have absolutely full confidence in the community. What we do not have confidence or full confidence in is in terms of the minister. When I originally had asked the question, the question was: What was the process? The minister, in that particular answer, was unable to tell me the process. In the follow-up question, I asked him what the process was, and now he tells me what the process was.

Well, had the minister responded that these are individuals that were selected from the different communities and say—he left the impression at least that all the communities participated in the selection

of the board members, something that the minister has not said previously. For him to say it is lack of confidence in terms of the communities is most inappropriate.

I would ask the minister: Is it going to be the interim board then that prepares the next annual report?

**Mr. Downey:** I am sorry, would you repeat the question, Mr. Lamoureux? Just the last part of it will be fine.

**Mr. Lamoureux:** Is it going to be the interim board that presents the next report?

**Mr. Downey:** The answer is no. Mr. Chairperson, the direction will come from the director, Mr. Percy Williams, on behalf of the government, and there will be a 1992 end of March report.

**Mr. Lamoureux:** I would ask the minister if he would make a commitment to ask if the interim board would be able to be present for questions for the next report, so we can get first-hand how the government has been dealing with it, with the interim board, and get some possible idea in terms of how they see it going in terms of the community.

\* (1150)

We hear the government's response, but it would be most interesting in hearing while we are having the '92 report, and I know the minister can say, well, if the member for Inkster wants to know, why does he not go out there and visit them? I can assure the minister, had we a travelling budget, I would be inclined to go out and visit, not only with this particular group but other individuals. But under our current rules, urban MLAs are not given a travel allowance, so we do not have the privilege of being able to go throughout the province as the minister does. We do not have those types of resources.

I would think that it would be an appropriate thing to have representation from that interim board as we get representation from the current board.

**Mr. Downey:** Mr. Chairperson, I believe it would not be the mandate of that new board to have to come before a Legislative committee. It would be the mandate of the minister and the mechanism that is involved through the director to come to report on the 1992.

I guess he did take the words right out of my mouth. It would probably be helpful to him and his party if he did in fact go out and visit the constituency and the member for The Pas (Mr. Lathlin) and talk

to the people of the Moose Lake community. I would invite him to do so.

If he has to be paid for everything that he does in this job, I would even help him by maybe supplying a trip when I am going out some time so that he could meet and talk to the community and get an understanding. It would be helpful. I am sure the member for The Pas would invite him out there to do this, too.

I think this is not a matter of playing politics or being politically motivated, this is a matter of doing the right thing in an economic community-sense basis for the community at Moose Lake. I would very much encourage the member to talk to the communities, as I would invite him to talk to the communities of Channel Area Loggers.

This is a matter of community building, community-supported community building and future determination of their own activities. That is really what we are embarked upon here. If I can help educate the member, and the community can help educate him as to what it is they would like, then I am more than prepared to do it.

**Mr. Lamoureux:** Mr. Chairperson, the question was in terms of "ask" as opposed to "tell." I understand that the mandate of the interim board does not obligate it to come before this committee. That is why I had suggested and asked the minister to ask if a member from the board, from the interim board, would be able to make some form of presentation to the committee as opposed to telling. I can assure the minister that the interest and the whole idea of, well, I do not get paid to do everything that maybe I should possibly do on my own.

I can assure the minister that my interest is just as sincere as the minister's interest for the long-term viability, not only of this particular project, but of projects throughout the province of Manitoba. Like this minister, we as a caucus have endeavoured to go out into rural Manitoba. In fact, it was the Liberal caucus that was the first caucus, in its entirety—when we were a caucus of 21—when we toured the northern part of Manitoba including The Pas, Flin Flon, Thompson and so forth.

So I take some objection to some of the comments from the minister, but would ask the minister quite candidly, will he not at least ask or offer a seat at the table for the next annual report from Moose Lake so that members of the opposition party, even if we have had the opportunity to go out there in the interim, to allow us an opportunity to

have that representation at the table? Because I think it is an important insight that all members of this Chamber would benefit from, because right now, as it stands, we are hearing from the minister the government's position. I, like the member for The Pas (Mr. Lathlin), question in terms of if this is more of a government priority as of today compared to, let us say, the community priority.

I would make reference to my opening remarks when we had the Channel Area Loggers—why not wait the year or two? Why do they both have to be done virtually simultaneously? They are not being done simultaneously, but virtually—and we are talking within a year where we are having both of them implemented at the same time—why not wait and see how one performs, and then two years later go into the divestiture? Maybe the arguments or the community have explained to the minister as to how it can be justified. We could possibly use some of those arguments, because obviously, the minister himself is not going to provide us with those arguments.

So again, I would ask the minister, will he at least ask for some form of representation from the interim board so we can make some sort of an evaluation on whether or not the privatization is in the best interests of The Pas and surrounding area?

**Mr. Downey:** Mr. Chairperson, I will try and be brief. I think it would be unfair to the interim board and the individual that would have to come before a legislative committee. I would, however, ask if they have comment to make that they prepare it in writing so that I could have it and distribute it to the members of the Legislature. But it would be highly irregular and precedent-setting that I do not think would be probably a proper position to place a new interim board member or any members of that community in when they have made their decisions. I am not here to question them as to their decision-making abilities, capabilities, as the Liberal Party appear to want to do. I could ask them for comments as to how they see the operation is taking place, as the member is quite free to contact any one of the members of which I have listed as the interim board.

**Mr. Chairperson:** I have been informed we have about four minutes left in the Hansard tape.

**Mr. Lamoureux:** Mr. Chairperson, I would suggest to the minister that all he need to do is look at the Minister of Finance (Mr. Manness) in the whole Repap, Manfor. There were individuals that were

here that were requested to be here, and it was felt mutually, from opposition and government to be in the best interest of the Legislature to hear from all sides.

So we have the Minister of Finance who is saying one thing, and then we have this minister saying another, and the real reason why that is, is because the Minister of Finance is willing to be straight aboveboard when it came to the privatization of the Manfor into Repap, whereas this minister does not want to allow the debate, because as far as all of his arguments are based on, well, this is what the community wants and this is what we are giving to the community.

We, too, want the community ultimately to be responsible for it. I do not think any political party is going to deny them that opportunity. But we want to hear, as the Minister of Finance provided for us a number of years ago, we would like to be able to hear all of the arguments in terms of how they foresee it in the future operating in private hands, that being the community.

**Mr. Downey:** Mr. Chairperson, I do not think that I want to have left on the record that I am not trying to—I am prepared to give all, total, complete explanation as to what the province is doing in the discussions and the working with the Moose Lake takeover of Moose Lake Loggers. I have every desire to maximize the information that all members of the Legislature have, and I will continue to do that. It is a matter of doing it through proper procedural activities.

As I said, if he can show me a precedent where a board that is not a Crown corporation board comes before this committee, I will give consideration to it, but I said at this stage I think it is unfair to ask a member of the interim board at this time to come before a legislative committee.

\* (1200)

I think there are other ways of getting complete information from that community process, and I am prepared to accommodate in whatever way we can to have that happen. If it is a committee process that he insists on, I cannot guarantee it, but I will give him the assurance that I will provide him and his party with the information that is of public nature through whatever means that are available to us. It is not a matter of keeping things quiet, it is a matter of fully disclosing what is going on.

**Mr. Chairperson:** Order, please. We are going to take a three minute recess so we can change the Hansard tape.

\* \* \*

The committee took recess at 12:01 p.m.

### After Recess

The committee resumed at 12:05 p.m.

**Mr. Lamoureux:** I would ask the minister if the board of directors of Moose Lake is operational at all right now?

**Mr. Downey:** No, they are not, Mr. Chairperson.

**Mr. Lamoureux:** So the appointment is invalid, like there is no board of directors, period?

**Mr. Downey:** That is correct.

**Mr. Lamoureux:** Was there an O.C. on that?

**Mr. Downey:** Letters have just come in indicating they are stepping down from the board of Moose Lake.

**Mr. Lamoureux:** Thank you.

**Mr. Leonard Evans:** Yes, just briefly, Mr. Chairperson, in view of the comments about the apprehension and uncertainty regarding this objective of the group divesting, dissolving ownership and the subsequent action now to fold it as a going entity, would the government, would the minister be prepared to reconsider this? He stated that, well, we would not want to get involved in negotiations.

Nevertheless, there is an objective here. The objective or the goal of the government seems to be to get rid of the company. As I understand my colleague, as I said, for The Pas (Mr. Lathlin), there is some apprehension that the people may not really want to do this. I do not know. I really do not know.

Would it be appropriate, given the minister's expressed desire to do the right thing and to protect the jobs and incomes of the people that he, perhaps along with the member for The Pas, meet with the people to assure himself, assure the government that this indeed is the course of action that the local people will be most happy with? I am asking that based on the statements that have been made this morning.

**Mr. Downey:** Mr. Chairperson, what I am working on are the initial comments that were made from the communities, the further requests from the communities for us to divest ourselves of it to their local takeover by both the chief and mayor. They

have accepted in writing as of February 5, I believe, the intent to proceed to continue to take that path.

It would not be my intention unless the community came forward to reconsider. It is my intention to carry on in good faith as we have been doing and as the communities have been doing. I do not feel that I have any reason at this point to reconsider the actions that are being taken, and I say that genuinely.

\*(1210)

**Mr. Leonard Evans:** As I stated, I understood from Mr. Lathlin's comments, there was some apprehension among the people. The minister is now saying that he has in writing from the chief and the band statements to the effect that they are prepared to go ahead with this divestiture. I do not want to put words in anyone's mouth but, as I understand it, they are satisfied with this.

Well, my main concern is that we maximize employment in the area, maximize income for the residents. Goodness knows, it is very difficult to find jobs, to find satisfactory employment, to find any employment in northern Manitoba. It is very

important that government does everything it can to enhance employability, enhance employment opportunities for people.

Now, if this is a way of doing it, that is fine, but I am not as confident based on some of the statements that I heard here this morning.

**Mr. Chairperson:** Shall the annual report for Moose Lake Loggers Ltd. for the fiscal year ending March 31, 1990 pass?

**Some Honourable Members:** Pass.

**Mr. Leonard Evans:** Just a technical question. There will be one more next year then of Moose Lake Loggers?

**Mr. Downey:** Yes, Mr. Chairperson, we anticipate there will be one more report ending March of 1992.

**Mr. Chairperson:** The annual report for the fiscal year 1990 is accordingly passed.

Shall the annual report for Moose Lake Loggers Ltd. for the fiscal year ending March 31, 1991—pass.

I would like to thank the minister and his staff and the committee members. Committee rise.

**COMMITTEE ROSE AT:** 12:11 p.m.