



Legislative Assembly of Manitoba

HEARING OF THE STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman

**Mr. D. James Walding
Constituency of St. Vital**



Tuesday, May 17, 1977, 8:00 p.m.

IE: 8:00 p.m.

AIRMAN: MR. D. James Walding.

MR. CHAIRMAN: The meeting will come to order. On the agenda of the Committee this evening is giving the reports of Channel Area Loggers Ltd., and Moose Lake Loggers Ltd. The Honourable Minister of Renewable Resources.

MR. BOSTROM: Mr. Chairman, I'd like to introduce the chairman of the Board of Channel Area Loggers, Doctor John Loxley, who will give the report to the Committee for Channel Area Loggers.

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: I'd like to first of all introduce to members, three members of our Board of Directors, Bill Bennett, Matheson Island, Mr. Allen Murray, and Mr. Harry Laws, Winnipeg.

The audited statement before you refers to the year 1975-1976. The main highlights of this was that production rose in that year from 6,040 to 7,330 cords, or by 21 percent, and that the equivalent of man years of jobs were created. The loss for the year was \$391,472, a dramatic increase from the previous year's \$175,744.00. The main reasons for this deterioration were identified as being (a) Low man-made productivity and absenteeism; (b) Poor utilization of machinery due to inexperienced staff, old age, and unsuitability of equipment, breakdowns and difficult accessibility to spare parts. As a consequence there were also (c) very high repair costs. Further details and more elaborate explanations is to be found in the report itself.

For the 12 months that have just closed, April 1976 to March 1977 — and here I intend to give you more than about six statistics — company production rose to 9,095 cords, an increase of 24 percent over the previous year, and an additional 1,191 cords came from subcontractors. Now an audited and preliminary statement that you have before you shows that our loss has fallen to 40,748, a reduction of a quarter of a million dollars below that of the previous year.

Whereas at this time last year we had only 4,000 cords at the barge landing awaiting transportation to Pine Falls, this year we have over 11,000. The main reasons for this very significant improvement in our performance are:

- (1) The switch to less capital intensive methods of cutting, from skidder production in cut and pile to the cut and bunch method described on Page 10 of the 1975-1976 report.
- (2) The hiring of a financial controller to be resident in Berens River.
- (3) The introduction of realistic budgeting and control procedures.
- (4) The building of a work camp at Pigeon River which helped stabilize the labour force.
- (5) Disposal of four leased skidders and a number of trucks, which had been expensive items to own and maintain.
- (6) The negotiation of an additional \$2.75 a cord from Abitibi in their purchase price.
- (7) The receipt of a federal ARDA grant to offset equipment purchases in previous years. This helped reduce both our depreciation and our interest charges.

We continue to encounter problems with our remaining skidders and the likelihood is, that the company will move to dispose of most of them. Deviations from budget, both in terms of production and expense, were experienced primarily with regard to machine production. Nevertheless, taking operations as a whole our board is satisfied with progress made in the last 12 months.

While it will be more difficult to achieve economies in future, given the limitations of labour availability placed on our production, and given therefore the relatively high overhead costs per cord produced, we expect to see these improvements continue and are likely to budget next year for an output of 10,300 cords and a net loss of about \$95,000.00.

I'd like to thank both the board and the staff for the part they've played in helping improve the fortunes of the company, which is after all still the single most important source of employment in Berens River. Thank you.

MR. CHAIRMAN: Are there any general questions to Dr. Loxley before we move to the report itself? Mr. McGill.

MR. MCGILL: Mr. Chairman, I would like to ask Doctor Loxley, what changes have occurred in the staff of officers for the company as they have been presented to us in the report for 1975-76.

DR. LOXLEY: Yes, one change from the list as given is that Mr. Lazarenko is no longer president. I replaced Mr. Lazarenko as president; Murray is still the vice-president; Mr. Bouchie is treasurer; Mr. Delbaere is secretary; Mr. Moyer is general manager, but we now have a financial comptroller, Mr. Robinson, who is here.

MR. MCGILL: What was the date of the change of presidency of the company?

DR. LOXLEY: Mr. Lazarenko resigned at the end of November, and I assumed office in early January of this year.

MR. MCGILL: How many meetings of the Board of Directors were held during the period under review? This statement covers till March 31st, 1976. How many meeting of the Board of Directors were held at that time?

DR. LOXLEY: I'd have to refer that question to the secretary, Mr. Chairman. Approximately ten

meetings.

MR. MCGILL: What is the director's fee per meeting?

DR. LOXLEY: Again I'd have to refer that to the secretary — \$50.00 a day plus expenses.

MR. MCGILL: Mr. Chairman, the losses for the company during the three years for which we had audited statements, have increased from \$82,000 in 1973-74 to \$175,000 in 1974-75 and \$391,000 in 1975-76. That is indicated in this statement. The president has made some explanations of reason for that dramatic increase in the loss of the year under review. Does he attribute it essentially to mechanization? Is that what the problem was that caused the losses to more than double in a year?

DR. LOXLEY: I think, Mr. Chairman, the part played by mechanization and I would say the inability to utilize and maintain that machinery, obviously played a most important part in the increase in loss between 1975 and 1976, but this was compounded by management problems, by personnel problems, by problems of absenteeism. But the single most important factor, was undoubtedly the high cost of leasing, repairing and maintaining equipment.

MR. MCGILL: There was another management change, I believe. In the report last year the president reported a change of management. Has that again occurred? Has there been a further change of management?

DR. NO, MR. CHAIRMAN, THERE HAS BEEN NO CHANGE OF MANAGEMENT IN THE PERIOD 1976-77.

MR. MCGILL: So that this full year's operation was under the new management which took over in 1976?

DR. LOXLEY: That's correct.

MR. MCGILL: . . . and the management for which the president at that time had considerable confidence in an improvement that might take place. Although he did indicate that for the six months subsequent to the audited statement the losses had increased, but certainly they had not increased to the extent that are now reported in this statement. Has the company undertaken any programs, any additional directions in order to rectify the kind of condition that seems to be becoming worse as the company progresses? You have mentioned the difficulty of maintaining equipment, and your desire to return to more hand operation in this company. What about intercompany charges and bank loans, and so forth, is this a burden on the company's operation?

DR. LOXLEY: Yes, Mr. Chairman. If I could start at the beginning there. The board has introduced a number of changes. I reviewed these briefly in my presentation. I think the most important of these is the switch in production peak from the mechanized system to a less mechanized system. The system we use now is still mechanized, but less so. This has enabled us to dispose of skidders which were leased; it's also enabled us to cut down very considerably on repairs.

The hiring of a financial controller and the introduction of much tighter budgeting and control has also contributed to the improvement and the reduction in interest payments which were occasioned by receipt of moneys to cover losses, but also some moneys from ARDA, from federal ARDA to cover capital equipment purchases, did have the effect of keeping down — not of reducing in any absolute sense — but of keeping down the level of interest payments below that which they would have been otherwise. As I said, the result is that the disturbing increase in losses which you commented upon, has been reversed quite dramatically in the last year.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: I notice that in the three years for which we have complete audited statements, the losses have increased as we have reviewed, but the total loss has increased in a much greater proportion than the amount paid in wages. Does that indicate that the administrative costs of operating this company have increased disproportionately? Can you give me the total administrative costs for the three years that we have had audited statements for?

DR. LOXLEY: The answer to the first part of the question is that the administrative costs have not risen as fast as other factors on the expense side. The administrative costs have increased at a much slower rate than the increase in repairs and maintenance and the rental of equipment, as I think you can see from Schedule I, the more detailed schedule of expenditure and the audited statements for 1976. I can give you, on that page, the audited figures for administration and overheads for 1975-76 and I think if you look at that, the increases from \$75,000 approximately to \$98,000 approximately, \$7,000 of that took the form of salaries and wages and a further \$7,000 of that increase took the form of bank interest and service charges. Other increases were of a much smaller dimension. So I think maybe the short answer is that the factors leading to these increases in losses for the years in which we have audited statements, are largely on the side of mechanization and the results for this year which is not audited, show the opposite and the factor to which it's changed again is the factor of payments for mechanized machinery and repairs. That's the major change.

MR. MCGILL: During those three years, has there been any change in the remuneration received by the president or chairman and the directors? Have they remained the same over that period?

DR. LOXLEY: It's merely my understanding, Mr. Chairman, that the president has never received remuneration. Mr. Lazarenko performed his services free of charge and I, myself, do not receive remuneration as a full-time civil servant. The directors' fees, again, I would have to refer that

secretary of the company. Mr. Chairman, there has been one increase over three years from .00 a day to \$50.00 a day.

MR. MCGILL: Thank you.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Dr. Loxley, in the published statement for 1976, you indicate that there were 46 man rs in terms of the work itself. You have given us a statement for 1977; do you know how many man rs you have?

DR. LOXLEY: For the last year. Yes, approximately 43.5.

MR. SPIVAK: Now, what I want to look at is, the loss for 1976 was approximately \$400,000 — and using round figures at this point — what we're really talking about is an \$8,500 subsidy per man r. Now, what has the subsidy been in this past year, this is 1977?

DR. LOXLEY: It's 43 into 140 approximately.

MR. SPIVAK: Yes, but is that really a fair evaluation because, in effect, you say 140 but . . .

DR. LOXLEY: Just under 3,000.

MR. SPIVAK: . . . \$127,000 was injected from the Federal Government so that, in effect, ultimately, you have an expenditure which has been realized, which is placed in here but, in effect, ally your loss really was \$267,000.00.

DR. LOXLEY: No, Mr. Chairman, that is an incorrect interpretation of the grant. The grant was a ant for capital assets, not an operating grant. It had an impact on our operating performance in that e represented cash in the bank which helped us, therefore, to reduce our bank overdraft and the net pact for that year was, I am told, in the order of \$36,000.00. That plus the depreciation factor.

MR. SPIVAK: Let's assume that you did not purchase any new equipment and you did not get a ant of \$127,000 from the Federal Government. What would your loss have been then?

DR. LOXLEY: Yes, Mr. Chairman, our loss would have been of the order of \$170,000 to 75,000.00.

MR. SPIVAK: Okay. This is as much for the record for next year, but not this year's statement, but r next year, the following year's statement as a basis of determining. So, in effect what you're really ggesting at this point is that you have effectively cut the subsidy per man year from \$8,500 to 3,300, more or less, or half. All right, in terms of the board's evaluation of its potential for next year, hat kind of subsidy are you looking for for next year for the man years that you're going to be nploying?

DR. LOXLEY: Yes, Mr. Chairman, we are — and I should emphasize that the board has not yet nsidered these figures — but the budget which we have drawn up assumes a loss in the area of 15,000 and the man years created are likely to be slightly in excess of last year's so we should say pproximately \$2,000 per man year, if we reach our targets.

MR. SPIVAK: Would that be the most optimum situation as far as the operation is concerned? ore or less.

DR. LOXLEY: Well, now I'm really being asked to go twelve months in advance and I think that all I an do is to point out some of the factors which might influence our performance positively which ave not been considered and then to point out some which might influence it negatively.

On the positive side, we have not budgeted for any increase in the sales price of our product o bitibi. We've recently negotiated a fairly significant increase of \$2.75 a cord. To the extent that we an increase that price, then the \$95,000 loss would be reduced; to the extent that there is any change o the capitalization of the company during the year, then our interest payments will be reduced; and o the extent that we can effect any further economies in terms of overheads again, that would be educed.

On the other side, we are budgeting on the basis of last year's experience and we are not at all sure hat last year's experience is in any way typical.

MR. SPIVAK: Well, although from a corporate point of view in presentation, it may be said that if n fact there is fresh capital that is introduced which converts the loan, or there is conversion of it, in ffect, that money is still being paid for by the taxpayer although, albeit not by the company itself o y yourself in that sense. In reality, that interest is still a factor as far as the degree of subsidization. he question in all of these undertakings, and an issue which has to be raised in this committee, and n issue which there has to be some soul-searching, is the socioeconomic benefits with respect to he degree of subsidy that has gone on and is likely to occur, and the measurement of that.

Now, we have two problems as I see it. You have a Board of Directors who have the responsibility f administering in the best organized way as possible and to try and maximize profits or minimize osses, depending on the point of view of the Board of Directors. But have the Board of Directors on ny occasion determined that there should be some discussion with the government with respect o he whole socioeconomic reality of what is happening with respect to the losses or the subsidy per nan year and the subsidy that will occur in the future, taking into consideration the fact that even if it s brought in as capital and converted into capital, the interest factor will still have to be determined

and paid for by the taxpayer? Has this, in fact, taken place?

DR. LOXLEY: Well, Mr. Chairman, what I can say is that we have had a meeting with the Minister and the Premier and the Board of Directors at which we discussed the operating loss for the year 1975-76, and in the course of those discussions, we proposed to the government that we should in the future submit our budget in advance of the start of production and that we should justify that budget in the light of some notion of social costs and social benefits. The rule of thumb that we've been using, the rule of thumb that I think is a reasonable one, is that if the labour that is being employed at the community level would otherwise be unemployed, then the value to the province and to society generally of that worker would be represented by, or should we say that the cost to society would be zero of employment and we would then see to what extent the wage bill covers the subsidy required. So generally we would argue that if the labourer would otherwise be unemployed then you could justify subsidies up to, but not in excess of, the wage bill paid. In 1975-76 that wasn't the case. In 1976-77 that was the case. So that we have brought our operating losses back down within the level that we deem to be at least justifiable in terms of subsidies. It's not a level that we are happy with satisfied with, but it's one that I think the province can finance in terms of subsidies without too many qualms.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Well, I wonder, first of all, can you tell me when the meeting took place with the Premier? You indicated the Board met with the Premier.

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: Mr. Chairman, I can't give you the exact date.

MR. SPIVAK: Well, I'm not really concerned about the exact date, but was it in the fall of last year? Was it in the spring, summer?

DR. LOXLEY: I refer that to the Secretary of the company. November 18, Mr. Chairman.

MR. SPIVAK: And that was the only meeting between these people?

DR. LOXLEY: 1976.

MR. SPIVAK: In 1976 That was the only meeting between the Board and the government. And that was the only communication. What I'm suggesting is, was that the only communication with respect to an evaluation of the socio-economic position and the continuation of the operation on the basis of the recognition that there is a subsidy factor that is going to be there for some time.

DR. LOXLEY: Well, Mr. Chairman, the purpose of that meeting was to discuss financing, the losses of the company for the year 1975-76, and for that purpose one meeting was sufficient, and the purpose of establishing the operating guideline again, one meeting was sufficient.

MR. SPIVAK: Would you consider, Dr. Loxley, that the assets are depreciating fairly rapidly? Forgetting about what their book value is, in reality in terms of the actual value they have or the value it would have on the market if they were sold.

DR. LOXLEY: That's a very difficult question, Mr. Chairman. This would have to be relative to similar operations elsewhere.

MR. SPIVAK: Yes. But the point that I'm making is that in effect, regardless of the cash value of the assets on the balance sheet, the reality is that the value is probably much less. This has proven to be the case as the years have gone by and forgetting about any question of winding up, if a winding up situation occurred, because then that could probably have a limited value if any, but that also then really a reflection in terms of the degree of subsidy that we are talking about. So the question that I have to put to you, Dr. Loxley, if you look at the total factors of the degree of subsidy that is provided from every element the taxpayer is putting in in this project; from the operation and its deficit; from the loan capital that's provided; from the depreciation in real terms for the equipment and related to the man years, whether in effect, after the year that we have had, it isn't a wise thing to consider that, in effect, the subsidy may be too high for the man years and for the actual productivity and for the results.

Now that question has to be put to you and it has to be put to the Board of Directors because we're here and we're sort of faced with the situation of meeting this every year and it's, you know, it's arguable — well, you know, it's an arguable thing as to whether, you know, the continuation of this is justified or not, notwithstanding the fact that it is important to certain people. One has to say at this point that that is a fair subsidy. It's been a fair subsidy . . . in the last four years and the question is notwithstanding all the good intentions and goodwill that you've expressed, whether it's not going to continue at a high level. Possibly you'll reach it, maybe you won't. At which point the taxpayers will have to pick up the deficit and the question is how long does this continue and when is the flag going to be raised that there is really an evaluation that has to take place.

And in saying this, may I ask something else. Have you made a comparison to other situations, in other provinces, with respect to this kind of an operation or other Crown Corporations in which there are some basic touchstones that can be referred to as a basis to consider the degree of subsidy?

DR. LOXLEY: I think again, to start at the beginning, Mr. Chairman, the answer to the question would be that if our losses continued at the level that they did 1975-76 then continuation of the

pany would probably not be justified. The people at Berens River through their local Board members have, I think, understood this and have expressed a desire to continue the company, and on our side we have made it clear that this would be dependent upon improved performance. I think that at a subsidy level of \$2,000 - \$4,000 per year, per job created, that this would be more than justified. So I think the key to the answer is that if we can keep our productivity up, if we can keep up the level of efficiency as we have, I think, shown that we are capable of doing, at least we have begun to show that we can contain those losses and contain the subsidy, then the Board, to a man, would believe that we should continue and that the project is socially justifiable.

As for comparison to other provinces, we haven't sat down and made a direct comparison with community enterprises elsewhere but what we have done is we've — and this is reported upon in this report before you — we did bring in a logging expert, Mr. McNally, who reviewed our operation and who is familiar with community operations of a similar type. It was on his advice that we switched to a more labour-intensive method of production which he argued would be more beneficial for our area and our type of operation.

MR. SPIVAK: Can I ask you, Dr. Loxley, do you believe that it was necessary to go through this procedure of losing money before the company was put into some shape to be able to operate properly with controls and with proper advice?

DR. LOXLEY: I don't believe personally that it's ever necessary to do that, but I inherited the situation and I'm working with that situation.

MR. SPIVAK: No, but I accept that and this is not meant as a reflection with respect to yourself. That I'm saying to you at this point, because I think this is one of the problems we face with this and with a number of other situations, most of which are inherited, in fact all of them I guess you inherited realistically, it wasn't necessary for the public to have lost a lot of money before someone got the idea that maybe controls were necessary, proper advice was required and it was necessary to put this on a businesslike basis.

DR. LOXLEY: I think, Mr. Chairman, that we learn from experience. This was a new enterprise in that part of the country. The techniques which we were using were fairly well tested elsewhere, even in Northern Manitoba there are people making money on essentially capital intensive techniques of production but the operation as a whole was quite new. The work experience to the people of Berens River was quite new. The Board has struggled with that experience over two or three years. It's been a severe, I think, from the beginning of the need for control and difficulty hiring and keeping staff in Berens River. So, I think the Board has struggled with this and my reading of the previous submissions to this committee is that the Board, the former president has been frank in raising these issues and in outlining the steps that were being taken. So this is a continuous ongoing experience and I think this year we have had a combination of good breaks based on past experience.

MR. SPIVAK: Then the thread that goes through all of this, both in terms of Channel Area Loggers and others, but just dealing with this now and it's characteristic of almost everything that we have been dealing with in the last little while, is really very bad management, bad organization and really, bad professional advice. Now, you know, someone has to take responsibility for that, it just cannot be left — no, it can't be left to the inexperience of the people who are the ones who are supposed to be helped, who have the inexperience and whose problem you are trying to cope with and deal with.

Certainly it's throughout everything and notwithstanding the fact that there's more optimism expressed now, one has to say that this point, and I think realistically, that it's really a shame that so much money has had to be lost for it to come around to a situation where there appears to be some organization. The only thing that would concern me now, and the record will show, is whether the optimism shown here, with respect to the projections, really will be met or not. Because if it's not met then the taxpayers will be dunned again.

DR. LOXLEY: I think, again to do justice to the people who have served on the board of this enterprise, we have had throughout the lifetime of the board, we have had people who are very experienced in this kind of business. We still have members of the board who have that right now. We have a President who has had very long experience both in the private sector and in the north and these and the other board members have done their best, as they saw it, to keep the company operating as efficiently as they could.

We are expressing optimism for next year because we have introduced a series of measures which have over a relatively short period of time reduced the operating loss by \$250,000.00. We feel that our optimism is well placed. If our optimism is not well placed, then I shall come back to the Committee next year and inform you accordingly.

MR. SPIVAK: Can I ask, are you expecting any additional federal funds for next year?

DR. LOXLEY: We are not — it's my understanding that our budget, our draft budget, does not take into account any further federal fund influence but I would have to check that with the comptroller. But our budget next year will not be unduly influenced by the receipt of any federal money which will have an impact on our interest rate. I am told that that is correct.

MR. CHAIRMAN: Will you repeat that so that it goes into the transcript, please?

DR. LOXLEY: We are not expecting federal funds next year in the calculation of the \$95, anticipated loss.

MR. SPIVAK: Are you expecting federal funds, though, in any case?

DR. LOXLEY: We are not expecting Federal funds at all.

MR. SPIVAK: Really, the statement that you presented here is really a cash statement, that's re: all this is. In effect this position that you have, \$140,000, is really just a simple cash statement

DR. LOXLEY: No, it's not. Mr. Chairman, it is inclusive of non-cash costs such as depreciati

MR. SPIVAK: The depreciation would be in your expenditure?

DR. LOXLEY: Yes, Mr. Chairman.

MR. SPIVAK: I see, okay. So your depreciation is in your expenditure in both cases?

DR. LOXLEY: That's correct.

MR. SPIVAK: One other question. Do you pay capital tax?

DR. LOXLEY: Yes, Mr. Chairman, we do.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. I wonder if Dr. Loxley could tell us how the train program for the bookkeeper has progressed. In the 1975 Report they mention that they were traini a bookkeeper to take over and I wonder if there has been any new developments along that li

DR. LOXLEY: Yes, Mr. Chairman, we are still training a bookkeeper. This is a new bookkeepe from the one mentioned here and he is being trained by the full-time financial comptroller.

MR. BANMAN: So the bookkeeper that was a trainee last time is no longer in that program and y have hired another one?

DR. LOXLEY: That is correct.

MR. BANMAN: How about the truck driver training course?

DR. LOXLEY: Mr. Chairman, the training course for drivers this year was a training course for pu porters, not for trucks, and we had six people trained during the last financial year.

MR. BANMAN: Was this on-the-job training?

DR. LOXLEY: This was on-the-job training.

MR. BANMAN: I notice in your statement from 1976 to 1977 there is a substantial increase commissary sales. I wonder if you could tell us the reason for that.

DR. LOXLEY: Yes, Mr. Chairman. During the summer of last year we established a camp at Pige River which is 11 miles south of Berens River. In order to enable people to live there reasonat comfortably we had to provide a commissary and as a result the commissary expenses increased a of course commissary sales likewise increased.

MR. BANMAN: What was the production for the year 1977, nuer of cords?

DR. LOXLEY: The total amount produced by the company was 9,095 cords, and I subcontractors 1,191 cords.

MR. BMAN: The difference in your financial report that you tabled for 1976 and 1977, the one v were just given, the difference in those two — if I understand it correctly — is that in 1976 you used tl figure of value of production at that which had been sold and now you are taking the value production to include the inventory on hand that hasn't been shipped. Is that correct?

DR. LOXLEY: That is correct.

MR. BANMAN: What kind of difference would you have had — I noticed in the 1976 report that certain amount had not been shipped — did that in 1976 not show up anywhere as far as assets c hand?

DR. LOXLEY: No, Mr. Chairman. Production which is not shipped would show up in two places c the balance sheet. It would show up as inventory on the asset side; it would also show up as advanc on the liability side because we receive over 95 percent of our final price from Abitibi for woo delivered to the barge landing. If the wood is in the bush, we receive simply a \$15.00 bush advance. S that the two ways of working it out are — they come down to the same thing but the inventory figu and the sales figure would be different in the two cases.

MR. BANMAN: I wonder, in the 1977 figure does that represent a certain quantity of wood that wa carried over from 1976 that was not shipped or had not been hauled to the barge landing?

DR. LOXLEY: No, Mr. Chairman, not in the operating performance. This would find reflection i the balance sheet. The figure for value of production is the figure for wood produced that I read out f you earlier. The figure for inventory which was approximately 4,000 cords during the year would fin reflection in the balance sheet. I haven't given you an unaudited balance sheet, I simply gave you th operating statement.

MR. BANMAN: With regard to the Hydro poles you've been cutting and the rail ties, in the 1975-7 report it mentions that only a small fraction of the Hydro pole and rail tie volumes have bee produced. What happened in 1977?

DR. LOXLEY: Mr. Chairman, in 1977 we decided to produce simply for pulp. We did not produc either Hydro poles or rail ties.

MR. BANMAN: Were there any deliveries made at all as far as the Hydro poles and the ties were concerned? Could you relate that to a dollar volume? Was that carried over into 1977, the moneys received or not?

DR. LOXLEY: No, Mr. Chairman. We sold over 1,000 Hydro poles. Contracted for, we shipped and sold 200. They would be included in the 1975-1976 operating statement.

MR. BANMAN: The 1975-76 report indicates that the equipment that you have on hand is valued at \$17,000.00. Would that consist mainly of machinery and equipment?

DR. LOXLEY: I am sorry, Mr. Chairman.

MR. BANMAN: The Exhibit A in the assets and liability statement shows that you have \$117,000 worth of machinery and equipment. Does that mean the skidders?

DR. LOXLEY: No, Mr. Chairman. I think if I am not mistaken that the value of our remaining skidders would be a small part of that. The main items would be a Kamatsu and a forwarder, but I may be mistaken. The comptroller is indicating that I'm mistaken. —(Interjection)—

MR. CHAIRMAN: Would you like to come forward and give the information directly.

DR. LOXLEY: Yes, Mr. Chairman. The statement that I have just made refers to the present situation, and the comptroller pointed out that in 1976 the situation was different.

MR. CHAIRMAN: Could you give your name for the record, please.

MR. ROBINSON: I am Sam Robinson, comptroller. The bulk of the assets stated under 1975-76 statement were trucks which the company has since disposed of.

MR. BANMAN: Would that then reflect the more favourable profit picture that we see as far as the disposal of assets, would that affect the statement as far as 1977 is concerned?

MR. ROBINSON: Yes, it would. When we wrote the trucks off, we took a \$2,700 loss writing them off but we've saved the company ongoing expenses in the neighbourhood of \$20,000 or \$30,000 a year.

MR. BANMAN: Do I understand correctly then that the trucks were sold this year, 1977?

MR. ROBINSON: That's right.

MR. BANMAN: Was there any recaptured depreciation on those trucks or not?

MR. ROBINSON: We lost \$2,700; I took a capital loss of \$2,700 on the trucks.

DR. LOXLEY: Mr. Chairman, I should add that we did receive \$32,000—(Interjection)—cash, yes.

MR. BANMAN: If I understand correctly, that was \$2,700 more than the book value of the trucks.

MR. ROBINSON: That's right. No, that's wrong. It's \$2,700 less than the book value of the trucks.

MR. BANMAN: What is the projected number of cords to be cut for this coming year?

DR. LOXLEY: Mr. Chairman, for the company itself, we are projecting an output of 10,300 cords.

MR. BANMAN: That will include your subcontractors then or is that the company itself?

DR. LOXLEY: That's the company itself.

MR. BANMAN: So what you're doing is you are projecting about a thousand cord increase in production?

DR. LOXLEY: That's good.

MR. BANMAN: Do you feel with the change sort of in direction that you've taken from the mechanization approach to the approach, I guess, of becoming more labour-intense . . . I think over the last number of years, that the Committee has been sitting here, I think that has been one of the recommendations that has sort of come out of the problems that the company has faced. I do suppose that by employing that particular type of method we will be able to minimize our losses in this area?

DR. LOXLEY: I think for the immediate future there is no doubt that that is what will happen. I don't believe that this is a general rule; I am not sure that the President / of Moose Lake Loggers would feel the same way about all pulp-cutting operations, for instance, but we feel that it will definitely increase our labour productivity and reduce our losses in the immediate future. We still need machinery; we still need fairly sophisticated machinery even with the cut-and-bunch method and that problem will still remain, but it will be less of a problem than it has been in the past.

MR. BANMAN: Well, I think this is what the Committee is looking at because when we do review the total amount of subsidy in the annual wages paid to different people employed, we notice there has been, over the last three years, there has been a quite an increase till you come to the realization that in 1976, we paid out a subsidy of \$391,000 and the amount of wages paid was \$233,000, so that we were running substantially over the amount of wages paid, as far as the total subsidy is concerned. I think that is one of the avenues that the Committee had a look at. I KNOW IN 1974 we are looking at a total subsidy of \$8,000 AND THE WAGES PAID OUT WERE \$88,000. It's a little closer figure but I think that's the thing that concerned the Committee and we've got some new figures here which we will, of course, have to absorb. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Bilton.

MR. BILTON: Mr. Chairman, just a few observations with due respect to Dr. Loxley and the comments he has made tonight. I wish we would quit pussy-footing around. The whole operation has been a dismal failure in my opinion, and I don't wish to take anything away from the native people whom we are trying to help. I think those that have the job of carrying out the situation have done their

level best, but when you look at this report and some of the comments that are made, and particul: on Page 5, the combined problems of being low man productivity, absenteeism and low availability equipment, restricted production to a fraction of the potential.

Mr. Chairman, through you, to Dr. Loxley, I would ask whose fault is that? Did you go on month month by month to create a deficit of almost a quarter of a million dollars of public money, and co to us today and tell us that you're suggesting that there will be an improvement in the future?

DR. LOXLEY: No, Mr. Chairman, I'm not doing that. I am suggesting that there has been improvement. I don't agree with the member's comments about pussy-footing around and I certain don't agree that the operation should be closed down. I don't think that the people at Berens Ri would share that view either. We have shown significant improvement, the information is before y. We've demonstrated that we can improve the ratio of losses to wages paid, which is the objective t we are striving for, and we've shown that we can provide employment opportunities in Berens Ri that would not otherwise exist. If we were to close down, this would not save the province t expenditure that would be incurred in terms of welfare and related costs. So, I have to disagree w your observations and with your conclusions.

MR. BILTON: Well, Mr. Chairman, through you to Dr. Loxley. As a representative of the people Manitoba and all the people I represent, I have no quarrel in the endeavour to open up the north our northern people and I have no argument or question in endeavouring to create a better way of l for those people, but I am just wondering if the leadership that the people are getting right now doing the job that you and I, Dr. Loxley, would intend that they should have because after all, as w pointed a few moments ago, that the deficit that we are discussing tonight, Dr. Loxley, is a repetiti of what happened last year. —(Interjection)—

MR. CHAIRMAN: Order please.

MR. BILTON: Yes, you'll like that, you'll like that. —(Interjection)—

MR. CHAIRMAN: Order please. Order please. Can the honourable member direct his remarks the Chair? Order please. If other members wish to speak, they will be recognized in due cours

MR. BILTON: The honourable member should be back in Springfield where he belongs and can go on relief in Springfield where he came from, but so far as I am concerned, I have got a right speak. —(Interjections)—

MR. CHAIRMAN: Order please. Order please. The Chair is having difficulty hearing t honourable member's question. Mr. Bilton.

MR. BILTON: Thank you, Mr. Chairman. My sole endeavour in spite of the rude remarks that we made across the table is simply to protect the taxpayers' dollar in the Province of Manitoba and I e sure our Indian brethren would agree with me in my approach to this particular subject. If there is problem, I would like Dr. Loxley to tell us why, after two or three years in this specific endeavour, th he hasn't got a better report for us tonight. I am sure the native people would expect to do tha

MR. CHAIRMAN: Order please. Dr. Loxley.

MR. BILTON: I'm not finished, Mr. Chairman. If you don't mind.

MR. CHAIRMAN: Mr. Bilton.

MR. BILTON: It's just simply the interruption from this miner from Flin Flon that doesn't kno whether his ass is punched or bored.

MR. CHAIRMAN: Order please. Order please. Mr. Bilton.

MR. BILTON: I apologize, Mr. Chairman, to the Honourable Member for Flin Flon. But really a truly, all I am trying to do is search out the truth, because I am sure this Committee, that's the responsibility. And money is being spent, the taxpayers' dollars are being spent, and when you a talking in terms of a quarter of a million dollars, surely, we should have better answers than we' getting tonight. Thank you very much.

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: I'd like to respond to that, Mr. Chairman. It's unnecessarily provocative. I think th the leadership that is being exercised in Berens River is something that the honourable member probably not in a position to judge. The Chief of the Indian Band in Berens River is a member of o Board of Directors and he has come in since the meeting started. I'd like to introduce you to Chi Swain, who is in the audience. He is a member of our Board and in the last twelve months, as I tried emphasize and this is after one year of endeavour — this is not my third year of endeavour, it's the fir year of endeavour — we have shown that this particula enterprise can be turned around. The amou spent, for instance, on wages is more than double to last year's loss. I think therefore that th honourable member has had before him a better report than the audited statement for 1975-7 indicated.

MR. BILTON: . . . be good enough to answer my question, the combined problems of low ma productivity and absenteeism and low availability of equipment restricted production in the fractio of the potential. Could he tell us about that?

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: I believe, Mr. Chairman, that the I spent a fair amount of time discussing the problems that we had with mechanization. The problems of absenteeism I dealt with fairly adequately in the report. They are problems that we are dealing with, problems that we continue to solve, but problems which we are gradually overcoming, and with the creation of the camp at Pigeon River we feel that this will go a long way towards solving some of those problems.

MR. BILTON: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Well, Mr. Chairman, I would just like to examine the premise that Dr. Loxley is putting forward the benefits of the program, which he suggests are primarily social. Unfortunately, this report doesn't give any breakdown of what the social benefits are. If the program is primarily social in its objectives, you deal almost entirely with the Financial Report, which is maybe a standard form. Well the fact of the matter is —(Interjection)— Yeah, they don't like to hear questions that ask too many right questions. What I am trying to determine if I may be allowed, Mr. Chairman, is to ask Dr. Loxley to give us an assessment of what the social benefits of this project has been on that community?

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: I think first of all, Mr. Chairman, there is some validity to the statement that the report emphasizes essentially physical and financial performance. I think there are good reasons for that in that this is the requirement under our Act, this is the requirement for the Provincial Auditor.

There is a second reason for that, which is that social benefits are less tangible and more difficult to measure. The standard approach in economic analysis, at least a very crude interpretation of the standard approach in economic analysis is to do what we have done, which is to emphasize the opportunity cost of labour, that labour that is otherwise employed would socially have a cost of zero. And therefore one can look legitimately at the Labour Bill in relation to the subsidy. We have done that. This I agree is not an all-embracing assessment of social benefits. I would argue that availability of employment is a very important social benefit and that each person who wishes to work should have a chance to work. And I think that we provide that benefit to Berens River.

I think we also provide the opportunity for residents of Berens River to acquire training, to improve, and to build up their capabilities, and to improve their capabilities. We also provide opportunities for management positions and we provide a number of opportunities which relate to the general running of a corporation.

We have at the moment a request from, I believe it's the Natural Resources Institute in conjunction with the Department of Renewable Resources, to look more carefully at these social benefits. A summer project is already under way along those lines and we will co-operate fully with that research project.

MR. AXWORTHY: Well, Mr. Chairman, even under the limitations of the reporting guidelines, I am still a little bit surprised that in a report like this which is constantly promoted because of its social benefits, that we don't get some basic indicators such as the number of people employed, man hours, it doesn't break it out in terms of the training periods, what happens to the individuals during training, after training, breakdown of the people in the community, who in fact is employed, even in terms of proportion of population. There's some pretty standard statistical indicators that could be provided that would perhaps give this committee a better basis for examination and assessment of the impact of the program. I'm not trying to re-write your report but I am suggesting that if the case is going to be made that it is of social benefit, then I would assume that we should receive some evidence of that in pretty standard formats for indicating what social impacts can be, which is not a technology that is unknown I would think to people in this province.

But, beyond that, Mr. Chairman, I am wondering again, from the point of view of the project, if you are going to go about measuring social benefits, this program has now been in existence for some period of time and I would like to really ask what difference has it made to that community over that period of time? How has it affected in a positive way since we've been spending half a million dollars per year on it, or better? The point, Mr. Chairman, is what difference would it make if it wasn't there? Would life in that community be any different?

DR. LOXLEY: I think I have indicated already, Mr. Chairman, from my response that I believe that it would be. For me to give you an impact assessment would be for me to really do the study which I've said is underway and will be done. As for concrete figures and data, it's always a problem to know just what to bring before this committee and how much to bring before the committee, but if honourable members wish to have that kind of information, then in future we can endeavour to provide it.

I should add — and this is a point which the comptroller has just indicated to me — that there are other benefits, at least one other benefit which I ignored, and that is the amount of tax that is paid by people earning money from employment to Channel Area Loggers and this the comptroller estimates to be approximately \$75,000 over last year. So that would be a benefit which would have to be looked at in relation to the subsidy paid. But, on the general point, I have certainly a lot of sympathy with the request for that kind of social information and if that's what members desire to see,

then in future we will attempt to provide it.

MR. AXWORTHY: Well, Mr. Chairman, I have to assume from the gentleman's remarks that we are really receiving when we are told that the benefit is of a social one is really a statement of fact rather a statement of hard evidence and that it would be one based upon impression, which is very enough, but is not based upon any continuing assessment that can be justified in those kind of ratios that Dr. Loxley referred to in the past.

DR. LOXLEY: I think, Mr. Chairman, that the fact that the equivalent of between 43-46 full-time jobs were created is not just an impression; this is a concrete reality which is very important for people involved. It may be a subjective assessment that the money that has gone in is worthy of it or the employment created justifies that. I have attempted to give a very crude rule of thumb which covers the employment factor. My argument is that, with the exception of last year, I'm sorry, the year before last, we have met that rule of thumb in terms of subsidies relative to wages paid.

MR. AXWORTHY: Well, Mr. Chairman, to take the form of analysis one step further, the question is also one of whether certain opportunity costs are lost by the expenditure of this money as applied to some other form of project or some other form of intervention. Taking case in point, the lost hypothesis, if you want to use a simple example, where in fact an important contract, living up to a mandate to produce a pretty extensive number of units, was not serviced, a failure, in effect, as opposed to what Hydro had done it itself or employed the same people, brought them into training and work under their own auspices as opposed to through a form or vehicle such as this. I am wondering if, in terms of the evaluation or rethinking that is suggested is going on, whether that rethinking is stuck on a basis that it is just a matter of making this particular company work better in some way, from going to a high technology skidder routine back to strong backs and low technology job activity. Whether the fact we shouldn't be rethinking the proposition about this form of community economic development initiative?

DR. LOXLEY: Yes, Mr. Chairman, my responsibility as president of the company is to attempt to make this particular company operate as efficiently as possible. I think your question is more properly addressed to the Ministers responsible for policy in the North.

MR. AXWORTHY: I would be glad to address it to them, Mr. Chairman, the problem is getting answers. I think that the basis though for making the kind of policy judgments that would be required would be based upon the kind of non-existent evidence that we have, and I am not so sure that I am thinking, and it certainly hasn't been revealed so far, and I'm not so sure that I accept the terms of reference that the president of a company is simply — particularly one which has as its major product a social community benefit, not necessarily an economic one — whether that shouldn't also be part of the area of responsibility to be examining whether the mandate, as a form of social investment the being used, is the most effective one.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, just to relate to the last remarks by the honourable member. It indicates that he has difficulty getting answers to questions which I reject completely since he has asked me any questions on this particular topic. In the case of whether or not

MR. AXWORTHY: I'm asking them now.

MR. BOSTROM: . . . whether or not this is a worthwhile venture in Berens River, it's one which the department, which I am now Minister of, has been involved with in this community for a number of years. It was introduced in the community after a long process of working with community leaders and consulting with people in the community and looking at their available resources that are in the general area of the community. It's pretty obvious from discussing with community leaders, and also from the resource information which my department has, that forestry is one area of economic possibility in that community. Therefore, this venture was started; it originated as a departmental venture in that community and grew into a Crown corporation status; it was officially incorporated in such a way that the reports of this company can come before the Legislature and any honourable member can ask any questions which he desires to ask. If he does not get the answers to those questions that he desires, he can complain at the meeting. But I reject the impression that he may be leaving that he's not getting the answers. He's been getting a full answer to every question posed concerning the operation of this corporation from the chairman here tonight.

The second point, Mr. Chairman, is that there are representatives present here tonight who represent the community of Berens River, the Chief is here, the Mayor was on the Board of Directors of this company and I am sure that if questioned, they would answer that the community does in fact support this corporation and desire this corporation to continue in that community. It's providing very useful income to that community and it is providing a very significant portion of the total income of people in that community and there are very few other kinds of employment opportunities available in that community. My department has had a policy of relating resources that are available to the communities and working with the communities to try to develop those resources for the benefit of those residents; and this Crown corporation is an example of that policy in action. There has been one year of real difficulty that has been outlined by the chairman in his remarks tonight but he has

is indicated that there is significant improvement that has been made over the past year and objections are that in the year to come it will be even better. It is well within the social cost-benefit analysis that can be applied even on strictly financial terms.

The honourable member asks why we do not bring in other factors. If we had brought in other factors, he would probably tell us that we are trying to fudge the books. Mr. Chairman, these are strict financial reports that we have before the committee here tonight. If he wants us to add up the other factors which would only make the picture look better, not worse, it would make the picture look better if we included things like income tax that the people who work in this corporation pay and if we added that up to make the picture look better, and also if we took a look at the savings to the community of social assistance payments rather than have people receive social assistance payments from either the provincial or the federal treasury, it's all taxpayers' money. We maintain it is better to provide useful, productive employment for people, and if we can do that on the basis of some reasonable subsidy per job, we are going to do that rather than pay out welfare, Mr. Chairman.

MR. CHAIRMAN: Order please. Before we proceed, let me just say that the Chair does like to give members as much latitude as possible but some of the remarks that have been coming from members have been tending to go into the area of policy, which might be better directed towards the Minister. May I suggest that members wishing to discuss that area might be better to make their remarks under the motion to receive the report, and that this part of the proceedings is for questions for the President on his report that has been placed before you. Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I assumed that that was the terms of reference until the Minister intervened, but I would like to take the same opportunity to reply because I think that this Minister, along with every other Minister in this government, has got to the point where their self-righteousness about this particular position . . .

MR. CHAIRMAN: Order please.

MR. AXWORTHY: Mr. Chairman, frankly, you allowed the Minister to go through a political diatribe for 15 minutes.

MR. CHAIRMAN: Order please. It was not just the last member that the Chair was referring to; it was other members who had spoken earlier on. The Chair was simply attempting to get the meeting back to the rules of the proceedings. Would the Honourable Member for River Heights state his point of order.

MR. SPIVAK: My point of order, Mr. Chairman, is that in a measurement of the socioeconomic benefit, which is really what we are talking about now — not in terms of the policy determination, that we can discuss, and I agree with you it should be discussed before the report is presented and I think the Honourable Member for Fort Rouge will have the opportunity of replying — but on the question of socioeconomic benefit, which is unique to a number of — well, not unique but it's characteristic — of a number of presentation before this Committee, I think that of necessity questions should be asked to the Chairman for a basis and an opinion with respect to either analysis that has been done by the directors or by himself, or for the need for that, or for an evaluation with the Committee. I don't know any other way in which you can make a measurement other than discussing that, other than with the bold facts that are presented at the time of the actual presentation before the Committee.

So I think that that's appropriate and I think that those questions and those comments should be made, and to that extent the Chairman is involved. We'll get back to the policy matters before, because on that respect — I want to make one point — the Minister's Estimates are over, I'm correct on that, yet the Report is now presented. It's very difficult now to start to deal back in the House with the policy statements. Of necessity, it has to be dealt with the Committee and this is really the failure of the organization for the Session, of the proper presentation of the issues in which the Minister is involved, so that the Committee and Members of the Legislature have the ability to be able to cope and deal with the problems in a proper manner.

MR. CHAIRMAN: The Chair did not object to questions along those lines of the President. What I was objecting to was that the remarks were becoming argumentative and of such a nature that would be better addressed to the Minister rather than to the President. Mr. Axworthy.

MR. AXWORTHY: Thank you, Mr. Chairman. I would simply point out that the President of the corporation may know, but the Minister doesn't, that many of these same questions were asked last year in identical form, for which there were no answers. I think that the question that we are trying to pursue is that at some point in time . . .

MR. CHAIRMAN: Order please. Will Mr. Bostrom state his point of view.

MR. BOSTROM: Mr. Chairman, I think if the honourable member will look at the record, Mr. Chairman, all questions that were asked last year, answers were given, and the honourable member either was not here or did not complain when this report was brought before the Committee last year because I don't recall — if the honourable member looks at the record, he will not see where there were any complaints about questions not being answered.

MR. CHAIRMAN: Order please. I don't believe a difference of opinion between two members

constitutes a matter of privilege. Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, addressing the issue to the President of the corporation, if I like to get back on stream, the point we are trying to make is that in operations such as this which depend almost virtually upon a high degree of public subsidy to provide for a combination economic and social benefit, that this particular formula has now been applied for several years. Each year there is a commitment that it's going to get better, things will change, and I'm simply asking the question because you are involved with it, whether in fact this is the right formula. It has nothing to do with one's commitment to development in the north or assisting northern communities, I simply to find more effective ways of doing it than what appears to be simply a continually losing proposition. Unless you can start stacking up a pretty substantial and satisfactory measurement of what the benefits are — which we do not have in these reports other than impressions given suggestions given — then it's impossible for this Committee to fulfill its function which is to assess whether in fact there should be fundamental changes in this kind of program, and make the case which we would then be quite prepared to make to the Minister or whoever else may occupy his place shortly.

I think that that, Mr. Chairman, is the point of the line of questioning, is to really get down to see we're not spending an awful lot of money and getting relatively little benefit back from it. I'm not suggesting there is no benefit; I'm just simply suggesting that maybe it is of less benefit than if we were looking at other options. I think that that is the kind of assessment I'm asking the President in a very candid way.

DR. LOXLEY: I would like to clarify the point I was making earlier. I think that we have sufficient indicators of social benefits, quantifiable even at this stage, to justify the continuation of Channel Area Loggers. I agreed with your earlier statement of the need for a more embracing social impact study. I think that needs to be done; we are doing that — at least we have a student doing that this summer. These are not inconsistent with each other.

As to the question that I refused to answer, was whether or not what we are trying to do at Berer River could not be done better by a different vehicle or a different organization, because I think that that is not a question that is properly addressed to the president of the corporation receiving the annual accounts. I can give you an opinion, but I think that that is probably not a wise thing for me to do at this stage, whatever my opinion happens to be.

MR. AXWORTHY: Well, let me try this then, Mr. Chairman. That with this kind of operation which is designed in part to prepare people in northern communities for future employment prospects, is it adequately doing that job? Are the people who come through this program, who have worked for it and get trained by it, if perchance tomorrow the program came to an end, would they then be available and able to undertake forms of their own enterprise? Could a logging company start up that was run totally by the community, that didn't have a 25, 30 percent, 35 percent overhead cost because it is a Crown corporation added to it, would one spring up in its place now if this particular Crown corporation mechanism disappears and that it was based upon more local enterprise?

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: I think, Mr. Chairman, the number of employees of our company have left and have sought and found employment elsewhere, cutters, drivers, forwarders, bookkeepers. I think we have documented that.

A development last year which, in a sense, takes me into the area that I said I really wanted to avoid, but it is one in which we are involved, is that the number of people associated with the company, a number of employees, are now owner-operated as of last year. We have four of those. That is not necessarily an improvement and it depends upon their judgment and people can have different opinions about that, and I think experience will tell whose opinion is correct. But we do have these people. They are operating independently, selling to the company, but operating independently, self-financing, self-managing, simply using Channel Area Loggers as a vehicle for sales, for hauling and forwarding in some cases.

So I think we have sufficient experience to say that a number of employees have shown that they can seek and gain employment elsewhere.

MR. AXWORTHY: Well, Mr. Chairman, could the president of the company indicate whether the Board has made a decision that as far as this company is concerned, that it will seek to further encourage that kind of local self-enterprise and provide whatever incentive may be required. Being president of the company he would know the way in which one arranges the financing and the contracting of such programs can either lead to a deterrent or an incentive for that kind of owner-operator type operation, or one in which he may even in fact have a series of satellite companies that are smaller operations feeding in, and that you simply provide the marketing of such. Now has that kind of discussion taken place on the Board and has any firm decision been made that that is the direction you want the company to go in?

DR. LOXLEY: Yes, Mr. Chairman. There has been a lot of discussion on the Board. I should point out under the Bill 17 Act, should I say, The Natural Resources Act, the ultimate objective of our

poration is that it be a community-owned and controlled corporation. So that ultimately — and of course would depend upon satisfactory performances and satisfactory financing being available — we can look forward in the future to a situation in which the community actually owns and controls the Channel Area Loggers. Now, clearly you are not going to have that situation where sales are being made of any size unless there is a fairly reliable and fixed method of getting subsidies. So we do have that obligation and we have that obligation within the company itself.

At the same time the Board of Directors did agree that opportunities should be given for a number of subcontractors to sell wood to the corporation. Now to the extent that we can sell as much as we can buy or produce, to the extent that we can sell that to Abitibi, then there really is no limit on how much we can buy from subcontractors. To the extent that Abitibi puts a quota on our sales, then obviously some point it would be a decision to be made as to company operations relative to subcontractors. That is not a problem that has arisen at the present time. At the present time we can sell as much as we can buy from the subcontractors can produce.

Now in regard to the assistance that we give to subcontractors, and I think if anything that the problem is not that we are not giving sufficient assistance, the problem may well be, if there is a problem, that they are leaning too heavily on the corporation. We do give all kinds of assistance. The Board has agreed to offer to, for instance, give maintenance and repair facilities at cost, and we do help them out in a number of other ways in terms of financial advice and bookkeeping advice. They do get assistance and the existing subcontractors are certainly receiving as much assistance, if not more, than they actually needed.

MR. AXWORTHY: Well, continuing in that particular line of questioning, Mr. Chairman, is there any option given for taking shares in the company by subcontractors or owner-operators so that they begin to take some piece of equity in its operation and therefore become responsible for its activity? Do you consider that part of your mandate under the Act, to produce that form of ownership or involvement in it and that becomes part of their own stake in the operation?

DR. LOXLEY: No, Mr. Chairman, we don't. Our mandate is not to sell the company to a few individuals within a community, our mandate is to convert the company ultimately into a genuine community based and owned corporation.

MR. AXWORTHY: Mr. Chairman, I find that an interesting distinction between a genuine community-owned corporation as opposed to individuals in a community owning the company. Perhaps the Chairman could tell me what the difference is between those two; whether it's a genuine community-owned corporation as opposed to one in which individuals in the community own the company.

DR. LOXLEY: Well, I could answer that, Mr. Chairman. The first one is that the subcontractors are actually running their own companies.

MR. AXWORTHY: Yes.

DR. LOXLEY: And the second distinction I would make is distinction between the government, the province, acting on behalf of citizens of the province. . . .

MR. AXWORTHY: Oh, I see.

DR. LOXLEY: . . . using its assets to further the interests of a limited number of people within a community. I think it's a legitimate distinction.

MR. AXWORTHY: So, Mr. Chairman, I understand that a genuine community-owned corporation is one that is owned by the government. That's the definition of it, is it? — (Interjection) — Well, that's what I am listening to. And that there is no intention, therefore, in a Crown corporation such as this to provide for equity shares or involvement of those involved in subcontracting as owner-operators becoming part of the company, it is one that the government, you know, in some metaphysical way is going to represent the community in its own way, and that that is how you interpret the extent of our mandate.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Well, Mr. Chairman, clearly it is getting into the area of policy again.

MR. AXWORTHY: Mr. Chairman, I thought we were going to have the President answer these questions.

MR. BOSTROM: As a member of this committee, Mr. Chairman, I think I am permitted to speak, and in answer to the honourable member's question.

MR. AXWORTHY: Well, Mr. Chairman, on a point of order, I think . . . Mr. Chairman, on a point of order please?

MR. BOSTROM: The company as the Chairman has indicated is that . . .

MR. CHAIRMAN: The honourable member state his point of order.

MR. AXWORTHY: Yes. I have no objection to this member of the committee speaking, but I would hope he would do so in the proper sequence. I had asked a question directly to the President of the Corporation, and if the Minister wants to speak when his turn comes I'd be more than happy to listen to him.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Further to that point of order, Mr. Chairman, obviously there is some very basic fundamental policy questions implied in the honourable member's questions, and in some cases some of the questions are obviously administrative and asking opinion with regard to the economic aspects and indeed the social aspects of that company. Fine, but I submit, Mr. Chairman, that it is up to the Chairman to decide whether that question indeed in a policy question that better be answered by the Minister responsible as opposed to the President of the company, and that is a prerogative of the Chair.

And I would think, surely, Mr. Chairman, what the honourable member wants is information on policy as well as administrative procedures, and he shouldn't surely complain to the Minister being willing to answer a policy question. Surely not. As a man of an academic institution who seeks learning and knowledge, surely you should be ready to listen.

MR. AXWORTHY: On the same point of order, Mr. Chairman.

MR. CHAIRMAN: Mr. Axworthy on the same point of order.

MR. AXWORTHY: Yes, Mr. Chairman, I again have no objection to the pursuit of knowledge and information. But I did ask the President of the company how he interprets the mandate under the Act which he mentioned two or three questions before, in terms of that kind of evolution towards a different style company. —(Interjection)—

A MEMBER: It's policy.

MR. AXWORTHY: It is not a policy question. It is really how the Board of Directors — and I am simply asking for information — how the Board of Directors has interpreted the Act and how they are proceeding with that interpretation in giving and implementing it. That's all I want to know. If the government wants to argue it, that's . . . And I think he is prepared to answer it, Mr. Chairman.

MR. CHAIRMAN: Mr. Evans to the same point of order.

MR. EVANS: Mr. Chairman, to clarify my point of order, the honourable member still doesn't seem to understand the distinction that I think that has to be made. It is up to the Chair to make, I think, a judgment. In this case it is a matter of judgment and it is up to the Chair to make a judgment as to whether it is appropriate and proper for the Minister to answer as opposed to the President. It is not up to the member to decide whether the Minister shall not answer. It is up to the Chairman to decide who is the appropriate person to respond on behalf of the government.

MR. CHAIRMAN: Mr. Bostrom to the same point of order.

MR. BOSTROM: Mr. Chairman, on the same point of order, clearly the honourable member is asking a question about the Act itself and what the Act provides. And the honourable Chairman who is here tonight is answering for the company and as it is incorporated under that Act and is not here to answer questions about the Act and how it applies to all of the communities in northern Manitoba, or in fact, to economic development in general. So, Mr. Chairman, if there is a policy question which the honourable member is asking, I am perfectly willing to answer. But if your judgment is that I should not be allowed to answer, or if the honourable member is not willing to listen, then I will cease and desist.

MR. CHAIRMAN: The Chair would again ask for the co-operation of honourable members in being in accordance with the procedures of the committee, and that is that the Chairman or the President of a Crown corporation appears before the committee, answers questions having to do with his report. If there is to be debate amongst the committee that should come afterwards, matters of policy that members wish to raise should come afterwards.

I again ask members of the committee to restrict their questions to the President on matters having to do with the operation of his particular enterprise and not to stray into other matters. Mr. Axworthy.

MR. AXWORTHY: Well, Mr. Chairman, I would ask the President of the Corporation, and underline the first: Has the Board of Directors of this Crown corporation decided that they are not able, as part of their terms of reference, to devolve this company into a community-owned operation owned by individuals in the community, and therefore must keep it in its present form as a Crown corporation?

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: Mr. Chairman, if there were individuals in Berens River who felt that they wanted to invest in a company which is losing money each year, and who were willing to buy that company out, then I think our Board would recommend to the government that they be allowed to proceed and do that. This is not the situation, and what I was asked previously was not what the Board felt, but what I felt about spinning off the company to the community. This has not been an issue that has been discussed by the Board for the reason that I gave, that until the company is in a position where the community — however we define that — would wish to operate it on a self-sustaining basis, and this is not something that the Board has to deal with.

MR. CHAIRMAN: Thank you, Mr. Axworthy. Mr. Blake.

MR. BLAKE: Thank you, Mr. Chairman. I don't want to rehash the areas that we have covered on

viability of the company and why they obtained an order for 1,000 Hydro logs and then didn't deliver them. I think we can come to that later on. But we touched on the cut-bunch forwarding system earlier, and that is not a new system, and I wonder if Dr. Loxley might answer why this method was adopted after successive losses and using other methods and what he feels about this particular system? Is it going to be the answer to the problems? The problems have been recited in the report pretty clearly and I don't think there's any point in going over them again, but does he feel that this is going to be an answer to a good portion of their operating losses and have they considered a competitive system in their logging operations whereby a certain area would be left to a private entrepreneur to allow the native people to compete and see if they can bring out as many cords in a given time as a private entrepreneur might bring out?

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: Yes, Mr. Chairman. I think the change in the production technique has already demonstrated that our financial position would improve significantly by the adoption of that technique, which, although it is not new to Canada it is relatively new to northern Manitoba. We've done that. That's not the only problem that we have had. I think the Past President has outlined the problems fairly accurately and we are attempting to deal with other problems as well as the production technique and we will continue to do that. But I think that this year's operating statement, the unaudited statement that I presented to you, shows quite clearly that we've broken the back of the problem by that innovation as well as the other improvements that we have made.

As to your second question, we have, I suppose in a sense, done that too, because we already have our sub-contractors who will be providing employment opportunities to people in Berens River; who will be supplying the company and working through the company, but individually owned and operated. And I think the comparison is one that will be made fairly automatically as time goes by.

MR. BLAKE: I wonder, Dr. Loxley, are these private contractors or entrepreneurs, as we may call them, are they native? people that have acquired the necessary skills to go out and do this on their own or are they people of other backgrounds who are experienced in logging business, who are allowed to compete with that particular group who may be subsidized by the province or by Channel Area Loggers for the social economic benefits of it?

DR. LOXLEY: Mr. Chairman, all the subcontractors are native people resident in Berens River.

MR. BLAKE: What I was referring to, Mr. Chairman, is, would he not feel that the competitive nature of endeavouring to get out X number of cords per week, whatever the quota might be, with a logging contractor of many years' experience in the trade— Does he not feel that would be beneficial to have that competitive nature of saying, here's a man going into the bush with X number of employees and he can get out so many cords a week, can you match that? Does he not feel this would be an advantage to allay some of the absenteeism and whatnot that you have been experiencing that is so drastically and forcibly exhibited in not only this report but last year and the year before, and I sympathize with the problems engaged in operations of this kind. I want to go on record, Mr. Chairman, as saying that we are not criticizing this operation in the light that we want to see it disbanded. We are criticizing it in the light that we want to see it improved. We realize there are problems and there are going to be problems for many many years and we want to see them improved. I would like to have him express an opinion. Does he not feel that the preventative nature might be of a real advantage to the Native people to get out and show us that they can do just as well as any other contractor in that business?

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: Well, I am being asked to express an opinion. I have less confidence in the impact of competition on the performance of people working for the company. I think the problem we have at the present time is insuring that the sub-contractors are going to be efficient. There is no evidence to show yet that the sub-contracting operations are going to perform even as well or as poorly as we have. We will wait and see. As I said we are assisting them, but we are not — you know, we don't have this blanket faith in competition.

MR. BLAKE: I realize Dr. Loxley that this is not something that's inherent in this government, the belief in competition and the free enterprise system. But what I am saying is this is not — (Interjection)—

MR. CHAIRMAN: Order please.

MR. BLAKE: This is not the first report — (Interjections)—

MR. CHAIRMAN: Order please. Order please.

MR. BLAKE: Mr. Chairman, earlier on the Member for Flin Flon suggested to my colleague from Rock Lake that he should keep his mouth shut because he wasn't a member of the Committee. I'm not a member of the Economic Development Committee but I am a member of this Legislature and I have every right to speak at this Committee and I don't need any snide remarks from the Member for Thompson or anybody else. Except the fact is I won't have to worry about him next year because he won't be back here anymore. — (Interjections)—

MR. CHAIRMAN: Order please.

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MR. BLAKE: Mr. Chairman, my remarks were that competition I think is a mark of good management and it may insist — this is not the first report that Channel Area Loggers has brought before this Committee. And we have listened to the same story — that we have had terrible problems with mechanical breakdowns and everything else and we know the problems, and we appreciate and sympathize with the problems that they have in this type of operation. I want the members of this Committee to appreciate that our criticism is to try and find a better way to do something for the people that is going to help them do something for themselves. —(Interjection)— And the Member for Ste. Rose can say, "Put them on welfare", and he is just being smart-assed because there is an election coming up and he can say that all he wants.

MR. CHAIRMAN: Order please.

MR. BLAKE: If he wants to go on record and say, "Put them on welfare", that is up to him. (Interjections)—

MR. CHAIRMAN: Order please.

MR. BLAKE: What I am saying, Mr. Chairman, let these people do something for themselves and what I am saying does he not think that the competitive system might encourage these people to work a little harder and do a little better for themselves. That's exactly what I am saying. Now this is not the first report that has been brought before this Committee where we have listened to a tale of woe this hasn't worked, that hasn't worked and we are experiencing trouble here and we are trying to rectify it. Now are we going to have the same thing next year. This is what this Committee is trying to get at. Are we getting down to the root of the problem where we can eliminate some of the difficulties with the Native people, and I know absenteeism in this particular operation and lack of work habits is a terrible problem. We understand that, but I am saying what can we do to improve it. And I am saying has he tested, or has he thought of testing the competitive system. We all know the social economic benefits and you're going to argue these until —(Interjections)— that's a good expression — but Saunders Aircraft, that was argued on the benefits of social economic benefits and we are not going to go into that, because it proved to be a dismal failure. I don't want to see this one proved to be a dismal failure because those people deserve something better. This Committee should try and give to them and our questions are directed to what can we do to give them something better.

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: Well, I think if I could answer that question at two levels. In the broadest sense of the term "the competitive system," had the competitive system been working then there wouldn't have been a need for Channel Area Loggers to be established in the first place and it was as a result of a gap in job opportunities that this enterprise was established, as I understand it.

Now, having established the enterprise, we, as a Board are certainly not against the use of incentives and almost all our workers are on piece work, for instance, which is a form, if you like, of competitiveness. We have agreed, we have contracts with subcontractors, which will have some competitive impact there is no doubt. If the subcontractors are successful then presumably they could pay more, and we can employ more people. There could be that kind of competitive spin-off, but what I am saying is that it is too early to say how that is working and at the present time the subcontractors are, rather than being a positive example which they may become, at present time they are a burden to Channel Area Loggers because we are having to service them in a number of ways. So, you know, the answer that I would give is that in time they may serve to create an alternative way of doing things. At the present time that is not apparent.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: My question, and I think the Chairman has answered reasonably well, my question on the competitive system was along the lines of the fact that if the Channel Area Loggers were to go and play the Pine Falls Paper Kings in a game of hockey, they are going in there with a far different attitude than they are going into the bush to see how many cords of pulp they can cut as compared with the guys that are cutting pulp for Pine Falls. That is the type of competition that I am thinking of. It's not a do or die competition. It's the spirit of competition and might do something to eliminate the absenteeism and the problems you are facing. It's exhibited throughout this statement and last year's statement and the one before that. What I am saying is are the actions you're taking going to do something to eliminate this where you can bring back a positive statement next year that you have eliminated some of these things and not saying, well we tried that and it failed again.

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: Mr. Chairman, I would like to point out that it's not immediately apparent that Abitibi can produce pulp.

MR. BLAKE: But they can play hockey a helluva lot better.

DR. LOXLEY: But then is any price more than the one that they pay to Channel Area Loggers. I think that there is an advantage to them in doing business with us and one that they readily seize upon. So their own costs of production are probably well in excess of the price that they pay to us.

In terms of our improvements, you know, I can only repeat what I said, that I think that this year is a vast improvement. I think it's of an order of magnitude that certainly can't be dismissed as being

original. It's of a two-thirds reduction in loss which I think is significant. I think it's very genuine. And we are budgeting on a much more realistic basis than we have been able to before. We now have the bills, we have the people in place. We are budgeting for a loss which will be, as I said, again significantly lower. I am not sure how far we can go beyond that and I wouldn't want to make any rash false promises. I do think that we stand a fair chance of meeting next year's budget target. Otherwise, we wouldn't accept the target.

MR. CHAIRMAN: I would just remind honourable members that it's ten minutes to ten and we still have one other report — (Interjection) — Two further reports to be brought before the Committee this evening. I still have four of the members on my list. Mr. Blake.

MR. BLAKE: Mr. Chairman, I thank the President for his remarks and I am looking forward to receiving his report next year to show us some of the improvements that he is hoping for that hopefully will be realized and we can show some progress.

MR. CHAIRMAN: Mr. McBryde state his point of order.

MR. McBRYDE: Mr. Chairman, a question on a point of order. I am sorry if there is some misunderstanding, but there are people here from The Pas and from Thompson with Minago Contractors. The House Leader did announce in the House today that Minago Contractors Report could be dealt with this evening. And since I have brought people in from these outlying areas I wonder if members will agree to hear them or whether I should send them home or not.

MR. CHAIRMAN: One moment please. I have been informed that the House Leader made the announcement that that particular report would be received time permitting. It is ten minutes to ten and we still have one other one. If it is the will of the Committee, maybe we could proceed with that one as the second report when we have finished this one.

MR. McBRYDE: Well, the other — the Moose Lake Loggers Board of Directors comes in from out of Winnipeg as well. So I wonder if we could get the will of the Committee, if they are willing to deal with both reports tonight until we are finished or whether we are not. So that these people could go home if we are not willing to deal with it.

MR. CHAIRMAN: What is your will and pleasure? Mr. McGill.

MR. MCGILL: Certainly if these people are here now. There was some confusion about the reports to be received tonight. I believe originally it was to be two. Some of us may have missed the announcement of the House Leader. But we are certainly prepared to receive them this evening if these people are here.

MR. CHAIRMAN: Is that agreed? (Agreed) Mr. Evans.

MR. EVANS: Mr. Chairman, in view of the fact that some of these questions I had half an hour ago, the period of time that I have been waiting, have been answered I will be very brief.

First of all, I would congratulate Dr. Loxley because there is obviously a very significant improvement in the amount of subsidy, there has been a very substantial reduction in the amount of subsidy as I see it for the year, the latest year we have, March 31, 1977. So I congratulate him and his Board.

I would like to know, in the report itself for the year ending March 31st, 1976, there is reference on page 6 to social benefits and also the direct economic benefits of the operation. Do you have any idea of what the direct economic benefits of the operation are for this later period as opposed to the amount of subsidy paid out?

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: Yes, Mr. Chairman. The wage bill for 1976-77 was \$280,000.00. In other words the change in our operations is not so much an expansion in employment, but a reduction in the use of capital. The estimated loss is \$140,000, which is half of the wage . . .

MR. EVANS: Yes, but as I read page 6 of your report the economic benefits could exceed this because there are other indirect benefits. But there are some direct benefits such as equipment rental and so on. So really it's higher than the \$280,000.00.

DR. LOXLEY: The indirect benefits would be higher. We haven't calculated them. They would be higher for the same reasons that they were high in the previous year, plus the fact that we now have the sub-contracting operation which would also be giving direct benefits.

MR. EVANS: So you got better, way over two to one benefit, cost-benefit ratio talking strictly in economic terms — not cost-benefit ratio — but a ratio of subsidy to economic benefit. For every dollar of subsidy you get more than two dollars, something like two and a half dollars perhaps in direct economic benefit. And that is not including the social benefit which was referred to earlier.

I would just like to ask another specific question. Has the Company ever received any Canada Manpower Training Grants? Many, in fact, practically every private enterprise company in Manitoba is recipient of subsidies from the Government of Canada known as Canada Manpower Training Grants. Do you receive any such Canada Manpower Training Grants?

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: Yes, Mr. Chairman. Government of Canada contributions are in fact listed under

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1975-ê?, Exhibit B, and in addition to Canada Manpower we have had the Special ARDA inputs th year.

MR. EVANS: Yes, but is there any for the current year — Canada Manpower Training Grant

DR. LOXLEY: Yes, Mr. Chairman. We have no Canada Manpower Grants this year, and they we in fact quite small.

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

MR. SPIVAK: I just want to understand, the Hansard will come out what the Minister said, did I say that every private enterprise company, manufacturing company, is receiving Canada Manpow Grants? —(Interjections)— Well, what did you say then?

MR. EVANS: I said practically every company that I know of —(Interjection)—

MR. CHAIRMAN: Order please. Order please.

MR. EVANS: I wonder if the member would please elaborate on what his criticism is. He hasr heard me out as I would like him to. From my experience just about every company in Manitoba that taking on new people and I know some companies that have a large turnover, they seem to be perpetual receipt of Canada Manpower Training Grants. That is a fact. They qualify so they apply ar they received Canada Manpower Training Grants. And I know of some companies that receiv Canada Manpower Training Grants every single year for the last eight years.

MR. CHAIRMAN: Question please.

MR. EVANS: I was wondering whether the Federal Government was as generous to this strugglin company in the same way that it seems to be generous to some other companies that I know of th are struggling along as well. At any rate, the —(Interjection)— I am referring to the typical small an large, in fact it includes very large companies, who can qualify for subsidies from the Government (Canada Manpower Training Grants. The money is there, the subsidy is there and they receive thos subsidies. The garment industry in Manitoba receives hundreds of thousands of dollars of subsid each year. —(Interjection)— Well, that is the federal subsidy system for Canada Manpower Training I am not knocking it, I am just saying it's a fact that the bulk of private companies in Manitoba th have a training program can receive subsidies, whatever you want to call them, but they are a subsid form of payment. And this company, I would think, is also entitled to such grants if they qualify

I would like to ask another question, Mr. Chairman. This company is not — I think Mr. Axworth had the impression that this is strictly a training company. My understanding is that this is not training company *per se*. But what we are talking about is a permanent, or as much as permanent ca be in this world, an established permanent company that is hopefully making an economic or socia contribution to that community.

DR. LOXLEY: That is correct.

MR. EVANS: In your report for this year, for the year ending March 31, 1976, you make referenc to social benefits. You state that other than fishing, which is very seasonal — commercial fishing — that this is the largest source of employment for people in that area. Is this still true for the curren year?

DR. LOXLEY: Yes, right.

MR. EVANS: And therefore the 46 man years is the single largest form of employment other than fishing *per se*. Has the company looked at — and I know there is some questions being raised abou whether it is worth the expenditure by the taxpayers in Manitoba. I think it is almost implicit in here purely from the economic point of view, that it is worth the money, because you are getting a greate economic benefit than you are paying out in subsidy. And if you are doing that, then it is worth payin out the subsidy.

The question was raised, well what about the social benefits. The Honourable Member from For Rouge, Mr. Axworthy, who has now gone, was asking what about all the social benefits. Is he sti here? And it is very difficult I would submit, Mr. Chairman. I would like to ask Dr. Loxley about thi broader balance sheet as opposed to the narrow commercial balance sheet that some of th proponents of Adam Smith that sit around this table are always talking about. You know, the fact i that you don't live in a perfectly competitive world in Northern Manitoba. In fact, I don't think you liv it in Southern Manitoba. But at any rate, the question is, Mr. Chairman, on the social benefit side w are talking about about . . . When we talk about social benefits, we are really talking about a broac balance sheet, a very broad community balance sheet, if you wish, and some sort of study is going to be done. But would you not agree that it is very difficult to measure these benefits? It's very easy fo members around this Committee to sit here and criticize the efforts of the Board of this company and the people of that community. It's very easy for them to sit around and poke holes in the financial . . . It's very easy for the Member for Minnedosa to criticize the efforts of this company to help the people of Berens River. I am saying, Mr. Chairman, it is very easy to poke holes and ask questions about the financial costs because there it is before you, but I'm asking you, is it not very difficult on the benefi side — it's easy to measure the cost side — but it is not a very difficult exercise to calculate the entire benefit? We have looked at some of the direct economic benefits but there are considerable socia benefits. There are benefits to the family; there are benefits through reducing alcoholism; there are

benefits through training to people who might wish to go on to other employment; there are benefits to the social fabric of the community. But I ask, Mr. Chairman, I'm asking Dr. Loxley whether that is a very difficult thing to measure and put in dollar terms? How can you put that in dollar terms? That's what I would like to know.

DR. LOXLEY: Yes, Mr. Chairman, I tried to make this distinction when replying to the earlier question from Mr. Axworthy, that there are certain benefits which we can measure. We have done that even here, or now. There are other benefits which we can measure which we haven't done and which we will do in future. And yet again there are other benefits which are very difficult to measure and which we can describe and assess qualitatively and that should be done.

MR. EVANS: Therefore, I would conclude that, given the fact that there is a very favourable economic benefit that's obvious here, that if you add in the social benefit, it is very well justified that this company should continue on doing what it is as the major employer in that area. I would like to see other real alternatives other than asking for more competition in an area where you have a different anthropological situation entirely, you cannot take a simplistic view of these.

At any rate, Mr. Chairman, I only have one more question . . .

MR. CHAIRMAN: Order please. Would Mr. Blake state his point of order.

MR. BLAKE: The Minister is inferring that — as he's looking at me, I assume he's speaking to me although he's not speaking through the Chair — that I'm suggesting that he shut down this operation. I have never suggested that at all. I'm saying what ways can we improve it and make this of more benefit to the people in the area.

MR. CHAIRMAN: Order please. That is not a point of order. Mr. Evans, question please.

MR. EVANS: My last question is, given the success that you have had in providing meaningful work for people in this area, do you foresee any possibilities of expanding the operations of the Channel Area Loggers, not necessarily in Berens River but perhaps adjacent to Berens River or in the immediate geographic proximity of Berens River? In other words, some type of expansion that will give even more work to the people of northern Manitoba.

DR. LOXLEY: Mr. Chairman, I think our Board feels that we operate under two constraints. The first one that has been the most binding one, at least so far, has been the availability of labour. Next year's budget is premised on what we expect to be available in terms of labour. The second constraint is the financial one, the extent to which the finances warrant that employment.

But so far the company has been able to employ all persons who desired employment. I say "all persons" advisedly, not just men but also women in Berens River. Our problem has not been, therefore, one of turning people away. So our expansion, subject to the financing being acceptable to the government, our expansion would be based on the demand for employment by people in that area.

MR. CHAIRMAN: Mr. Spivak, you had a question?

MR. SPIVAK: Yes, just one. With respect to the four subcontractors, are they financed by CEDF?

DR. LOXLEY: Some of them are, I believe.

MR. SPIVAK: Are they financed 100 percent?

DR. LOXLEY: None of them are financed 100 percent. All of them, I believe, are financed partly by Special ARDA.

MR. SPIVAK: I think it's important to understand that because I think one aspect of this is the total involvement of government with respect to it. I'm not quarreling about the productivity on the basis of individual ownership, but I think, in terms of the record, at least we should know if in fact it's Special ARDA, if it's really 100 percent financing, which I assume it would have to be initially, or it may have been of some earnings that were realized in terms of the support. That would become important and then it would be necessary, I guess, to trace and see whether in fact they are self-sustaining in their own right or whether additional support has had to be put through either by way of indirect subsidy or direct subsidy.

I think that's the only way you can fairly judge and equate the situation.

MR. CHAIRMAN: Mr. Bostrom. State your point of order.

MR. BOSTROM: Mr. Chairman, the honourable member is asking questions now about the private business of people in Berens River. They are not here to report to this Committee nor will they be called to report to this Committee on their private business matters. Whether they have arranged personal financing through CEDF or through Special ARDA or through the regular banking system, that's their business and none of the honourable member's business.

MR. CHAIRMAN: Mr. Spivak, on the same point of order.

MR. SPIVAK: Mr. Chairman, on the point of order, there is no attempt here to try to learn the personal . . . or have a personal enquiry in terms of the subcontractors. What I am trying to establish, and I think the point has been made, is that with respect to the independent contractors, there still is both financing and possibly subsidization from government. That is an important element in evaluating the total situation. What really is required, you know, I think . . . that's on the point of order. I would like to make, really, by way of a statement to Dr. Loxley, to see whether there would be

a confirmation of it on his part and if I can do that, that's fine, if we're finished with the point of order otherwise I'll wait until the point of order is finished.

MR. CHAIRMAN: Would you proceed. I can't rule on it until I've heard the question.

MR. SPIVAK: I'm not the one who raised the question.

MR. CHAIRMAN: Would you proceed.

MR. SPIVAK: Dr. Loxley, realistically, there was a gap in job opportunities and I think that has been recognized and this program is one for an area that is important to the people who live there and which we really have, probably in many respects, a way to judge and evaluate the actions. It would appear to me — and I'm posing this by way of a question to see whether there would be a confirmation from you on this and it would really be a confirmation in the form of an acceptance of what I'm saying or if it is not an acceptance, then an explanation from your point of view — that in reality at this time there is a recognition that there would be a degree of subsidization that would be required one way or the other for the community to be able to deal with the gap in job opportunity. That has been accepted and in effect there has been an indication that it could very well come down to a \$2,000 to \$2,500 cost per man year. But in reality, up until the present time, those projections have been much higher but the failures really are not the failures of the people at Berens River. That's the point I want you to either say yes or no — the failure really is not their failure. The failure is the organization and management which is directly the responsibility of those who are in charge, rather than the people themselves. I think that acceptance becomes important in evaluating what has been said, both for our understanding of what has to be done and in evaluating this program as one of maybe several others which there has to be some analysis of what is taking place with this kind of development as, real pilot models of what may very well be extensive programs to try to deal with the gap in job opportunity. Would you agree with that statement or not?

DR. LOXLEY: Mr. Chairman, the Board of the company has always had on it representation from the community and the community has always been involved in decision-taking at the board level. I don't believe that you can ascribe any simple set of responsibilities to people to account for their performance in previous years. I think that the reasons that have been advanced have been fairly clearly specified and that the Board, which is a board which has significant local representation, is dealing with those issues.

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: Mr. Chairman, I wasn't going to ask questions in terms of time but since we have had a number of speeches since I put up my hand, I'm afraid I'm going to have to ask a couple of questions. Is Channel Loggers the only type of community operation or the only type of operation employing native people at supplying pulpwood to Abitibi?

DR. LOXLEY: No, it's not. To the best of my knowledge there are a number . . .

MR. McBRYDE: There are a number of other types of different operations with different kinds of structures taking use of many different types of structures to provide employment as well as . . .

DR. LOXLEY: That's correct.

MR. McBRYDE: There was a production crew, as I understand, brought in from the Peguis Reserve. Was this a worthwhile effort to bring in this outside crew into Berens River and how did that work out?

DR. LOXLEY: That worked out quite well. We've provided employment for a number of people from Peguis Reserve. It's a minority in the labour force but it's a minority that has contributed fairly significantly in the last year. The Board of the corporation has invited people of Peguis to see employment in the coming year.

MR. McBRYDE: So this has assisted to provide some measurement between local crews and outside crews and to have that spirit of competition available to increase production.

DR. LOXLEY: I'm not altogether sure what would happen on the grant in those circumstances.

MR. McBRYDE: In light of the policy to create work or provide work instead of providing welfare, did you give any figures out what the welfare costs might be if this number of people were not employed at Channel Loggers?

DR. LOXLEY: No, Mr. Chairman, we didn't do that. Our calculations were based strictly on wages paid. We did not include tax savings and welfare savings which should be added in as an economic and financial benefit.

MR. McBRYDE: Are you aware of whether Berens River has had the opportunity before to have private logging operators operate in their community, and if that in fact provided reasonable wages and reasonable working conditions in Berens River and why the private operator or the entrepreneur pulled out if in fact there was an entrepreneur in Berens River before?

DR. LOXLEY: I am personally not aware of the existence of any private entrepreneurs but I could direct that question to some of the staff.

MR. CHAIRMAN: Mr. Robertson, could you answer that?

MR. ROBERTSON: Without mentioning the company name, there was another operator in there

o became afflicted with a fire situation and escalating costs and withdrew when his operation became uneconomical.

MR. McBRYDE: So the private entrepreneur pulled out because the cost of operating in Berens River and providing employment in Berens River was quite high?

MR. ROBERTSON: That was part of his problem. His problem was getting crew in, a lot of his crew was from outside the Berens River area and I understand that the fire thing that went through his cut was a major factor.

MR. McBRYDE: I wonder if the Board or the Chairman is aware whether Abitibi has shown an increased willingness in recent times to deal with community-based operations in the remote areas.

DR. LOXLEY: Certainly, it appears that they have. They are taking more from us as the years go by and have entered into a number of contracts that I'm aware of . . .

MR. McBRYDE: I guess you wouldn't be able to make a comparison as to their willingness to deal with the small employment creation companies before 1969, let's say, and after 1969?

DR. LOXLEY: I arrived in the province only in 1975 so I'm not . . .

MR. McBRYDE: That's all the questions I have, Mr. Chairman.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, despite what the Honourable Member for Ste. Rose thinks with regard to what our party's policy is on welfare . . .

MR. CHAIRMAN: Question please.

MR. MINAKER: . . . I can assure you that we believe that any Manitoban who can have an opportunity to work is much better than being on welfare. I agree with the Minister of Industry and Commerce that it is an important industry in Berens River and we all are here to try to find out a more efficient way that we can keep this thing going and losing less money. I would move, Mr. Chairman, I understand that the Chief from Berens River is here tonight, that we ask the Chief if he would like to come before the Committee and tell us what he maybe believes might be some of the answers to the questions that we are raising right now and let us know if he wants to come before the Committee to advise us on how he feels that we can maybe operate this corporation more efficiently. I would make such a motion.

MR. CHAIRMAN: The Chairman will just confer with the Clerk for a moment as to whether it's an admissible motion or not.

MR. McBRYDE: The chap came down. We keep talking about how we can do it, why not ask him if he wants to come before us. If he wants to, fine. Why get it second hand, let's talk to the chap.

MR. CHAIRMAN: Order please. The Chair is informed that it is a set precedent in occasions such as this, that the chairman or the president of the corporation reporting to the Committee calls upon those members of his staff that he wishes to answer questions before the Committee. However, it is within the terms of reference or the powers of the Committee to make such a motion. The motion is in order. It is therefore moved by Mr. Minaker that . . . Would you repeat the motion, please.

MR. MINAKER: That the Chief of Berens River be asked if he would like to come before the committee to comment with regard to the ways that we can possibly improve the operation of Channel Area Loggers in Berens River and possibly answer certain questions that the Committee might raise.

MR. CHAIRMAN: Is there a seconder for the motion? Seconded by Mr. Bostrom. Is there any discussion? Mr. McBryde.

MR. McBRYDE: Mr. Chairman, in support of the honourable member's motion, the Chief is a member of the Board and has been serving on the Board as a very good member of the Board and I am sure would be able to give his impressions of his activity on the Board as well as the benefits of that corporation for the community of Berens River, and I certainly welcome the member's suggestion.

MR. CHAIRMAN: If the Chair could make a suggestion to the committee that it might follow the established precedent of the committee if the motion were withdrawn and the President simply called upon this gentleman to come forward rather than the committee by a motion make such a decision.

MR. MINAKER: It doesn't matter. We just want to talk to the gentleman, that's all. Sure, we'll withdraw it.

MR. CHAIRMAN: The motion is then withdrawn. Dr. Loxley, would you call the gentleman forward?

DR. LOXLEY: Yes. I would like to invite Chief James Swain to speak to the committee, if he wishes to do so. Would you like to come forward?

MR. CHAIRMAN: If so, would you come forward, please? Mr. Minaker, did you have a question for Chief Swain?

MR. MINAKER: Mr. Chairman, through you to Chief Swain. I was just wondering if the Chief might maybe make comments with regard to the discussion that has taken place tonight. I think that genuinely we are all interested in seeing an industry in any area in northern Manitoba and as I indicated earlier I think we all are interested in seeing employment for everybody in Manitoba rather

than an area where one's only acceptance might be social assistance. I am just wondering, we're looking at general losses from year to year in the operation and we hear about increased product and increased sales and I am wondering maybe that isn't the answer. Maybe there is a pace that people in your community want to work at that might result in an operation that might make a profit break even. I am just wondering possibly, sir, if you might want to make some comments at this time on what has taken place so far tonight.

MR. CHAIRMAN: Chief Swain.

MR. SWAIN: Mr. Chairman, I have only been a director for a little over a year and I have been Chief for a year and six months so I've only got a very few years to my term. This pulpwood operation is really helping my people and it's the only employment that we have there. Before that we used to have trapping going on, but trapping is no good these days, but this is the only employment that people like to get, you know, this pulpwood operation and I would like to see this operation go on. I think the first year, 1976, there's a little bit of production there, the way I understand, you know.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Chief, there is an indication that there is a fair amount of absenteeism. Is it because the company is expecting too much, that they are expecting too much production, and as a result buying too much equipment or leasing too much equipment to do the work?

MR. SWAIN: I think they are asking too much equipment because there is so many expenses repairing equipment. This is the first year this winter most of the cutters are doing this — what you call it — strip-cutting. Very few machinery contractors, what you call tree farmers. I've seen it before and was wondering myself why we lost quite a bit of dollars there, you know, because there were too many employees especially mechanical employees like you know, outside workers. What I mean too many people working just close by there trying to be a mechanic, you know, and send out mechanics from the city here to go and set machines over there, and by the time they come out there those mechanics that came out there, they can't fix the machinery. So they have to send the machinery back to the city here. This is where lots of expenses went, you know.

MR. MINAKER: Chief Swain, then most of these mechanics that worked on the equipment, they came from outside the community. They weren't actually people within the community that were earning a living being the mechanics then.

MR. SWAIN: No. Well, this is the first time they had them, they have been training people there to be mechanics, you know, for the past year and a half, I should say. But before that, there used to be mechanics coming out from Selkirk or even in Winnipeg here, you know. Sometimes four of them came out there and couldn't fix the machine. So this is where the money went, you know.

MR. MINAKER: Chief Swain, then do your people want to basically work all year round pretty well? What I am saying is that the absenteeism, was it because they didn't want to work or was it because the mechanical equipment wasn't working?

MR. SWAIN: Well, they are willing to work, you know, they are willing to work. Since I've been Chief I kept on pressing these men to come out in the bush and work, you know, to produce the pulpwood operation. The first time this year that I've seen on the landing there, I've seen a lot of wood. This is the first time I've seen a lot of wood on the landing there, even in the Pigeon River there, you know, two or three places there they are putting up landings, the first time I'd seen this.

Well, years ago before I got married we've been having this pulpwood operation for us somewhere around 20 years, I guess, now. The first time they brought up a pulpwood operation, we used to go out in the bush cutting four-foot stuff. We used the old Swede saw. We used to walk, you know, we used to carry grub on our backs here, you know, and now these days they are having transportation. There are more men going in the bush and they really enjoy cutting pulp, try to do their best to keep this thing going, like.

MR. MINAKER: Mr. Chairman, I wonder, Chief Swain, if I could ask you, how do you think the overall operation can be improved? Is there any way that you think that everybody can sort of pitch in and is there any place where you think there is money being wasted, that when you look at the year end results it may look more attractive in terms of what money has been earned or lost? Is there any way that you think it could be improved?

MR. SWAIN: No. Like I said, I'm not very familiar with this pulpwood operation because I have so much to do, you know. Being a Chief is a very hard job for me, you know, trying to get things going in my community. No, I can't answer that.

MR. MINAKER: That's all the questions I have. Thanks very much, Chief Swain.

MR. CHAIRMAN: Mr. Adam. Mr. Blake.

MR. BLAKE: Chief Swain, I wonder if you could comment on the reforestation program in the areas that are being cut. Are you following a reforestation program, replanting the trees as the areas are cut, or could you comment on the program there?

MR. CHAIRMAN: Chief Swain. Mr. Bostrom state the point of order please.

MR. BOSTROM: Mr. Chairman, the reforestation of any areas is a policy matter within the department, and I can answer that question at the end of the committee hearings.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: That's fine, Mr. Chairman, I would appreciate the Minister answering what forestation program is being carried on up there. Chief Swain, in your experience with the operation to date, do you feel that the person in charge of the operation, would it be of more benefit to our people to have someone that was more familiar with working with your people in charge of the operation, or someone who is more familiar with the forestry program as a whole? Which do you think would be more important?

MR. CHAIRMAN: Chief Swain.

MR. SWAIN: What do you mean?

MR. BLAKE: Do you think you would get more from your people with someone being in charge who was familiar with working with your people or someone who is familiar with pulp cutting as a general program?

MR. SWAIN: Yes, the manager that we have right now, actually this is the first time we had a manager like that, you know. He's been on the move all the time and the manager that we used to have, he didn't know very much about this operation, how to get this operation going. But this is the first time that we know this manager that we have right now, is really moving and really working on this thing to see this thing going.

MR. BLAKE: That's fine, Mr. Chairman, as long as the Minister answers the question on reforestation at the end of the hearing.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Well, first of all, Mr. Chairman, I would like to make one comment. I think that we have a precedent here, in all the years that I have been in the Legislature, that is taking place, and I would like to say that I want to congratulate those who were responsible for this. I think this is a very important way in which to deal effectively with the problem areas that we have in understanding what is taking place within the multitude of Crown corporations and other activities in which government is involved. I think that by this Act we have probably accomplished a giant step forward in the democratic process. I say that just as a preliminary. I think the Chief may not realize it but in many respects he is a forerunner of what I hope will be meetings in the future at which directors and others involved will be allowed to come before the committee so that, in effect, there can be some discussion which will really give us an opportunity to understand the operations from different points of view.

Now, Chief, can I ask how long have you been on the Board?

MR. SWAIN: A little over a year.

MR. SPIVAK: Over a year. With respect to the general policy matters, do you feel that you have a say in the policy matters of the Board with respect as to how it affects your people? Do you feel that your point of view is both heard and listened to?

MR. SWAIN: You mean, to be on the Board, sir?

MR. SPIVAK: No, it's not that. Let me try and put it another way. Obviously there are many things that you would want, not necessarily all of it will be agreed to by the Board, but do you feel, in general, the things that concern you as representative of your people are, in effect, being listened to by the Board and, in effect, being carried out as best they can?

MR. SWAIN: I know what you are meaning, yes.

MR. SPIVAK: As far as you are concerned, that's actually happening.

MR. SWAIN: Yes.

MR. SPIVAK: And in the process of being on the Board you have a chance to present your point of view and they are listening to it, not necessarily accepting it all the time, but they are listening to it.

MR. SWAIN: Yes.

MR. SPIVAK: Now, with respect to the general question of finances, that is the finances of the corporation, do you understand it yourself and do your people understand it? We talk about figures here and we talk about subsidies and deficits, but do your people understand it? Do you understand it in relation to the total operation of what's happened in the past and what's happening now?

MR. SWAIN: Yes, I do.

MR. SPIVAK: You made a statement just earlier about the question of the manager, so that the manager was at fault initially in terms of what happened. Did your people have any say, really, on the appointment of that manager?

MR. SWAIN: You mean the manager that we have right now?

MR. SPIVAK: No, no, not the manager we have now, but going back. You said that the problems you had initially were the problems of the manager. To that extent I just want to see whether you hold the view that you had anything to say in the initial organization of the company and in the appointment of the manager. Do you feel that you had any say of that at all?

MR. SWAIN: No. No.

MR. SPIVAK: No, not at all.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, on a point of order. The manager, I believe, was appointed by the Board previous to Mr. Swain's appointment to the Board. The Board was definitely involved in the hiring of the manager.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: No, no, I accept that. I am asking him to speak on behalf of his people and what I am trying to determine at this point is whether he feels that his people had really anything to say in the initial appointment and in the initial management of the company, going back to the period of time when it first started.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, on a point of order. That is an unfair question to the honourable gentleman that Mr. Spivak is putting because as he mentioned in his remarks he has only been the Chief for a year and a half and he has only been on the Board for a year. The previous members of the Board who were appointed from that community had a say in the appointment of the manager and, in fact, if I remember correctly the former Chairman took pains to involve the local board members in the selection of the manager. The gentleman appearing before the committee now has expressed confidence in this particular manager who was hired by the Board.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, what we are really talking about — and I just want to find out whether there is any kind of reaction and if there's none, then that's fine and I would hope that we have an opportunity because we really are talking about an extensive deficit, you know, it's accumulated deficit, accumulated amount of money that has been put into this company and the question at this point is why? And it may very well be that nothing could have happened other than what has taken place. But I think there is some evidence to the opposite. And what I am concerned about is whether the people themselves, because the Chief has expressed himself when he's saying that the initial manager wasn't essentially competent, what I am saying to you, do the people feel that they had an initial part in the organization and in the running of the company? Do they feel that they have any part in really what took place in that initial period of time where the substantial losses occurred? Or do they feel that that was really the government's doing and the board's doing and not their own?

MR. SWAIN: No, I don't think we have to blame the community of Berens River. But like I said, they are trying to do their best, you know, whatsoever, to produce wood and this is what I like to see. Like I was saying just a little while ago, first time this year I seen a little bit of production of this pulpwood operation. A lot of young boys or grown-ups really even now, they start to enjoy this pulpwood operation. In the future I am pretty sure we will have more production, twice as much as we have now. That is if we teach the young fellows, you know, how to operate this pulpwood operation. I don't like to see my people living by welfare. Like I said, somebody was mentioning welfare here. We only give \$6,000 a month to spend on welfare and I have about 900 Indian people, Treaty people, but we can live out of that \$6,000 for a month if we live by welfare. This is why I like to see that pulpwood operation go in because I like to see my people work instead of getting welfare.

MR. CHAIRMAN: Are there any other questions of Chief Swain? If not, thank you, Chief. Mr. Minaker.

MR. MINAKER: Mr. Chairman, I would just like to thank Chief Swain for coming before the Committee and giving his comments and answers to the questions. Thank you very much.

MR. CHAIRMAN: If there are no further questions, gentlemen, may we go through the report page by page. Page 1—pass; Page 2—pass; Page 3—pass; Page 4—pass; Page 5—pass; Page 6—pass; Page 7—pass; Page 8—pass; Page 9—pass; Page 10—pass; Exhibit A—pass; Exhibit B—pass; Exhibit C—pass; Schedule 1—pass. Mr. Minaker.

MR. MINAKER: Mr. Chairman, under Rental of Equipment, does the President have the information on what equipment is being rented and what company they rent it from?

DR. LOXLEY: Mr. Chairman, most of the equipment rented — the comptroller will correct me if I'm wrong on this — took the form of skidders and mainly from, I believe, Vulcan Equipment.

MR. MINAKER: This would be a Winnipeg-based company then?

DR. LOXLEY: It is a Winnipeg-based company. I should add that this was in the year 1975-76. We do not at the moment have this equipment.

MR. CHAIRMAN: Schedule 1. Mr. Adam.

MR. ADAM: I just wanted to ask Dr. Loxley if he could give us a figure of the monthly payroll going to the cutters and the loggers.

DR. LOXLEY: Monthly it's approximately \$24,000.00. Total payroll.

MR. ADAM: This would be \$24,000.00?

DR. LOXLEY: The total payroll of the company.

MR. ADAM: This would be about roughly \$18,000 more than if a logger operation wasn't there as far as revenue for those particular people who are working on that project.

DR. LOXLEY: I'm not sure what the monthly welfare payments are but judging from what the Chief said, they're quite low.

MR. ADAM: Six thousand, he said.

MR. CHAIRMAN: Schedule 1—pass; Notes to Financial Statements—pass; Report be received.
Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I want to make one comment because I think it's borne out by what the Chief said; it's borne out by really the testimony that's been presented by the chairman and that's a very simple statement. There is a substantial loss of money. There is an attempt here to justify this on some socioeconomic ground. The fact you lose money can be attributed to other reasons. It can be attributed to bad management as well as the necessity of a subsidy for the opportunities that are being presented here and for the turnaround that has to take place from day one to a time where either you're at your lowest point as far as subsidy is concerned or you have no subsidy at all. One has to measure, in human terms, what has taken place.

But I have to say this: I think there is enough to indicate at this stage that somehow, somewhere, the present government failed and in spite of the fact that they like to look at this as an achievement, the fact that there are tax dollars involved, the fact that there is at various stages, moneys that have been available from the Federal government as well as from Provincial government sources for input into his operation to more or less present even maybe a rosier picture — well, it's not sour grapes. The reality is, the sole purpose of a legislative system is for the government to account and not every time we lose money is it a success. You know, that's the concept here, that every time we lose money there's a success and we can justify it for some reason or other. I don't think it can be justified on the basis that in effect it has come about as a result of the problems with respect to the native people, albeit there are problems that everyone recognizes and there is an attempt to try and work them out. To that extent, there has to be some, you know, credit shown and I think there has to be some credit expressed to the chairman, really, for the attempt to turn around from a very bad situation. — (Interjection)— No, this isn't a snow job, but we're going to go through the statistics of CEDF and we're going to find the same thing, that there was one helluva mess before and there has been an attempt to try to correct it. The problem is, why was the mess? Well, the mess wasn't because of the people involved who we are trying to help. The mess is really caused by those responsible at a top level administratively, and by that I mean the Ministers involved and their departments, who have the responsibility of overseeing and seeing to it that in effect the taxpayer's money is protected.

I think that it is very clear that notwithstanding all the start-up costs for this kind of operation, that there has been an unnecessary waste . . . that has come out from the evidence presented here. While the government is not going to be prepared to accept it, I have no doubt that they are going to quarrel with what I'm saying, I don't think that my statement is incorrect and I don't think it can be disproved, and it cannot be handled simply on the basis that it's some socioeconomic cost that had to be borne. That was the explanation on Flyer, that was the explanation on Saunders. I hope and I really wish — (Interjection)— Well, on the basis of CFI, if we go on the basis of \$8,500 subsidy per person, that means there's \$85 million for the 1,000 people involved with CFI.

MR. CHAIRMAN: Order please.

MR. SPIVAK: It's not costing us that, anywhere near that. It's not even costing us \$2,000 or \$20 million, so I don't think you really want to argue CFI. — (Interjection)— Well, you never thought of Berens River.

The reality at this point, and I want to say this, is that the concept is not one to disagree with, nor is there one to say that the attempt shouldn't be made. But the fact that there is some mismanagement doesn't mean that you justify it on the basis that no one tried. The fact that you tried in itself is to your credit but the fact there has been failures in management is not to your credit. And that's the history of the co-op developments, you know, you said the same thing about the fishermen, nobody concerned themselves about the fishermen. But the reality is that the whole failure in the north was management, management and administration at the Ministerial and in the department level. It did not take place then — here's an improvement now — and it's not a reflection, nor should it be a reflection on the people involved nor should have been a reflection on the fishermen involved in connection with the co-ops.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Mr. Chairman, it's very easy for Mr. Spivak to stand there — in fact, I just about fell through my chair when he said this is a failure. It's a failure; that's what you said, it's a failure. We failed. And yet just a few minutes ago, you seemed to have a different viewpoint.

MR. SPIVAK: Mr. Chairman, on a point of order.

MR. CHAIRMAN: State your point of order.

MR. SPIVAK: The failure was a failure of years ago. The failure in management, not in terms of concept. At this point it's a tremendous loss. There's a lot of public money in here. There is. Mr. Chairman, the Minister should realize . . .

MR. CHAIRMAN: Order please. That is not a point of order. Mr. Evans.

MR. EVANS: Mr. Chairman, no one condones excessive spending, imprudent spending. Of

course we want to minimize any subsidy. Any public representative who didn't want to be as prudent and as careful with the taxpayer's money would not be a responsible representative and I just simply cannot accept and I reject totally, entirely any suggestion that we have been negligent and imprudent in the expenditure of taxpayer's money here.

The point is, Mr. Chairman, this operation has been going for about three years and I would submit that the typical private company that gets into business does not make money for at least three years. That's the typical path here. Now, Mr. Spivak can smirk if he wishes. He won't agree with me; we will never get full credit for what is being attempted here. I tell you this, that we would have failed, this government would have failed if we hadn't set up this company. We would then have failed the people of the north. We would have failed the people of the north if we hadn't gone into Mining Contractors. We would have failed the people of the north if we hadn't gone into the Community Economic Development Fund. You've got to try, and I tell you, all over this country of ours, not just in northern Manitoba, but in northwestern Ontario and northern Quebec, the Yukon, the Northwest Territories — if the people of the so-called industrialized section of Canada aren't prepared to put up some money and give a little bit of subsidy and have a little heart and lend some good prudent management assistance as well, as we are trying to do, while at the same time giving the communities an opportunity to be involved as much as possible on the boards, whether they be the Chief or other leading members of the community — trying to balance out — I say we haven't failed, we have succeeded. If we had never tried, if there was nothing here to look at, then I would have said we have failed.

I say we want more of this and I go on record saying we want more of this and I challenge you to say we shouldn't have more of this. You tell those people that you don't want us to create any more jobs in the north for those people. You tell them that.

MR. CHAIRMAN: Order please.

MR. EVANS: Mr. Chairman, I categorically reject this, I repeat, we would have failed. . . . We as legislators, we as a government would have failed the people of the north if we hadn't attempted this. The fact is, Mr. Chairman, that the company itself has shown a great improvement but I say, you can never and should never measure this company as a banker might attempt to measure because God help us if the bankers got hold of this because there would be no jobs for the people up in that area.

MR. CHAIRMAN: Order please. If members wish to speak, would they so indicate to the Chair and I'll put them on the list and they will be recognized in due course. Mr. Spivak. Order please. Can we just have one honourable member at a time and then the Chair can hear what is going on. Mr. Spivak. If members of the Committee wish to hold their own separate arguments, would they please go outside. Order please. Mr. Spivak.

MR. SPIVAK: Mr. Chairman, you know, the loss of public money, which is one thing we're concerned about as well as the opportunity created for others, is something that is not going to be met by simply trying to answer mediocrity in management by saying that it's justified because it's being done for the people of the north. I would simply like to say to the Chief that there has been a lot of money lost here; that that money did not have to be lost; that that money could have been used for more opportunities for more people, both in his community and other communities.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, if someone's prepared to tie the Member from Brandon East's hands behind his back so he won't slam the table when I'm speaking.

He does confuse me, Mr. Chairman, or at least his government confuses me because he has just made a statement of . . . declaimed, I guess is the proper word, about the honourable intentions of this government. Yet, it was only a week or so ago, Mr. Chairman, when the Minister of Mines and Resources said that he didn't believe in things like native land claims, there is no such thing and that they should be totally ignored, that Mr. Berger didn't know what he was talking about and that the native people, Mr. Chairman, had no special claims and all of a sudden, Mr. Chairman, we are told quite the opposite.

MR. CHAIRMAN: Mr. Bostrom, state his point of order.

MR. BOSTROM: I fail to see, Mr. Chairman, how the honourable member's comments can be related to the report that is before us. Would he please confine his . . .

MR. AXWORTHY: Mr. Chairman, I would only ask that the Honourable Minister apply the same terms of relevancy to my remarks that he was prepared to apply to those from the Honourable Minister of Industry and Commerce, who I expected, Mr. Chairman, was allowed to continue his declaiming about concerns and interests and I, as a member of this Committee, am now intrigued as to the reversal in form or at least the split personality that this government has.

I think that the Minister of Renewable Resources is beginning to demonstrate a remarkable discrimination in what he thinks is a relevant statement depending on which side of the table one happens to sit on.

MR. CHAIRMAN: Could I remind all members that it is almost eleven o'clock. We still have two further reports to receive. I would also remind members of our rule pertaining to relevancy of debate.

r. Axworthy.

MR. AXWORTHY: Mr. Chairman, I fully accept the terms as they have been established this evening by other honourable members and I would again simply say that I find that there is a real serious question in my mind and I think a lot of other people's minds about the seriousness and intent of this government in relation to dealing with the problems of native people in the north, based upon the comments made by members of this government, particularly the Minister of Mines and Natural Resources who declaimed publicly, on television and in many other forms, that he sees no special problems or special interest and doesn't acknowledge them or recognize them. Being a senior member of this government, I think that it contradicts quite directly the statement just made by the Minister of Industry and Commerce.

Frankly, Mr. Chairman, it behooves members of this Committee, when we're looking at this comment, to wonder if in fact corporations like this are really being put forward as something of a farade, because I think the real intent of this government is perhaps more accurately demonstrated by the Minister of Mines and Natural Resources in the statements that he makes, because certainly we know, at least he tells us oftentimes, the kind of influence he wields. The fact of the matter is that the Minister has stated only ten days ago — less than that — about his total disavowal of those concerns and has displayed it. I think the whole action of this government in relation to the claims of native people, in relation to the Hydro and the Nelson Reserve and their unwillingness and inability to provide economic development moneys in any substantial capital form, is again a very — if there is any lack of demonstration of intent and willingness to provide for self-sufficiency and a degree of autonomy in the development — Mr. Chairman, that, I think is the point we are trying to raise in this Committee. That we have set up a number of Crown corporations, usually on the fiction that somehow these Crown corporations in their form represent the people or the community, and what we are beginning to try to discover, Mr. Chairman, is that if there is alternatives of devolving more responsibility into the hands of those, not going cold turkey all of a sudden, but providing in many cases a reduction of subsidy and assistance over time as the self-sufficiency builds up. As long as we interpose a Crown corporation with its control tied back into departmental, governmental hands, when I think the ability of these communities to develop their own economic enterprises, based on a high degree of autonomy and community control, will be impaired and hindered. And I think that that is the fundamental flaw.

The Member from River Heights suggested that it's management. I don't think it's management, I think it's the basic approach. That you may have to start off with a heavy degree of government intervention and no one denies that that was not necessary, that the former efforts of private enterprises in those areas was not working and certainly not working to their benefit. But that there also comes a time when you have to recognize the requirement to change the form and nature of your activity, which this government refuses to do. The public ownership vehicle is still seen as the only vehicle for providing for that kind of economic development. And what we are suggesting to this Committee is to begin weaning away from that and using things like the Channel Area Loggers Corporation as a way of basically — (Interjection) —

MR. CHAIRMAN: Order please. Order please.

MR. AXWORTHY: Mr. Chairman, the fact of the matter is that we have now seen, in this particular company, a valiant effort over a period of time to develop a logging industry in this particular community. And there has been some efforts, and I think the President of the Corporation has described them tonight, to move away from what was a pretty foolish approach to bringing in all kinds of high powered expensive machinery which has simply proven to be wrong and as one member of this Committee I would say that I approve of the move in the direction that they are now taking, to move back to a simpler form of economic activity and a simpler form of logging operation.

I think the next step, Mr. Chairman, is to provide in the same way, the same kinds of decentralization in terms of promoting the self-sufficiency and economic independence of those working in those areas and not try to maintain the existence of a Crown corporation for the sake of having one, that still provides a high degree of control. And I really would like to see these Crown corporations moving to the point where they would go out of business in effect or simply transfer into marketing agencies as opposed to becoming the full-scale entrepreneur. Because I think that part of the heavy costs that are borne by these companies, if you look at the Auditor's statements, it is the high degree, I believe, of excessive costs of overhead and management imposed simply because of their nature to report as they do as a Crown corporation. And that is where one of heavier burdens are. I would much prefer to see the money spent in direct product and direct activity as opposed to the heavy expenditures to maintain the position of a Crown corporation. I think that is the basic point I would like to see this company take.

MR. CHAIRMAN: Shall the report of the Committee be adopted? Mr. McBryde.

MR. McBRYDE: Well, Mr. Chairman, I really hate to drag things out but we have had a number of speeches here that were very inaccurate and certainly did not reflect the reality of the situation. I think they deserve some comment.

First of all, Mr. Chairman, the Member for Fort Rouge raised the fact that there might be some disagreement within the New Democratic Party, within the New Democratic members in Cabinet and he is not incorrect when he raises that. I think that the only reason that maybe there is a disagreement within the Liberal caucus in the House is because it is very difficult to have disagreement between three members. When you get up to 28 or 30, then it's . . .

But, Mr. Chairman, on that specific point, the next operation that is coming before us started out as a training program — Moose Lake Loggers. It started out in 1968. The Liberal member, a Liberal member of the Legislature at that time said that that was a waste of money to have a training program in Moose Lake. It was a waste of the public taxpayer's money to have a training program to train loggers at Moose Lake. That was a Liberal member.

So the honourable member raises a number of irrelevant points to the discussion, but some nevertheless, that need to be dealt with. He raised the opinion of the Minister of Mines on one particular aspect which is not the opinion of the New Democratic Party at the federal level, where that particular issue sits. He raised that matter, but we were talking about economic development in the communities and there is no disagreement when it comes to economic development. The Minister of Mines is in agreement that there has to be economic development and employment creation in the remote communities. That is not an area of disagreement, that is an area of agreement and commitment on the part of this government, unlike a firm commitment from Liberal governments at the provincial level across Canada or unlike the commitment of the Federal Government which has been very much lacking in this area, for which they have the major responsibility.

So, Mr. Chairman, the other point that the member tried to make and which he doesn't reflect the reality at all, is that these small Crown corporations we are dealing with, Channel Loggers, Moose Lake Loggers, and Minago Contractors, are the only instrument of economic development in the North. And Mr. Chairman, I don't know if he was here when I asked my questions of the President. He was here when he asked his. I don't believe he was here when I asked mine. I asked him if there were other companies, in fact, cutting pulpwood and selling it to Abitibi, and I am personally aware of three other operations that employ Native people, that operate in remote communities, that are using a different structure. So the fact of the matter is that this government is willing to use whatever mechanism is likely to work in a particular situation and we are willing to use private people in communities. We are willing to use co-operative mechanism. We are willing to use community companies. We are willing to use groups of people forming the community companies. We are willing to use Band companies. We are willing to use these small Crown corporations — whichever of these instruments is going to work. We have provided assistance to all types, regardless of the type of structure that is going to be used.

But that, Mr. Chairman, is where the basic difference comes between the three political parties represented in this House, is that we are willing to use whatever instrument is going to work for the development and employment creation in the remote communities. The members opposite are only willing to use one instrument, when we are willing to use seven or eight different instruments to help the economic development of these communities. That is where the basic difference comes in, and the members should be well aware. They are only willing to use the mechanism of having the private entrepreneur do it. In the North this has always meant somebody coming in from the south who is a private entrepreneur. It's a tough business, it's a tough racket. The previous company pulled out of Berens River and the only way those private entrepreneurs make money in these remote communities is off the backs of the people that live there. If they pay low wages and have crummy working conditions then they can make a profit. Since their only goal is to make a profit, that is what has happened in the past, and that is why the government has had to find other mechanisms. We are not unwilling to use the private entrepreneur mechanism providing that the entrepreneurs are going to create employment at the local level and we have a number of mechanisms to do that and providing the entrepreneurs, hopefully some of them, come from the local community.

But I don't think the Member from Fort Rouge can grasp that. He can't understand that. He couldn't understand it when he was questioning the President of this particular company, when he asked about community corporations and the President said that in fact we would welcome community corporations. But the Member from Fort Rouge saw no difference between a group of individuals in the community owning a company and the community itself owning a company. And he has a lot to learn if he can't see that difference. It is pretty difficult for the government to put in huge sums of money to assist in economic development if one or two people in that community are going to benefit from that development, personally and individually going to benefit. How can we justify giving grants to people when that money is going to go in one person's pocket. But if it is community based, if it is community controlled, then we can justify giving the public assistance in order to create economic development and employment in these communities, where, if it wasn't for this effort — this effort wasn't undertaken by the Conservative Government, it wasn't undertaken by the Liberal Government, it isn't where Liberal Government exists across Canada, it is only the New Democratic Party Government that has been willing to make that kind of effort. But if you look at it in the dollar

rms, the cost to the public and the taxpayer of Manitoba, it is still cheaper to do this kind of development than provide welfare assistance, which in my mind is the basic Conservative program in the Province of Manitoba. Welfare assistance as opposed to employment creation.

Now the Conservatives would like to make a point that somehow they are going to be good managers when they get elected, where in these remote northern communities . . . where they did do a few things, Mr. Chairman, I won't deny it. I think that whereas we have done about two hundred different kinds of projects, the Conservative Government when they were in office did about fifteen different kinds of projects. And of the fifteen, twelve lost money, twelve of them lost money. Now that as their good management, that was their good management. I can bring in all those examples, Mr. Chairman, about the management abilities of the Conservative members opposite and I don't even think I have to go back and talk about who invited Kasser in here and who signed an agreement with him. I don't have to do that. I don't have to talk about Sprague Forest Industries. I don't have to talk about loans to the Lord Selkirk when they were in office. I don't have to talk about all these things. I can talk about the remote communities in the North where the members opposite have proved that they were not managers and in fact, if the people should be so unfortunate as to have them as government again, they will demonstrate again that they are not managers and that they are no better at management and when it comes to remote areas a helluva lot worse at management than we have been.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Well, Mr. Chairman, I think Mr. McBryde covered most of the points that I wanted to bring up. I just want to say in closing that I did make a couple of comments here. I think I made a commitment to the Honourable Member for Minnedosa that I would explain what we are doing in the area of reforestation. But before I do that I would like to just point out that it is the general policy of this government to provide jobs wherever possible rather than provide welfare assistance. I think this objective of the government is supported by the people of the North. As the Chief from Berens River has indicated, he wants jobs for his people and we are ready to support him in that desire. And I must say, Mr. Chairman, that the objective of the particular corporation that is before us this evening, Channel Area Loggers, is to provide employment to the community of Berens River. The general objective is that this corporation will be turned over to that community as a totally owned and operated community operation.

The point has been made, Mr. Chairman, by the Honourable Member for Fort Rouge, Mr. Axworthy, that he believes we only have one type of venture which we will use in the way of economic development in Northern Manitoba. I think Mr. McBryde covered the points and I might point out, Mr. Chairman, that as far as community corporations are concerned in forestry, there are several that are operating around the Lake Winnipeg area that deliver wood to Abitibi. Bloodvein, for example, has their own corporation, Bloodvein Foundation, which is a community owned and operated corporation. They cut pulpwood logs for lumber and build winter roads. And this government has supported that Foundation of that corporation. We have provided assistance through our Special Northern Employment Program. We have provided assistance in other ways to put that community corporation on a firm footing.

There are other individual enterprises, Mr. Chairman, as were mentioned here this evening. In the Community of Berens River itself, the community people wanted to get into individual contracting with the Crown corporation that was operating in their community and not only did the Board of Directors of Channel Area provide that opportunity for them, but the Communities Economic Development Fund assisted them to purchase equipment by which they could become their own private entrepreneurs. Some of them have their own tree farmers now and are hiring other individuals to cut pulpwood. They are delivering pulpwood through the umbrella of the operation of Channel Area Loggers.

So there are two methods that are operating in the same community and they are being offered because they are two things that seem to be able to work there. The criteria here is what will work, that is what we are aiming for.

Mr. Chairman, there are other communities that I could mention — Pine Dock, Jackhead, Grand Rapids — others that are operating under different systems to cut wood, to provide jobs through harvesting their resources and deliver wood to Abitibi or whichever corporation will buy from them, whichever market they may have. The policy of my department has been to relate those resources to work actively at relating those resources that are available to that community to that community and help them to set up the kind of enterprise that will best suit them, to harvest those resources and to provide employment for those people in that community.

In Berens River the method that has been chosen through consultation with that community is Channel Area Loggers. At any time when the community desires to work out a different system we will work with them to achieve that result. And I think, Mr. Chairman, in closing, that the Chief's comments say quite eloquently how the company benefits that community. There is no question that

this company benefits that community and should continue.

To just mention the one point that the Honourable Member for Minnedosa brought up about reforestation. Most of the wood cut in the Berens River area is cut in the swampy areas and, as is the practice on the east side of Lake Winnipeg where there is cutting in the swampy areas, it is possible to reforest that area during the summer period. So we allow for natural regeneration those areas, which seems to be working. In the areas where they are beginning to cut, in the high land areas, where it is possible to do reforestation that will be done as a part of the regular government program which is operated by this department, by my department, in all of the Province of Manitoba and which, I might say, has been increased very substantially since the previous government was in power. As I mentioned in my Estimates, we increased the reforestation in Manitoba very substantially.

I would just like to point out, Mr. Chairman, that there are two members of the Board of Directors, one member of the present Board, who is in the audience, who wasn't introduced and that's Charles Bouchie from Berens River. I would like to introduce him. The other, the former Chairman of the Board who has given good service to the corporation free of charge to the government, is Peter Lazarenko, who is here tonight.

That is all the comments that I have, Mr. Chairman.

MR. CHAIRMAN: Shall the report be adopted? (Agreed) Mr. Bostrom, would you like to introduce the next report?

MR. BOSTROM: The next report proposed for Committee's consideration is the Annual Report of Moose Lake Loggers Limited for 1975-76. I'll introduce and call on the Chairman of the Board, Mr. Orville Minish, to make the presentation.

MR. CHAIRMAN: Mr. Minish.

MR. MINISH: Mr. Chairman, as President of Moose Lake Logger Board I would like to first introduce this evening, three Directors from the Village of Moose Lake that are on our Board. I'd like them to rise, David Lathlin, Ernie Bercier and Roderick Grey.

Gentlemen, this report takes in the year of 1975 and 1976, and I am at your request, gentlemen, you want me to read this report or do you want to start in and go through the report and ask questions on it, whichever you wish me to do.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, might I suggest that the President go through the report and if honourable members have any questions, they could ask them after he has made his presentation?

MR. CHAIRMAN: Does the committee feel it's necessary to read it into the record? Mr. McGill.

MR. MCGILL: I think, Mr. Chairman, now that we have the report before us and it was tabled a couple of days ago I believe, we've been able to read through the report, and perhaps as Mr. Minish has suggested, there would be questions that we might put to him now based upon this report as tabled.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Mr. Chairman, I would support Mr. McGill's suggestion. I think this would expedite matters. If the Committee members have read the report, I think if the Chairman is willing, let's have questions of the Chairman of its Board and get on with it.

MR. CHAIRMAN: Very well then, Mr. McGill, do you have a question?

MR. MCGILL: Yes, Mr. Chairman. I note that the pulp sales for the year under review are about four times as large as they were in the previous year, and yet the deficit experienced on the operation is about the same, a little less than the previous year. Can you explain how this would occur with such greatly increased volume of sales, how the operating results in net form are almost identical?

MR. CHAIRMAN: Mr. Minish.

MR. MINISH: Mr. Chairman, what exhibit are you reading from?

MR. MCGILL: I am looking at Revenues for Pulpwood Sales for 1976 compared with 1975. Exhibit B, I guess it is.

MR. MINISH: Yes. We get a contracted price per cord of wood and we contract the price of a cord of wood in April or May with the CFI; and this is a statement of the following year later of operations. We have several factors but the greatest is that there is no way of us controlling the costs on a year-old contract that we have. We have to stick with this contract and this is most of the reason there. Our price will be at a certain amount a cord and accordingly we have certain factors, of course, that's built into it. We have certain losses that occurred in this particular year.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Well under Expenditures the increase in the cost for road construction and log cutting and maintenance contracts is up almost proportionately. One would think that with increased volume that you would be able to spread your costs of operation over the larger volume of wood and, therefore, the total operating results should improve. But this hasn't occurred and it's reflected in this statement. I am wondering just how this should come about.

MR. MINISH: It just so happens, Mr. Chairman, that the costing of the woods — this is a factor that

ains constant in this type of operation. As you go up in our operation, you've got to hit a peak ume to break even and it so happens that our volume wasn't reached.

MR. McGILL: Well, what volume would be the optimum volume in order to achieve an efficient eration, apparently the efficiencies here with an increase of four times in volume have not really aged.

MR. MINISH: We felt, Mr. Chairman, that 30,000 cords would be a break-even point on this eration for this particular year, and we cut 24,700 as you notice.

MR. McGILL: I notice that the difficulties that you've experienced are very similar to those that we ve been discussing over the last two or three hours. However, the degree of mechanization that u have continued to use in your operation is somewhat higher than in the Channel Area Loggers. ould you comment on that? Is there any similarity in the problems you are experiencing in terms of a high costs of maintaining and operating the equipment that you are now using, the skidders and orth?

MR. MINISH: Mr. Chairman, this is a problem that lives with this, putting mechanized equipment to a situation such as we have at Moose Lake, because of the inexperience. But we contribute this atement, the efficiency off it, which I believe in, it's a very good statement, to being fortunate in ving a manager that is, we believe, second to none in a woods operation. He's had experience in it rd has been on his own in contracting since he was 14 years old. He has one attribute that you must ave in this type of an operation that is lacking in a lot of them, and that is that he's a kind of a ychologist. You don't go in and make a mechanic out of a native; you go in and you have to change s social feeling and his attitude first and then you work from there. We feel that we have this in this anager and we contribute a lot of our success to this.

MR. McGILL: Well, that's really interesting, you know, that you are able to proceed with the kind of echanization that has been discarded by Channel Area Loggers, and you think the difference is in re approach of your management to developing people who can maintain and operate this quipment in a reasonably efficient manner so that the operating costs are kept at a reasonable level. y other words, your operation you feel has nothing to learn from the experience of Channel Area oggers where they are now going back to a more labour intensive form of operation.

MR. MINISH: No, I think that there's two dissimilar areas entirely. I don't believe we're working in n area like Channel Area Loggers are. We have a community that has been semi-mechanized for ears and years in Moose Lake. As you know this started off as one of the biggest ranches in anitoba at one time and it was all manned by native help. Also there is a big industry in Moose Lake nown as Lambs Store that has cats and logging equipment and so forth that some of these men have orked on. I think this has to be attributed, too, to the fact that we are able to have mechanized quipment because these men are more or less oriented to it in some way.

But besides that, the most important thing is that we can't cut wood any other way for CFI because ve have a volume of a certain amount that we have to cut, and there's no way that you can manually ut it. So we are obliged to go to 16-foot wood and we have to have pilers, we have to have skidders and we have to have the people oriented to run them, and this is what we're doing.

MR. McGILL: Are your cuts in length different from those of Channel Area Loggers?

MR. MINISH: Yes, very much so. We're a 16-foot with a 70 percent saw-log capacity in our pulp hich Channel Area Loggers are not cutting any saw-logs whatever and besides that they are not able to put in anything but one type of wood in Channel Area Loggers because the pulpmill at Pine Falls it's a special pulp they make and they use only a certain type of wood.

MR. McGILL: Are there any changes in the Board of Directors, Mr. Minish, from this published statement?

MR. MINISH: Yes, on the front of the published statement you have a J. Ettawakapow is no longer a Director of the Board and at this moment we've had from the community a recommendation of a name to replace him, but we haven't yet. This was brought about by the fact that he's one of our top cutters and he has purchased his own skidder and we have a conflict of interest on a board member being a cutter. We have made a ruling that no person in the community can hold office as a board member and still be a cutter of his own contracting ability. We have three of those now in the community — three contractors with their own skitters.

MR. McGILL: Are these people who originally worked for you and now have become independent contractors?

MR. MINISH: That's right.

MR. McGILL: And they are residents of the community?

MR. MINISH: That's right, they trained through us.

MR. McGILL: Are there many more that are likely to achieve independent status?

MR. MINISH: Well, I'm just passing on the directors. Our manager at Moose Lake told me that he thinks down the road in the next four or five years that there'll be no difference in our production between natives and the white people that are working for us.

MR. McGILL: I think a year ago we were discussing the possibility that this operation might

eventually become entirely operated by the community there and the people who have come through the organization. You expressed some reservations about that.

MR. MINISH: Yes, I did.

MR. MCGILL: Are we any closer to a situation of that . . .

MR. MINISH: Yes, very much. My reservations are being healed every day because of the fact that there is a point in it. I might make this statement, that it took the white man 300 years to get to that deplorable condition in our country and I don't think that you and I are going to cure it overnight. I'd like you to be patient about. I think we are making big strides.

MR. MCGILL: I notice that the aggregate remuneration to directors and senior officers was \$131,250.00. Is that approximately the same as a year ago? I don't have a statement.

MR. MINISH: No. The audit system demands that the top five officials of the company be listed the salary paid to them, and they are in that \$131,000.00. The reason that figure is there is because three of our top cutters are directors of our board and of course their salary is all included in that. As if you look at Exhibit D, Page 2, you will find that Directors' Salaries and Fees is a total sum \$3,875.00. We are a highly paid organization.

MR. MCGILL: This amount of \$131,250 includes the salaries of cutters as well?

MR. MINISH: Yes, the three top officials.

MR. MCGILL: So that salary is independent of any remuneration they get from attending directors' meeting?

MR. MINISH: Right.

MR. MCGILL: And you say that the directors and the Chairman get \$3,400 and something?

MR. MINISH: That's right.

MR. MCGILL: How many board meetings did you hold last year?

MR. MINISH: We held approximately six meetings in the year and about every three weeks we had an executive meeting. I spent approximately two solid weeks in Moose Lake Camp myself.

MR. MCGILL: Mr. Chairman, this company has operated approximately ten years now is it?

MR. MINISH: About nine, I think. 1968 to 1976.

MR. MCGILL: Yes, probably in its tenth season. Are you able to tell us just what the total accumulated deficit in the operation has been over that ten year period?

MR. MINISH: I couldn't tell you at all, sir, I'm sorry. I haven't that figure. I was installed as chairman of the board in 1973 and I'm not able to . . .

MR. MCGILL: And your annual deficits are now at about their lowest point?

MR. MINISH: Yes, we figured out on cordage and we feel that when you consider that our cordage loss is about \$2.64 a cord; now that's exactly what it works out to and we feel that this is less than 1 percent and inflation would be more than that on the twelve months.

MR. MCGILL: Your principal and I guess only customer is ManFor, is that right?

MR. MINISH: Right.

MR. MCGILL: And are they in the market for all that you can cut?

MR. MINISH: We have just held a meeting with them and we haven't a signed contract but next year's potential limit is 60,000 cords which we feel confident that we will cut that next year.

MR. MCGILL: Thank you.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Yes. I notice in the Annual Report here, it mentions the fact that \$300,000 of common share equity was purchased to alleviate the very high interest cost to the company. I am wondering, some of that money, was that used to pay off some of the bank notes?

MR. MINISH: It was used to pay off the working deficit that we had and that only and nothing else. Instead of working on a deficit bank account, I insisted that we work on an ordinary day-to-day basis like any other people would work if they wanted to have a viable operation. I wanted this to be a bona fide company that our working capital wasn't in bank deficit all the time and that's why this was done.

MR. BANMAN: If I understand you correctly, you are using these moneys now for operation, is that right?

MR. MINISH: Let's put it this way, in simple terms' until this was presented to the government, we were running with a deficit of \$300,000 in the bank of borrowed money to operate our company and buy our material. What we are doing now, we're running it maybe at par or maybe just a little in the hole because they put that \$300,000 into the bank to pay off our working capital loan. Does that explain it to you?

MR. BANMAN: Right. And of course this loan, since it's common shares, there's no interest payable to the government at all on that?

MR. MINISH: None whatever.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Most of my questions have been answered already, the ones that I had down here, but I noticed the directors fees and salaries — Mr. Minish mentioned earlier they have remained

tually the same — but I notice Miscellaneous, Employee Travel and Communications went up roughly \$9,000.00. I wonder if you might care to comment on that.

MR. MINISH: What exhibit?

MR. BLAKE: Page 2, Exhibit D. Under Expenses, General and administrative, Employee Travel is roughly \$6,000.00. I just wonder if you would briefly outline what caused the big jump in that particular expenditure.

MR. MINISH: I think it could be covered this way. Our General Manager had no way of communicating to Moose Lake from The Pas. Because of the terrible drop in the water on the Atterbury River, boat travel was impossible and we had a terrible lot of air freight and that's travel expenses bringing the people out and there was no other way of communication. We did overcome it this summer. We made a road, believe it or not, and we drove in and out all summer.

MR. BLAKE: By the look of the conditions, the Saskatchewan is down roughly six feet now, you might be driving in and out again this summer.

A MEMBER: Will there be a new road this year?

MR. MINISH: Yes, they are driving in and out right now. I was at a meeting at The Pas just this last week and our manager was out with Dave Lathlin there at the meeting and he had driven out in about 10 hours.

MR. BLAKE: That's fine, Mr. Chairman, my other questions have all been answered.

MR. CHAIRMAN: Is it the wish of the Committee to go through the report page by page? Mr. Lyon.

MR. LYON: One or two questions on the capitalization of the company, Mr. Chairman. I notice that the authorized capital at 35,000 common shares, par value of \$10.00 each — no amount of that, except a small amount from the previous year, was ever issued until the \$300,000 injection was placed during the fiscal year under consideration as explained by the Chairman.

MR. MINISH: Mr. Chairman, I don't follow the question because — I would like to refer to an exhibit. What is the exhibit?

MR. LYON: Exhibit A, looking at the Balance Sheet. Under Authorized Capital, the first substantial authorized capital of any amount that was injected into the company presumably took place last year in the fiscal year under consideration when the \$300,000 was issued?

MR. MINISH: Yes.

MR. LYON: That capital was used immediately to retire the bank loan?

MR. MINISH: Absolutely. Instead of a deficit financing, we're working on about a par financing.

MR. LYON: Then in addition to that, I see from the notes to the statement that the province guarantees a line of credit with the bank of \$500,000.00?

MR. MINISH: Right.

MR. LYON: For which the company in turn has issued a debenture of \$250,000.00?

MR. MINISH: Yes, we have a limit of borrowing in the bank backed by the government of \$500,000.00.

MR. LYON: What would be the current state of the drawing on that limit of bank credit?

MR. MINISH: At the moment, Mr. Chairman, that we're here tonight, I believe that we're in the red about \$80,000.00. I can explain that position, too, because we had an order from CFI — that isn't what it's called now, Manitoba Forestries — to increase our production. They want us to increase our production to 100,000 cords in 1978 and the Board has authorized the progressive build-up of camp and extra equipment to accommodate this on a sliding scale rule. We used \$65,000 to purchase an 85-man kitchen and seven skidders and some other small equipment. There was a grader and two big oil fuel tanks with a metering system on them. This was done. We are authorized to spend \$65,000, by the Board and we have done that.

MR. LYON: So that in effect, between the capital that has been subscribed by the Province of Manitoba, \$300,000, the debenture issued by the company for another \$250,000 as a guarantee against the province's loan guarantee, and your bank loan at the present time of some \$80-odd thousand as you mentioned, you've got obligations outstanding of something in excess of \$630,000 roughly.

MR. MINISH: I think it's \$430,000, isn't it? Three hundred and fifty, and our deficit at the bank. I don't think the \$250,000 has ever been used. That's just an authorization; that's never been used. Our \$80,000 is into that \$250,000, sir.

MR. LYON: Yes, but it's a contingent liability of the company.

MR. MINISH: Well, if it was used, it's a liability, I will agree to that.

MR. LYON: It's a contingent liability in order, presumably to — well, for what purpose I don't know. —(Interjection)— No, it's a contingent liability that the company has undertaken in this form of bookkeeping.

The point I am getting at is this, that much of the subscription of \$300,000 by way of shares that were issued this year, your Balance Sheet and your P and L and your statement of cash flow and so on, would show outstanding obligations of, as you say, \$380,000 now approximately, and really, what you've done is really just to translate . . .

MR. MINISH: Four hundred and thirty thousand.

MR. LYON: Four hundred and thirty. You translated a line of credit, \$300,000 of that line of credit into a capital, or issued capital.

MR. MINISH: Yes.

MR. LYON: Into common shares. This may antedate your association with the company, I Minish, but is there any explanation as to why, prior to 1976, none of the authorized capital was issued?

MR. MINISH: I can't answer that question, sir, but I have our accountant here and it's possible that he can answer.

MR. CHAIRMAN: Would you come forward and use the microphone, please. Would you give your name for the record, and proceed.

MR. RAY DELBAERE: My name is Ray Delbaere and I'm the Secretary to the company. Could you repeat the question? It's regarding why no capital was issued prior to 1976,

MR. LYON: According to the Balance Sheet, the only subscribed capital prior to 1976 was \$90K.

MR. DELBAERE: Which was nine shares held by each of the directors and those shares were held in trust for the province.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Perhaps I could answer. This was a policy change which was recommended to the Board of Directors to the Manitoba government in which the money that was allocated by way of loan to the company was transferred into equity. That was a deliberate policy decision taken and was on the recommendation of the Board. Rather than have the \$300,000 stand on the books as interest bearing loan each year, it was transferred into equity and it therefore represents the Manitoba government's equity in Moose Lake Loggers.

MR. LYON: Just so we understand, that is under the heading of equity and in addition to that course we have the annual subsidies that are paid according to Exhibit C and Exhibit D. I reiterate the question, not to the Chairman because he says he doesn't have the figures, I reiterate the question to the Secretary as to what the accumulative deficit of the operation of the company is at the present time?

MR. DELBAERE: I would estimate that, and this is only an estimate, to be in the neighbourhood of \$400,000.00. Certainly under \$500,000.00. Four hundred thousand dollars in total, I would estimate from 1971, from the first year the company was formed as a corporation.

MR. LYON: And that is inclusive or exclusive of the share capital that was issued last year?

MR. DELBAERE: That's just the losses which the province has absorbed up to the year under review.

MR. LYON: Up to date?

MR. DELBAERE: Right, exclusive of the equity which has been contributed.

MR. LYON: So to get a focus then in terms of the total cumulative deficits and the subscription on shares, we've got \$400,000 accumulated deficit; we have \$300,000 that was subscribed last year, making \$700,000; then we have an outstanding bank loan of about \$80,000 at the present time, which brings us up to about \$780,000 altogether of provincial participation either by way of subsidy, share subscription or guarantee on an operating loan.

MR. DELBAERE: Yes, I believe those are all the figures. I'm not sure it's fair to add them up like that, but that is the extent of the provincial involvement.

MR. LYON: Well, I would be interested in the comment as to why it isn't fair to add them up. They are obligations outstanding.

MR. DELBAERE: Yes, but there are assets of the company, Mr. Chairman, to support the equity in place. The figure of \$300,000, I believe, was arrived at by taking an estimate of the appropriate amount of equity for a company with the number of skidders in the camp and the other assets which the company has to own in order to operate the business of logging. And the bank loan, I could also say, is supported also by some receivables which the company has, and other working capital inventory and receivables which could be collected to pay off some of that loan.

MR. LYON: On the question that Mr. McGill was asking, as to why the deficit this year on larger revenue of the company would be approximately the same. I was wondering, in most operations of this nature, you do reach certain economies of scale because you've got your basic infrastructure of camps and so on and so forth that you've got to maintain whether you cut 10,000 cords or whether you cut 30,000 cords. Your food bill is going to go up, your board bill is going to go up and so on, but these are relatively minor. Where are these efficiencies of scale that one should expect as the operation increases?

MR. DELBAERE: I think, Mr. Chairman, that the important thing to keep in mind here is that the two years are probably not comparable as you look at them in the exhibit in the financial statement. The year 1975 was a year in which the company had been shut down for most of the year, I believe approximately nine months, and started operation only in January and operated for three months. There was also a provision set up in the previous year to repair the equipment and I don't think the

ement gives a fair comparison of the two years, for that reason.

I think your reasoning is good that with a larger volume you should expect to reduce your costs. However, the fact that the company was operating really only in a normal sense for three months of 1975 year makes that comparison to the 1976 one not one that you can do. I think that you could compare our 1976 year with our 1977 year that we just finished because we've operated for a full 12 months. But I think because there was a part of a year to a full year, you can't make that same comparison as you would usually do.

MR. LYON: At this stage we're roughly midway through or part of the way into fiscal 1977-78. What are your revenue projections for the 12-month period at the present time?

MR. DELBAERE: I believe the Chairman has . . .

MR. MINISH: For 1976-77?

MR. LYON: No, for the year we are currently in, your revenue projection.

MR. MINISH: Yes, our revenue projection for the year is based solely on our contract arrangements with Manitoba Forest Industries and we haven't signed a contract because we're at a loss as to what we should get for a cord of wood. As soon as this is finalized, then we'll project accurately and it's quite simple to do if you take — our projection is 60,000 cords of harvest wood and if you get \$35.00 a cord for it, you just multiply it and that's quite easy to multiply.

MR. LYON: So your revenue projection is somewhere in the vicinity of \$1 million this year if the contract materializes at that price and so on.

MR. MINISH: Right.

MR. LYON: And you're anticipating how many months operation?

MR. MINISH: This year we closed down for two months and for the next year, it hinges on our production. If we have to take the full year to fulfill our contract of 60,000, we'll operate 12 months. If we do it in 10, we'll be down two months again next year.

MR. LYON: A comparison was being made between Moose Lake and the Channel Area Loggers' operation. I take it that the Channel Area, from your description of it, Mr. Chairman, is selective pulp cutting whereas in your operation it's a clear cutting operation.

MR. MINISH: Yes, we cut everything . . .

MR. LYON: Everything in sight.

MR. MINISH: Everything in sight except of course birch trees and poplars.

MR. LYON: I take it that that kind of an operation in turn is a more efficient type of a harvesting operation, that is, the clear cutting operation can be more efficiently operated than, say, selective cutting?

MR. MINISH: Very much so, I would imagine. In my experience, in my pulpwood experience, I have ever operated with what we are doing up there. I was strip cutting and hand cutting in my day and there's no comparison to the two. In fact, we've got cutters in the haul at the present time that can cut upwards of 40 cords a day with one skidder and two men.

MR. LYON: So it's through that kind — because of this kind of operation . . . I get back to the question of economies of scale and so on. When do you hope to realize some of these economies of scale on the kind of clear cutting operation that you've got at the present time?

MR. MINISH: Mr. Chairman, we hoped to realize that type of thing this year but unfortunately we didn't realize it again because we had another loss because of the fact that CFI forced us to close camp at our top peak proficiency and we had other factors it involved, and one of them is our scaling. We set out with a rule of scaling that was agreed by us and the taker of our wood, and pretty near through the season this was changed and we lost \$30,000 on an underscaling of wood because of the fact that we were getting \$4.00 a cord more for sawlogs than we were for pulp. The scaling went down from 70 percent sawlogs and 30 percent pulp to 5 percent sawlogs and the rest pulp and this cost us in the neighbourhood of about \$30,000 or \$35,000 and this was uncontrollable. We lost approximately \$30,000 on our shut-down. These things are just things that are built in it. We're controlled by the WIA and we can't do anything about it.

MR. LYON: At the time of the shut-down that you say was necessitated by CFI or ManFor, had you reached your quota for the year — your quota of cordage that you had contracted to provide them?

MR. MINISH: No, we did not but we have a written contract that they can rescind that. We have a clause that they can rescind and shut us down at a given notice and, incidentally, we're trying to eliminate that clause this year. We don't want the clause eliminated; we want it set so that we can close down in our convenience time.

MR. LYON: Right. I wish you luck in negotiating it because you would want, I would imagine, on a contractual basis, 60,000 logs this year, once that contract is firm then there should be no impediment to prevent you from going ahead and cutting even though you can't deliver that quantity immediately to the company in order to make your operation more efficient and to spread the work out during the year in accordance with what suits your company better, rather than the purchaser.

MR. MINISH: Well, for instance, sir, our peak period of cutting, if I can tell you a little bit about pulp

cutting is the colder the weather the more wood you cut. Because you don't have to limit. You just hook a skidder on and pull it around a tree and you've got no limbs on. So therefore your production is away up. Right in the middle of our best production we get a shut-down. So these are the things you have to come back to with you next year and present another loss because of these things that are built in that we have no control over.

MR. LYON: The objective of all of these companies is stated in the preamble to the Annual Report. The main objectives of the company are to create a viable economic operation providing employment for residents of the remote communities affected and to train local residents to fill the jobs created and eventually manage and control the operation themselves. I think that is an aim or objective that all of us would subscribe to. Mr. Minish you're an acknowledged hard-headed and very successful businessman. When, in your estimation with that kind of a background, do you think you are going to achieve that desirable goal of having a viable economic operation in Moose Lake Loggers?

MR. MINISH: With unforeseen conditions that happened to us last year, I hope that on this cutting season now which I won't be reporting if I'm the Chairman, until two years from now, we're hoping and it looks like down the road in a year or two that we should be on a viable operation and maybe in a black situation. There are things that we have that predict this and it's not just a matter of dollars and cents; it's a change in the attitude of the people. This is reflected by the fact that right now we have three people of Moose Lake that own their own skidders. They will have them paid for in a matter of a year's time. They contract from us and when they come in with a new skidder and they have pride in their work, it's a different attitude you see. So this is one point.

Now we have been plagued with absenteeism from ever and a day. This is one of the conflicts that we have to live with and it wasn't created by the people there. It was created by you and I and we have to live with this. We notice that this is becoming less and less as we progress down the road.

Another point is that the union negotiations are quite strict in their contracts and we have been asked now — this year — to sit on the negotiating board.

Another thing, last year our company lost \$77,000 on board alone because of the fact that the union have a clause in their agreement with the workers that no person is allowed to charge or deduct from their pay more than \$2.00 a day for board. Our total cost for feeding a man — our bare cost — is about \$17.00.

MR. LYON: So you're saying that your company is subsidizing the food and board to the extent of about \$15 per man day.

MR. MINISH: That's right. That's right, and this has another flashback, too that happens. An ordinary chap that is not that good a worker but he wants to work a little bit to get some money comes in and, believe it or not, he can cut one cord of wood and he can live in our place for six days. He's home free; he's got the best board in Canada.

MR. LYON: Well let me ask this question, Mr. Chairman. Certainly without trying to put Mr. Minish on the spot, but if Orville Minish was running this company with his money invested in it, what would you do to try to correct that situation?

MR. MINISH: I would get some agreement where a man is paid for what he produces on a reasonable scale. This is what I would do. This is what I have done all my life. There is no other way to run this. Any organization in business, if a man gets paid for doing nothing, they're going to go in the hole.

MR. LYON: Well we wish you well, Mr. Minish, in your endeavour to bring some of those good hard-nosed operating practices to bear on this operation. When you say that within two years that you hope to achieve the viability, or see the viability of this operation in an economic sense, does that include in your mind the repayment of the \$400,000 of accumulated deficits?

MR. MINISH: No, no.

MR. LYON: Do you think that those are a wipeout?

MR. MINISH: I don't think there is any chance that we will ever attain anything but a break-even point and it's simple arithmetic. We go and negotiate on a contract for cutting wood on a cost. They tell us what it costs us to cut their wood and we scrap and fight and try to get as close to a viable operation as possible. The community wants to work so if we lose a dollar a cord so what? Just remember that last year the payment of income tax I think was \$160,000.00.

MR. LYON: On behalf of the employees?

MR. MINISH: Yes. \$160,000 was paid out in income tax. I think is quite a viable operation, don't you?

MR. LYON: Well there's no way we can avoid that is there, Mr. Minish, or if you have found a way would you mind telling us?

MR. MINISH: No, there is no way we can avoid it. But with an input of \$718,000 worth of wages in the community, it's a viable operation. If we end up with a dollar or two a cord of a loss through things that are uncontrolled by us, we feel that we're running a viable operation. That's my feeling.

MR. LYON: Is this company subject to pay the provincial capital tax?

MR. MINISH: Yes, certainly.

MR. LYON: What would be the amount that the company paid in the last fiscal year as a capital tax to the province, roughly? About \$500, eh?

MR. MINISH: \$500.00.

MR. LYON: So just to wind up my series of questions, you think that the subsidies that have gone to date, including the subsidy of some \$60,000-odd that was paid this year, even with that attributed the company still showed an operating deficit of some, what, \$68,000, or whatever.

MR. MINISH: \$68,000.00. \$2.64 a cord we lost on our operation.

MR. LYON: That those accumulated subsidies over the year in effect have to be considered as a write-off?

MR. MINISH: Absolutely as a write-off; there is no way that you can retrieve them.

MR. LYON: And you're hopeful that the capital that was advanced by the province can be realized on?

MR. MINISH: What do you mean by that, sir?

MR. LYON: In the world in which you operate your own business somebody invests in your business. They hope to realize on that capital investment.

MR. MINISH: We will not realize interest on our capital investment. Is this what you mean — earnings on a capital investment?

MR. LYON: Yes.

MR. MINISH: We will not realize that either.

MR. LYON: I see.

MR. MINISH: Not in this operation.

MR. LYON: So your definition then of a viable economic operation that you hope to achieve in two years is essentially an operation with accumulated deficits in effect being written off, and an operation on an annual basis that will be able, hopefully, to pay its way out of the revenues generated by the sales and with no, or with the continuing subsidy from the province?

MR. MINISH: Without.

MR. LYON: Without a subsidy from the province.

MR. MINISH: Yes' without a subsidy from the province.

MR. LYON: That would be your definition, then, of viable — no continuing subsidy from the province. And you're going to continue with your negotiations with IWA?

MR. MINISH: We are. I don't know how much luck we'll have with IWA but this is one of the sore spots in the operation at the present time and it's up for negotiation next August.

I have a few more points here that I'd like to mention to the board tonight, besides the union negotiations. Then we have outside cutters. I want to express my opinion on what we have done in the way of hiring local help and that is that we think we have exhausted, at the present time, the complete work force of Moose Lake Loggers. We feel that the capable men in Moose Lake will be steady workers and will progress to the point where eventually they will take over responsible positions. We have them in our organization now and feel that there will be very few that will come along from the community.

So therefore we are obligated to go to outside cutters which we negotiated three years ago with the Band and the Council at Moose Lake with one of the criteria that if they could not supply the work force we needed that we could bring in outside help. We are eventually reaching that now because there is no way we can cut 60,000 cords of wood with just the Moose Lake residents. So therefore we have outside cutters. We have at the present moment three new machines of outside cutters that are contracting from us and we expect more.

We still have open 18 skidders to the community to supply all the workers that want to work, from the community, in our operation.

We also have an all-weather road from Moose Lake village to our camp, which is approximately 37 miles, that we have — as is shown on the expenses — put a lot of money into and we got a lot of money from Northern Affairs, and so forth, to build this all-weather road. This was a signed document from us to the Moose Lake villagers that this would be done and by this fall this road will be an all-weather road in any weather.

Another point is the Financial Statement that I have is just of cordage cut and total wages and that's about all the information I have on this year's cut.

MR. LYON: How many residents of Moose Lake have you employed during the past year? I see that your wages and employee benefits last year were \$428,775 on Exhibit D, Page 1. How many people did that involve?

MR. MINISH: Upwards to 47.

MR. LYON: Upwards of 47. And that's pretty much on a full-time basis?

MR. MINISH: Yes, I might add we have help from the training program. We have an Assistant Manager that is training as a Manager sitting down there — Dave Lathlin and we have a bookkeeper and we have a mechanic that is training from the village.

MR. LYON: In addition to the 47 from Moose Lake, how many outside cutters would be include that payroll figure.

MR. MINISH: We had approximately six Frenchmen over the last two or three years.

MR. LYON: You say now you have pretty well absorbed all of the people from the community v can be gainfully employed by the company. What effect, if any, is this going to have on your train program in terms of cutting back costs there? That is, you're not absorbing new untrained pec from the community so *ergo* you don't have to train them.

MR. MINISH: Yes, if they want to work. But if they want to cut we put them in and train th ourselves. We put them with a responsible operator. But, as I said, this is coming to an end beca we have absorbed all the willing workers. There are many men there that are physically fit to cut wc but their social approach isn't suitable to fit in with our operation. So therefore they don't wan work.

MR. LYON: I have no other questions. I just wish Mr. Minish well in applying his success techniques to the successful viability of this company.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: I just have one question following one of the comments made by Mr. Lyon. In t event that the corporation were to be wound up and assets sold, is it your opinion as a businessm: Mr. Minish, that the assets of the corporation at the present time would at least equal, or perha better, the amount that has been put in by way of equity by the Provincial Government?

MR. MINISH: Oh, yes. Mr. Chairman, I would say "yes" to that question because of the fact th have an awfully good repair system in our camp and we have older skidders but they're in perfe condition. Our new skidders, of course, the equity in them would be quite easily realized, a anything else. Our camp, for instance, cats, loaders, pilers and this kind of thing.

MR. BOSTROM: In other words, Mr. Chairman, through you to Mr. Minish, the total amount assets of the corporation at present would be well in excess of \$380,000 or \$430,000, or whatev number you mentioned earlier as being the total outstanding equity position of the Manito Government and Moose Lake Loggers.

MR. MINISH: Mr. Chairman, I would say that the \$80,000 deficit in the bank that we're running (now, I don't think you can consider that that would be covered by our assets. I think that we would l that part, about \$80,000, short. Our equity capital in the company would be, but not the deficit that v are working on at the present time. I don't think that it would be fair to say that that would be covere too, even though there is a percentage of it, of that deficit, that was put into capital expenditure a: stated.

MR. CHAIRN: Mr. Lyon.

MR. LYON: Looking at the balance sheet, Exhibit A, I notice that you show your total fixed asse less depreciation at \$205,122.00. It's the bottom line on Exhibit A in the asset column you show — I'm reading it correctly and I am subject to correction — your total fixed assets less depreciation: \$205,122.00.

MR. MINISH: Yes, you would have to add \$65,000 to that. As I said, we were obligated and give permission to spend since then.

MR. LYON: For capital purposes.

MR. MINISH: Yes, for capital purposes.

MR. LYON: Yes. And what kind of depreciation are you doing? Are you doing a straight lin depreciation, straight business . . . ?

MR. MINISH: Yes, we're taking . . .

MR. LYON: Straight line depreciation.

MR. MINISH: . . . straight line depreciation; there's no hanky-panky in this statement of any kind Everything is taken to the full extent of depreciation.

MR. LYON: Yes. So that figure of \$205,000 is a hard figure, subject to, of course, the depreciatio figure. That amount at least would be realizable against the \$300,000 capital investment at th present time plus the \$65,000 that you mentioned.

MR. MINISH: Well, it's hard for me, looking at . . . I can just make one comment, Mr. Lyon. Fo instance, we have a D7 Cat that I believe our depreciated cost, I'm just guessing but it may b \$30,000.00. We'd have rocks in our head to sell our new Cat for \$30,000 because it's worth abou \$135,000 new so, therefore, it could go on the auction and we could realize three times what th depreciated value is. And this is the thing that I state when I say that I answered Mr. Bostrom's question that I think that our assets would equal our liability to the government.

MR. LYON: So, in effect, you think that because of the method of depreciation that you are using that the value ascribed to your total fixed assets is more of a book value. It's not really an accurate value.

MR. MINISH: Right.

MR. LYON: And you wouldn't, on the resale of that D7, you wouldn't have to pay any recapture or the tax either, would you?

MR. MINISH: I think you would.

MR. LYON: Are you paying federal income tax?

MR. MINISH: I don't know; I don't know. I know I would if I owned it and I sold it.

MR. LYON: I know but this company isn't paying any federal income tax.

MR. MINISH: No, we wouldn't have to pay that. That would be reclaimed appreciation.

MR. LYON: I see.

MR. CHAIRMAN: Is it the wish of the Committee to take the report page-by-page? Page 1—pass; Page 2—pass; Page 3—pass; Page 4—pass; Page 5—pass; Page 6—pass; Page 7—pass; Auditor's report—pass; Exhibit A—pass; Exhibit B—pass; Exhibit C—pass; Exhibit D—Page 1—pass; Page 2—pass. Financial Notes, Notes for Financial Statements—pass.

The Report be adopted? (Agreed)

Mr. McBryde, would you like to introduce the next report for the Committee.

MR. McBRYDE: Thank you. First of all, Mr. Chairman I would like to thank honourable members for staying around and hearing the report from Minago Contractors and I would like to call on Mr. Murray Harvey who is the President of Minago Contractors.

MR. CHAIRMAN: Mr. Lyon.

MR. LYON: Mr. Chairman, just on a procedural point, do the members of the Committee have a copy of this report?

MR. McBRYDE: This report was tabled at the start of the session.

MR. LYON: The Minago . . . ?

MR. McBRYDE: Here are some extra copies here for those who didn't bring them.

MR. LYON: Okay.

MR. CHAIRMAN: Mr. Harvey, would you proceed please.

MR. MURRAY HARVEY: Mr. Chairman, subject to the Committee's wish, I would suggest that I just commence on Page 2 and give you a quick overview of the activities that took place in this company during the period under review which is the fiscal year ending March 31st, 1976.

The contracts that we were engaged in are listed beginning on Page 2, South Indian Lake, South Bay, a bush clearing contract with Hydro, the project was completed in this fiscal year, the revenues were \$276,413.05. And the South Indian Lake road maintenance program which was a maintenance contract for a winter truck road from South Bay to the community. The audit have lumped the revenues for this contract in with the South Indian Lake bush clearing contract.

Moak Lake Road construction, we commenced construction of a section of an all-weather road on the Thompson-Gillam road under a work order from the Provincial Department of Highways, approximately ten miles of road and the total contract was completed during this fiscal year for reported revenues of \$150,333.00.

Easterville Road construction was commenced in July, 1975. We signed a contract for approximately 35 miles of road off of PTH No. 10 to be connected eventually with the Easterville Road off of No. 6. As of March 31st, we had done about 50 percent of this work with reported revenues of \$445,120.00.

The Easterville bush clearing which is an addition to this same contract, clearing and burning a 33-foot strip of timber between No. 10 and PR No. 327 which is just moving on from the end of that bush clearing contract which was carried out during the winter.

The Cross Lake Road is a winter road conducted during that same year and that generated \$45,821.00. The man-days of employment are noted in each contract at the bottom.

Norway House Road maintenance was a winter road to Norway House, approximately 65 miles for contract revenues of \$116,211.00.

The Gillam to Split Lake Road maintenance was a short winter survey on the Gillam to Split Lake Road with one machine involved for line clearing and generated revenues of \$12,290.00.

There were some miscellaneous revenues during the year. The company rented some tree farmers that were in its possession and not in use and a D7 Caterpillar to Cranberry Loggers which resulted in a gross rental charge less depreciation of \$56,499.00.

That is an overview of the operational section of the report.

The Auditor's Statement is attached showing the financial position of the company beginning with a Balance Sheet as Exhibit A. The first section of the report, the first one or two pages, is a letter from myself to the Minister responsible dealing with the grants that came into the company and how the company saw these grants in relation to investment in the corporation or payment for work performed.

The situation at the end of the fiscal year showed a deficit of \$187,722 at the end of 1976. — (Interjection)— Exhibit A.

MR. CHAIRMAN: Mr. Blake, you have a question?

MR. BLAKE: Well, just some general questions if we're into that area, Mr. Chairman. Going on to the statements under expenses, of equipment rentals, heavy equipment rentals, there are various

rentals listed under South Indian Lake bush clearing, Moak Lake construction, Easterville rd construction. I wonder if Mr. Harvey could tell us where the equipment was rented from, w companies the equipment was rented from and what the rental costs were?

MR. HARVEY: Yes, Mr. Chairman, I think possibly the General Manager could respond bette he would come up and take the mike, with your permission. There's a system of equipment rer that's internal to the company and I'm not sure if this is it or whether this is actually an outside rent: believe we did have some equipment rented on the Moak Lake and Easterville though.

MR. CHAIRMAN: Would you give your name for the record and proceed please.

MR. JIM BENOIT: Jim Benoit. Are you interested in both types of rental?

MR. BLAKE: Yes.

MR. BENOIT: There's one type of rental, rental purchase, which has been used by the compa and then there's other types of temporary equipment that's rented, say, from another contractor from a dealer and that's the way the rental is accumulated.

MR. BLAKE: Could you give me some of the names of the dealers that equipment is rented from

MR. BENOIT: We've rented from Powell Equipment, B and B, Vulcan . . .

MR. BLAKE: B and B?

MR. BENOIT: Yes. And that's about all I can think of right now.

MR. BLAKE: Could you give me an example of one machine and the hourly rates that you pay? it. I don't want to go through the whole list but just give me a couple of examples.

MR. BENOIT: Well, I can give you an example . . .

MR. BLAKE: Have you established, for example, what you would pay an hour?

MR. BENOIT: Well, we haven't got a D7 running; there's a 627 rubber tired scraper from Pow Equipment at \$8,700 a month. We have not been renting that type of equipment by the hour. Renti from a contractor, we rented 631s at \$53.00 an hour.

MR. BLAKE: Is this with an operator? Would this be with an operator?

MR. BENOIT: Yes, this is a complete operator maintenance . . .

MR. BLAKE : It includes it all. They provide everything.

MR. BENOIT: Everything.

MR. BLAKE: One of the functions of the company is to provide operator training. Do these peop take an operator that you would provide with them and train them? Do you train these operato yourself and let them on the rented machine or do you let them run your own machines?

MR. CHAIRMAN: Mr. Harvey.

MR. HARVEY: The use of rental equipment is usually for a production purpose and our ov machines would be used for training and our manpower utilization with n rt ern pe ile would be on t wn equipment. Usually a en we enter int a rental agreement, it is for one f two purposes. ne, to kee production moving and the other one is to maybe get us into a position to do some work which v wouldn't want to invest in equipment to do. In other words, if we did not think that it would be wise f us to buy six buggies and we had a piece of work to do, then we would get a contractor in to do th. but the training part, or even using some of our people, we would use it on our own equipment.

MR. BLAKE: How many pieces of equipment would you have on a lease-purchase arrangement

MR. HARVEY: That would vary. It was quite high at one time, early in the company's history an we have in the past couple of years put a restriction on that. Usually, we only use lease-purchase no where we are uncertain whether it would be useful to purchase a piece of equipment and we have l kind of make a decision between leasing it and gaining some equity in it in case we want to buy it or a outright rental. It's a question of really how much of your money do you want to tie up on speculative basis, if the contract is not that lengthy of something like that. So, it's getting mor limited all the time. As to how many we have on lease-purchase right now, I think that figure would b practically nil, is that correct?

MR. BENOIT: That is correct. We have none on rental purchase now.

MR. BLAKE: Mr. Chairman, rather than hold up the Committee, I wonder if it would be too much c a problem for the company to provide the Committee with a breakdown of the rentals for say Moa Lake, Easterville Road or the Easterville bush clearing, say those three; if they could provide breakdown of the companies that they lease from, arriving at the totals of say, \$184,929 and the provide us with them at a later date rather than do it now. I don't want to hold up the Committee. I they could undertake to provide that for our information.

MR. CHAIRMAN: Mr. Blake, fine. Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. I notice there has been a substantial increase in the fixed assets as it pertains to equipment. Did you exercise your option on some of the equipment?

MR. HARVEY: Yes, that would account for some of it. I think the main though is accounted for b; buying equipment or at least entering into agreements to buy equipment when we took on the Easterville Road contract. We did not have sufficient equipment to manage that contract and we dic ask for and received a sum of money which is noted at the bottom of Exhibit A, \$440,720, specifically for equipment purchase to enter the Easterville Road contract.

MR. BANMAN: What did you spend in 1976, about an additional \$900,000 on equipment purchases?

MR. HARVEY: I can't put my finger on that in the statement but the figure sounds accurate, yes.

MR. BANMAN: Was this equipment on lease-purchase agreement, some of the equipment, or was it just a straight outright purchase?

MR. HARVEY: I think there would be some of both. Perhaps the General Manager would be more specific than that but I think we had some of both. We purchased a number of Caterpillar tractors, at least crawler tractors, to start the Easterville Road and the amount of the equipment grant would not cover an outright purchase so it would probably be a lease-purchase arrangement.

MR. BANMAN: On one of the schedules here, schedule 3, where we see the depreciation. Is it normal in the construction industry to take about a 20 percent depreciation on heavy construction equipment?

MR. HARVEY: Yes, the answer to that is yes.

MR. BANMAN: My question along that line is . . . It is little low to me on heavy construction equipment but is this sort of the practice that . . .

MR. HARVEY: I think it's probably, Mr. Chairman, a question of what are allowed to show on the financial statement as a level of depreciation, what is acceptable to accounting practices. That's what we could show.

MR. CHAIRMAN: Mr. Bannan.

MR. BANNAN: In other words, this advice would come from your accountant?

MR. HARVEY: Also from the Provincial Auditor, yes.

MR. BANMAN: You mention that the Provincial Government gave you a working capital grant of \$47,000, I believe. Has there been any discussion with the Provincial Government for further capitalization of moneys to be advanced as far as common shares are concerned towards the company?

MR. CHAIRMAN: Mr. Harvey.

MR. HARVEY: I think that the equipment grant, is, I suppose, an alternative way of establishing the same type of thing. It provides an equity in the company which was not there prior to that date in terms of . . . up to that time, I believe we had three unpaid shares at a dollar a piece, so this is the same . . . It is another way, I suppose, of injecting money into the company as opposed to the previous speaker, who spoke about buying shares or paying up shares.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Have there been any other capital grants of this type and nature over the last couple of years to the company?

MR. HARVEY: Not capital grants, no. There has been some . . . in order to get away from the use of purchase contracts with a finance company, we adopted a policy within the company that if we decided we needed to purchase equipment, we would ask the government for an increase in the loan guarantee rather than put a piece of equipment on payments, because the difference in interest rates were quite substantial. So we have increased the loan guarantee on occasion to cover the cost of purchase of equipment, but there have been no other grants for capital purposes.

MR. BANMAN: On these particular loan guarantees, is the company then paying interest on those loan guarantees?

MR. HARVEY: No, we take the position in the company that if the government is going to operate on a loan guarantee basis, then it should be the government's responsibility to pay the interest, not the company's.

MR. BANMAN: You were buying some equipment, I presume, on a conditional sales agreement

MR. HARVEY: That's correct.

MR. BANMAN: . . . and then paying interest on that, and that policy is no longer in place, you're getting your money now from government sources and you're not paying any interest on that.

MR. HARVEY: We had the accounting firm do an analysis of all equipment contracts payable and calculate for us what would be the savings in interest if we converted, and we have converted now, by increasing the loan guarantee. There is a savings, I believe, of approximately \$13,000 involved.

MR. BANMAN: In Exhibit A you also show a bank loan of \$556,300.00. Would you be paying interest on that, or is that 10.25 being picked up by the Provincial Government?

MR. HARVEY: That 10.25 is covered by the Provincial Government. It is part of a grant that you will see elsewhere in the statement called debt servicing.

MR. BANMAN: I am trying to absorb that all, Mr. Chairman. I'll defer to another member.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: On Page 5 of the report, Mr. Chairman, through you to Mr. Harvey, D-7 during the year the company rented three tree farmers and one to Cranberry Loggers, which resulted in a gross rental charge, less depreciation, of \$56,499.00. Did the company own these three tree farmers and the

D-7, or were these vehicles that were leased from someone else and then re-released to Cranberry Loggers?

MR. CHAIRMAN: Mr. Harvey.

MR. HARVEY: If the company did not own them outright, they were in the process of buying them on a conditional sale. I am not sure of their standing. The three tree farmers were purchased for Jenpeg contract before I came on the scene and were surplus to our requirements at the time. I couldn't honestly say whether we owned them totally at the time we rented them to Cranberry, whether they were in the process of being purchased at the time.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Mr. Chairman, I wonder if Mr. Harvey might get that information on a definite basis and let us have that at his convenience. It is not pressing.

Just to further the questions of the Member for La Verendrye. The company borrow money at interest charges, it is all picked up under debt servicing so there is no interest under your expense such — bank interest charges on your guaranteed loans are picked up by your debt servicing grant.

MR. HARVEY: Yes. About approximately two years ago, we asked the government if they would consider our corporate position that money they were giving us to operate was really their investment and that the company should not be picking up their interest. They responded with grant to cover the interest on the loan guarantee. So it goes up and down you understand, as the company borrows and puts money back in, but we do not pick up the interest. The government pick up the interest.

MR. BLAKE: One further question, Mr. Chairman. I wonder if Mr. Harvey has a figure handy of what it costs per man to operate a camp — I am thinking of room and board. Do they operate the camps at a lesser *per diem* rate than the Moose Lake Loggers, for example, or does he have a figure on that?

MR. HARVEY: Mr. Benoit may have a figure. That figure quoted by Moose Lake Loggers does not seem out of the ordinary, though.

MR. CHAIRMAN: Mr. Benoit.

MR. BENOIT: We are calculating our board and room on \$12.00 a day and I believe we are a bit low on that. It fluctuates a bit.

MR. BLAKE: And what do you charge the men that use the camp facilities?

MR. BENOIT: Minago's employees are charged \$70.00 a month. They pay income tax on it and we return it to them.

MR. BLAKE: The \$70.00 is returned to the employees, so they have free room and board.

MR. BENOIT: Yes.

MR. BLAKE: Thank you.

MR. CHAIRMAN: Mr. Lyon.

MR. LYON: Looking at the various statements and description that you have with respect to provincial subsidies and the categorization of them, we see in the notes to the financial statement — there is no page number but it is Item 2 under Deferred Income — that in addition to the grant of \$447,200 for working capital reflected in Exhibit A, the Government of the Province of Manitoba has provided the company with the following grants during the year for operating purposes. And then in itemized A, B and C, and in total they show a further \$464,598 received March 31, and of that amount \$319,528 is shown as being earned as at March 31, 1976.

Can you indicate what the total grants that the province has paid for working capital have been since the inauguration of the company?

MR. CHAIRMAN: Mr. Harvey.

MR. HARVEY: Yes, Mr. Chairman, the total grants for working capital are as stated, \$447,200.00. We consider the manpower development subsidy to be at the cost of utilization manpower, and it is stated here, so if you were to call them all grants, it would be the total of \$447,200 plus \$464,598, those two figures.

MR. LYON: That is for the current fiscal year?

MR. HARVEY: Yes, there were no grants received prior to that year.

MR. LYON: No grants received. What about accumulative subsidies of any sort that have been paid?

MR. HARVEY: There were no subsidies . . . nothing in the company prior to this development except the loan guarantee. . .

MR. LYON: What about the accumulated deficits of the company since its inauguration? . . .

MR. HARVEY: The accumulated deficit would be the figure quoted in the 1976 column, \$259,478, at March 31st, 1976.

MR. LYON: And the company came into existence in what year?

MR. HARVEY: 1972, I believe, or late in 1971.

MR. CHAIRMAN: Mr. Lyon.

MR. LYON: Could you explain to us the reasoning that you advance with respect to the province

king up the interest charges on the outstanding obligations of the company?

MR. HA that we EY: The reasoning advance a in corporate sense is that if a company were to be en a certain amount of money, usually this would occur at corporation, it would raise it from the rholders. If the shareholders had to borrow the money in order to invest, the company would not k up that interest.

MR. LYON: What you are talking about is working capital to pay your outstanding bank loans and on and other obligations, interest charges generally?

MR. HARVEY: The interest charges were based on the size of the loan guarantee at the time. The nicipal that I was quoting was that if you were raising money it would be a combination, I agree, of rowed money by the company and money put up by the shareholders. At the time that the debt rving request was made, there was no investment in the company by the government, except for e loan guarantee. So the company had been picking up the interest up to that date.

MR. LYON: And there is still no investment, that is, by way of subscribed capital?

MR. HARVEY: No, only by capital grants, yes.

MR. LYON: And that's the capital grant of \$447,200 — accumulated capital grant since the year of aguration?

MR. HARVEY: Yes.

MR. LYON: When we come over to the notes to the financial statement, under Item No. 3, and ain there is no page number, but Contracts Payable at the top of the page — we see there a listing of e conditional sales contracts that have been entered into by the company, and then beneath them e lease-purchase agreements. The conditional sales contracts, the interest rates look to be rather orbitant. Could you explain how those came about?

MR. HARVEY: Yes, the conditional sales contract is the result of a conversion of a lease-purchase greement once the company had determined they wanted to purchase the asset. This was the area at we corrected by asking the government for an increase in the loan guarantee so we could pay off ese sales. We calculated them out and found out at that particular point we could save in the ighbourhood of \$13,000 in interest by refinancing them through an increased bank loan uaranteed by the province.

MR. LYON: So the purpose of demonstrating them in this fashion is to indicate that these long- arm portions have now all been refinanced through a long-term

MR. HARVEY: They have been refinanced through the bank, yes. We have also made a special rangement with the bank in that particular instance to continue the schedule up that would have een paid out under the contracts, so that they will be reducing monthly and not be held against our orking capital if we In other words we have two bank accounts with the same lo guarantee, you understand my meaning. We have made an undertaking to clear them off on the same chedule, but using bank money rather than the conditional sales contracts.

MR. LYON: So what you are saying, if I read you correctly, is that under, for instance, the onditional sales contracts, you have some that expired in 1976 and then 1977 and then 1978. Are hese 1978 contracts still outstanding?

MR. HARVEY: They have now been converted to the bank. We have paid them off by increasing our loan guarantee and taking that money and paying the companies involved off. Now we have set up a schedule to repay the bank just to get a better interest rate. So that some of these would be outstanding, but only in the sense that we are now paying the bank rather than the finance ompanies.

MR. LYON: I am not sure if I still understand you, because what I had thought I understood from our first comment was that these conditional sales contracts have been terminated and paid off.

MR. HARVEY: They had been terminated with the finance company, but in order to do that we got an increase in our loan guarantee from the province and used that money to pay off the finance company. We have no more dealings with the finance company, but we did undertake to continue the schedule in the bank, the schedule that was outlined initially, rather than just using our loan guarantee without a regular payment schedule for this equipment. It's just an internal thing with the bank.

MR. LYON: It's like Household Finance, you consolidated your debt and . . . ?

MR. HARVEY: That's right.

MR. LYON: But what about these rates of interest that were payable to the finance companies? Presumably you are not paying the same rates of interest on the bank loan that you used to consolidate the debt?

MR. HARVEY: No, we are paying the prime rate on that.

MR. LYON: You're paying prime rate. That's what I'm trying to get at. The purpose of listing these contracts was to demonstrate what?

MR. HARVEY: They were listed by the auditor, I assume to explain the Conditional Sales Contracts Payable entry in the financial statement.

MR. LYON: So at the bottom line where it says, "Contracts Payable, Exhibit A, \$569,708," and the

current portion, "\$224,919," and the long-term portion "\$344,789," that represents the outstanding capital that you have to pay on these earlier contracts, but which is repayable on somewhat the same schedule, but at the bank rate of interest.

MR. HARVEY: That's correct, yes.

MR. LYON: Then the final line in that entry says, "The contracts are purchased, secured by specific asset are payable in equal monthly instalments of principal and interest." That, I take it from your words here tonight, means equal monthly instalments of principal and interest at converted rate of whatever your bank rate is.

MR. HARVEY: Yes. I couldn't say with certainty that that's the way the payment is treated by bank, that was the way the payment was treated by the finance company with respect to principal and interest. How the bank is treating them, I don't know how they cover interest.

MR. CHAIRMAN: Mr. Lyon.

MR. LYON: Can you tell us, first of all what was the date of this conversion? Were they all done the one time?

MR. CHAIRMAN: Mr. Harvey.

MR. HARVEY: Very recently I think the money came to us within the last two or three months that correct, Jim?

MR. BENOIT: That's correct. They were all paid off at one time.

MR. LYON: They were all paid off about two or three months ago?

MR. BENOIT: Less than that. I believe it was within a month.

MR. LYON: I suppose you'd have to go on each conditional sale contract, but how long were you paying or how long were you paying the interest rates to the finance companies that are shown in the table at the top of the page?

MR. HARVEY: I guess, from what's shown here, they would probably be a three-year agreement. Is that normal, Mr. Benoit, about a three-year agreement?

MR. BENOIT: Yes, and we had been paying from the date of purchase up until the time conversion at the finance rate.

MR. HARVEY: So if we took the top one, I would assume that that would be from July of 1971?

MR. LYON: I know it won't be possible at this meeting but I know this committee will be meeting again. Would it be possible for your accountant to give us some indication of what the interest payments were on these conditional sale contracts and on the lease-purchase agreements from the date of purchase of the equipment up until the date all of these loans were converted over and paid under the banking arrangements that you made?

MR. HARVEY: The accountant is here. Is that possible? Yes, it shall be done.

MR. LYON: What is your line of credit now? Do you have it with only one bank?

MR. HARVEY: Yes, we have it with one bank, the Bank of Commerce in Thompson.

MR. LYON: And your line is what?

MR. HARVEY: That's the total? \$1,274,000 maximum.

MR. LYON: \$1,274,000 — a little over a million and a quarter dollars. What is your flow sheet on the repayment of that loan? How does it stand during the year? Do you ever diminish it down to zero at most companies try to do, at one stage or another, in the year?

MR. HARVEY: As the money comes into the company it comes in through the loan and reduces the loan and as we go back into it again it increases the loan. So it changes on a daily basis.

MR. LYON: Could you give us some indication of what your minimum amount owing and your maximum amount owing would be during the fiscal year that you are reporting on?

MR. HARVEY: I suppose the maximum would be in the neighbourhood of \$900,000, something along that line. And the minimum about \$200,000.00.

MR. LYON: About \$200,000.00.

MR. HARVEY: What is the interest rate now? What is the prime rate? Do you know? — (Interjection) — 8 ¼.

MR. LYON: It's straight prime, not prime plus one, or anything? Do you have to maintain any minimum account?

MR. HARVEY: No, it's just a straight prime rate.

MR. LYON: A minimum balance . . .

MR. HARVEY: Yes. We considered at one time going to another bank and he did a work-up for us and I think he reached the conclusion in the end that he couldn't do as good as we had.

MR. LYON: Is that total line of credit of \$1,274,000, is that fully guaranteed by the province?

MR. HARVEY: Yes.

MR. LYON: That probably explains the favourable interest rate you get. That's all I have for the moment, Mr. Chairman.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: On schedule 2, Mr. Chairman, I notice Professional Services \$31,669 against \$6,000 last year. What caused the substantial increase there and who were these payable to?

MR. HARVEY: I think the majority, if not all of those fees, are to accounting firms. We had one auditing firm in this period; we now have another one. We felt that one of our major problems in the company was inefficient accounting procedures which didn't allow us to manage the company properly because of not having the proper financial information. We have an accounting firm now that we're quite pleased with. We have converted to computer printout statements and we now have a good financial information flow that allows us to make much better decisions with respect to funds.

MR. BLAKE: You're getting a monthly statement and you're able to keep track of a month-to-month analysis of your business operations.

MR. HARVEY: That's correct, yes.

MR. BLAKE: Do you get a profit and loss statement monthly under this same arrangement?

MR. HARVEY: Yes.

MR. BLAKE: Okay, Mr. Chairman, thanks.

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

MR. BANMAN: I wonder if I could ask a question that we have asked a lot of people that appeared before the Committee. I wonder if he could tell us if they pay any capital asset taxes?

MR. HARVEY: I have to pass that to the accountant. We do not pay it.

MR. BANMAN: I wonder, going back to the payouts as far as the finance company contracts are concerned, does the finance company, as far as the balances left owing, are there any penalties that are paid to the company for prepayment of these particular contracts?

MR. HARVEY: Yes, there were some penalties. Our accountant could probably give you some idea of what they were. That was part of the analysis that we did to see if we were in a position to gain anything by converting these the way we did. The net result was \$13,000 savings to do that. Now that that result was probably reduced by whatever penalties were involved.

MR. BANMAN: When you said a savings of \$13,000, that took in the penalties that had to be paid to the finance company?

MR. HARVEY: That was the net result that would occur if we made the move at that point in time when we moved, yes.

MR. BANMAN: When you sign a conditional sales agreement with the company, was it guaranteed by the province then also?

MR. HARVEY: No.

MR. BANMAN: So what you're saying is they just took the chattel on the equipment for a conditional sales agreement.

MR. HARVEY: Yes.

MR. BANMAN: Okay, thank you.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Mr. Chairman, further on my last question — it must be the hour. Mr. Harvey mentioned getting computer printouts monthly and I realize this statement is March 31st, 1976. Could he tell us if the computer printout for March 31st, 1977 — he must have that by now — does that indicate that you are in a profit . . . for 1977?

MR. HARVEY: Yes, we do have it and it does but of course it's not audited. We have a profit position. We haven't done the year-end but the computer statement shows a profit position of \$305,000.00.

MR. BLAKE: Okay, fine.

MR. CHAIRMAN: Mr. Lyon.

MR. LYON: Your bank loan on Schedule 2, the schedule of general administrative expenses, you show your bank loan and other interest charges there at \$117,270 for 1976 as opposed to \$50,584 in 1975. I take it that the more than doubling of bank interest was brought about by the conversion of the conditional sales contracts.

MR. HARVEY: Into contracts payable, yes.

MR. LYON: If this was only done, say, two or three months ago, was that done towards the end of fiscal 1976?

MR. HARVEY: No, it was done a month ago, just towards the end of this current year.

MR. LYON: Just so that we are talking about the same thing. The end of your last fiscal year was March 31, 1977.

MR. HARVEY: The end of the fiscal year being reported is March 31st, 1976.

MR. LYON: What is being reported.

MR. HARVEY: What is being reported.

MR. LYON: The conversion of your conditional sale contracts took place a month ago in April of 1977.

MR. HARVEY: Yes, we will report it in 1978.

MR. LYON: Which will be reported next year, so I was wrong in supposition. I was reading the date wrong. That increase in interest charges then does not reflect the conversion.

MR. HARVEY: No, no. What I thought you meant was the conversion of lease purchases into contracts payable. I would think that probably is what it reflects. At this period of time in company's history there was no capital, or very limited capital, and that was where the large increase in contracts payable came about. In order to assemble the equipment to do a job, the route open to the Manager and the Board was either a lease-purchase or converting lease-purchase to conditional sales agreements and I think that's why the interest rates took a jump at that point.

MR. LYON: I was looking through here; I'm sure it appears — your total payroll cost for the year

MR. HARVEY: We have looked at that previously. I think it's in the neighbourhood of \$500,000. Schedule 1 Project Operating Expenses, the first entry across the top, Supervision, Salaries and Benefits; second entry, Labour, Wages and Benefits. And there are also some Wages and Benefits down below under Camp Expenses. I think it adds up to in the neighbourhood of \$500,000.00

MR. LYON: How many employees would that represent on more or less a full-time basis?

MR. HARVEY: I would say that we would probably be running between 30 and 40 employees that would represent but there are a number of contracts here; that figure would change. An average 30, maybe.

MR. LYON: About 30. And your employees are drawn from a variety of communities in the north

MR. HARVEY: Yes, we tried to get them from the communities that we were working close to. We worked in expanding circles from wherever the job was. Our first preference was to Easterville, then Cormorant, then The Pas, and whatever we could get. Now when we were in South Indian Lake we tried to get them from that community; when we were in Jenpeg mainly Cross Lake people. The further you are away from a remote community the more difficult it is to get native people if you are working at a distance. I suppose the best example in the company's history would be the Moak Lake road where they were closer to Thompson than anywhere else. Even if you are in a remote community, depending on what's happening in the community can affect it, too. You get lots of people from Easterville and then if the fishing season is good All of those factors come in. But as a general rule we try to recruit from the area we are working in.

MR. LYON: Of these 30 to 40, and varying figure, what proportion of that figure would be native people?

MR. HARVEY: I think we've maintained generally around 75-80 percent. There have been occasions where that has dropped to about 50 percent. That was usually due to either a job ending or something I guess the most recent example was the fishing last fall in Easterville. We had problems recruiting people from Easterville and Cormorant, for that matter, in the fall for specific periods of time. So we can generally maintain, I would say, 60 to 75 percent and sometimes you go lower? Some jobs are lower, too. Again, the Moak Lake job, it was quite an effort to get people up there in that camp. At Jenpeg it was as high as I would say about 90 percent, because they are very close to Cross Lake.

MR. LYON: This grant that you mention, \$447,200 received from the province for working capital. What are the repayment terms of that, if any?

MR. HARVEY: There are no repayment terms. We view that in the same way as a person would view an investment, although it didn't come into the company that way.

MR. LYON: So you didn't go through the process or the fiction of issuing shares for it?

MR. HARVEY: No, no. The assets of the company belong to the province and that's where that is.

MR. LYON: Thank you.

MR. CHAIRMAN: Are there any further questions? Mr. McBryde.

MR. McBRYDE: What are the assets at real current value? What is your estimate?

MR. HARVEY: Current value? You're talking now or at the end of this statement? Right now?

MR. McBRYDE: Okay, two figures then; at the end of this statement and right now.

MR. HARVEY: The assets of the company are shown on Exhibit A, end of 1976, \$1,752,334.00

MR. McBRYDE: Okay, those assets on there would be shown as depreciated.

MR. HARVEY: Depreciated, yes.

MR. McBRYDE: In the heavy equipment field, there is normally not much appreciation if the market is good. Is that an accurate figure in terms of what you could get if you sold it today?

MR. HARVEY: The General Manager keeps track of sales and he would be better able to advise you. But it seems to me, from what he tells me, it's very dependent on what's happening in the industry. He was at a sale yesterday and said that equipment was moving pretty good. So somebody is expecting some work and driving the market up. He was at a sale in Edmonton two or three months ago and that wasn't the case. So there is quite a difference in what you can buy. If you want an expansion, I'm sure Mr. Benoit would be glad to offer it.

MR. McBRYDE: The assets are fairly close to the bank guarantee though.

MR. HARVEY: The assets at the moment cover the bank guarantee, at this point in time. Not off this statement but off the current position.

MR. McBRYDE: That's fine, Mr. Chairman.

MR. CHAIRMAN: Mr. Lyon.

MR. LYON: Have you had a run-through so far from your computer, or from the accountant, as to the general state of operations of the company, revenue and expenditure was or is going to be the year ended March 31, 1977?

MR. HARVEY: We have some difficulty in making that kind of a projection because of the contract situation. We have a Work Order at the moment on the Moose Lake all-weather road. It's a ten-mile tract. We expect that we will get the rest of it but at the moment we're working on ten miles with respect to establishing a price. What is it going to cost us to do this work so that we can argue back and forth with Highways about what is the value of that work. We would expect we would get the road. It would carry us through, I suppose, to spring and we could project revenue to the end of that contract. But it's much more difficult than if you are operating on a yearly contract, where once you calculate what the wood contract is, for example, you have some idea of what you can generate. That's one of the difficulties that we do encounter in this kind of an operation — a construction operation. Unless you are lucky enough to land a three-year contract it makes planning exceedingly difficult.

MR. LYON: But at this stage you must have some ballpark idea of how your books are going to end for the year ended March 31, 1977. It's now what the 17th or 18th of May.

MR. HARVEY: I would say that, barring something that we don't foresee, that we would be in a break-even, possibly small profit position.

MR. LYON: With or without any further provincial grant?

MR. HARVEY: Without any further provincial grant except we may decide on a utilization grant if warranted and we don't know that until we encounter that. If we can get a return on production that will cover our costs then we would not apply for a utilization grant. I guess what I'm saying is that we can break even on production revenue, we will not apply for a subsidy but if there is a reason for subsidy it would be probably related to what it costs us to build a road as opposed to what the market value of a road might be.

MR. LYON: I was looking again, I know you covered it in your covering letter. What is your definition again of a utilization grant?

MR. HARVEY: A proper interpretation would be the atypical costs that a company of this nature would realize from using people who have less than full productive capacity whether that's a technical shortage, a social shortage, and comes through in terms of absenteeism and I am afraid that we haven't got that pinned down. We know those costs exist and we are working hard to decide what they are. For example, if you have a machine that is capable of moving so many yards of dirt and your operator can only run it at half production, then wages in that situation are really incidental to the cost to the company in lost revenue. By the same token, if he happens to be a darn good man but doesn't show up, then we're capital intensive enough to really feel that kind of a situation but we're going to do what we're intended to do. We can't develop a man by firing him; we have to try and make him get the skills he needs to operate productively.

MR. LYON: I'm sorry, Mr. Chairman, I should have seen this in the statements but it escaped my memory if I did. What was the utilization grant that was paid for the year ended March 31, 1976?

MR. HARVEY: Yes, it's in . . .

MR. LYON: That is not part of \$447,200.00.

MR. HARVEY: No, no it's not. I think it was in the thing that you referred to earlier . . .

MR. LYON: Is it in the schedule?

MR. HARVEY: No, it's in the first notes to the financial statement, the first page of the Notes to the Financial Statement. It would be shown in on the schedule as well but if you look at Manpower Development Subsidy re Easterville Road Project, then you'll see the amount earned to March 31st, \$258,707.00.

MR. LYON: So it's in that figure of \$464,598.00.

MR. HARVEY: That's correct, yes, but the amount earned is that much at that date and the rest is deferred, it will be earned in the next year.

MR. LYON: What are your projections at the present time in terms of revenue, expenditure and the bottom line for the current year of operation, that is 1977-78?

MR. HARVEY: Well, if the computer is dead-on, after adjustments our bottom line is \$305,000 profit.

MR. LYON: With or without utilization grants?

MR. HARVEY: That's with utilization grant.

MR. LYON: And without any other general provincial grant, other than your debt servicing.

MR. HARVEY: No, there's no other provincial grant except the capital grant, of course, which we discussed earlier, the debt servicing and the manpower utilization grant. I think also that there is . . . Yes, there is \$27,000 in last year which wouldn't show in this statement which was reflected as training and that's something different than manpower utilization because that reflects that actual training program where the equipment used is not on production. We'll be taking pieces of equipment aside but they would not be in the production flow.

MR. LYON: Is it one of the expressed objects of your Board, as it is with respect to the Moose Lake Loggers and the other logging company, to achieve a viable economic operation out of Miramichi Contractors?

MR. HARVEY: Yes' we would hope to do that.

MR. LYON: And what is your definition of a viable economic operation?

MR. HARVEY: My definition of that is being able to achieve a break-even point at the fair market value of our production and maintain 75 percent northern native employees.

MR. LYON: With no repayment of previous provincial grants' either utilization, capital, interest charges or anything like that at all. With or without that?

MR. HARVEY: That's a good question. I would say that if we . . . I guess the problem I'm having with this is it's difficult to see how I can pay that back unless I achieve a profit, you know.

MR. LYON: It's difficult for all of us to see that. . . .

MR. HARVEY: Okay, so if it is expected that I should compete and conclude a profit in my cost of road construction, then I would say with paying that back. If I am to break-even only, then I would not pay that back because I have no place to pay it back from.

MR. LYON: Quite so. Thank you.

MR. CHAIRMAN: Are there any further questions?

A MEMBER: Page-by-page.

MR. CHAIRMAN: Go page-by-page through the report? Page 1—pass; Page 2—pass; Page 3—pass; Page 4—pass; Page 5—pass; Auditor's Report—pass; Exhibit A—pass; Exhibit B—pass; Exhibit C—pass; Schedule 1—pass; Schedule 2—pass; Schedule 3—pass; Notes to the Financial Statements—two pages—pass. Report be adopted—pass. Committee rise and report? Committee rise.