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

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**STANDING COMMITTEE**

on

**ECONOMIC DEVELOPMENT**

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39 Elizabeth II

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*Chairman  
Mr. Eric Stefanson  
Constituency of Kirkfield Park*



**VOL. XXXIX No. 1 - 10 a.m., TUESDAY, NOVEMBER 13, 1990**



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

**Members, Constituencies and Political Affiliation**

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

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

**Tuesday, November 13, 1990**

**TIME — 10 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Eric Stefanson (Kirkfield Park)**

**ATTENDANCE - 10 — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Connery, Downey, Penner

Messrs. Alcock, Ashton, Mrs. Dacquay, Mr. Helwer, Mrs. Render, Mr. Stefanson, Ms. Wasylycia-Leis

**APPEARING:**

Mr. Jerry Storie, MLA for Flin Flon

Mr. Danny Morin, Acting Manager, Channel Area Loggers Ltd.

Mr. Gordon Trithart, Secretary-Treasurer, Channel Area Loggers Ltd., and Moose Lake Loggers Ltd.

Mr. R. J. Kivisto, General Manager, Moose Lake Loggers Ltd.

**MATTERS UNDER DISCUSSION:**

Annual Report of Channel Area Loggers Ltd. for the year ended March 31, 1989

Annual Report of Moose Lake Loggers Ltd. for the year ended March 31, 1989

Annual Report of Communities Economic Development Fund for the year ended March 31, 1989

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**Clerk of Committees (Ms. Patricia Chaychuk-Fitzpatrick):** Will the Standing Committee on Economic Development please come to order? We must proceed to elect a Chairperson. Are there any nominations for the position of Chairperson?

**Mr. Edward Helwer (Gimli):** I will nominate Mr. Stefanson.

**Madam Clerk:** Mr. Stefanson has been nominated. Are there any further nominations? As there are no

further nominations, Mr. Stefanson, you are elected Chairperson.

**Mr. Chairman:** This morning the Standing Committee on Economic Development will be considering the March 31, 1989 Annual Report for Channel Area Loggers; March 31, 1989 Annual Report for Moose Lake Loggers, and the March 31, 1989 Annual Report for the Communities Economic Development Fund.

As we have three Annual Reports before us this morning, did the committee wish to decide in what order the reports will be considered?

\* (1005)

**Hon. James Downey (Minister responsible for The Manitoba Natural Resources Development Act (with respect to Channel Area Loggers Ltd. and Moose Lake Loggers Ltd.), responsible for and charged with the administration of The Communities Economic Development Fund Act):** I wonder if we would be able to proceed to do them as they are listed on the agenda: Channel Area Loggers, Moose Lake, and then Communities Economic Development Fund, in that order. Would that be in agreement with the committee?

**Mr. Chairman:** Does the committee agree with that? We will follow that procedure. Does the committee wish to deal with reports on a page by page basis or shall the reports be discussed in their entirety and then passed?

**Mr. Reg Alcock (Osborne):** We could follow the same procedure we have with others. We want to discuss the report in the context of the operation, and I am sure the Minister is free to take questions throughout the report as required, so rather than formally going through it page by page, let us just deal with the report.

**Mr. Chairman:** Agreement to follow that procedure? All agreed.

**CHANNEL AREA LOGGERS LTD.**

**Mr. Chairman:** Regarding the 1989 Annual Report for Channel Area Loggers, did the Minister

responsible wish to introduce any staff members present and to give an opening statement?

**Hon. James Downey (Minister responsible for The Manitoba Natural Resources Development Act with respect to Channel Area Loggers Ltd.):** Yes, I do, Mr. Chairman. The first thing I want to do is acknowledge the work that was done by the board of directors and the management of the Channel Area Loggers.

Today, I have Gordon Trithart, who is the secretary-treasurer, who works with Government, who works with the Channel Area Loggers. Gordon is with us today. As well, I have Dan Morin, who is the acting general manager for Channel Area Loggers.

I can introduce the additional staff either later or at this time as well. I can do it now. I have my Deputy Minister, Dave Tomasson, who is sitting with me; Rino Kivisto, who is the acting general manager of Moose Lake Loggers; Percy Williams, who works with the Northern Affairs Department, who is sitting there; we have Mr. Harold Westdal, who is the chair of the board of Community Economic Development; and Rein Roeloff, who is the finance manager and corporate secretary for CEDF, who is with us as well.

Mr. Chairman, I will proceed just to make a brief opening comment with Channel Area Loggers, and as we proceed to carry out the passing of the report in total, we can generally touch on different areas as we go through it.

The objective of Channel Area Loggers is to create a logging operation that offers employment and training to Berens River and surrounding area residents. It is anticipated that eventually Channel Area Loggers will provide opportunities for local residents to operate independently. As Channel Area Loggers is the only major employer in the region, or one of the major employers in the region, it is an important contributor to the economic well-being and quality of life of local residents. The company maintains 22 full-time jobs and injects more than \$1.2 million annually into the local economy. It is the second largest employer in the Berens River area.

In the Channel Area Loggers 1988-'89 Annual Report, the company reported a loss of \$177,500 which compares to a loss of \$217,800 for the previous year. Early in 1988, as a result of an unusually hot and dry spring and summer,

production was halted due to the severe fire hazard. To add to the company's difficulties, a mid-year fire burned prime spruce pulpwood. Provincial operational grants were provided to assist the company maintain the employment level. These grants enabled the company to continue supplying spruce pulpwood to Abitibi-Price Incorporated at Pine Falls. This financial support is a clear indication of the high priority which the Manitoba Government places on maintaining northern employment.

\* (1010)

To sum up, I believe it was one of the major difficulties again where the forest fire hazards and difficulties that were encountered in that area caused the operation of the company to lose the amounts of money that it did. We will be open for questions at this time, Mr. Chair.

**Mr. Chairman:** I thank the Minister for those remarks. Does the critic from the official Opposition Party have any opening remarks?

**Mr. Jerry Storie (Flin Flon):** Mr. Chairperson, I appreciate the Minister's opening remarks and recognize that some of the difficulty that Channel Area experienced in '88, '89 in particular, were not of the company's making, particularly the fire, but I would suggest that the Annual Report notes that there were some problems, and there are some continuing problems with production in particular. We are now halfway through the 1990-91 season, and I am wondering if we could have some projection from either the acting manager or the corporate secretary in terms of the year that we are already in.

**Mr. Chairman:** At this point we are really in opening remarks, and the Member for Flin Flon will get an opportunity to ask specific questions after we have had some opening remarks.

**Mr. Storie:** It would be helpful if we had that additional information, but the only other remarks I have is obviously the Channel Area is important. I am not sure whether I missed it, but in going through the Annual Report, it was not clear how many full-time people were employed, how many local people were employed, what percentage of the employment was Native. Perhaps I just did not identify it. If some of it is there, perhaps the Minister in responding could identify how many people are employed over the last two years, and how many people were local, et cetera, including the people

brought in to fulfill specific contracts, whether it is hauling or whatever.

**Mr. Downey:** Mr. Chairman, the Member was not listening apparently when I read my opening comments. I did indicate there were 22 full-time jobs in the year we are reporting for Channel Area Loggers, and I can just give him the approximate figures here. Approximately 30 percent of the total wages were paid to residents of Berens River, while 55 percent were paid to individuals of Indian ancestry from other areas of the province.

**Mr. Storle:** The Minister gave me those figures, but it seems to me 22 is considerably fewer people employed than historically have been employed at Channel Area Loggers. Perhaps the Minister could identify why there has been, if memory serves me correctly, at least a 50 percent reduction in terms of the number of people employed.

**Mr. Chairman:** In terms of procedure, the first part is for opening remarks from the Honourable Member for Flin Flon, and then we give an opportunity to the Honourable Member for Osborne, so at this point I will thank the Member for Flin Flon for the remarks. Does the critic for the second Opposition Party, the Honourable Member for Osborne, have any opening comments? Then we will get into specific questions.

**Mr. Reg Alcock (Osborne):** Mr. Chairperson, I would like to proceed directly to questions, given we have the three reports, and there are some specific issues I would like to raise with the organization.

**Mr. Chairman:** We thank the Member for those comments. We will go back to the question from the Honourable Member for Flin Flon.

**Mr. Downey:** As I understand it, the year on which we are reporting does not include the truckers who were included in previous reports that were submitted in the number of employees, so there would probably be 12 additional jobs if the truckers who were involved in the hauling of the pulp were included in the numbers which I had provided.

\* (1015)

**Mr. Storle:** It still seems to me that in previous years, in '86-87, '87-88, there were more than 34 people employed by Channel Area Loggers, and I would like to see if perhaps the corporate secretary can provide us with a comparative graph making sure that we include all employee groups together so that we can have some sort of comparative analysis.

The truckers that we are talking about, was this a contract outside of the community or were some of these people also from Berens River itself?

**Mr. Downey:** Both, Mr. Chairman.

**Mr. Storle:** Could we have a breakdown similar to the breakdown the Minister gave us with respect to the number of local truckers, Native truckers?

**Mr. Downey:** I am sure we can get that for the Member, Mr. Chairman.

**Mr. Storle:** It is not an academic interest. The fact is that this corporation was set up to benefit the people of Berens River. It was set up to establish an operation that would employ people, train people, give people opportunity. It appears that we are seeing a decrease in the number of people being employed. The Minister may be satisfied with 30 percent of the wages going to the people of Berens River. I do not think the people in Berens River are. I know we do not find it particularly satisfying. It should be 80 percent or 90 percent. I know that it is not possible to do that immediately, but I want to know whether we are going in the right direction. If the Minister can give us the information on the trucking contract.

**Mr. Downey:** Mr. Chairman, I want the Member to recall when he gets into his criticism that part of the year which we are reporting was part of the year during which his Government was operating Channel Area Loggers. It has basically been carried on under the same type of operation as when they were in Government. There has not been any intention to change anything, but to create, maximize local employment and involvement, so I do not know where he is leading to in that direction.

This information is all available as to the local trucking component. He has to remember as well that a lot of the equipment is brought in on a seasonal basis, and the bases or the headquarters for some of these companies may not be in Berens River. I believe there is one that is established in Berens River, but the mobility of the trucking industry—the pulp trucks go in for a certain period of year and go out for a certain period of year when they are unable to haul in that area, so the fact they may or may not be home based in Berens River does not mean that they are not part of the whole employment and economic activity for that community.

**Mr. Storle:** We would certainly know, if the Minister

would tell us how many of the 12 truckers were from Berens River or the area.

**Mr. Downey:** I will get that information for him, Mr. Chairman, again remembering that it was the basic policies that were being followed in the operation of the Channel Area that he was a part of as a Government, so there were not any policy directives or changes made.

The initial establishment of the corporation was to employ people from Berens River, and that continues to be the objective. What the actual detail is, I will get for him as to where the truckers are coming from. I am sure the records are available for the period of time in which it operated, as he was in Government as well. I am more than prepared to get that information for him.

**Mr. Storle:** I would appreciate getting the information. I would just note that there are some disturbing trends in the Annual Reports for '88 and '89. We have not heard of what is happening in 1990 yet, but the losses went from \$17,000 and \$12,000 in '86 and '87 to \$217,000 and \$177,000; in addition the costs in virtually every area have escalated, in some cases quite substantially, 100 percent when it talks about roads and kitchen administration went from \$11 to \$21.

\* (1020)

When you talk about the cord production, the production from this company has fallen off quite dramatically. It is nice for the Minister to say yes, we have the same concerns as the Member, and they have not changed the policies, but unless we see it reflected in the facts that come forward from the company, it is difficult to take seriously, so that is why the question. I would still like the Minister to give us an indication of how the company is doing in 1990.

**Mr. Downey:** Mr. Chairman, I will try and give an update as to what has taken place. However, one must remember, and the committee Members should know this, as new Members are here, that we are dealing with the report of '88-89; not with the current situation.

I will provide, but I am not going to dwell a long time on it. I think it would be in the interests of the committee to deal with the report that is before us. I would also like to bring the attention to the Member when he refers to the history of it. We can go right back to 1980, when it had a \$278,000 loss; '81, \$173,000 loss, which it would report from the

previous administration, and it was on a downward number; '82, we saw a \$17,000 loss; in '83, it saw a profit of \$38,000; in 1984, we saw a loss again of \$148,000 under the NDP; in 1985, \$235,000, and then it turned around and thank goodness it did.

Then we came down to again the 1988 report, which was operated by the former administration, of a \$217,000 loss. The record has been up and down, and I do not think that one can say it is because of one particular administration or the other. There were some events that took place outside the control of the administration of Government, whether it be forest fires, whether it be other production problems, whether it be within the management of the corporation or whatever. It is a matter of trying to make it operate in the best interests possible of the taxpayers, but also to maintain the jobs and employment in Berens River.

The Member asks for the current situation. I will have to just get a brief comment from the manager.

To help the Member out as well, I am attempting to get the '89-90 report available as quickly as possible so that the Members will have that information. I will not have it until either the latter part of this Session or the beginning of the new year, but that would give us a clear indication in a detailed way. Basically we are in the same situation for this coming year as it relates to the profit and loss position. That would be the closest that I can anticipate. Again, they had some difficulties with some smaller diameter wood which was cut, which reduced the price or the return to the company.

**Mr. Storle:** Mr. Chairperson, without the special problems that they had with respect to both access to the wood because of the dry conditions and fire, the loss looks like it will be in roughly the same or in the same area as it was in the '88-89 year.

**Mr. Downey:** The Member should be aware of the fact, with fire that I am talking about in the spring and summer of '88, I believe it was, that took out, it was reported at that time, something like an eight to 10 year wood supply that was prime wood supply in a relatively close location to the point at which they had to deliver it to the water side for the barging of it to the Abitibi plant. It meant additional roadwork had to be put in place, additional expenses, camp expenses, and so the whole fire-related costs or losses did not just show up in the one year. They have impacted for an ongoing period of time which causes management problems and the harvesting

of wood problems. They are now in a less productive area of the forest as they were in the previous two years, so the fire has had a longer-term impact than just one year.

**Mr. Storle:** I guess we could try in this committee to define what factors related most directly to the unfortunate losses. Mr. Chairperson, I simply hope that the Minister is ensuring that not only does the corporation get turned around, but that the turnaround includes the local people. I would like to focus for a minute on the training and what activities Channel Area Loggers is undertaking to make sure that there are local operators used in Channel Area's forest operations.

\* (1025)

**Mr. Downey:** If the Member is referring to any special training program, I am not aware of any that has been introduced over the past number of years. What is happening in the forestry industry, and I can be corrected by all the experts who are sitting here, is more mechanization taking place, which in quite a few cases reduces the number of employees who are needed in the woodlands operation. It is a matter of making sure people's skills are improved to operate the machines and the mechanisms that are now used, but it also takes its toll on the numbers of people working in the woodlands operation.

I just have had a further note that the hiring practice over the last number of years has not changed in the use of internal-external people dealing with Channel Area Loggers. The No. 1 objective is to provide local employment opportunities. I say this as an initiative that may well be taken is to look at some form of training to upgrade some of the skills, but remember in doing so the additional mechanization does take its toll in certain cases on the numbers of people who are employed. I want people trained, but I do not particularly want to move aggressively unless the board who are locally involved and the people are locally involved are ready to make those decisions. It is a time process.

**Mr. Storle:** We all recognize that mechanization is a part of the forest industry as any other industry. Mechanization usually means that your production increases, that if you went to mechanical harvesters, you would expect that the number of cords you produce in a given year would escalate dramatically, and what we have seen is exactly the opposite. If we are introducing mechanization, if that

is what we are doing and that is reflected in the number of people we are employing, that may be fair. What is not obvious is that while we are mechanizing, we are seeing a 50 percent reduction in production. Those two things should not be happening coincidentally. If we are mechanizing, we should be increasing.

What is the Minister going to do to make sure the production of cords increases in 1990, which obviously affects very dramatically your costs of production per cord which have escalated, as I mentioned earlier.

**Mr. Downey:** Basically, as I have indicated all the way through, we did lose a substantial amount of forest that was a heavier producing part of the timber where cutting was taking place. The fires have moved us into a more sparsely wood-populated area, and again one wants to be careful in making sure that the forestry work is done in a responsible manner. Again, the difficulty this last year—and again is pointed out and indicated in my answer to what is currently happening—was that to get their production up, they got into some smaller wood which was not as acceptable to the buyer of the product. You have to be in the proper kind of timber stands to make the production that you need of desirable cordwood.

I have to say I have a lot of sympathy for the management and the operations of Berens River because of outside forces which they have very little control over, as any administration has any control over.

**Mr. Storle:** Perhaps either the acting general manager or the corporate secretary could tell us how many of the snippers are operated locally, are managed by local operators, how many skidders are currently operating in Channel Area Loggers, and how many skidders are owner-operated and local.

**Mr. Gordon Trithart (Secretary-Treasurer, Channel Area Loggers Ltd.):** The numbers have not changed to any extent. We have one snipper that has been operating. However, in the year under review, we could not utilize the snipper or the skidders during the period where hot and dry weather, the probability of a fire—

On the other hand, the question relating to local employment has not changed drastically. In fact late in the current year, early in the following year, there were three new skidders that went to local people, brand new skidders, with the assistance of special

ARDA and Communities Economic Development Fund.

\* (1030)

All three are working, and two of those individuals are operating two skidders now. One of the problems in the past has been that for whatever reason, people from Berens River have not come out. Some of them have not come out and stayed working, and therefore these people have gone outside to get people to work for them.

The numbers revolve, but I do not think that they change drastically. The snipper is operated by the hiring of two local individuals. The slasher is owned and operated by an individual from Berens River, and there is one trucker from Berens River. There has been one trucker from Berens River for some time, and if I may say so, there is a process going on right now where we hope that there will be two truckers.

**Mr. Storle:** Perhaps we could have a bit more detail on some of the problems in terms of—well, it is reflected in the production, but the acting general manager could talk about some of the problems. Does Channel Area still have a camp of sorts, other than the supply store? Are the woodlands people transported back and forth to Berens River? How does that work right now?

**Mr. Danny Morin (Acting Manager, Channel Area Loggers Ltd.):** No, they always look after themselves, they transport themselves back and forth. Everybody that works there is from Berens River. There might be one or two who are not from there. Other than that, everyone else pretty well is from there.

For transportation, it is hard to get back and forth across rivers, across this and that. We have a really hard time up there for transportation, but they get in and out for work.

**Mr. Trithart:** To assist the Members in this question, we are operating really not much differently as far as camps are concerned. We have what you might call out-camps, where people live in trailers or something that is built about the size of a trailer. Each owner-operator has one of those, and therefore is close to his work. We keep a power plant out there, so that they have some light and can plug their skidders in.

The main camp has not changed whatsoever, except that we try as much as possible not to have a cook, except when there are sufficient revenues

from the truckers to be able to afford that cook, but the physical facilities have not changed to any extent whatsoever.

**Mr. Storle:** Perhaps Mr. Morin can offer an opinion at least as to why there is continuing turnover, why we have a problem, as Mr. Trithart suggested, in terms of keeping people in the woodlands area. Can you offer an opinion as to why those problems persist?

**Mr. Morin:** Do you mean for local employment? Why it is hard to keep them there? They come out, they try and do the work. It is just like if you came out there and tried it, you did not enjoy it, you did not like the work, you would not stay and do it. A lot of people come out there and try and do it, but it is a job where people who do not like it and cannot do it, they just walk, they just leave. They come out, and usually in a week—there are people out there all the time, trying and trying and trying.

**Mr. Storle:** Is it a matter of training or is it just preference, that it is not clean work and it is tough?

**Mr. Morin:** It is hard work. It is a hard job. I have known people who have tried it, and they just do not have the interest for it. You have to have the interest for it. I enjoy it, but there are a lot of people, like yourself or anybody here, who will not even think of trying to do it. They try. There is no doubt in my mind they all try, but you must really, really enjoy your work to do it.

**Mr. Storle:** One should not assume that I have not cut wood. I also grew up on a farm and cut lots of wood but never had the opportunity to work in a woodlands area like Channel Area, recognizing it would be tough work. I am wondering if the acting manager can tell us whether there are any other areas within the corporation that could be filled, positions that could be filled by local area residents, whether there is any potential for improved employment from the local area via training.

**Mr. Trithart:** I think that over time we have tried to develop various training programs, mainly on the job. For example, with the snipper, we have been trying for four years now to train local people, and we have stuck with local people to a great degree. I would say 75 to 80 percent of the employment on that particular machine has been local. On the other hand, the company has suffered drastically because the production has not come up. I think it is a case of where you can take the horse to the water but you cannot necessarily make it drink, and it is a very



difficult situation. Training, yes, when these machines are owned and operated by individuals, they expect a certain amount of production out of their people or they will go broke, so there is a certain amount of pressure on local individuals to produce at certain levels.

I think that their company and the owner-operators are fairly fair in getting them started, but over a period of time they expect production.

**Mr. Storie:** A special reference is made in the '88-89 Annual Report to on-the-job training for the company's bookkeeper. I am just wondering if there are other similar positions, non-woodlands positions or positions that do not require the same level of commitment, are not as difficult, that could be targeted for employment of local residents.

\* (1040)

**Mr. Trlthart:** The only other job that we really have is the job of the mechanic and the manager. The fact is that there is a local mechanic being utilized. He is a different one than we had before. They are both local. We trained a manager over many years, who decided to go back to school, and he is now in his third year of law.

I think that it is working, but beyond those three jobs there is little or no opportunity other than to work right in the production area.

**Mr. Storie:** I guess this question is to the Minister. We have heard that the only way to improve the financial situation of the corporation is to increase production and make sure the workforce that is there is as productive as possible.

I am wondering if the Minister can tell us what plans he has to turn this around. What special measures are going to be taken? Does the Minister feel it is satisfactory to have these kinds of numbers before committee?

**Mr. Downey:** Mr. Chairman, turn around certain things we can, certain things we cannot. One thing we cannot turn around is the devastation of the forest fires and the loss of eight to 10 years of excellent timber, which would have added to the bottom line of Channel Area Loggers, so that we cannot turn around. Working with the local community, working with the company that is buying the product from them, Abitibi-Price, to see what improvements can be made, we will. Again, the board have to be sensitive to these area needs and are.

The management—I am pleased that we have a local individual here today who I think expressed very capably what you are dealing with when you are going into that Berens River country, whether it be crossing rivers, you are harvesting in very difficult situations. They have difficulties, and I think it is a matter of bearing with the company. The options of not continuing on with it would be to have a lot more people on welfare and not given the opportunity to participate in a productive way of life.

I would like to add as well that I think it is incumbent upon us to develop training where training opportunities are essential, to mechanize where it is done at the local level, to make sure the local people are the ones that are getting the full advantage of the mechanization opportunities, and to work with management to try and improve the situation. I would hope that could happen, but as the record has shown, there are not any magic solutions that one can pull out of the air. It is hard work and working with the community to try and improve the situation, and that is what we are committed to do.

**Mr. Storie:** Mr. Chairperson, when I asked the first question, I asked whether the Minister had any concrete plans, and it does not sound like he has. The Minister has had control of the corporation for two years plus and says it is still business as usual. Business as usual has seen the losses grow from \$12,000 to \$217,000 to \$177,000. The Minister says we are facing another similar-sized loss, and yet he can point to no specific initiatives to change that part of the operation that he can change.

I recognize that the forest fire has created some problems; the corporation will incur some costs, relocating roads I assume, and that kind of thing, but it is not good just enough to tell the committee you are concerned about those things. I would have assumed that the Minister would have had some plans at this point to redress some of those problems.

The Minister says it is incumbent upon the Government to provide training where it is possible. The Minister did not have any positions identified this morning for us that could be developed and occupied by local residents. Is the Minister going to sit on his hands, or are we going to be pro-active and develop a strategy for improving the circumstances where the number of people employed seems to be dropping, and the value of the money to the community stands at about 30 percent? Does the Minister think that is good

enough? Are we just going to leave it and take what comes?

**Mr. Downey:** I have plans as it relates to the operation of Channel Area Loggers as long as it is in concert, and productivity takes place within the community. Let him not put on the record, and I do not want to get into a political scrap because he does the community no good, and he does the objectives of trying to accomplish certain things at Berens River absolutely no good by putting the kinds of comments he put on the record by saying it went from a \$12,000 to a \$217,000 loss. If he is taking a political shot at me, he is not hitting me, because he was the Minister or his Government were involved at the time at which it went to \$217,000 loss from \$12,000.00. It was not our administration. That is why I do not think we are doing the community any good by getting into a political harangue over this report.

I asked the Member earlier what he may have for ideas in training. I think we have to get into some alternative work by the continued reforestation—that is natural—and enhance that. I think we have to work closely with Abitibi-Price, who are the buyers of the product which could enhance the income for the company. The acting general manager made it very clear and very capably said you are dealing with tough conditions out there. You are not dealing in some of the better harvesting situations. You are dealing in tough terrain, in small wood, a selective area of harvesting which is difficult.

I would dare say that the best efforts are being put forward by the local people and by the management. I would ask the Member to bear with us. I think that we will hopefully develop some new harvesting areas that could get us into a better timber supply. Again, when you have to build a resource road, resource roads cost money, and they are applied to the bottom line of the operation. I am encouraged by what is taking place. I would like to have seen it turn around, but I do not think we gain anything for Channel Area Loggers or the community employment by getting into a political harangue here, trying to blame one or the other, because no one wins in that situation.

**Mr. Storle:** Mr. Chairperson, I apologize to the Minister if he thought I was getting into a political harangue. What I was trying to point out is the Minister has a problem. He has a corporation that is losing money, looks like it will continue to lose

money, and he is telling us this morning he is sitting on his hands. He has no plans to turn that around. He has no plans to increase the level of economic benefit to the community, which stands at 30 percent today.

The question is: How does the Minister intend to lead this corporation, or is he going to let the luck of the draw determine where this corporation goes? The Minister tells us he is going to have the 1990 Annual Report as early as possible. I hope that the Minister will take this opportunity to make sure the 1990 report comes to this committee with some plans to improve the circumstances for the people of Berens River, to improve the level of employment of local residents, to improve the wages that go to local residents, and to improve the financial circumstances of this corporation. That is the objective, not a political harangue.

I firmly believe in Channel Area Loggers. It was the New Democratic Government that put in place Channel Area Loggers and Moose Lake Loggers, because we knew there was some benefit to the community. What we do not want to see is a Government sit on its hands as the benefit to the community dissipates and disappears.

If the Minister says that training is important, let us see some concrete examples of what positions he is going to be training for in the next year or the year after that. We know that many of the positions that he is talking about cannot be trained overnight. They take months of training and sometimes years of training. Let us start today.

We have a situation where the corporation is raising considerable revenue for the province and for the local area, but only 30 percent of the wages are being paid to local residents. It is not good enough. There is some work to be done.

\* (1050)

If the Minister has no comment, there are two other areas, and then my colleague from Osborne (Mr. Alcock) might have some questions. The Minister referenced reforestation. I wonder if the Minister or one of the other two gentlemen can tell us what the value of the reforestation effort was in the '88-89 year. Where did the majority of the funds come from for the reforestation effort, and is there an ongoing agreement with Abitibi-Price for the reforestation of the Channel Area Loggers cut area?

**Mr. Downey:** It is my understanding it is Natural

Resources that contract with the Channel Area for the reforestation.

**Mr. Storie:** That answers part of the question. Could the Minister give me the value of the contract for reforestation in '88-89?

**Mr. Downey:** I cannot, but there is somebody close by that can.

**Mr. Trlthart:** Mr. Chairman, there was no planting done in the summer of '88. This was, I think, a decision made by Natural Resources at the time. However, there was planting in the summer of '89.

**Mr. Storie:** There are actually three summers, the summer of '88, the summer of '89, and the summer of '90. Could the Minister or Mr. Trlthart indicate the value of the reforestation effort in 1989 and '90?

**Mr. Downey:** Mr. Chairman, I cannot.

**Mr. Storie:** The number of trees planted, if you have that level of detail.

**Mr. Downey:** We may not, but again I would refer to the '88, and I would assume that it was the previous administration's decision in Natural Resources, and that would support it, that it probably was because of the fire activity that was in that area during the summer of '88. In '89, I will get the reforestation projects that were taking place, and then '90, I can refer to it in my next report as to what level there was. Is that satisfactory?

**Mr. Storie:** If we have some of the stats for '89, yes.

**Mr. Chairman:** No further questions, Mr. Storie?

**Mr. Storie:** I am waiting for an answer here.

**Mr. Downey:** The value of the 1990—I can give it to him now—\$28,330 is what the amount of money was from Natural Resources.

**Mr. Storie:** In '88 there was no planting, but for '89, I will be given an answer. Just before Mr. Trlthart answers, does the \$88,000 contract represent 100 percent tree-for-tree replanting?

**Mr. Trlthart:** Mr. Chairman, you spoke of the \$28,000.00? Now, that refers to the summer of '89. I am not sure whether that was tree-for-tree planting or not. I do not have the figures available, but Natural Resources did some specific plants this past spring using local labour and also had wintered trees for the first time. In other words, they put them in a pile and cover them up and freeze them in the late fall or during the winter period, and then in the spring, they open them up and utilize them for planting. That was done successfully for the first time.

**Mr. Storie:** The \$28,000 that you used in 1989 for reforestation effort came from the Department of Natural Resources. Perhaps the Minister can tell us whether that \$28,000 came from the Canada-Manitoba Forestry Agreement.

**Mr. Downey:** I cannot, but I can get that information for the Member.

**Mr. Storie:** It is an interesting point, because the forestry agreement which was signed originally in '84 was about a \$25 million program, and a lot of the reforestation effort in the province, including that which occurred at Manfor Repap was based on that agreement. I am wondering whether the corporations like Channel Area Loggers and Moose Lake Loggers are going to be either left on their own to reforest, and I assume their agreement with the Department of Natural Resources in terms of timber rights requires replanting, or are they going to get support from Abitibi or Repap for their planting effort? Has the corporation done any thinking about its reforestation effort for the next couple of years?

**Mr. Downey:** Again, Mr. Chairman, the reforestation and the timber operation falls within the Department of Natural Resources, and I cannot specifically say whether or not the reforestation contract with Channel Area came out of the forestry product—the joint agreement or not. I will get that information from him, and as well I am sure that Natural Resources will be coming before committee where he can ask a more full range of questions.

As far as we are concerned in the operation of Channel Area Loggers, we are there to maximize local employment through reforestation and will continue to offer that service and encourage the ministry of Natural Resources, when making their decisions, to involve Channel Area Loggers to assist in their financial picture and also assist in the objective of reforesting that area of the province.

**Mr. Storie:** The reforestation efforts have tended to be done in small communities by local residents. However, last year in one area of the province, a company from Saskatchewan was contracted to do the replanting. I am wondering if Mr. Morin could tell us of the '89 reforestation effort, how many of the people working on reforestation were from Channel Area Loggers or the local community?

**Mr. Morin:** They were all from Berens, but Gordon knows more about that than I do.

**Mr. Trlthart:** Mr. Chairman, the planting that was

done in the summer of '89 and the summer of '90 was totally Berens River people.

**Mr. Storle:** Was that done as a contract between Channel Area Loggers and the Government, or was it done by Natural Resources simply hiring?

**Mr. Trlthart:** It was a contract via the Department of Natural Resources and Channel Area Loggers.

**Mr. Storle:** I have another question that has to do with the arrangement between Channel Area Loggers and Abitibi-Price—two questions on that. Number one is the price. What has happened to the price per cord over the last three years? Have there been any increases? How much per cord or per cubic metre is Channel Area receiving from Abitibi? Does Abitibi have any responsibility at all for the reforestation? Is the province contemplating Abitibi responsibility?

**Mr. Trlthart:** The Channel Area Loggers is in the integrated wood supply area rather than in the Abitibi-Price area. Therefore, the total responsibility is that of Natural Resources. I am sorry, would the Member please repeat the first part of that?

**Mr. Storle:** The second question was your relationship with Abitibi and what has happened to the price per cord or per cubic metre?

\* (1100)

**Mr. Trlthart:** Mr. Chairman, the price has increased on a regular basis over the past three years in question and now stands at approximately \$78.00.

**Mr. Storle:** Mr. Trlthart, that is per cord or per metre?

**Mr. Trlthart:** Per cord.

**Mr. Storle:** \$78 per cord. How does that compare to, say, 1987? Just a ballpark.

**Mr. Trlthart:** It is probably about \$5.24.

**Mr. Storle:** It sounds like a guess—no.

**Mr. Alcock:** Mr. Chairperson, just a couple of quick questions, so we can move on to the next report. Just to finish up on the Abitibi relationship, what are the predictions for the coming year? Is Abitibi still contracting and still looking forward to increasing the amount of pulp they are buying from you?

**Mr. Downey:** It is my understanding, Mr. Chairman, that there is no change from the past year.

**Mr. Alcock:** Is it possible, given greater production, that Abitibi will purchase more?

**Mr. Trlthart:** In that particular area that Channel Area Loggers cuts in, there is what is called a limit

on the annual allowable cut. That limit is 18,500 at the current time. We have not been subjected to the recount of the 1988 fire; however, Abitibi has annually said we can cut up to that limit.

**Mr. Alcock:** Okay, then just a couple of questions to the Minister. The nature of the relationship of the Government and this corporation, as I understand it from reading their statements, is such that if the corporation runs a deficit the Government then makes up that shortfall.

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

**Mr. Alcock:** I notice on Schedule 2, the interest and service charges in '88, \$19,000 and '89, \$40,000.00. Can you explain the difference?

**Mr. Downey:** What page did you find that on?

**Mr. Alcock:** It is on Schedule 2 to the Annual Report. Unfortunately there is not a page number.

**Mr. Downey:** What was the specific question again?

**Mr. Alcock:** I just note that the interest and service charges have doubled, and so the question is why?

**Mr. Downey:** The Member will find on page 4 that it is due to the interest. Interest is up by \$21,504 and it is due to the deficit buildup.

**Mr. Alcock:** I did indeed note that. I guess the question then is: If Government is picking up the deficit, what is the reason for the buildup? Is Government not picking up the interest on the deficit?

**Mr. Trlthart:** The reason for the buildup is the fact that when the present administration came in, they commenced paying or at least recognizing the payment in the year in which it was incurred. Alternately, prior to that it was paid annually in arrears, some time during the next year, quite often late in the year. The fact that there was a large loss in the prior year and the deficits did not get paid until well on into the following year, is the reason for the interest buildup. However, the interest becomes part of the deficit and therefore was paid.

**Mr. Alcock:** You may have answered the question. You think that in a subsequent year then, under the old policy, the interest charge would become part of the deficit that then would be paid in total in the current year. With a change in policy now, you are saying that the deficit is paid in the operating year that it has occurred? I am wondering how you determine what the size of it is, if it is within the year.

**Mr. Trlthart:** It is based on an approximate amount,

based on interim statements as at the closest time you can get an interim statement out to the end of the year. In reality, the Government changed the policy of when they charged it to their accounts, but did not pay it until later on. At the end of the year, they paid it all up, both the prior year and the current year.

**Mr. Alcock:** This additional \$20,000 in interest and service charges is a result of a change in Government accounting policy, but the corporation will not bear the weight of this. The Government will make up all of it. Is this correct, Mr. Minister?

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

**Mr. Alcock:** You are some kind of guy.

**Mr. Chairman:** Shall the March 31, 1989, Annual Report for the Channel Area Loggers be passed—pass.

#### MOOSE LAKE LOGGERS LTD.

**Mr. Chairman:** Regarding the 1989 Annual Report for Moose Lake Loggers, did the Minister responsible wish to introduce staff members present and give an opening statement?

**Hon. James Downey (Minister responsible for The Manitoba Natural Resources Development Act with respect to Moose Lake Loggers Ltd.):** Mr. Chairman, I want to introduce no stranger to this committee and a long-time manager of the Moose Lake Loggers operation, Mr. Rino Kivisto. Gordon Trithart is here as well, carrying out the capacity that he does as well for Channel Area and Moose Lake Loggers, so we have Mr. Kivisto with us, and I have a brief opening statement to make.

**Mr. Chairman:** Please proceed, Mr. Minister, with the opening statement.

**Mr. Downey:** I again want to acknowledge the hard work of the management and the board of directors of Moose Lake Loggers and the operations of Moose Lake, and I plan to give you an appreciation of the activities of Moose Lake Loggers Limited and also mention some highlights from the corporation's 1988-89 Annual Report.

The company employs 71 people, and approximately 80 percent of them are residents of Moose Lake, Cormorant, Cranberry Portage and The Pas. Apart from The Pas, there is not any alternative employment in these communities, except for the seasonal commercial fishing and trapping. As one of the area's major employers, the

corporation injects more than \$3.6 million with \$2.1 million of that in salaries annually to the local economy. At present, Moose Lake Loggers' entire production is produced by 21 owner-operator skidder machines, of which 14 are operated by residents in the area.

A profit was made in 1987, but the following two years, losses were reported due to the company's inability to maintain productivity standards at levels comparable to the industry as a whole. The company is actively researching alternative operational methods to assist it to compete in the marketplace.

On a more positive note, the company completed a contract in 1989 with Manfor Limited to plant 1,235,000 seedlings, a 200 percent increase over the previous year. As a result, some 30 Moose Lake residents and company employees were employed during the summer.

My Government is committed to exploring ways to maintain and create new jobs in northern Manitoba. We are committed to establishing a spirit of partnership and accountability. My Government wants to make it possible for Northerners to work closer to home and to contribute toward the quality of life and well-being of the North.

Those, Mr. Chair, are my opening comments.

**Mr. Chairman:** Thank you, Mr. Minister, for those remarks. Does the critic from the official Opposition Party have any opening comments?

**Mr. Jerry Storie (Flin Flon):** First of all, the board and the manager of Moose Lake Loggers, as well as the community I guess, are to be congratulated for their record in terms of ensuring that the employment benefits and the wage benefits go to northern residents.

I would like a breakdown perhaps at some point of the number of people who are employed from particularly Moose Lake and Cormorant out of the 71 people it references, Cranberry Portage and The Pas, both of which, of course, have access to employment from Repap more directly. However, the evidence that this corporation is employing local people and employing Native people is quite encouraging.

\* (1110)

What is not quite as encouraging, Mr. Chairperson, is the fact that for 10 years this corporation was able to operate on its own without

having to come to the Government and the last two years, similar to Channel Area Loggers, has seen a deterioration of their economic circumstances and their economic fortune. The Minister will also want to provide the committee, I assume, with some indication of what is happening in 1990. Are we facing the same kind of losses once again? The Minister may want to also indicate what steps are being taken to make sure that does not happen.

The Moose Lake Loggers corporation has the same mandate as the Channel Area Loggers corporation, and that is to provide local employment. As we go through this we are going to want to explore the relationship between Moose Lake and Repap, which may be creating some additional difficulties for the corporation as it changes from a Crown corporation to a privately-owned corporation.

The bottom line for this company certainly is not getting any better. Perhaps the last two years of losses are going to have to be the responsibility of the Minister and the Government for not taking some firmer action and more decisive action earlier.

Having said that, the corporation is still providing significant employment and financial benefits for the community of Moose Lake and the surrounding area.

**Mr. Chalman:** We thank the Member for those remarks. Does the critic from the Second Opposition Party, the Honourable Member for Osborne, have any opening remarks?

**Mr. Reg Alcock (Osborne):** No, Mr. Chairperson.

**Mr. Storle:** The Minister can help the committee immensely by telling us what the 1990 forecast looks like.

**Mr. Downey:** Improved substantially.

**Mr. Storle:** Substantially is a big word, but it does not tell you much. Could we have some indication of whether we are going to experience a loss? What is the magnitude of the loss? Ballpark figures are sufficient at this point.

**Mr. Downey:** Again, we are dealing with the 1988-89, and I will give that additional information. However, I do not particularly want to dwell on it, because again I want to have the report advanced as quickly as I can, so we can deal with it in a more complete way as a 1990 report. I give that commitment to the Member as well.

I think the current projection, if I can have it, Gordon, is although not a profit, less of a loss, in the

neighbourhood of \$79,000 to \$80,000 this year. I should qualify that. That is a situation where there were additional incomes that came to Moose Lake Loggers due to forest fire activities and related activities and the prevention of loss of forest, rather than the production numbers that would have normally added to the bottom line. I want to make sure the Member is clear. I do not want to mislead the committee or the public. It was more due to activities related to non-harvest production and the preservation of forest rather than the forestry activity that normally would be carried out.

**Mr. Storle:** I appreciate that qualification. It provides a little bit of a different light on the projected loss for 1990. The unfortunate thing in the report is that it also references the same kinds of problems that Channel Area experiences. The report says early on, where it talks about the continuing losses and the management problems that are contributing to these losses—if one looks at the cord production, although it increased from '88-89, it is still lower than optimum which apparently is 72,000 cords. I am wondering if the general manager or the Minister can tell us what the corporation is doing to see whether that optimum number of cords can be reached.

**Mr. Downey:** Again I am not going to speak for the manager who has more qualifications than any of us around here. He has forgotten more than I will ever know about the forestry industry, maybe not quite as much—the Member for Flin Flon might be in a different position. He is in the woods quite a bit. I could not let that one go by, Mr. Chairman. I hope he takes it in the manner in which it was stated.

I want to say that again we are in that situation, and I will let Rino in a minute comment more specifically. As I understand it and I mentioned in my comments, the industry, of course, is in a situation where it demands maximum production. To get that maximum production, the company finds itself, and the community finds itself—they are very straightforward and they have been very good with this in the discussions that have taken place—that when you increase productivity and introduce more mechanical harvesting, then it has an impact on the employment levels in the communities.

It is a matter of balance really, of trying to introduce new technology and mechanization and at the same time trying to get alternative work and make sure you are not having massive layoffs in those communities, because they have had

tremendous social problems related to unemployed people, and one does not want to contribute to the advance of that. The board members are very, very straight up and straightforward in dealing with it but are wanting to bring the productivity level up to help the bottom line on Moose Lake, but also want to make sure that employment is a major part of that community. It is a tough one that the board have to deal with and the management have to deal with. Maybe the general manager has a further comment as it relates to that. Please feel free, Rino, to make your comments.

**Mr. R. J. Kivisto (General Manager, Moose Lake Loggers Ltd.):** We are back up to 140,000 metres at the present contract which relates to about 57,000 cords. This is not up to 72,000 cords as we were previously, but it is an improvement. We are presently on a commuting basis, so the future looks a little brighter. We are dealing with quite a few old skidders, and my forecast is that we cannot renew the skidders because shortly we are going to have to mechanize two harvesters, so we are going to have to put up with lower production on older skidders for the time being.

**Mr. Storle:** Mr. Chairperson, the Minister indicated that he did not know much about the woodlands. When you are out standing in your field, it is hard to know what is going on in the woods.

**Mr. Downey:** Up to my ankles in your speech.

**Mr. Storle:** The two things that were not answered in the comments by either the Minister or the general manager were the prospect of moving to 72,000 cords. Perhaps the general manager can indicate whether the inability of the corporation to move to 72,000 cords is a lack of merchantable timber or is a result of controls that are put in place by the Department of Natural Resources, or is it simply that Repap does not require the 72,000 cords?

**Mr. Kivisto:** At the present time, I do not believe that Repap would require as much wood to make up 72,000 cords until any expansion that is going to go on there is completed.

**Mr. Storle:** Mr. Chairperson, the corporation has sought additional cordage from Repap, or has Moose Lake approached Repap and requested the additional 13,000 or 14,000 cords?

**Mr. Gordon Trlthart (Secretary-Treasurer, Moose Lake Loggers Ltd.):** We were down to, as can be seen by this report, about 110,000 metres, and we sat down with Repap and said that in order

to operate we would need a minimum of 140,000 cubic metres. They worked with us on this and have verbally guaranteed, this being Year One, a three year period at that level and said they could not go any higher because what they would be doing would be reducing the limits in other areas which they say would not be fair to those others.

\* (1120)

Additionally, it was through their realization that the distances that we were travelling or would have to travel were not conducive to trying to get the bottom line into shape, and as a result, during those three years they have tentatively set up three areas which are closer to us from a commuter point of view. Therefore, we were able to move into a commuter operation and save a great deal of funding on the camp costs, although there are costs involved in the commuting, in fact substantial costs.

**Mr. Storle:** If we are to understand Mr. Trlthart right, then, given the fact that Moose Lake can only operate on optimum level at a minimum of 72,000 cords, the next three years, in terms of the financial circumstances of the company, look quite bleak. It is going to be difficult to turn the corporation around until you increase your production.

This leads me to questions on the camp costs. I know that Moose Lake had been struggling with the cost of maintaining the camp in the past. I am wondering whether the comments of the general manager indicate the camp is now closed completely, and what difference does this make to your bottom line that the Minister referred to in terms of 1990?

**Mr. Downey:** I want to just make a brief comment prior to Mr. Trlthart. These decisions in the closing of the camp are made by the board of directors, which reflects the local community's decision, not the Government's, so the Government via the board, but it is a local decision made.

**Mr. Trlthart:** Mr. Chairman, I think the Minister indicated that there was considerable improvement in the 1989-90 year although that improvement was offset by an outside revenue other than production.

However, from the figures that have been made available by Mr. Kivisto, if you take into account those particular revenues in '89-90, and then look at the '90-91 figures, I think there will be a very substantial improvement and, yes, the camp is closed.

**Mr. Storle:** Could we just have some indication of

what the total cost of operating the camp was for Moose Lake Loggers?

**Mr. Kivisto:** The total camp operating cost was something in the ballpark figure of \$450,000 with the light plants. Of course, we are still using a light plant until Hydro comes into Crossing Bay, but it is around \$450,000 to operate the kitchen, dorms, power plant, yard, which is the sewage system, and yard improvements.

**Mr. Storle:** The people who work for Channel Area that are from Moose Lake commute on a daily basis? How far is the commute and how does Moose Lake Loggers compensate individuals who are travelling? Is it per hour, is it by a bus, do they get paid mileage? How is that done?

**Mr. Kivisto:** They commute from Moose Lake and The Pas to Crossing Bay, which is the marshalling area, on the bus. Some use their own vehicles to get there. They ride for one hour on their own time from the marshalling point, and then they are paid hourly, which is ride and walk time, for any excess over an hour, half an hour each way.

**Mr. Storle:** In total, how much travel time are these people taking?

**Mr. Kivisto:** I would say it is in excess of two hours right now per day.

**Mr. Storle:** Perhaps it was the general manager who mentioned that Repap had been talking about locating some cutting areas closer to Moose Lake. Is it close enough that it is going to change significantly the travel costs for Moose Lake Loggers?

**Mr. Kivisto:** This year we will not have probably more than half an hour a day for each person of traveling costs, plus the bus costs, so it will help us significantly until we get to a farther commuting basis on which the employees may have to utilize three hours or more of travelling time, because they have to travel on their own from their home to the marshalling point first, and then after that there is one hour of riding on their own time, and then whatever is in excess of one hour, they are paid for.

**Mr. Storle:** The general manager mentioned the mechanization and the expectation that Repap would require this, or that the corporation would have to move in that direction to be competitive. Does Moose Lake Loggers operate any mechanical harvesters at this point, and are plans under way? Does Moose Lake Loggers as a corporation have any role to play making sure that local people can

be financed to make sure that they can have this new equipment as well?

**Mr. Kivisto:** We are certainly looking and investigating the possibilities and creating scenarios to help the local people get involved with mechanization, but we have nothing solid set up yet.

**Mr. Downey:** My comment will be brief, but I think that the community itself is working very aggressively to try and deal with, as I said in my opening comments, the need for the upgrading of the harvesting equipment. The other side of the coin is when you upgrade, in a lot of cases you eliminate some of the employment opportunities.

There is some major work being done with the community and with the Government to look at some alternatives, and I say that very seriously. It is an area that has had a tremendous number of social problems, and with the people not having employment opportunities and productive work activities, we have more social activities of the wrong type that cause a lot of problems for the local community. The community leaders are working aggressively on this problem, and we are working with them.

**Mr. Storle:** Earlier I think somebody mentioned that there were 22 skidders operating in the Moose Lake area. Is that correct? A skidder is usually a three-man crew roughly. If we go to mechanical harvesters to harvest 72,000 cords, how many people are we going to employ using that method versus the current operation?

**Mr. Kivisto:** Right now we are operating with 19 owner-operators and one company spare. It has been reduced since this and, yes, if you went to harvester, it would probably decrease the employment by at least 50 percent.

**Mr. Downey:** That again, Mr. Chairman, is what I tried to indicate to the Member, that the community is dealing with it, the board of directors are dealing with it, because it is a difficult situation to try to make sure there are other employment opportunities when this change has taken place.

I heard the manager say as well there is not an immediate move to that, that they are dealing with the skidder situation and trying to keep the employment opportunities. This transition will not take place overnight.

I think it is incumbent upon the corporation, Moose Lake and the board of the directors in the communities, to try to enhance some employment



opportunities in other areas that will make sure there are jobs for those individuals, whether it is with the forestry industry directly in that community or related to the Repap expansion, when the environmental process has been completed.

It is a matter of moving responsibly. I am pleased the board are taking these decisions responsibly, as was set out initially with Moose Lake, to try and have that corporation totally operated within the community, so that the decisions are all made for the betterment of those communities.

**Mr. Storle:** The Minister reminds me of a question I asked earlier, that I do not think I received a response to and that was: How many of the 71 people that are currently employed by Moose Lake Loggers actually come from Moose Lake?

\* (1130)

**Mr. Trlthart:** The last count that we did, I thought there were 43 or 44 from Moose Lake community, nine to 11 from The Pas area, the people who have been with the company for many years, and the balance were from places like Cranberry Portage and Cormorant.

**Mr. Kivisto:** There are a number of people from Moose Lake who are presently living in The Pas, so it is hard to put a number on it.

**Mr. Storle:** The Moose Lake Loggers are members of the IWA, and I am wondering whether the board has had any discussions with Repap or whether the board has had discussions with Repap, or the IWA, the Repap local, in terms of making sure that the positions that are in Moose Lake have first priority at the conversion time. Is that understood, that not only will the IWA that is directly employed by Repap, but IWA members in other areas would have first crack at new positions, retraining?

**Mr. Kivisto:** When it is a unionized operation the first choice really is seniority people, regardless of where they come from, providing that they have the capabilities of operating a harvester and mechanical equipment.

**Mr. Storle:** I am assuming, particularly if you move to mechanical harvesting, that many of the employment opportunities are not going to be in Moose Lake or in the woodlands area around Moose Lake, but they are going to be in the new expanded mill. I am wondering whether the board is considering or has considered the training that is going to be required for local people to make that transition, because there may not be that many

skidder opportunities, owner-operated skidders left in the Moose Lake area.

How do we know that the people who want us to maintain employment in the forestry area are going to be able to transfer? When do we have to start training those people to make sure that they can make the transition? To be a boilermaker or a pipefitter or something else requires several years. When are we going to start making those training opportunities available, so those people have a reasonable chance to get alternate employment?

**Mr. Downey:** It is my understanding that the board are in close contact with Repap as it relates to the management of Moose Lake Loggers to maximize the employment and also to move towards a more efficient operation with the new technology and the new equipment they are talking about. Again, there are also training monies that have been allocated through the Repap operation, and I can assure you that the Moose Lake board are very conscious of upgrading their employees to participate in any opportunities that enhance from either the woodlands operation and/or management positions within the forestry industry and/or other initiatives. I think that it is incumbent upon the Members of the Legislature, the legislators, the members of the Legislature and the Governments to look at alternatives to enhance and support the opportunities for employment in those communities.

I know that for far too long there has been the problem of the Grand Rapids forebay, which as the Member is aware, has not been dealt with previously, and hopefully there are some positive developments that could take place there that could offset the employment opportunities in that community that may well be lost with the transition of Moose Lake.

That is a long way to answer the training, but there are training dollars. We are very conscious of the fact that upgrading and training has to take place when you are introducing new types of equipment.

**Mr. Storle:** I appreciate that, and I recognize that Repap has announced, I think it was, a \$1 million initial retraining program, so my question is to the general manager, Mr. Kivisto. Has anyone from Moose Lake had the opportunity already to begin the training process for these new opportunities that we all hope will come to pass?

**Mr. Kivisto:** No, there was a posting up for harvester operators, and I am not sure if anyone

applied from our camp operation. We have not developed any plan to get people from Moose Lake into the Repap operation yet, but I am certain that it is going to come up.

**Mr. Trithart:** Mr. Chairman, for approximately well over a year, the members from the community who are also members of the board of directors have been meeting with Repap to overcome issues such as this. One of the issues that was overcome was that we needed more wood. That happened. Additionally, they were helpful in a number of ways in getting the establishment of a commuter operation. We are continually dealing with Repap and addressing issues such as the eventual need to go to mechanization. By a guesstimate, we are probably at least two years, two and a half years away from that.

The board of directors fully realize the need for training and are addressing it on a continual basis, but it is a little early to start training when you consider that you must have these machines available to you, and if you do have them available to you, then there is a tremendous cost, whether you rent them or buy them. I can give you some examples. These machines are in excess of \$300,000, close to \$400,000, and you just cannot afford to have them sitting around being unproductive from a training point of view. However, we are looking at alternatives to that.

**Mr. Storle:** Mr. Chairperson, I will just back up to some comments that Mr. Kivisto made about the training. Apparently there was a bulletin for a harvester operator, which I assume refers to a mechanical harvester operator. He indicated that there were no plans in place to make sure that people from the Moose Lake area, people employed by Moose Lake Loggers, had equal opportunity to get those kinds of positions. The harvester operator, as an example, is probably one that requires the shortest training period compared to many other positions that are going to open up, not in the woodlands area but in the mill.

Having said that, I am sure that even a harvester operator, to utilize the equipment professionally, requires months of training, so my question is: What does Moose Lake Loggers intend to do to make sure there is some long-range planning? There may be people from Moose Lake living in The Pas who would rather not do the commute, but would rather work at Repap. If they are going to be computer technicians, they are going to be operators in the

mill, the training has to start now for the plant being eventually open in two years.

If we do not do anything—and this is to the Minister, again it is easy to talk about it and say yes, training is important, but the planning has to be long-range. It cannot be oh, the mill is opening tomorrow, are we going to start training? The training should start today. What is the Minister going to do to make sure that Moose Lake Loggers, the people who are there now, who may be losing their jobs because of mechanization, have that kind of opportunity?

**Mr. Downey:** Mr. Chairman, I will try to be brief. I think that the board and the management of Moose Lake have tried to make sure that all employees and citizens of Moose Lake are availed of the information of all training programs as it relates to Repap, and through KCC. I think there is a pretty good communication link within that community as to the opportunities and the openings, and it is my understanding that there is a good dialogue between the board and management and Repap management to try and have people excel to advance themselves into longer-term jobs with the Repap operation.

I think the board, whom I communicate with basically, and management are ever aware of the need for employment in that forestry operation in whatever capacity, whether it is the actual harvesting, whether it is management, and remembering there is a union agreement which has to be lived up to.

So working inside of all of that activity, I am satisfied that the boards are up to speed, and again it is my desire, the Government's desire, to try and have Moose Lake Loggers operate efficiently, create employment and be a long-term citizen of Moose Lake operated by the citizens of that Moose Lake area. I can report that it is going on very well, the discussions with leadership of both the band and the community of Moose Lake. I am comfortable that there are positive relationships between the different groups.

\*(1140)

**Mr. Storle:** Mr. Chairperson, I am glad that the Minister feels comfortable. I have no doubt about the future of Moose Lake Loggers either. Wood is going to have to be harvested in that area of the province for a long time, with or without mechanization. I assume that some of those jobs, if not the majority,

will belong to Moose Lake and the corporation, whatever its eventual form, whether it changes or not.

The point that needs to be made, however, is that the board of Moose Lake Loggers has no money to implement a long-range training program. The board in 1989 had a deficit of \$183,000.00. The Minister cannot say, well, we are working hand in hand with the board, and it is up to the board and the community. The Government, on many other fronts, has abandoned hands-on training in northern Manitoba. The ACCESS programs are in jeopardy. Communities like Norway House are losing a Buntep program.

**Mr. Downey:** Order.

**Mr. Storie:** Mr. Chairperson, the Minister calls for order. I wish there was some order. I wish there was some planning going on within this Government, because there is not. Training is going to be required to make sure the people of Moose Lake have access to those jobs. Either the woodlands jobs or the mill jobs require training, training that has to be undertaken immediately, not when the plant opens, not some time in the future.

We hear from the Government that it has no plans. We know that the corporation does not have the wherewithal to start creating plans. Who is going to take the responsibility for the training that these people require? They simply cannot transfer from the woodlands to the mill.

The Minister, at least certainly from my point of view, and I think from a lot of Northerners' point of view, has to take the responsibility that it is not good enough to talk about training, that we have to put something in place to make sure these people have access to the training that is required. Is the Minister going to do that? He cannot slough this off to the board of directors. Will the Minister ensure that the board has sufficient money, so they can do their own planning if he does not want to take responsibility for it, because I am sure those people there want those opportunities when they become available.

**Mr. Downey:** Again, Mr. Chairman, the Member is continuing to get into an area which he wants to, I think, not help, but can do damage to get into a political harangue as to the operation of Moose Lake Loggers.

We are dealing with the 1988-89 report of which he was the Government. It was his ministry or his Government's responsibility for having something in

place. There was nothing in place in '88-89 for training. I can tell the Member that there has been a training component introduced which is available to the Moose Lake community.

I tell the Member as well that there are other initiatives that I will be able to talk more about before too long as they relate to employment and economic development for those communities. I would like to pass the 1988-89 report of Moose Lake Loggers and get on with CEDF, because I think that the information we have provided here is what the Member has asked for, and he is wanting to get into a broader range of debate. I am prepared to do that at an appropriate time, but I would like to deal with the '88-89 report.

**Mr. Storie:** We are dealing with the '88-89 report, and the fact that this corporation has experienced significant loss, the fact that its production is not at the optimum level, that one of the ways to reach the optimum level of production is, of course, mechanization, which leads us to the question of training and how are we going to make sure that the people who lose their jobs have other alternatives. The Minister referenced Moose Lake training. Could the Minister be more specific? What training occurred with staff employees of the Moose Lake Loggers corporation this year?

**Mr. Downey:** Again, we are dealing with the 1988-89, and as I understand it, there was not any in the year in which the Member was Minister or his Government was.

**Mr. Storie:** Mr. Chairperson, all three reports that we are discussing, one, the 1990, which has not been tabled, cannot be the responsibility of the previous Government. Can the Minister indicate which training programs he referenced in his remarks of a few minutes ago?

**Mr. Downey:** As I indicated, the \$1 million that is being provided by Repap, or is being provided by Repap and delivered through the Northern Training and Employment Agency of KCC is available to the Moose Lake people to participate in.

**Mr. Storie:** We heard from the general manager that no one at Moose Lake Loggers took advantage of that, and perhaps there are legitimate reasons why they could not. Certainly the Government did not come forward with any programs to ensure that people did have access to the programs. Moose Lake is not in The Pas. There are probably very few people who could take advantage of the training

without some form of allowance for themselves and their families to make the training transition, something which is well understood in northern Manitoba and which virtually every post-secondary continuing education opportunity includes.

The Minister seems to think that somehow if he talks about it, if he says that it is available, it is going to happen. I think history has shown time and time again that to involve and to train people from northern remote communities takes a special effort and requires some special consideration. It is cost-effective in the long run, because the programs graduate a far greater number of people than other types of programs. The question is: What is the Minister going to do to protect the existing jobs in the community and to provide opportunities for those who cannot be employed when mechanization occurs?

**Mr. Downey:** As I said, I think the board and management have been working to make sure that their employees and their residents are fully aware of the opportunities that are available. As was indicated by the manager, some people from the Moose Lake area now live in The Pas, and it is not for me to direct whether or not they get involved in the training programs. It is for the board and for me and the Government to encourage them to get involved, and this I believe is being done in a responsible manner and will continue to be supported by the Government.

**Mr. Kivisto:** Let me clarify the training I was talking about. I was not talking about KCC at all. We have a process where people can apply for a job posting. Repap puts out job postings and Manfor used to put out the same things. Our people have the ability to bid in on these jobs, and these jobs are available. You can train for 20 days, and if they feel that you can make it after 20 days training, then you are a harvester operator or a slasher operator. Quite a number of postings have come out, harvester operators, slasher operators. Even in the sawmill there are some postings that come out, and these are available for the Moose Lake people from the Moose Lake Loggers through the union and Repap agreement. There are training monies that are available there to train these people when they apply for these positions.

**Mr. Storle:** I appreciate that clarification, and perhaps the Minister as well, because we were not talking about KCC, we were talking about upgrading for the kinds of positions that are likely to be

available for those people who are displaced from Moose Lake Loggers.

Perhaps Mr. Kivisto, being the general manager and having been involved for many years, can tell the committee whether he has seen or is aware of any simple list of the kinds of employment that are going to be offered at the Repap plant in The Pas when the construction has been completed, when the capacity has been tripled.

\* (1150)

**Mr. Downey:** I am quite aware of the Member's interest in this information; however, we are dealing with the report 1988-89, not with the future of what is going to take place, because we have an environmental process that has to be gone through, a lot of activities that have to take place before this ever comes about.

I guess there is a question of relevancy dealing with the 1988-89. There may be an opportunity for those questions to be answered, but I do not think it is at this time dealing with the '88-89 report of Moose Lake.

**Mr. Chairman:** Being my first time chairing one of these committees, it is somewhat different from Winnipeg City Council. I must admit that from the chair I have allowed a great deal of latitude I think on the previous report and this report in terms of obviously going well beyond the report at hand.

If that is the normal practice, fine, but I think we have other reports to consider hopefully this morning, if all goes well. My preference would be to see us at least attempt to focus somewhat on this report at hand, recognizing that as the Minister has indicated, there will be a more current report coming fairly shortly.

**Mr. Storle:** I appreciate your remarks and I recognize that being Chair is a difficult position. The Minister was my critic when I was the Minister responsible for Manfor, and we continually reviewed the current, not the report under question in the committee, but the current financial circumstance of Manfor, continually.

The Minister will recognize, if he is being honest, that examination of the financial affairs of the current fiscal year in a general sense is quite normal in committee to give us a better sense of what has happened and where it is going.

I have not dwelled on the financial affairs of the 1990-91 report at all; however, the Minister knows,

and I think we all recognize that Repap became the company responsible in 1988, and their commitment to training, their announcement of a training fund was made in, I believe, early 1989.

We now have to make sure that this transfer which has occurred does not impact negatively upon the people who are employed by these Crown corporations. It is very much tied together, and when we look at the financial picture for both of these corporations, both Channel Area and Moose Lake Loggers, we see a deteriorating circumstance. We know that other things are going to be happening in the next couple of years that are going to perhaps see them deteriorate further.

I think the committee, the people of Manitoba have a right to know, given that they will have forked over almost \$500,000 for Moose Lake Loggers in the three years since this Government took over, and perhaps even more in the case of Channel Area Loggers. I think we have a right to know whether the Government is doing anything about it.

If we are going to have to do things in those corporations to improve the financial prospects, what is going to happen to the people who are employed there? Are we making provisions for them? To this point, we have seen the answer is no. The Minister continues to say it is not our responsibility. My question to the general manager, relative to what kind of positions are opening up, is very germane. Is the Government serious about giving people in these outlying areas access opportunity for these jobs?

I think Repap would know right now how many positions and what kind of positions they are going to need to staff a new 1200-tonne-a-day bleached paper plant. I want to know whether the people in the woodlands areas who might lose their jobs because of mechanization know what those positions are, that the board of directors know. Are we taking any steps to make sure that those people can be trained and can assume those jobs? That is the connection.

**Mr. Downey:** I appreciate what the Member is asking, and I do not have any difficulty with trying to assure employment for the people of Moose Lake. That is why I have indicated, and I will say it again, the board have been and the management have been in full consultation with Repap. I think it is unfair, and I think it would be judged unfair, to ask the general manager the question dealing

specifically with whether Repap will have jobs available for those communities when they have not gone through the environmental process.

There are a lot of things to be done prior to anyone being able to say there are X number of jobs. However, let me assure you, as the Minister responsible, that we will do everything in our power and the board's power and the management's power to make sure those community people have full employment opportunities through any expansion when it takes place. As well, I can assure the Member, and I have said it before, I think there are other fronts that we have to work on to make sure there are employment opportunities for the communities of Moose Lake and related activities, and we are doing that as well.

Training, yes, it is important that the people be trained, and they are encouraged to do so through the board. Job opportunities that will enhance their lifestyles and their way of life, yes, and we are wanting to make sure that takes place, but to give an assurance that Repap is going to hire individuals at this point without having an environmental process gone through, without a lot of decisions that have to be made, it is unfair to ask the manager whether or not these people will have a job in that. All we can do is assure the Member we want to work on training to make sure they are available and equipped, and that other opportunities throughout the system are available to them as the transition takes place of changing material.

I think I heard the general manager say as well that they have been given an assurance of a constant three-year taking of production, which gives an assurance there is going to be some employment as it is now carried out. I also heard the general manager say that there will be some cost savings by not operating the outpost, the camp, which helps the bottom line.

I also heard him say, I believe, that when it deals with training, you are dealing with people who are in the woodlands operation, training people who under the union agreement have to be paid at union rates as if they were trained individuals, which I know has created some difficulties for past training programs.

It is not easy to sit here and come up with all the answers, but I think we have a working combination with the board of Moose Lake Loggers, the management of Moose Lake Loggers, the communities, the band of Moose Lake community,

the community itself and its leadership, and Repap working in concert with one another that will accomplish the goals that we are attempting to get to.

**Mr. Storie:** The Minister does not even understand his own agreement with Repap apparently. Repap received approval to commence with Phase 1, the redevelopment of the existing mill, almost a year ago. It received approval from the Clean Environment Commission to do that, so that process could be under way. It was only perhaps the good sense of Repap and some pressure from people who are concerned about the environment that prevented that.

The decision by Repap not to proceed until they had environmental approval for all three phases was not a decision the Minister made. They could proceed at any point if they chose to do so, because the Clean Environment Commission has given them a Phase 1 licence.

Mr. Chairperson, Repap has also undertaken to provide a \$1 million in training per year. They have provided the first million dollars for training in the next year. My question is, and I think it is a legitimate one: What positions are we training for? What positions are going to be available? -(interjection)- Well, it does have something to do with the report, because the Moose Lake Loggers for the next three years are going to be producing less than the optimal amount.

\* (1200)

We also have to begin training this year, right now, if they are going to take advantage of those positions. The Minister keeps saying that they are prepared to do everything they can. What is the Minister going to do? Does he have any concrete plans? Is the Department of Education and Training putting forward any dollars to make sure that this happens? Is the Department of Northern Affairs providing the Moose Lake Loggers board with any funds to make sure this training occurs? Are those funds being made available?

Well, the non-answer indicates the Government is only going to talk about it, and that the people of Moose Lake are going to be the losers in the long run as a result of this. The board of Moose Lake Loggers has no money to operate training programs.

**Mr. Downey:** We are dealing with the report which

was partly your year, and there was no money in your year.

**Mr. Storie:** Mr. Chairperson, we are dealing with '88-89, which is the Minister's responsibility. That is right, and we are also dealing with a Crown corporation, which is the responsibility of the Government.

We hear the Minister continue to say that he wants the boards to do these things and the community to do these things. The Minister knows full well, or he should, that they have no money, no funds to accomplish any of the goals the Minister says he wants to achieve.

I think it is legitimate to ask the Minister: How are these going to be achieved if he does not get involved, his Government does not get involved? Is he telling the people of Moose Lake that they might as well pack their bags, there are going to be no opportunities, they are not going to be able to take advantage of the training opportunities, or is the Government actually going to do something instead of just mouth the words "I am concerned, I am concerned."

**Mr. Downey:** There will be some positive announcements in the very near future.

**Mr. Storie:** Mr. Chairperson, is this positive announcement specifically for Moose Lake, the people who work for Moose Lake Loggers, or is it positive for the Government? Who is this positive for?

**Mr. Downey:** It is positive for the communities in that area.

**Mr. Storie:** There is only one other area that I want to spend some time on. I put the Minister on notice that he has put a lot of remarks on the record today about his concern over what happens to the people who are employed by Moose Lake Loggers. Those words I hope do not come back to haunt the Minister, because there are some 71 people employed right now by Moose Lake Loggers, and it is certainly my hope that three or four years from now we can say as much. I am concerned that unless we get on the training bandwagon, that will not be possible.

Mr. Chairperson, I wanted to talk a bit about the reforestation effort. The general manager or Mr. Trithart mentioned significant revenues coming in because of the replanting effort. Two questions: No. 1, does Moose Lake Loggers have an ongoing contract for replanting, or is this an annual scramble to get a contract from Natural Resources or Repap?.

The second question is: Has the replanting begun on the burned-out areas, the areas where there was merchantable timber that is no longer of any use?

**Mr. Downey:** Mr. Chairman, I do not know a lot about the forestry business, but I think that in a lot of the burned-out areas it is a matter of regrowth being too thick and a matter of thinning having to be done. For the Member's information, I do not think you have to replant where the forest fires were, you have to thin out the seedlings because they in most cases grow too thick. That may help him in understanding what reforestation is all about.

Reforestation usually has to take place where harvesting is done by human beings, so I am trying to help the Member understand a little better, the whole industry. I will ask the general manager and/or Gordon Trithart to answer specifically about the matters dealing with the reforestation and the current, whether it is an ongoing contractor whether it is year by year. Gordon or Rino?

**Mr. Kivisto:** It is a yearly contract, and we negotiate that in the spring of the year. In the Moose Lake area, I think Manfor was doing a nice job of reforesting all the areas. In our area, there is a large amount of limestone which is very close to the surface, so you cannot actually plant trees by hand in these areas. These areas are done by scarification, pulling some chains and drags, and the areas where there is more soil, then you do tree planting. I have been around in the woods a long time, and I think they are doing an excellent job.

The burned areas are largely in the same condition. It is limestone and it is prone to come back into jack pine. It will come back on its own. The burned-out areas pretty well reforest themselves. Even last summer there were some little poplars growing already, and jack pine will come back by itself in the burned-out areas.

**Mr. Storle:** Could the general manager give us an indication of the value of the contract for last year?

**Mr. Kivisto:** It has been largely the same since—it has been in the neighbourhood of 500,000 trees for the last three years.

**Mr. Storle:** I am just trying to put a dollar figure on that because it did influence the expected revenue.

**Mr. Kivisto:** It is approximately \$100,000.

**Mr. Storle:** That represents basically tree for tree, in terms of the cutting Moose Lake Loggers does?

**Mr. Kivisto:** 500,000 trees planted because it takes

about 20 trees per cord. It would represent about 25,000 cords and the rest is scarified. There is a large amount that is scarified, and this would make up for the balance of what we cut.

**Mr. Storle:** Mr. Chairperson, 25,000 cords is only a little less than 50 percent of the trees that Moose Lake Loggers actually take. My question is to the Minister: Are we satisfied, is the province satisfied? Manfor's commitment is to replant tree for tree. Repap, when they assume responsibility for the new cutting area fully, is expected to be more than tree for tree. It is tree for living tree. Is this good enough, and are we satisfied that scarification is going to give us this tree for tree?

**Mr. Downey:** I want to refer back to the comments I made at the opening, that in 1989 with Manfor there was a 200 percent increase over the previous year, so there has been an increase. I will leave that to the Department of Natural Resources and the forestry branch who license the harvesting, but can assure the Member that from what I have seen personally on the ground and what I have heard from long-term people who have worked in the harvesting operation reforesting, scarification and that kind of activity have given us some pretty good regrowth that is satisfactory.

I think more specifically, the Member could ask the question of the Department of Natural Resources, who are the licensing factor. I can assure the Member we want to plant as many trees as we can as a corporation, because we believe it is the right thing to do, it is a commitment made, and it is employment for those people in those communities.

**Mr. Storle:** I appreciate that, and we—and I use the royal we—in northern Manitoba certainly want you to plant more trees than you take, for sure for the long-term future of our forests, but I am not sure that we are getting there if we only plant 50 percent of what we actually cut.

\* (1210)

Scarification is certainly, as Mr. Kivisto knows, a hit and miss proposition. He has already indicated that some areas you simply cannot plant by hand; there is not enough soil, and in those areas scarification may or may not work. We want to make sure that the people of Moose Lake over the long term have a forest to harvest.

Mr. Chairperson, another question, I ask this in reference to the other corporation as well—and this

is to the Minister: Does the \$100,000 that goes to Moose Lake come from the Canada-Manitoba Forestry Agreement?

**Mr. Downey:** Again, I will get that information from the Department of Natural Resources.

**Mr. Storle:** It is an important question because we have argued that those ERDA agreements have not been re-signed, and they are important particularly to the North, the mineral one, the forestry one. If this money does come from that agreement, and those agreements expire, is the province picking up the commitment, or is it going to fall back somehow on Moose Lake, the corporations, to do this work?

**Mr. Downey:** It will not fall back on Moose Lake. It is a commitment made in the agreement with Repap, as you know, that there is a fund set aside for reforestation, and I would expect that would be the area which it would be funded from, but the commitment will not fall back on Moose Lake.

**Mr. Storle:** If memory serves me correctly, this is not an integrated forest management area. This belongs to Repap, where Moose Lake is cutting. Is that correct? The timber rights belong to Repap in Moose Lake's cutting areas?

**Mr. Trithart:** Yes.

**Mr. Chairman:** Shall the March 31, 1989, Annual Report for Moose Lake Loggers pass—pass.

### COMMUNITIES ECONOMIC DEVELOPMENT FUND

**Mr. Chairman:** Regarding the 1989 Annual Report for the Communities Economic Development Fund, does the Honourable Minister responsible wish to introduce staff members present and give an opening statement?

**Hon. James Downey (Minister responsible for and charged with the administration of The Communities Economic Development Fund Act):** Yes, I do, Mr. Chairman. We have Harold Westdal, who is the chairman of the board, Mr. Rein Roelofs, who is the finance manager and corporate secretary of CEDF, and I have a brief opening statement to make.

We are dealing with the 1988-89 Communities Economic Development Fund report, and I will make some brief opening comments as relate to it.

I wish to take this opportunity to bring you an update on Communities Economic Development Fund. The prime objective of the Development Fund

is to promote and stimulate economic initiatives in Manitoba, particularly in the northern portion of the province.

I compliment and thank the CEDF's board of directors, representing six individuals with broad geographic and professional backgrounds, that was given the opportunity to refine the objectives and to establish programs and effective administration of the fund.

At this time I want to pay particular recognition to an individual who has passed away, no longer with us, but a true pioneer in the North, Mr. Bill Bennett, who dedicated his time and effort over and above his own livelihood to be on the board of directors for CEDF, and his contribution has been much appreciated. I want his family members to know that the people of Manitoba, northern Manitoba I am sure, will be better off for his contribution and his lifelong ambition of improving northern Manitoba, and his time on the board of CEDF.

I want to as well point out that we have a new general manager who was hired by the board in April of 1990. The new general manager is a Northerner, Loretta Clark. My understanding is she views CEDF as a unique opportunity to play an active part in the efforts to diversify and expand the northern Manitoba economic base.

She has 20 years small business experience as owner, manager and accountant of a northern business enterprise. Her experience in marketing and advertising for an air company in the North and her involvement in tourism and recreation and other economic development as the head of the chamber of commerce, I am sure will augur well in her role as the general manager of that fund.

To further strengthen the operation of the fund and bring my staff closer to our clients, the head office was moved from Winnipeg to Thompson in August. I am sure the Member for Thompson (Mr. Ashton) would be happy to know that is happening and hopefully we will be able to have an opening of that office very shortly, which he may even be wanting to come to.

This move is in keeping with my Government's commitment to decentralize services and bring Government closer to Manitobans. In my view, it is particularly important that the development fund be based in the region and be part of a co-ordinated economic planning and diversification initiative to



create a climate for increased opportunity for business development.

By working closer with the clients at the grassroots level, CEDF is now in a better position to develop sound strategies that will address the immediate and long-term needs of the North.

Following the decentralization of the head office to Thompson, it was recognized that while we were bringing ourselves closer to northern clients, there was a need to also service more closely clients in the southern and western areas. As a result, two sub-offices were established, one in Winnipeg to service the interlake and southern accounts and another sub-office was opened in Swan River to service the northwest area.

I believe that these moves will enable the development fund to more effectively carry out its role to establish new business ventures, create new jobs and broaden the economic base of these three regions.

Our staff is currently expanding its contacts within the community to further market its loan opportunities, to expand the economic development of northern and rural Manitoba. An active caseload of applications is on hand at present, and I am confident that activity in the current and future fiscal years will create strong small businesses which are the backbone of our country.

The funds at CEDF's disposal are not meant to substitute or replace any existing Government agencies. The fund's mandate is to act in a responsible and prudent manner providing support to those entrepreneurs who demonstrate business experience and management skills.

While CEDF is prepared to take risks beyond those taken by private sector lenders, the fund is not prepared to commit public funds without careful scrutiny of the viability of proposals. As a northern-based operation, the development fund's objective is to provide a valuable service by offering entrepreneurial opportunities to local residents to assist them to create viable enterprises.

I believe the fund offers financial support to a wide range of small business ventures in tourism, transportation and local services in northern and rural Manitoba, and reaffirms our confidence in this sector.

In conclusion, Mr. Chairman, the recent activities of the development fund confirm our commitment to northern and rural economic development.

Open for questions or an opening statement.

\* (1220)

**Mr. Chairman:** We thank the Honourable Minister. Does the critic from the official Opposition Party wish to give an opening statement?

**Mr. Steve Ashton (Thompson):** Yes, Mr. Chairperson, I most definitely do. What I find interesting about the Minister's opening comments is he has made no reference to the fact that the report that we are dealing with, the 1988-89 report of CEDF, marks the worst year in CEDF's history, whether it be in terms of the number of applications approved, the number of jobs retained. In each and every case, if one looks at the figures in this report one will find that CEDF either had the lowest or close to the lowest number of applications, of jobs approved, and especially when accounted for by inflation, the degree of loans.

To put it into perspective, I am surprised the Minister did not reference this. In the 1988-89 fiscal year, the report we dealt with previously, the last year for which the NDP Government was in place and before there was the complete changeover, we had \$3.5 million of loan approvals. This year, the report we are looking at had \$725,000. We went from 210 jobs to 31 jobs.

I do not think I have seen a more condemning report, dismal report, a more complete condemnation of the type of political interference that we have seen from this Minister with the actions of CEDF. If one looks at this report it is very clear—

### Point of Order

**Mr. Downey:** Mr. Chairman, on a point of order, I want the Member to withdraw and apologize for those statements, for making the comments he just made. I think it is irresponsible and certainly not accurate as to what he said. There was no political interference. In fact, the board of directors and the activities of CEDF have been operated non-politically as compared to the terms of office of which he was in Government, and I am prepared to establish that.

**Mr. Ashton:** The Minister does not have a point of order and also he is factually incorrect. If the Minister would recall some of his statements and would care to look at his actions when he became Minister and look at the results in this report, I would say that the Minister would be the one apologizing to the people of northern Manitoba and to Manitoba for his sheer

and unadulterated incompetence as demonstrated by this report.

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If I may continue with my opening statement without interruption from the Minister, he will have plenty of opportunity to attempt to justify the dismal, dismal performance of this Government.

Mr. Chairperson, this report is not a surprise, because last year at committee hearings we did get some indication from the Minister that loans had dropped substantially in the period that we are now dealing with, but I would say that the 80 percent drop that we are looking at in this report is just staggering, it is overwhelming and just shows the fruits of the type of policies that this Minister has put in place in terms of CEDF.

Last year, I raised concerns that this might indeed happen, because to a certain extent history is repeating itself. The last time the Conservatives formed the Government in this province, CEDF loans did drop. There is a significant difference between the average number of loans in the Conservative period, the Lyon Government, and the NDP period. As it was demonstrated at last year's committee hearings, as it was put on the record by the Minister himself and by CEDF staff, there was not a concurrent increase in the number of loan defaults. In other words, there was an increase in the number of loans going to Northerners without any change whatsoever in terms of the performance of CEDF.

Mr. Chairperson, let us look, and we will get into some detail of just how bad a year this is for CEDF. In chart No. 5, the administrative costs per job created went from under \$5,000 in 1988 to \$45,000, a staggering increase. The number of jobs created, as I said, dropped from 210 in the previous report to 31, an incredible drop, the number of loans approved from \$3.5 million to \$725,000, the number of applications approved from 70 to 22. This is the Government that talks about efficiency and business sense? I would say that anyone in a private company issuing a report such as this would immediately be fired by the board of directors of that company.

There is more. Some people did benefit in this year, consultants fees and expenses from \$12,601 to \$49,132, and also other items that we will be dealing with in terms of salaries and investigation expenses, as the Minister dealt with it.

The sad part is that the Minister could have dealt with any concerns that were being expressed in terms of CEDF through the normal process, in terms of auditing the operations. The Minister could have done that without disturbing and destroying a full year of activity in terms of CEDF. I know the Minister last year said well, with all the problems that CEDF apparently had, and all the publicity, perhaps people were not aware of the fact that CEDF was still in operation. Mr. Chairperson, that may indeed have been one of the reasons the number of loans and the number of approvals and the number of jobs created dropped so significantly, but the Minister has to accept full responsibility for that, full responsibility.

No matter what concerns had been expressed before in terms of the operations of CEDF, as I said, last year's report confirmed that it was still operating the same levels of loan defaults as had been the case under the previous Conservative Government when loan approvals were at a far lower level. The bottom line was that the NDP policies in terms of CEDF were working.

If the Member for Portage (Mr. Connery) has not read the report I suggest he do so, because I think even he would be shocked at the incompetence of this Government as shown by this report. What amazes me is that the Minister had the opportunity to come before this committee with his opening statement and at least acknowledge what happened in this year, and he did not.

Even the report itself attempts in some way, shape or form to explain some of the drastically worsened statistics over previous reports, in the opening section, tries to put some sort of explanation on it. The Minister comes up here before this committee and does nothing, does not recognize that this is an abysmal report and does not recognize that the ones who have suffered are Northerners.

Mr. Chairperson, perhaps the Minister has other ideas about why Northerners should suffer. We have heard those comments in the Legislature. He has made comments about the way Northerners vote: They do not vote the right way.

Perhaps this is the reason CEDF was selected for this type of treatment and we ended up with this abysmal type of report. I would say that should be unacceptable to any Member of the Legislature and should certainly be subject for the Minister to at least

comment on, but that Minister has come before this committee and has not done so.

What is sad is that even when the Minister has made a move which has been supported by other Parties and which I certainly support, in terms of decentralization, it leaves the question to be answered, and that is, it is fine to decentralize, that is a positive process, but in the process make sure that you do not gut the operations of the board.

It is at the point where, even if loans recover in the current fiscal year, in the next report that we will be dealing with in the Legislature, what will have happened is as follows: We will have lost the creation or the retention—and this is according to the averages of the last two or three years—of about 180 jobs in the North from the actions of this Minister and the Government in terms of CEDF with the report we are dealing with.

In terms of money that would have been put into the North where it is desperately needed—in many communities, as the Minister knows, there is significant unemployment, 70, 80, even 90 percent—we are dealing with a loss to those northern communities of \$2.75 million in terms of loan approvals, just taking the previous two years as an example. Where was that referenced in the Minister's opening statements? No where, Mr. Chairperson, absolutely no where.

This is the worst year in CEDF's history. This is probably one of the worst reports I have ever seen brought in by a Minister, and it is galling that the Minister himself made no reference to that, made not even an attempt, any attempt, to try and defend what I realize is indefensible. He made no attempt to put on the record why the loans have dropped, and in this report that we are dealing with, dropped by 80 percent. That is a substantial drop. As we go into detailed discussions at our next sitting as a

committee, I would put the Minister on notice that I would expect the Minister—

\* (1230)

### Point of Order

**Mr. Downey:** It is interesting that the Member would want to go on in a political tirade rather than getting on with the specific issues of the report which I have tabled, which falls under his administration's period of office. The point of order is: Is he going to give me a chance to respond before he now has the committee rise, or is he going to burn up the clock so I cannot respond?

**Mr. Ashton:** Mr. Chairperson, it is not a point of order.

**Mr. Downey:** It is a point of order. Are you going to give me a chance to respond?

**Mr. Chairman:** That is not a point of order. Mr. Ashton—just while I have the floor on the previous point of order raised when Mr. Ashton started his comments, that was not a point of order either, it was a dispute over the report on the facts. -(interjection)-

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**Mr. Ashton:** To the Member, she should be aware that it is quite in order for other Members to contest where there has been a point of order raised or not. I am not attempting to usurp the Chair who I feel is doing an excellent job under difficult circumstances, and by the way I have chaired these committees and I realize it is a very, very difficult job, Mr. Chairperson.

**Mr. Chairman:** Mr. Ashton, the time is now in the committee, the time is 12:30 p.m. What is the will of the committee? Will it rise? All in favour? Committee will rise.

**COMMITTEE ROSE AT: 12:32 p.m.**