



**First Session — Thirty-Fourth Legislature**  
of the  
**Legislative Assembly of Manitoba**

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**STANDING COMMITTEE**

on

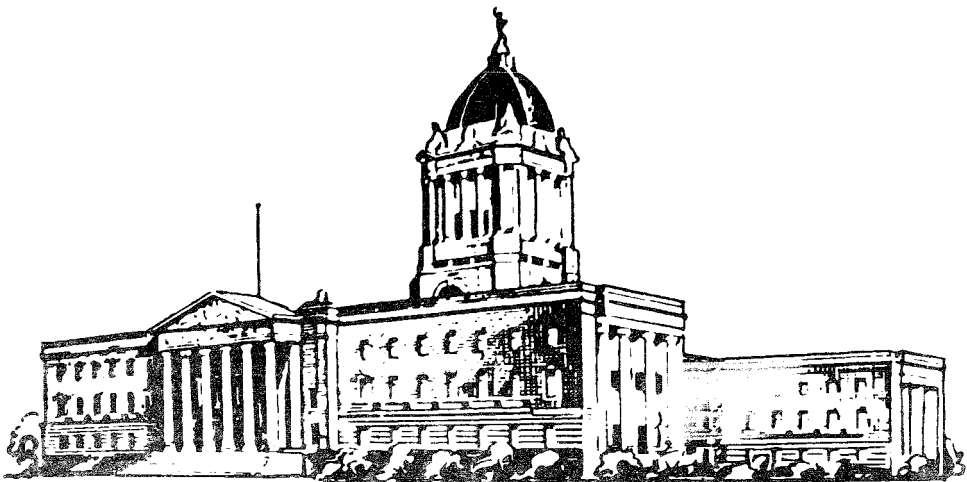
**ECONOMIC DEVELOPMENT**

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*Chairman*  
*Mr. H. Pankratz*  
*Constituency of La Verendrye*



**VOL. XXXVII No. 1 - 10 a.m., THURSDAY, DECEMBER 1, 1988.**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Fourth Legislature**

**Members, Constituencies and Political Affiliation**

NAME	CONSTITUENCY	PARTY
<b>ALCOCK, Reg</b>	Osborne	LIBERAL
<b>ANGUS, John</b>	St. Norbert	LIBERAL
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BURRELL, Parker</b>	Swan River	PC
<b>CARR, James</b>	Fort Rouge	LIBERAL
<b>CARSTAIRS, Sharon</b>	River Heights	LIBERAL
<b>CHARLES, Gwen</b>	Selkirk	LIBERAL
<b>CHEEMA, Gulzar</b>	Kildonan	LIBERAL
<b>CHORNOPYSKI, William</b>	Burrows	LIBERAL
<b>CONNERY, Edward Hon.</b>	Portage la Prairie	PC
<b>COWAN, Jay</b>	Churchill	NDP
<b>CUMMINGS, Glen, Hon.</b>	Ste. Rose du Lac	PC
<b>DERKACH, Leonard, Hon.</b>	Roblin-Russell	PC
<b>DOER, Gary</b>	Concordia	NDP
<b>DOWNEY, James Hon.</b>	Arthur	PC
<b>DRIEDGER, Albert, Hon.</b>	Emerson	PC
<b>DRIEDGER, Herold, L.</b>	Niakwa	LIBERAL
<b>DUCHARME, Gerald, Hon.</b>	Riel	PC
<b>EDWARDS, Paul</b>	St. James	LIBERAL
<b>ENNS, Harry</b>	Lakeside	PC
<b>ERNST, Jim, Hon.</b>	Charleswood	PC
<b>EVANS, Laurie</b>	Fort Garry	LIBERAL
<b>EVANS, Leonard</b>	Brandon East	NDP
<b>FILMON, Gary, Hon.</b>	Tuxedo	PC
<b>FINDLAY, Glen Hon.</b>	Virden	PC
<b>GAUDRY, Neil</b>	St. Boniface	LIBERAL
<b>GILLESHAMMER, Harold</b>	Minnedosa	PC
<b>GRAY, Avis</b>	Ellice	LIBERAL
<b>HAMMOND, Gerrie</b>	Kirkfield Park	PC
<b>HARAPIAK, Harry</b>	The Pas	NDP
<b>HARPER, Elijah</b>	Rupertsland	NDP
<b>HELWER, Edward R.</b>	Gimli	PC
<b>HEMPHILL, Maureen</b>	Logan	NDP
<b>KOZAK, Richard, J.</b>	Transcona	LIBERAL
<b>LAMOUREUX, Kevin, M.</b>	Inkster	LIBERAL
<b>MALOWAY, Jim</b>	Elmwood	NDP
<b>MANDRAKE, Ed</b>	Assiniboia	LIBERAL
<b>MANNES, Clayton, Hon.</b>	Morris	PC
<b>McCRAE, James Hon.</b>	Brandon West	PC
<b>MINENKO, Mark</b>	Seven Oaks	LIBERAL
<b>MITCHELSON, Bonnie, Hon.</b>	River East	PC
<b>NEUFELD, Harold, Hon.</b>	Rossmere	PC
<b>OLESON, Charlotte Hon.</b>	Gladstone	PC
<b>ORCHARD, Donald Hon.</b>	Pembina	PC
<b>PANKRATZ, Helmut</b>	La Verendrye	PC
<b>PATTERSON, Allan</b>	Radisson	LIBERAL
<b>PENNER, Jack, Hon.</b>	Rhineland	PC
<b>PLOHMAN, John</b>	Dauphin	NDP
<b>PRAZNIK, Darren</b>	Lac du Bonnet	PC
<b>ROCAN, Denis, Hon.</b>	Turtle Mountain	PC
<b>ROCH, Gilles</b>	Springfield	LIBERAL
<b>ROSE, Bob</b>	St. Vital	LIBERAL
<b>STORIE, Jerry</b>	Flin Flon	NDP
<b>TAYLOR, Harold</b>	Wolseley	LIBERAL
<b>URUSKI, Bill</b>	Interlake	NDP
<b>WASYLYCIA-LEIS, Judy</b>	St. Johns	NDP
<b>YEO, Iva</b>	Sturgeon Creek	LIBERAL

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**  
**Thursday, December 1, 1988**

**TIME — 10 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Helmut Pankratz (La Verendrye)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Connery, Downey  
Messrs. Alcock, Evans (Fort Garry), Gaudry,  
Harper, Helwer, Pankratz, Taylor, Uruski

**APPEARING:** Ms. Barbara Bruce, Chairperson of  
the Board, CEDF

Mr. Ray Gammon, Acting General Manager,  
CEDF

Mr. Ted Chiswell, Manager of Finance, CEDF  
Mr. Alec Musgrove, Corporate Secretary,  
CEDF

Mr. Lester Everett, President, Channel Area  
Loggers

Mr. Harold Lasn, General Manager, Channel  
Area Loggers

Mr. David Tomasson, Deputy Minister of  
Northern Affairs

Mr. Werner Wiebe, Accountant, Channel Area  
Loggers

Mr. Ken Vipond, Acting Secretary, Channel  
Area Loggers

Mr. Clement Jones, Chairman, Moose Lake  
Loggers

Mr. Rene Kivisto, General Manager, Moose  
Lake Loggers

**MATTERS UNDER DISCUSSION:**

Annual Report of the Communities Economic  
Development Fund for the fiscal year ended  
March 31, 1987

Annual Report of Channel Area Loggers Ltd.  
for the fiscal year ended March 31, 1987

Annual Report of the Moose Lake Loggers  
Ltd. for the fiscal year ended March 31, 1987

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**Clerk of Committees, Ms. Bonnie Greschuk:** Will the  
committee please come to order? We must proceed  
to elect a chairman for the committee responsible for  
Economic Development. Are there any nominations?

**Hon. James Downey (Minister responsible for The  
Communities Economic Development Fund Act, and  
The Manitoba Natural Resources Development Act):**  
Mr. Pankratz.

**Madam Clerk:** Are there any further nominations? If  
there are no further nominations, will Mr. Pankratz  
please take the Chair?

**Mr. Chairman, Helmut Pankratz:** The Committee of  
Economic Development is called to order. The Annual  
Reports for the Communities Economic Development  
Fund, Channel Area Loggers and the Moose Lake  
Loggers will be considered today.

I would invite the Honourable Minister to make his  
opening statements and to introduce the staff present  
here today.

I would appreciate some guidance from the  
committee. Do we consider the report page by page,  
or otherwise?

\* (1005)

**Mr. Downey:** Mr. Chairman, I will leave it up to the  
other Members of the committee to make that other  
decision but we would like to, with the agreement of  
the committee, have both Channel Area and Moose  
Lake Loggers handled first because they have come  
in from out of town and, in case there was some chance  
that we were not going to finish, we would like to do  
it first, preferably with Channel Area Loggers. Then we  
can decide in a few minutes, after I make my opening  
comments, if in fact they want to handle it page by  
page or by report. That would be the will of the  
committee.

Mr. Chairman, I will, first of all, start off by introducing  
Mr. Lester Everett, who is the chairman of the board;  
Mr. Harold Lasn, who is the new manager of the  
company, who is sitting next to him. We have Mr. Ken  
Vipond, who is the secretary to the logging companies,  
who is sitting back next to my Deputy, Mr. Dave  
Tomasson, and we have Mr. Werner Wiebe, who is the  
accountant for the companies.

Let me first of all say, Mr. Chairman, and members  
of the committee that I would like to say to the  
committee and to Members of the Legislature my  
regrets that we are unable to be joined today by a man  
by the name of Mr. Gordon Trithart who has been  
looking after these corporations, who several weeks  
ago had a serious heart attack and is recovering well,  
but he is unable to join us which he has traditionally  
done.

I, as well, want to acknowledge the work of the Board  
of Directors of Channel Area and Moose Lake Loggers  
and their dedication to carrying out the activities of  
Channel Area Loggers and Moose Lake Loggers, and  
the management.

## CHANNEL AREA LOGGERS

**Hon. James Downey (Minister responsible for The Manitoba Natural Resources Development Act):** Mr. Chairman, as we are all aware, we are dealing with the 1986-87 Annual Report for the Channel Area Loggers, and I think it is important to note that we have got the report as it is presented here. We have also gone through another year of operation, which the year ended on March 1988. We will be prepared to just touch briefly on some of the projections for those companies, if it is the desire of the membership to do so. But basically the report is ending of March 1987, which I could comment briefly is not in that bad of condition for that year. However, as we will indicate, the projections for this past year, which concluded, is not as good, and I will touch on some of the reasons for it at a later time.

However, at this time, I call—maybe you want to decide how they want to deal with it, but maybe we should have Mr. Everett give his comments first and then deal with the report. Mr. Everett, if you would, please.

\* (1010)

**Mr. Lester Everett (President, Channel Area Loggers):** I would like to present the report as follows, that is the Channel Area Logger Report, annual, 1986-87. We are pleased to present you our Annual Report for the year 1986-87. Our report shows a loss of \$8,531.00. This is an improvement in our financial position compared to our last three years where losses were approximately \$18,000, \$236,000 and \$149,000, respectively.

This improvement is directly related to the planning and budgeting initiatives which include improvements in cost control, road layout and the use of mechanized snippers for the harvesting of smaller diameter pulpwood timber stands.

The company harvested approximately 43,750 cubic metres, which relates to approximately 17,500 cords of spruce pulpwood. This is an increase from the previous year where we harvested 39,750 cubic metres, which relates to 15,900 cords, the entire volume, plus 1,500 cubic meters—600 cords—carried over from the previous year, and was sold to Abitibi-Price in Pine Falls.

Under the reforestation contract with Natural Resources, the company planted approximately 389,000 spruce seedlings for 26.4 cents and related to a small profit of \$1,000.00. The company employs 36 people in logging operations and, in addition, 34 seasonal jobs in tree planting. Approximately 85 percent of these jobs are filled by northern Native people. The company continues to provide ongoing training to most of the employees and, in addition, a formal on-the-job training program was provided to the bookkeeper in this fiscal year.

Mr. Chairman, that is my report for 1986-87, and if I may just proceed to the current status of Channel Area Loggers.

Management problems resulted, in 1987-88, in lower production and increased costs—a strike by the truckers and cutters—and also attributed to the reduced volume of 36,150 cubic metres compared to 43,750 cubic metres in '86-87, resulting in an increase in operating loss of \$207,541 at the end of the year. These problems were identified and steps were taken to correct management problems.

The current status situation: A devastating forest fire occurred during the summer of 1988. This destroyed the cutting area scheduled to be cut over the next five years. As a result of this, new areas have been identified for cutting and also a new road system has had to be developed. The company is now in the process of reviving their long-term cutting plan.

\* (1015)

New management has also been put in place. A contract has been signed with Abitibi for the current year, up to 446,250 cubic metres, which is approximately 18,500 cords at approximately a 3 percent price increase.

In the area of reforestation, the company has approached Natural Resources to prepare a long-term silvicultural plan for the area which we are intending to pursue with them and a detailed operation plan for the company can be implemented. That is the extent of the report, Mr. Chairman. Thank you.

**Mr. Downey:** Mr. Chairman, some additional comments, and I thank Lester for those comments.

Just to further reiterate the problems that the forest fire has caused for our Channel Area Loggers, some time either during or after the committee, if members of the committee are interested, we have a map with an overlay to show how the fire has impacted on their 10-year wood cut supply and shifted some of their operations to a different area. That is available and if, after the committee or during it—I leave it to the members of the committee—would like to see it, it is available.

I was negligent, Mr. Chairman, in the opening comments to indicate that the first page of the report indicates who our board members are. There have been some additional appointments made. Brian Dick, businessperson from Winnipeg, Celia Klassen and Jeff McDonald are the two additional people who have been added to the board recently. So that should be added to the front page.

**Mr. Chairman:** Okay, with that, I would like to ask the committee, are we prepared to go page by page through this report? Is it the will of the committee? -(Interjection)-

**Mr. Reg Alcock (Osborne):** Across the top, in looking at the financial sheet, there is quite a change in the total assets. What is it attributed to?

**Mr. Downey:** In looking at the report, Exhibit A, I see very little change in the fixed asset value that is reported in the report. Maybe the Member could indicate where else he is looking at the numbers.

**Mr. Alcock:** Exhibit A, unless I am misreading this, Mr. Chairman, where it says "Total" for the assets, it shows a change from '86 to '87 of nearly \$400,000, \$300,000-and-some. No?

**Mr. Downey:** That is because of the reduction in the subsidy which was received from the province.

**Mr. Alcock:** That relates to the losses from the year before then, and it just comes in?

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

**Mr. Chairman:** Anybody else have any question with respect to this report?

\* (1020)

**Mr. Elijah Harper (Rupert's Land):** I know the company has done well. I congratulate the board on reducing the deficit over the last few years. The company has been involved in the other activities. I was wondering, they had some indications, I know, within the Department of Northern Affairs, we hired a forestry worker to work as sort of an economic development officer, to work with the Berens River and Channel Area, to work on the sale of maybe other than the pulpwoods to Abitibi, jack pine and other forestry products that may be sold. I was just wondering if anything has been done on it.

**Mr. Downey:** Mr. Chairman, I have had some brief discussions with our new manager and I would ask him to comment. We have had discussions, based on some of the losses due to the fire kill and some of the options that may be carried out dealing with that type of product. I can assure you from my discussions with him and Lester that there has been a sincere attempt to harvest that material and create other jobs. There are some difficulties with it and I would ask that he report.

I may add as well that at the time of the forest fires in summer, we did visit the area and it is a devastating effect to see the impact that it has and the loss that a community has when they see their harvest or their crop go like that. I would ask for the specific response to come from the general manager, if he would, please.

**Mr. Harold Lasn (General Manager, Channel Area Loggers):** I have only been with Channel Area Loggers since October 5 of this year. To your specific question of somebody being hired, I think you were mentioning Mr. Vipond, who is sitting right behind me, who is with Northern Affairs in the Development Branch. We are currently looking at other markets for other species of wood such as jack pine. The problem that we are up against there is the transportation costs of getting these species to market. We would enjoy having the opportunity to cut them to provide year-round employment and to defray the cost of such a short operating season. Mr. Vipond has some plans in the works to not only utilize jack pine but also to utilize hardwood species. I am sure that he could comment on those better than I could.

Now with the fire situation, as the Minister has stated, we lost a five-year supply of wood. We are now working in an area that was scheduled to be worked in 1993 and 1994. We had to make a whole bunch of quick management decisions. Some of them were costly. It was either that or shut down for the year. We are operating. We are a little bit behind schedule, but we hope to finish the year right on schedule. As far as the report on the other species, the utilization of other species, I think Mr. Vipond can respond better than I can.

**Mr. Downey:** Just to further indicate specifically with the question on an economic development officer, Mr. Vipond has been carrying out that activity and the review is ongoing, I understand. He may want to add something further, but it is a matter of an ongoing work activity with management to try and find some options for the other products, as has been indicated.

**Mr. Harper:** I just wanted to find out what was going on, what options, if any definite plans were being made at this time. I hear that you are just providing some options right now.

**Mr. Downey:** It is indicated that they are working with industry, with housing, with energy, to look at alternatives. It is in a preliminary stage at this particular time, but there is aggressive work taking place to look for other options for the products produced there.

**Mr. Harper:** Are there any sort of discussions with Abitibi at this time?

**Mr. Downey:** The Abitibi are using only pulp. The only discussions in that regard are to the volumes and the price at which they are selling the pulp to the mill. That would be the only discussions there as far as other product is concerned.

\* (1025)

**Mr. Harper:** The forest fire, the area that has been devastated, you have indicated that there is another area that was planned for 1993. Is that—

**Mr. Downey:** I think we are talking about a 10-year wood-cut plan. From what I have been told, we have lost the first five years of that wood-cut plan and have now had to go predominantly north of the Berens River to get into the new wood supply. If I am incorrect in that assumption, maybe Lester could correct it or the general manager, but that basically is it. It is on the map, which I am prepared to show you at conclusion of the committee, if you are interested.

**Mr. Everett:** If I may, I just wanted to show a brief map on the area, just for the Member's clarification on some of the cutting areas that were involved. If you could see the map, generally the Berens area is located on this area. Here is the N.D. road that we just finished and it is in this report as to the status of that. Here is the comp. area, which we call Kettle Falls. Now, if you look at this orange line here, this is the burned area. All of this portion has been swept out.

If you look into the 10-year plan that was provided, it ranged from 1987-88. It kind of indicates where the years of the cutting areas were supposed to be, you know. All of this, of course, burned at this time last year. Now, the cutting area that we are utilizing right now is with the 1992-93-94 areas. So that is where we are cutting right now. Of course, the supply of wood in this area is approximately two to three years' supply.

Now, the area of the plan we are looking at after this area has been cut is this area here, which we call the Seventeen Mile Lake area. The company is looking at building a road down to here for access next summer. That is the extent of the conifer for this year.

**Mr. Alcock:** If I understand some of the earlier comments then, the result of the fire has caused a reduction in the supply of wood immediately available and forced some very quick changes in the operations. It sounds like they coped with that very well by not having to shut down operations and being able to get into new cutting areas. You made the comment that production would be pretty much on target for this year. I assume though that there would be some increased costs associated with those changes. Have they been identified?

**Mr. Downey:** Mr. Chairman, if you recall, we are dealing with the report of '87. We have shown a loss of 207 for management problems. This next report that we will look at will show those. The costs of the changes, I would ask the management to deal with, Mr. Chairman, if they are identifiable.

**Mr. Laasn:** I am sorry, I did not hear the last part of the Minister's comment, Mr. Chairman.

**Mr. Downey:** What would be the increased costs related to some of the changes that have had to be made because of the forest fire? What are the cost implications of some of the management decisions or can they be identified, really was the way I understood the question from Mr. Alcock.

\* (1030)

**Mr. Laasn:** The first cost involved is the construction of a mile and half of dry weather road. I think the construction costs on that were about \$46,000.00. That was to give us access to the 1992-93-94 cut area. The roads had already been built into our present cut area but, because of the fire, we had to move. Now, the camp is on the north side of the river. The cutting operation is on the south side of the river. We entail a lot of problems, such as barging equipment back and forth. One has to appreciate, even to bring five gallons of gas to your pickup, you have to carry it across the river now. These are just some of the things that—but the biggest cost involved was the \$48,000 for the road.

**Mr. Harper:** The new area that has been looked at and there is going to be some additional costs on, is the province looking at subsidizing that portion maybe under the Northern Development Agreement again?

**Mr. Downey:** Well, Mr. Chairman, as the Member knows, there has been some activity in that regard. Because it is a Crown corporation and costs are incurred, the way it is traditionally operated, the province picked up the costs to operate the company. If we can get some additional support for those kinds of expenditures under the Northern Development Agreement, we will definitely be trying to do so.

**Mr. Harper:** The area surrounding the Berens River area, is that area leased, the total area, to Channel Area Loggers or is it to Abitibi?

**Mr. Downey:** I will have the chairman report.

**Mr. Everett:** I guess there are a number of areas in southeastern Manitoba where they are identified as "certain areas." Mr. Chairman, the Berens River area is sectioned out into the plan of Natural Resources, and the surrounding Berens River area is a management area where Abitibi apparently has a 20-year agreement with the Province of Manitoba. I guess, if I understand correctly, the 20-year agreement is so that Abitibi has the first right of refusal on the woods in that area. Now this is only with the wood that is produced at this point in time which is processed, and I think Abitibi has the first right of refusal on the cutting area in the Berens River area. So that is the extent of that statement.

**Mr. Harper:** I wanted to ask the Minister, when we were in Government, not only dealing with Channel Area Loggers but the whole forestry area, we were looking at developing a policy, starting to change the policy where the communities would be given the first preference. What I mean by that is that I know that Abitibi has a 20-year lease in that area. The lease should be given to the communities or maybe their entities so that they could create long-term employment and have equity in the area. I was just wondering whether that is possible. Abitibi, I know they have a 20-year lease but down the line somewhere some sort of preference should be given to those communities and also their entities, not only including Abitibi but in the whole northern area.

**Mr. Downey:** I suppose the first and the shortest response would be that I have not seen any proposals that were either in the department or I am not aware of any that Natural Resources may have had. They well could have been discussed by the former Minister and Member in that regard.

I guess I am not sure when this last 20-year agreement was entered into, whether it was in 1987, so I guess they are dealing with a specific issue of Channel Area Loggers that he planned to implement at some 20 years down the road because, if it was just entered into in '86 or '87, they were tying it up for some 20 years with Abitibi. So it was longer-term plans that I am sure the Member is referring to that he had. We probably still have some time, when we are dealing specifically with Channel Area, to revisit that kind of thinking, and we will do so.

**Mr. Harper:** Yes, I believe it is a 21-year lease that Abitibi has. I believe this was signed during the last

Conservative administration, around that time. What we wanted to do was develop some long-term strategies for the community. Can the Minister maybe write a response? I know the first right of refusal belongs to Abitibi in terms of the wood. Does that include other areas like jack pine if we have to offer it first? Can the Minister comment on that?

**Mr. Downey:** All I can indicate at this time, the policy has not changed from when he was in Government. So what it was during his term in office, it is the same today. I will check in more detail as to what it is.

I know that we have consulted with and, because of the involvement of the board members, we will continue to consult with them in that regard when it comes to the use of other product. The comments the Member makes make good sense that, if there is not use there, the company who has the rights on the other, if they have no use for the other product, then other uses can be found and certainly priority should be given to those local communities for their economic benefits.

**Mr. Harper:** I wonder if you could maybe give us an update in the operation. I know we were experiencing a sort of mechanical use being implemented. What we are concerned about are the jobs that are going to be lost as a result of the mechanization. Are there any plans or anything being done in that to offset maybe from a complete mechanization takeover or is that being considered at this time?

**Mr. Downey:** As far as Channel Area Loggers are concerned, to my knowledge, there would not be any major mechanical change that would cause the layoff of numbers of people. In fact, it is my understanding that there could be an addition of some additional tree farmers, skidders, in the next while to employ more people, not taking people off the job.

I think the Member raises a point. Mechanization is important to carry out but what loss of jobs comes because of it? I can assure you that the board of Channel Area Loggers, the management and the Government are very conscious of the employment opportunities that are generated through that company. It would be considered, I am sure, very carefully by the board before major changes were made that would impact on the number of employees.

**Mr. Jerry Storie (Flin Flon):** A couple of quick questions, how many skidders were used? How many operators actually had their skidders in the bush to produce the 13,500 cords?

**Mr. Downey:** I would ask the management to respond to that.

**Mr. Everett:** I believe there are five owner-operators, which is five skidders for this year, who are in operation out there.

**Mr. Storie:** The production this year was roughly equal to the long-term average, I guess, of Channel Area. What are the prospects for increasing the number of cords that Abitibi will take? What kind of an agreement

do you have with Abitibi? Could we see that increase to 25,000 cords quite easily, or are we at just kind of a reasonable number as far as Abitibi is concerned?

**Mr. Everett:** In terms of the area that we are in, there is a certain amount of cordage that we are allowed to take out and that is provincially regulated. At this time, we can only take out 18,500 cords for the area. Those are the figures that Natural Resources enforce in that certain area. That is the only amount of wood that can be taken out from that certain geographical area.

\* (1040)

We want to try and cut the 18,500 each year. In some cases, if we only cut 14,000, say, for instance for this year and then next year, it is a little flexible. Sometimes, we could cut 19,000 or 20,000, depending on last year's production. There is an area there that is flexible. But the average cutting area on our area there which Channel Loggers has is approximately 18,500 cords.

**Mr. Storie:** So the annual allowable cut is 18,500, but there is some flexibility. If you undercut one year, you are allowed to take out to maximize.

Obviously, it looks like cut and skid would be more beneficial to the community, but the mechanical harvesters obviously are more efficient or reduce the cost somewhat. We do not have any comparison. I wonder if Mr. Everett could give us a comparison between the costs of cutting a cord with the mechanical versus the cut and skidder.

**Mr. Everett:** The mechanical harvester is what they call a snipper. Just to explain briefly what the snipper does, it cuts trees down and sets them down. In terms of the overall cutting techniques, where the cut and skid operators really make money is in the thick bush where there are trees 20 inches in diameters. That is a place where a mechanical harvester cannot work anyway, but the owner-operators cut and skid in areas where there is big bush. Where the mechanical harvester comes in is where the bush is small. You get a diameter of five or six inches and, therefore, the cutters do not like to cut in that area anyway because they are not making any money because of the diameter of the wood.

So this is where the mechanical harvester comes in, and the mechanical harvester does the small wood which nobody wants anyway. It is so required that when we cut a certain area that everything has to be cut. They cannot leave a small bush just because it is small, because they cannot make any money on it. You still have to cut it, regardless.

Now, in terms of dollars, maybe I will refer that to the manager. In terms of dollars, as far as the mechanical harvester versus the cut and skid owner-operators, maybe I will refer that to the manager.

**Mr. Lasn:** Now, in regard to costs, mechanical harvesting versus cut and skid, we have to appreciate the fact that when we are talking mechanical harvesting, that stand of timber, all that happens to it is it is cut. It is still in the bush. It has to be forwarded; it has to be limbed. There again, we use a cut-and-skid crew

to do that. The saving on a per-cord basis is somewhere in the neighborhood of \$2 a cord once the final cost is in. You have variables there too. You have whether a small bush is involved, but there definitely is a saving of approximately \$2 a cord.

**Mr. Storie:** I appreciate that. I guess when you consider the cost of a delivered cord it is significant, but it is not overwhelming by any means considering the other side is the employment of people. I think the explanation that Mr. Everett gave in terms of the utilization of mechanical snippers when the bush is not really profitable for the cut-and-skid operations makes a lot of sense. This snipper is contracted. The Channel Area does not own a snipper, is that correct?

**Mr. Laen:** No, this machine now has been purchased and is owned by Channel Area Loggers.

**Mr. Storie:** Mr. Chairperson, what is the projected financial position for Channel Area next year?

**Mr. Downey:** As we indicated earlier the year that we passed, just to '87, the year ended '88 is not near as good a look at the numbers. We have a \$207,000 loss ending in March of 1988. As we have heard indicated here, we have had some difficulties with fire, some additional cost with roads, new management involved and our projections are to try and come in on target, particularly with the numbers of cords of wood. Maybe the manager would want to make a further comment, but it may be hypothetical at this particular time. Maybe he would want to add if he can project where he plans to be at the end of this March.

**Mr. Laen:** As I said earlier, we are working about three months behind schedule. But with some plans that we have to implement after Christmas, the Christmas break, we are hoping for a break-even figure at the end of March.

**Mr. Harold Taylor (Wolseley):** Mr. Chairperson, to the Minister, the quoted number we have heard from the manager of 18,500 cords per annum and the issue of flexibility, is there a full float of the quota not consumed of the previous year or years, or is it just somewhat of a float? To what degree can the quota be used in that fashion?

**Mr. Downey:** It is my understanding, Mr. Chairman, that there is not a maximum, that if you, for example, cut 16,000 this year that the full 2,000 could be rolled over to next year.

**Mr. Taylor:** So my understanding is it is a full float and it can be brought forward into the subsequent years. I just wanted to make sure I understood. I got into the meeting late and I want to understand the fiscal position. Then the loss for this past year was how much again?

**Mr. Downey:** For the year we are reporting, 1986-87, is approximately \$8,000 loss. The following year, which comes at the end of March '88, is \$207,541.00. You have heard the manager comment on what his projections are for the current year that we are in.

**Mr. Taylor:** An optimistic projection and I wish him the best of luck. That would be great. The question I have here is cutting and the creation of jobs really are dependent, to a certain extent, on Abitibi prices potential for additional sales of newsprint. Now their production can be up to 400 tonnes per day of newsprint material out of the Pine Falls plant. What information do we have as to what the potential is for greater sales in that or any other paper products, so that there might be more cutting done?

**Mr. Downey:** Mr. Chairman, I am not aware of additional demand from Abitibi to the company of Channel Area Loggers. I could not answer that as far as the company is concerned. However, I did respond and the department have responded to looking at other wood products produced in that particular area that would create jobs and better utilize the resources that are there. There is a review going on. Industry has been contacted. Housing, energy and other opportunities are being looked at for other job opportunities. Specifically though, I cannot indicate to you today what Abitibi's projections are, but we are fully aware that we have the commitment of 18.5 to Abitibi on an annual basis with the rollover provision.

\* (1050)

**Mr. Taylor:** Just to follow then, it is fair to say that there is no information that Channel Loggers staff have, other than what your departmental staff have in that regard? Is that fair to say?

**Mr. Downey:** Mr. Chairman, there is a close tie to the Channel Area Loggers and our staff. As I had indicated earlier, Mr. Gordon Trithart had been fully involved, and we now have Mr. Vipond who is currently filling in, in the capacity of secretary to boards. Unless they have further information in that regard, that is the tie and there is a fairly close working relationship.

**Mr. Taylor:** I would like to ask a series of questions about silviculture and seedling replanting. The area involved where the cutting is permitted, what is the state of that forest? To what degree has it been harvested? To what degree are there reserves available, in an area sense of in hectares or acres?

**Mr. Downey:** Mr. Chairman, to help expedite the information for the Member, earlier we had a map available. I am prepared to show it to the Member following the committee. It would probably take more time because most of the Members have seen it, to explain it to him. There is a 10-year plan, cut plan, which was impacted this year because of the forest fire and has moved us into another area. There is probably, and I think the number was a 5-year loss of wood, causing a change in plans in an area which we have to cut. The forest fires had the biggest devastating effect. There is also a tree planting program that is offered to Channel Area Loggers by Natural Resources so there is a reforestation program being carried out by Channel Area Loggers, by local residents, as it is indicated in the report.

**Mr. Taylor:** Okay, so the reforestation that we see and it is mentioned on, I think it was, page 7 of the report



from that last year, that is not just a one shot, that 400,000, it is an ongoing thing year after year. Just a very simple question without getting into any further detail, are we in a situation with the reforestation practices that are going on that the planting of the seedlings is getting ahead of the cut rate? In other words, the forest is being improved or is it barely keeping up, or is it behind to some degree?

**Mr. Downey:** Mr. Chairman, I would ask Mr. Everett to comment or Mr. Lasn to comment on that. I would hope that it would be at least keeping up, but one cannot deal with what the fire does to the forest. But the cutting, I will ask for specifics from management.

**Mr. Everett:** As indicated in the report under review, we planted 400,000 seedlings in the area. If you refer to the map that was shown previously that under report the 400 seedlings were planted in the area of Pigeon River. That is where Channel Loggers has been cutting for a number of years. Last year, there have not been any steps taken as far as plantation in the reforestation area.

As far as keeping up with the amount of cut compared to the amount of seedlings put in, I would say that the planting areas that have been planted versus the areas that are cut, I personally feel that it is a little bit behind.

**Mr. Taylor:** I have one last question in this area. Could we have an indication of the cut patterns that are employed in this harvest? Are we looking at a clear cut? Are we looking at selective species, checkerboard, linear patterns? What is the pattern of cut when the harvest is carried out?

**Mr. Downey:** Mr. Chairman, as has been indicated earlier, we have a map which shows the area of the specific planning or programming of it. I will let Mr. Everett comment on it.

**Mr. Everett:** I did not get the question. Could you get the Member to repeat it, please?

**Mr. Taylor:** Yes, no problem, Mr. Chairperson. I am curious as to the type of cutting method that is used. Are we into a clear-cut situation? Are we into something where a selective species are done or selective size cutting, or are we into a checkerboard pattern, a linear cut pattern? The idea being, do you have to go to full reforestation afterwards or is there some reforestation followed by natural seeding? That is the reason for the question.

**Mr. Lasn:** In answer to more than one of your questions, first of all, to the silvicultural program, we have a letter in to Natural Resources requesting a five-year contract for reforestation. We have had no reply to that letter as of yet. Therefore, once we do get a firm commitment to a five-year plan, we can then go ahead and estimate our costs and go forward from there. As to the cut plan, we are not harvesting any areas that have more than 60 percent jack pine. We do not want to devastate the jack pine forest so we do cut predominantly spruce stands in a clear-cut fashion. We have found that if we

leave seed plots they tend only to blow down anyway and become completely virtually useless to anybody, and may become a fire hazard. So, therefore, we do use and practice the clear-cut method.

**Mr. Taylor:** Just to follow up on that point, what was the experience again when you had seed plots there. You said you had wind damage. Is this what it was, and that the trees did not grow in, in the way that you wanted to? If you would just explain that a little bit more, please.

**Mr. Lasn:** No, the areas that were left as seed plots become open to the elements and just have a tendency to completely blow down and become fire hazards.

**Mr. Taylor:** How does that compare then when you do a clear cut and you do a reforestation operation with very small seedlings, that the same problem does not arise in that context?

**Mr. Lasn:** No, because when I talk seed plots, I am talking leaving circular patches of mature trees standing to seed the clear-cut areas. But with the seedlings they are protected from the elements for the first eight years and they have a chance to take hold. But it is not the seedlings that are destroyed by the wind. It is the seed manufacturers themselves.

**Mr. Taylor:** Thank you.

**Mr. Laurie Evans (Fort Garry):** I would just like some comment on the burned-out area. Who assumes responsibility for that burned-out area? Is it identified as a reforestation location? Just what procedure is taken for the reclamation of those areas?

**Mr. Downey:** Mr. Chairman, the first attempt is to harvest the burnt over wood, which is of no use to Abitibi because of the charcoal in it. There was, I believe, an offering to other people in the lumber industry and there was no one who picked up the opportunity to harvest it. Then I would have to rely on the professionals in the forest industry as to what happens to the—I know the bug infestation takes over with the destroyed product. The regrowth factor, I would ask someone who was more of a specialist in the forest industry to respond to it.

\* (1100)

**Mr. Lasn:** The burned-out area virtually is of no value after the first year, once the bugs get into the burned wood. In some of the species, such as jack pine, the fire has a natural tendency to open the cones and reseed itself. Now as to spruce stems, hopefully, we will get the opportunity to do this horticultural program and replant the spruce stems, but that is in a part and a portion of our five-year plan that we requested with Natural Resources to reseed the fire kill.

**Mr. Laurie Evans:** Can you give me any indication of the success ratio with reforestation? You are talking in the past year of 400,000 seedlings planted. What would be the success ratio with those 400,000, particularly

in a summer like 1988? I would assume it may have been pretty low.

**Mr. Lasn:** Well, the success ratio now in reforestation is—I hate to quote numbers—I would say 75 percent, and success is due to the fact that we harvest the seeds from the Berens River area, plant them, grow them into seedlings, and use the local seeds to produce local trees.

**Mr. Laurie Evans:** Do I infer from that then that you have a seedling nursery in the vicinity for the reforestation purpose, or are these seeds transported somewhere else and then the seedlings brought back?

**Mr. Lasn:** We have now received a request from Natural Resources for 100 hectolitres of local spruce cones for seeding. They have a projected seedling nursery plot. It is more of an experimental thing to see how it will come back. We will be clearing that this fall for some experiments next growing season, but the 100 hectolitres of spruce cone seeds are destined to come back to the Berens River.

**Mr. Laurie Evans:** Does Abitibi-Price itself take on any responsibility for reforestation?

**Mr. Lasn:** No. We would like to take it on simply because we need the employment opportunities for the people of Berens River.

**Mr. Laurie Evans:** Just one final comment, I was not clear on the reason for the retention of the jack pine plantations if—I gathered you said you did not go into areas if they were more than 60 percent jack pine, and I am just wondering the rationale for that as to what value does the jack pine have or are you looking at a long-term potential value.

**Mr. Lasn:** There are many reasons. You can appreciate, if you knock down 60 percent of the timber and leave it lying, it has a tendency to become a source of fire. There is the aesthetics reason. You knock down six trees to pick out four and that is not just good for aesthetics. Then there is the hope of nurturing a market for jack pine pulp in the near future.

**Mr. Laurie Evans:** What is the anticipated regeneration time for a seedling? In other words, from the year it is planted, how long before it is a potential harvestable crop?

**Mr. Downey:** I think that varies with the location from probably 60 to 80 years. I am not sure, specifically in the Berens River area, but I know The Pas has a different growth rate than the Berens River area. Maybe Mr. Lasn has more specific information.

**Mr. Lasn:** No, Mr. Chairman. The Minister is right there. It depends on the growing seasons. If you take a look at any particular tree and cut a slice off it, you will notice the rings vary in diameter and that is how the growing seasons have been for it—maturity, probably 70 years.

**Mr. Harry Enns (Lakeside):** I think, Mr. Minister and the gentlemen from the Logging Association, there is

an obvious interest on the part of all Members of the committee to encourage the reforestation efforts of this group.

My question simply is, what in your judgment is limiting your activity in this area? Is it seedlings, money, or Government direction? You mentioned that you are waiting for a letter from Natural Resources, or is it a combination of all? What I am really after is I really sincerely believe that an organization such as yours ought to be our front-line troops in the reforestation battle, if you like. I see an opportunity for this kind of an organization to, over a period of years, earn the kind of dollars that makes your whole operation on a more reliable, economic footing. Certainly, I think you would find a great deal of support from all sides of the Legislature for this very important aspect of our forestry industry. So my question really is, could you be doing more if you were given the resources?

**Mr. Downey:** I know the Member for Lakeside (Mr. Enns) always takes an avid interest in the resource industries of our province, having a lot of experience in that from past activities in Government with a background in Natural Resources activities as Minister and the like.

I say that, at the current time, Natural Resources are carrying out a very aggressive silviculture review and plan for that area. I can assure the Member that Channel Area Loggers and the people of Channel Area Loggers will be fully involved in the work activity and the planning of that whole delivery of it, to help the income of that community. It has been a traditional activity for them. We want to see that enhanced, as does the Member for Lakeside (Mr. Enns), I am sure.

**Mr. Enns:** Could I just ask a question, in rough percentage terms, what is the breakdown of incomes earned, for instance, by Channel Area Loggers in this reforestation program as compared along with your logging program? Does it represent 20 percent of your efforts?

**Mr. Downey:** I think it depends on a year-to-year basis. For the year reporting, we are about \$100,000 return from the planting of trees, which is about 7 percent of the income for the company. So there could be—

**Mr. Enns:** My question is to the representative of the companies, Mr. Chairman, through you. Could this be considerably expanded? In other words, do you have the labour force, the will to expand that if the necessary arrangements were made through Natural Resources and other arms of Government?

**Mr. Lasn:** We want to start slow. We want to prove to people that we can do things. We would like to expand it, especially with a five-year fire kill, we would like to expand it. We are scheduled now to plant 400,000 seedlings. That will employ roughly 35 people for two-and-a-half to three months. Our facilities cannot handle more people than that. To house and feed people, we just cannot do it other than setting up tent camps and whatnot.

But if we can successfully plant 400,000 trees and prove to people that we now can carry out a successful

silviculture program, then I do not see any reason in future years why we cannot take on more.

**Mr. Enns:** Thank you.

**Mr. Chairman:** If there are no more questions, is it the will of the committee to pass Channel Area Loggers Annual Report 1986-87—pass.

### MOOSE LAKE LOGGERS LTD.

**Mr. Chairman:** We will go to Moose Lake Loggers. I would like to ask the Minister for his opening remarks.

**Hon. James Downey (Minister responsible for The Manitoba Natural Resources Development Act):** Mr. Chairman, just before I open the comments on Moose Lake Loggers, I would just like to thank again the board and the management of Channel Area for their participation in the committee and would wish them well in their endeavours to try to create employment, and as well balance the books in the coming year because we are just coming off what has been indicated as a fairly substantial loss and we all look forward to better times.

\* (1110)

We are now going to deal with the Moose Lake Loggers Annual Report for the same period, 1986-87. We will deal specifically with the report and, to accommodate information or help with information to the Members, a projection to the year that we have also gone through which will be commented on and there may be further comments.

I can open my comments by saying that I have had the privilege of spending some time at the Moose Lake Loggers, and I think for those of us living in other parts of Manitoba, we could not only run a logging camp there but also an excellent tourist camp. They have got one of the nicer locations in the Province of Manitoba, and I say very sincerely that there could be some very tremendous tourist opportunities.

I want to introduce Mr. Clem Jones, Chairman and President of the company, who is sitting immediately to my left and down the table by one chair; Mr. Rene Kivisto, the General Manager of the company; and, again, we have the backup staff who are here with the Channel Area Loggers and their capacity working with Northern Affairs is the same in both cases.

I would say that we have a very aggressive group of people. The visit that I had to Moose Lake Loggers, the people have a very serious interest in the operations of it. The continuation of it is extremely important to them. I can add, as well, that I found the desire and I have had contact from the board of Moose Lake Loggers to further continue to develop owner-operator units so that they are not as dependent on the Moose Lake Loggers Company, but it is their longer-term desire to operate it as owner-operators, and I would encourage them to do so.

Again, thanking the board and the management, I would ask Mr. Clem Jones for his comments dealing

specifically with the report and comments that he would have to help this committee pass the report.

**Mr. Clement Jones (Chairman, Moose Lake Loggers):** Thank you, Mr. Chairman, and Mr. Minister, ladies and gentlemen. We are pleased to present to you our annual report for the year 1986-87.

Our report shows a \$71,000 profit, although we had budgeted for a \$150,000 loss. This is one of our best years both in production and profit at the year-end. The success in this financial position, which came around directly, and it was related to reducing the overall cost compared to our budget by approximately \$1.40 per cubic metre, an increase of wood at an average of \$21.50 per cubic metre, and a slight increase in production.

The company had harvested 140,000 cubic metres or slightly over 56,000 cords of wood, all of which of course there was a demand for. Our reforestation program was successfully completed and we planted over 500,000 spruce and pine seedlings at 24 cents per tree. We realized a small profit from this venture of \$21,000.00. This is excluding camp cost. The company provided employment for 74 people in logging operations, in which 26 are skidder operator-owners and 30 seasonal positions in the reforestation program. Of these, approximately 80 percent are the local northern Native people.

I thank you for giving us this opportunity to present our annual report for '86-87. I will have a brief summary of our 1987-88 picture, and the company at this fiscal year has suffered a major loss of \$142,000.00. This was directly related to the reduction in the average price we received. We received \$20.10 per cubic metre, coming down from \$21.50 per cubic metre. We also had a drop in production down to 116,000 cords from 140,000 cords. However, our reforestation program was successful in the planting of 2 million seedlings, at a profit of \$95,000.00.

Our current status is that we have received a contract offer from Manfor for 1988-89. We are presently reviewing the offer and preparing a cost analyst to enter negotiations with the intent to prove our financial position and finalize the contract.

Reforestation and other silviculture activities are being pursued with Manfor. In the meantime, our position is to carry on with business as usual. Thank you.

**Mr. Chairman:** I would like to ask Members of the committee now, at this point in time, to ask their questions of the Minister.

**Mr. Jerry Storie (Flin Flon):** I apologize for not having time to read the report fully, but perhaps we could just have an overview of the number of skidders that were operating, and whether there were any mechanical harvesters utilized for both the years, '86-87 and '87-88.

**Mr. Downey:** Those questions I would ask management to respond to.

**Mr. Jones:** During the year in question there, we had 26 skidders and no mechanical harvester for the year-

end report, and I will let Mr. Kivisto go on for the present status.

**Mr. Rene Kivisto (General Manager, Moose Lake Loggers):** We still have no harvesters. The skidders have dropped from 26 to 22. We are getting along with that amount.

**Mr. Storie:** One of the major costs that confront Moose Lake, I guess, is the maintenance of the camp. I was just reviewing some of the costs and it seems to me that there have been some savings. It seems that the cost of the camp for Moose Lake has been reduced somewhat. I am wondering, is that an area that is being looked at currently in terms of potentially improving the situation for the '88-'89 year.

**Mr. Downey:** Having been a visitor to the camp and the work activity that has been carried out there, my initial reaction is that it is a very intricate part of the operations of the whole of the Moose Lake Loggers, the fact that it is some 80, 70 miles, or whatever it is, from the community. The travel back and forth would be fairly onerous on those workers. So my initial comment, and having discussed this with the board—I know they are very conscious of the cost factor—when you look at the options, it would be a direct cost over to those workers and it would have an impact on them.

As far as I am concerned, I do not think there is any immediate chance or immediate plans to change it, other than to say it would be my desire, and again I have discussed this with the board, to look for options to work training activities that may further utilize that particular camp for additional purposes.

Remembering that when one does that, and bring in additional individuals to be trained, and under the wage agreement, the management agreement, with Manfor, they will not accept the product from those trainees because of the fact they are being paid less than the other wood harvesters. So the agreement, the wage agreement, restricts, if I can say, to further enhance the opportunities for training and work activities if the wood products are going to Manfor. But at this particular time, no, there are, as far as I am concerned, no plans to close it. But I know that they are working aggressively to try and make it operate as efficiently as possible.

**Mr. Storie:** I guess I am pleased to hear that. I know that the camp, certainly from the community's point of view, was a necessary part of their operations and would create some problems if they did not have it. I certainly wish the Minister, Mr. Jones and Mr. Kivisto good luck in looking for options. Unfortunately, there are not that many.

The Minister's comments about the possibility of some additional utilization of the camp is interesting. I would hope that if that comes about that the negotiations that would have to take place between Manfor and Moose Lake and the IWA, in this case, would be attempted at least. I think that there is room for some discussion, some negotiations. I think Moose

Lake Loggers is viewed rather positively by the people of The Pas and by the IWA. Anything they can do to improve their financial circumstances would be, I think, worth sitting down and discussing at least.

\* (1120)

**Mr. Downey:** Mr. Chairman, that is correct. In fact, not too long ago, in comments I made in the Legislature, that was one of the options that I proposed, that the different individuals sit down to address that very issue. I think it becomes more evident every day, when we hear comments come from individuals like Chief Jim Tobacco and the problems they are having, not only in the community but with the band, the unemployment in the young people, that a company like Moose Lake and the camp can play a role.

Although it may show a bottom line not quite as desirable as we would like, the options for those people are very limited. I was quite serious when I said earlier that probably a tourism-type activity, to training of tourism, whatever—whatever can take place in that kind of a setting, I think, should be looked at and assessed.

I can assure the Members of the committee that I, as Minister, and my staff, who again have the privilege of being there, spending some time with them, feel strongly about the work activity that is being carried on and using the camp as a nucleus.

**Mr. Storie:** I am pleased to hear the Minister's views on the importance of Moose Lake and the importance of maintaining the unemployment. The fact that over a 10-year period the accumulated deficit of the company is \$500,000, when you consider that they employ 76 people on average over that period of time, it is a tremendous benefit to the province. Having said that, I know Mr. Jones, Mr. Kivisto and the community are working to make sure that this remains a viable enterprise and are operating it as effectively as they can.

Just moving to the other area of reforestation, Mr. Jones mentioned that they had planted a million seedlings this year—2 million this year. What is the objective of Moose Lake Loggers? We missed the opportunity to ask Channel Area at the same time. In terms of reforestation, how close are we to 100 percent replacement of logged out areas right now? What is the objective as far the company is concerned?

**Mr. Jones:** I will refer that question to Mr. Kivisto.

**Mr. Kivisto:** Manfor has a very aggressive planting program. We planted in the year that you are reporting approximately half-a-million trees—I think it says in the report here, in '86-'87. The next year, we planted close to a million. Early last year now, what we are working on we have just got very close to half-a-million trees planted. Because of the dry weather, we were hampered in getting any more into the ground. I think we are in excellent shape. The scarification and the planting programs at Manfor have been, in my view, very, very well taken care of.

**Mr. Storie:** Just a rough estimate, Mr. Kivisto does not have to give me an exact number but a rough estimate. If you planted two million trees, would that be more trees than you cut in a year?

**Mr. Kivisto:** Well, there are a number of ways that these trees are coming up. There are areas that are scarified, and there is a little bit of a problem with the scarified areas because they come up too thick. But in our areas, it is mostly jack pine and highland spruce that is growing. So the scarification brings the trees back very well, and I would say that every area that we have cut is coming back more than ample.

**Mr. Storie:** I am just trying to identify, Manfor and the province has a federal-provincial agreement for reforestation under the Forestry Development Agreement that calls for a complete tree-for-tree program. For every tree we cut, we are going to be replacing it. I think the Manfor goal and the provincial goal is to have that happen. What I am trying to get, I guess, from Moose Loggers is whether that is their goal as well and how close they are to achieving it. I gather from Mr. Kivisto's comments, where scarification is taking place, where the results seem to be pretty good—and I assume that we are supplementing that with planting. In areas where that will not work, were there other problems?

**Mr. Kivisto:** That is correct. We only plant the areas which are hard to scarify, lower ground. So I think every acre that we have cut has been taken care of, except probably in a couple of areas where it was winter cut that we cannot get to in the summertime. That is the only area that has not been taken care of. Some of these are now being taken care of by scarifying in the wintertime.

**Mr. Storie:** Just one last question on the reforestation program, are there areas that have been cut by Moose Lake Loggers over the years that have not been scarified or replanted at this point?

**Mr. Kivisto:** There are a couple of areas, fairly small, that were behind a big swamp that there was no scarification done. But other than that, they are all done.

**Mr. Elijah Harper (Rupertsland):** I want to ask the Minister in regard to the sale of Manfor, and certainly the community of Moose Lake has a direct interest and it was one of the communities that was directly affected by the building of the hydro dam and the loss of traditional activities, has been lost and I am sure the communities and the people involved in the logging operations are concerned about the sale of Manfor and their future. I was just wondering what role has the Minister played in respect to that in terms of developing a strategy in dealing with that.

**Mr. Downey:** I will try to deal with it as it relates directly to Moose Lake. I have been involved in discussions and, each time I have been involved, putting forward the concerns of continuing employment opportunities and continuing expansion of Moose Lake as far as a wood provided of Manfor is concerned, I have been

given the assurances from my colleagues and from the process that has been going through that will in fact be the case. In fact, I can tell the Member that some of the discussions would enhance Moose Lake's opportunities and the Native people's opportunities for the supply of wood. That is the objective that I have and will continue to carry out.

Let me say as well that in some of the discussions that I have had with the Moose Lake Loggers community and the company when I talk about the use of the camp for other purposes, I believe there has to be and we are trying to develop with Northern Affairs an opportunity in other areas of resource usage and development, whether it be livestock production through agriculture, which there is a tremendous opportunity and, I have to say, some leadership being shown at this particular time by some individuals who are on the board of Moose Lake Loggers in that particular area; enhancement, of course, of the traditional ways of life, whether it is fishing and trapping. There have been some difficulties, but I can assure the Member that those were discussed.

Tourism is another one which I know the communities are very interested in. Moose Lake people, again in our discussions, were extremely interested and I guess the bottom line concern was that they want to create employment opportunities for their young people. That fits in fully with what our policies are, and we will be doing everything we can to enhance them. As I say, the discussions so far that I have been involved with dealing with the sale of Manfor happen to enhance the opportunities for local and Native employment, and I will continue to put that forward, Mr. Chairman.

**Mr. Harper:** Yes, I thank the Minister for those remarks. Is the Minister part of the negotiating team with the sale of Manfor or is it being done solely by the Minister of Finance (Mr. Manness)? Some of the things that the Minister has echoed out, I am just wondering whether those concerns and some of those things have been brought to the companies that are negotiating for Manfor. Some of the concerns I have are in terms of whether the timber cutting rights in that area belong to Manfor, if it is part of the negotiations, that maybe Moose Lake can have an area specifically designated for Moose Lake Loggers and whether they will have a say in the running of the whole Manfor, whether they will be part of the board. That will certainly have a greater impact by the community if they had a say in part of the Manfor or whether Moose Lake is considered to be, I guess, the community and the bands that are involved in Moose Lake area would be able to even have, let us say, equity positions within the company. Is that being considered at all?

**Mr. Downey:** To the first question, have I been involved in discussions, yes, I have, in a direct way with the Minister of Finance (Mr. Manness) in the discussions with companies; and, yes, I can assure him that they are well aware of the desire of the Government to have the local people fully involved in the wood supply activities, as I indicated a minute ago, that we will. In fact, I would hope to enhance those opportunities for those people in the local communities.

Dealing with the final question as to whether or not there would be involvement, again I can say that I received direction from, in combination with my colleague, to go and talk specifically and consult with the community of Moose Lake, both with the chief and his council and also with the local community council in this regard. I was there, my staff were there, and we had an excellent meeting and a good understanding of some of the opportunities and where we stand.

\* (1130)

**Mr. Neil Gaudry (St. Boniface):** Yes, what was the major cause of the increase of insurance in operating? Was it due to loss or increase of assets or—there is a \$28,691 increase.

**Mr. Downey:** Mr. Chairman, I will ask the management to respond to that question.

**Mr. Jones:** The increase in the insurance fund, that was taken, that was—we had negotiated. Just a minute, I will let Mr. Wiebe handle that.

We had a drastic increase in our premiums. Mr. Gordon Trithart was handling this matter, and it was brought to us that we had a very huge increase in our premiums and that is what happened.

**Mr. Gaudry:** Mr. Chairman, is the insurance through the Manitoba Public Insurance?

**Mr. Jones:** I am not aware of that. I will have to ask Mr. Wiebe. Reed Stenhouse is the major carrier.

**Mr. Gaudry:** Mr. Chairman, one last question, Workers Compensation also had a substantial increase. Was that due to loss of time or increase in payroll, or the general increase to the compensation?

**Mr. Downey:** The reason for that is the general increase in the cost of Workers Compensation.

**Mr. Chairman:** Is it the will of the committee to pass Moose Lake Loggers Limited Annual Report, 1986-87—pass.

## COMMUNITIES ECONOMIC DEVELOPMENT FUND

**Mr. Chairman:** Then we will go to the Annual Report of 1986-87, Communities Economic Development Fund. I would like to ask the Minister for his opening remarks.

**Hon. James Downey (Minister responsible for The Communities Economic Development Fund Act):** Mr. Chairman, let me just thank again the management and the board of Moose Lake Loggers for their dedication and their endeavours to help with the operations of Moose Lake Loggers and the employment of the individuals there. I can assure you that I feel far more comfortable sitting on the same side with this group of managers than I did in Opposition a year ago.

**An Honourable Member:** Yeah, but the question is, do they?

**Mr. Downey:** At this time, Mr. Chairman, I would ask that the manager and the chairman of the board of CEDF, Communities Economic Development Fund, come forward so we can deal with the report of Communities Economic Development Fund.

**Mr. Chairman:** Mr. Minister, do you have an opening statement to make?

**Mr. Downey:** Yes I do, Mr. Chairman. Let me, first of all, indicate my appreciation for the work activity that is carried out by the board and by the management of the Communities Economic Development Fund. Again, I have had the opportunity to sit in Opposition over the past few years; now I have an opportunity to see it from the other side. It is like everything else. One always sees something different when they look at it from a different angle.

Let me open by saying the Communities Economic Development Fund, just to help some of my colleagues who are new, the Act was passed in July of 1971. The objectives of the fund are to encourage the optimum economic development of remote and isolated communities within the province and, to that end, to provide financial or other assistance to existing economic enterprises or to economic enterprise to be established; community development corporations, to emphasize and encourage the expansion and strengthening of small- to medium-sized economic enterprises which are locally owned and operated, and generally to assist the Minister in furthering economic development on behalf of the residents of remote and isolated communities, particularly as regards economically disadvantaged persons.

The management of Communities Economic Development Fund operates under a board of nine directors. The chairwoman is Ms. Barbara Bruce, who is to my left; Mr. Ray Gammon, who is the Acting Manager; Manager of Finance, Mr. Ted Chiswell; and we have Mr. Alec Musgrove with us as well, the Secretary to the organization. I also have Mr. Ed Hudek, who has been doing some work with the Communities Economic Development Fund.

There are a few things I would like to report on behalf of the Communities Economic Development Fund. CEDF shares staff and premises with the Manitoba Development Corporation on the basis of cost of 70 percent CEDF and 30 percent MDC. The type of loans and clientele are different in terms of size and type of loans and clients themselves. There is no reason for this close relationship and consideration—review is being given to this relationship. My colleague, the Minister of Industry, Trade and Technology (Mr. Ernst) and I have been involved in those discussions, as we have with management and the board.

The 1986-87 annual report lists the board of directors and some changes have been made in an attempt to strengthen the business aspects of the board and still retain the Native and remote location and contact of board members. A list of present members is available, and I would like to say that was one of the comments that we saw in the annual report of the Auditor which is available to each member as well.

There have been a few staff changes since the beginning of the fiscal year: a senior consultant, Mr. John Zdan, who has retired; Mr. Greg Goodwin, the Assistant General Manager and Corporate Secretary has resigned to accept a position in B.C.; and Mr. Hugh Jones, General Manager, who suffered a health problem and was on leave for several months, is now on leave during a special audit being conducted by the Provincial Auditor.

Funds for the operation of CEDF are provided by the Province of Manitoba. As of March 31, 1987, this amounted to \$6,122,223.00. As of March 31, 1988, the unaudited statement shows this revolving fund as \$6,635,393.78. During 1986-87, 66 loans were approved to the amount of \$3,573,294 with a job potential of 215 positions.

During my short term as Minister responsible for CEDF, I have had several opportunities to dialogue with the board, to review the direction of the policy and the fund. This will be an ongoing dialogue by which I hope we can make CEDF more fully meet its objective of assisting developing remote and isolated communities of Manitoba, particularly for those people who are economically disadvantaged in our society.

As well, Mr. Chairman, I would like to add that many questions have been asked in the past few years as to the legislation itself and its restricting or what would appear to be restricting to those areas, and I think it would be incumbent upon the Government and Members of the Opposition to look at whether the Act should be changed. We will be doing that because there are some people who I am sure could be assisted under this program that may be restricted because of it. It has caused, I know, some questions for the board and management at different times. That, Mr. Chairman, is my opening comment, and I invite questions and would like to proceed.

\* (1140)

**Mr. Steve Ashton (Thompson):** Mr. Chairperson, I have a series of questions related to the status of the audit that was commissioned by the Minister. It was announced on October 17 of this year. Basically, it deals with two specific areas as I understand it. One is in relation to specific allegations that were made in regard to Mr. Jones, the former chairperson of CEDF, and also in regard to ongoing concerns related to management practices that had been identified by the Provincial Auditor.

I would like to ask the Minister what the current status of that audit is and when we can expect an announcement as to the results of that audit and a copy of that audit as well.

**Mr. Downey:** To my knowledge, and the board may have it at this particular time, but I have not been informed of any written direction from the auditor at this particular time. However, there have been some brief discussions with the board and myself. As soon as there is more detailed information, I would be able to report but, at this particular time, I have nothing in writing from the auditor.

**Mr. Ashton:** I am wondering if the Minister is now prepared to give Members of the Legislature a better idea of the substance of the allegations that were made. We are certainly aware of the statements of the Provincial Auditor from previous documents from the Auditor that have been tabled in the Legislature. Will the Minister now give this committee an indication of what type of allegations have been raised, because it certainly has left a cloud over the operation of CEDF. I know a lot of people are quite concerned. I am wondering if the Minister is prepared to advise Members of the committee as to the allegations that were made.

**Mr. Downey:** Mr. Chairman, as the Member is aware, the directive came from the Provincial Auditor to the board and there are allegations. At this point, I have nothing further that I can add as far as those allegations are concerned. One of the comments the Member makes is the cloud that hangs over CEDF are the concerns. What the recent meeting with the Auditor to discuss was that particular reason. Management and the board had brought to my attention their concerns that they would like to see it sped up and have the issue resolved as quickly as possible. As quickly as that is done, I can assure the Member that I will report to him and to the Legislature as far as the audit report is concerned, but I have nothing further to add at this time.

**Mr. Ashton:** I would like to ask the Minister when he first became aware of the allegations that were made in regard to Mr. Jones.

**Mr. Downey:** The Member makes reference to communication from the Auditor and I would have to go through my file to say specifically. It is about that time, October—I will go through my file here and see just where it is. The 6th of October, Mr. Chairman.

**Mr. Ashton:** Was the Minister aware of these allegations, either in whole or in part, prior to receiving official notification from the Provincial Auditor?

**Mr. Downey:** Just unsubstantiated or unofficial comments being made from individuals who either had dealt with or tried to deal with concerns being raised in a general sense, not in a specific sense.

**Mr. Ashton:** Approximately what time were those general allegations that the Minister refers to? What time did he become aware of the allegations?

**Mr. Downey:** Probably a week prior to the letter from the Auditor, maybe less than that but in that period of time.

**Mr. Ashton:** Was it at the Minister's recommendation that the individuals expressing the concerns contact the Provincial Auditor. I would like to ask a further question to that as well as to whether the Minister met with specific members of the CEDF staff or board to discuss that matter.

**Mr. Downey:** There were discussions with the Auditor following some of those comments, and the Auditor's

response and letter was one which the board was informed of in discussions I had with board members, and the action was taken by the board.

**Mr. Ashton:** So in other words, the Minister met with staff, was made aware of these or—I am not saying he met at his insistence but became aware of this from staff or boards members, these complaints, and that essentially he recommended to the staff members they contact the Auditor and he was in discussion with the Auditor prior to the announcement.

**Mr. Downey:** That is basically how it was, yes. But let me just retrace it. It was discussions that had come to my attention that had been in discussion with the Auditor. The Auditor and I met and the processes carried out that he is aware of.

**Mr. Ashton:** If the Minister cannot or will not indicate what the specific charges were, could he indicate at least the time period we are looking at and also indicate whether those that had made the concerns to him, why they had not made them known to him until October, I believe, would be the time frame we are talking about this year? Why they had not come forward previously to raise these concerns?

**Mr. Downey:** I do not know why they would not have come forward earlier.

**Mr. Ashton:** I want to move into the area of the Auditor's Report and ask the Minister why, when he announced the current review by the Auditor of CEDF on October 17, he made no reference whatsoever beyond the most recent Auditor's Report which was for March 31, 1987, particularly made no reference to the Touche Ross Report that had been initiated on the recommendation of the Auditor by CEDF and the previous Government, which reported in March of 1988? Why did he make no reference to the Touche Ross Report when it went into some detail, both in regard to the general operations of CEDF and the Auditor's Report for the year ending 1987?

\* (1150)

**Mr. Downey:** Mr. Chairman, the report that he refers to I do not believe was dealing specifically with the concerns that the Auditor was bringing to the attention of the board.

**Mr. Ashton:** Well, Mr. Chairperson, I am puzzled by that remark. The Touche Ross Report was a review of the operations of Community Economic Development Fund. It went into some detail, both in regard to specific recommendations and many of the issue areas that had been identified by the Auditor. I would like to ask the Minister, has he read the Touche Ross Report, and is he not aware of the recommendations and the general study area of the Touche Ross Report?

**Mr. Downey:** Yes, I have.

**Mr. Ashton:** Having read the report, why was there no reference to it when it was obviously germane to

the audit that was announced by the Minister on October 17, when it was the most recent information available, when it was a report conducted by Touche Ross, as I said, on recommendation initially of the Auditor, himself? In fact, that was enclosed in his report, ending year 1987, was a recommendation of that specific study. Why did he not make any reference whatsoever to the Touche Ross Report?

**Mr. Downey:** My previous answer still stands.

**Mr. Ashton:** The previous answer of the Minister was that he had read the report. I asked the question why, presumably having read it, he made no reference to it whatsoever either in the ministerial statement or any discussions with the press?

**Mr. Downey:** If the Member will read Hansard, Mr. Chairman, I did answer the question which he is again asking.

**Mr. Ashton:** Well, I do not believe the Minister's answer is satisfactory. I would like to perhaps ask the Minister if he would be willing to table a copy of the Touche Ross Report for the benefit of Members of the committee so that they can look at the parameters of the report, and specifically look at the recommendations of the report.

**Mr. Downey:** Mr. Chairman, it appears the Member has a copy of it and, if he wants a second one, I have no difficulty in giving him one and the other Members of the committee.

**Mr. Ashton:** I think the Minister is being rather off-base in his response. I asked, on behalf of other Members of the committee, I do have a copy of the report but I thought the Minister, as responsible for CEDF would have, as a courtesy to other Members of the committee, tabled the report at the beginning of this committee since it is obviously germane to the discussions that are under way.

**An Honourable Member:** That is all right, I will borrow yours.

**Mr. Downey:** Mr. Chairman, I am informed that the report was commissioned or carried out by PICM, which is under the Minister of Finance (Mr. Manness), so that would have been the area, but I have no difficulty in accommodating the committee in getting reports for all Members as the Member has indicated.

**Mr. Ashton:** The Touche Ross Report, for those who have not had the opportunity to see it, outlined some specific recommendations for CEDF. It also outlined some of the progress that had been made in regard to previous recommendations. In fact, I quote from the Executive Summary Reports, it stated: "Management has done a commendable job in enhancing administrative controls over the past two years." This incidentally was following directly from recommendations of the Provincial Auditor so, once again, I am surprised that the Minister would try to suggest that this Touche Ross Report with the Auditor's



Report. It referenced: "We are impressed, in particular, by the Operations Manual, by the emphasis on documentation, sign-off procedures . . . "which once again followed from the Auditor's recommendation.

It went on to suggest other ways in which administrative controls could be enhanced. I would like to ask the Minister what action has been taken in regard to the Touche Ross Report which was, as I said, received in March of 1988.

**Mr. Downey:** I think that I could comment, but I would ask maybe Mr. Gammon to make a specific comment as the implementer of the management practices and his role as manager. I think the operators manual or operational manual is one which has been implemented but I would ask him to respond directly to that.

**Mr. Ray Gammon (Acting General Manager, CEDF):** I have only been with the organization for five or six weeks. Very briefly, I think many of the items recommended in the Touche Ross Report have been implemented, particularly the manual relative to the operations, which I think is a very good example of improved internal control.

**Mr. Ashton:** I was wondering if either the Minister or representatives from the board could indicate what specific recommendations of the Touche Ross Report were acted upon. There were, I believe, five specific areas that were outlined in the recommendation.

**Mr. Downey:** The operations manual, the development of that is one, specifically. The strengthening of the board is another area that was dealt with.

Mr. Chairman, I would ask Mr. Gammon to further respond.

**Mr. Gammon:** I think this is one I would feel more comfortable in providing a written response subsequently. I am not, just off the top of my head, prepared to say what we have done or have not done in relation to that report specifically.

**Mr. Ashton:** I would appreciate a response. I would just advise the Minister, if he would care to look at the Touche Ross Report, that the operations manual he referred to was already in place at the time the Touche Ross Report was being conducted. Some of the items that he is mentioning were already put in place.

The reason I am asking this series of questions is because, when the Minister made the ministerial statement announcing that there would be an audit conducted both into accusations involving Mr. Jones and in regard to the general management of CEDF, he made reference: ". . . of allegations of continued mismanagement." I am trying to get some idea of what the Minister was referring to.

If he would have looked at the various auditor's reports over a period of time, he would have found that problems were identified and that they were acted on. In fact, I believe in the last auditor's report, which the Minister seems to be citing as somehow referencing this continued mismanagement, there was referenced

once again of progress that had been taken and further progress that was needed. The Touche Ross Report further indicated that even additional progress had been made and outlined some other areas that were required for action.

I would like to ask the Minister why, when he made this statement, he made reference to a continued mismanagement? Is he saying that the recommendations of the Auditor and the Touche Ross Report were ignored? Is he particularly saying that even he as Minister has not done anything in regard to the Touche Ross Report? I am trying to get some idea of what that statement was in reference to.

**Mr. Downey:** Let me indicate to the Member that what we are dealing with were allegations. Let me further respond that it would appear that the Member is not supportive of the Special Audit that was requested by the Provincial Auditor, that he feels satisfied with a report that was already done by Touche Ross and that there was further information which the Auditor decided should be looked into. Is he questioning the Provincial Auditor in a review of the Community Economic Development Fund, which for some three years questioned management practices and now further information that was provided to the Auditor and available to him? Is he suggesting that this Special Audit should not be carried out?

**Mr. Ashton:** I am glad to respond to the Minister. Not having a copy of the allegations that were made in regard to Mr. Jones and not having been provided with that information by the Minister either following October 17 when he made the announcement as critic and as a Member of this committee, not receiving any information today, obviously it is not fair for the Minister to ask Members of this committee to comment on allegations that they have never even seen. So the Minister's attempt to be cute falls, I think, rather short of the mark.

The question I am asking though is as to why, in regard to the other area where the Minister has obviously talked about the general operation of CEDF, why he chose to ignore the Touche Ross Report. I would suggest to the Minister that he probably chose to ignore the Touche Ross Report, which does deal with the same subject matter as the Auditor's Report. It deals with recommendations that were made by the Auditor himself. It was initiated by the board on the instigation of the Auditor. The Auditor recommended the Touche Ross report.

What I would like to know is why he made no reference of it in the ministerial statement, did not until asked even to volunteer to provide a copy to the committee. I would suggest it is probably because the Touche Ross Report does not support the kind of statements that the Minister has tried to make in Opposition and is attempting to continue to put on the record now that he is Minister. I would like to suggest that the reason with the Touche Ross Report that it was not introduced in the Legislature and in committee today is because it is a good report. It outlines some progress and, yes, some areas of further improvement, but certainly it does not substantiate any of the talk

of the continued mismanagement the Minister himself referenced on October 17.

**Mr. Downey:** Mr. Chairman, again I would just comment briefly in response to the Member that the work that is being carried out is at the direction of the Provincial Auditor. It is unfortunate that he does not support that Special Audit that is being carried out. It is unfortunate that the Member is pressing to have information provided when we are dealing with allegations. I think it would be very unfair to say anything further in this regard when we are dealing with allegations that the Auditor is looking into.

\* (1200)

I think the Member should reconsider what he is saying and where he is going with his position. I say that with the greatest of respect for the Member. They are allegations. We are dealing with human beings. We want to deal with it as openly and as fairly as we can, and are doing so. The Touche Ross report, as the Member has indicated, has got some management recommendations for improvement in it. The comment I made earlier and the response I made to him about the Touche Ross Report, this was over and above that, beyond that work that was done. The Auditor is fully aware of the Touche Ross. It was he who directed the board and pointed out these matters, Mr. Chairman, and I will leave it at that.

**Mr. Ashton:** The Minister is very good at providing rhetorical questions to questions that were posed to him. That is not a response. I would say once again in terms of the allegations that were made in regard to Mr. Jones, we in the Opposition have not seen those allegations, so it is ridiculous for the Minister to start asking those type of rhetorical questions of us in the Opposition. If we maybe had that information, we could give an answer, but we have not.

I am referring to the specific statements that the Minister was suggesting in terms of mismanagement at CEDF when in fact the Touche Ross Report, the most recent report available, indicates that was not the case. In fact, since the Minister still does not acknowledge the importance of the Touche Ross Report, can he indicate what the terms of reference for that report were—a very simple question?

**Mr. Downey:** Mr. Chairman, as the report was requested by the PICM under a different Ministry, I can get those terms of reference for him. At this particular point, I have not got them available here for me to table them. Again, I can assure you that I am not down playing the importance of the Touche Ross. That was valuable information that helped with some of the management of the Communities Economic Development Fund. I am not opposed. In fact, I was supportive of seeing that happen. I sat in Opposition trying to get information from his administration for how many years, trying to make sure that there was full and adequate reporting. Mr. Chairman, this is part of the process that the Auditor of the Province of Manitoba has pointed out, and by the board of directors of CEDF is being carried out.

Now I think that is a very responsible action that is being taken by the board and, when more information is available from the Auditor's Report, to the Member, if there is any substance, it will be made available. If there is no substance, then I think the exercise has been carried out responsibly and not to the detriment of any individual.

**Mr. Ashton:** I have some further questions, although I am sure Liberal Opposition critic has a series of questions too, so I will defer to him. I just have one brief comment though and that is that the Minister, when he made the announcement, I think, went far beyond the parameters of an investigation strictly into any allegations made towards Mr. Jones.

In fact, it was quite clear in press statements that the Minister was attempting to cast his net to include CEDF. He used the word, even in the House, about mismanagement, a charge which I think is clearly untrue. I think that is documented in the Touche Ross Report. But I think the Minister has left the impression anyway, and I think it is up to him to clarify that. It certainly was made outside of the House, not quite so much before the Legislature, that the Minister is also interested in seeing something of a fishing expedition conducted in regard to some of the concerns that have been identified before. And, yes, concerns were identified and, as the Touche Ross Report pointed out, they were acted upon. But the Auditor's Report itself, if the Minister would care to review it, for the year ending 1987 also indicated that action had been taken.

So the Minister's own comments, I think, have led in many ways to the cloud that is hanging over CEDF. If the Minister said specifically that the allegations would be dealt with with regards to Mr. Jones and had mentioned that there would also be an ongoing review of CEDF that has taken place over the last several years by the Auditor, I think he would have gone a long way to clearing some of that cloud of suspicion. But I think that the Minister's own statements have left, I think, some question as to the intent, not of the investigation into the allegations against Mr. Jones—presumably they were serious and had to be dealt with—but in regard to the other allegations that the Minister referenced in terms of CEDF generally. So, as I said, I have some further questions on the Touche Ross Report and other items, but I am sure my Liberal colleague has some questions as well.

**Mr. Chairman:** Mr. Minister, do you want to respond?

**Mr. Downey:** No, I will deal with it after.

**Mr. Herold Driedger (Niakwa):** Not to follow along the lines of questioning of Mr. Ashton, rather more into the, I guess, mandate of the CEDF and just to go back to the Minister's opening remarks, wherein he did suggest or reference that it might be advantageous to examine some legislative changes regarding the operations of the CEDF. I read into that, perhaps the mandate that it is presently working under is perhaps not wide enough to actually address the concerns that he indicated should be addressed. If I could just ask the Minister to comment a little bit as to what kind of

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changes he envisages in this particular kind of proposal or this particular kind of legislative review or change.

**Mr. Downey:** Mr. Chairman, and I will be short and specific, when one reads in the Act the objectives of the fund are to encourage the optimum economic development of remote and isolated communities within the province, that is somewhat restrictive to a board who may have an individual who under all other criteria of the loan program—it does not fall within that particular mandate and it causes some problem because of their legislative restriction, and those are the things that I have discussed. Mr. Hudek and the board and management are concerned. So those are the types of areas that I am referring to.

**Mr. Herold Driedger:** I was looking at perhaps a bit of a wider mandate or a wider investigation. Specifically, if I can recall correctly from some of the information I have obtained from talking to people who have worked with the CEDF and so on—and I can stand to be corrected because I asked yesterday. Again, it was corrected by the Member from Rupertsland (Mr. Harper), but I want to make certain that this impression of mine is correct.

I understand that the CEDF operates somewhat in the manner of a lender of last resort. If financing for an operation or a proposal cannot be obtained otherwise, then the applicant would come to CEDF. I will stop at that point and ask the Minister to reply to that.

**Mr. Downey:** If you were from a northern and remote community.

**Mr. Herold Driedger:** Thank you for that, but I still imagine that the answer to that question then is right. It offers itself as a lender of last resort for those particular areas.

I think you also mentioned in your opening remarks that the CEDF and the MDC were working fairly closely together. Could you please indicate to me, where does the actual funding or the amount of money that the CEDF lends out, where does that money then come from? Is transferred over from MDC?

**Mr. Downey:** No, from loan approval from the province, Mr. Chairman.

I should just elaborate a little further on the MDC-CEDF connection. As I indicated in my opening remarks, there are different types of clientele, different types of loan activity, and I would suppose the reason that it was joined together when it was was for a matter of maybe less work activity in one particular area. It is confusing to the clientele and to individuals and I am not, when I use the example of the northern and remote issue, that is not the only thing we are looking at. We are looking at how better it can serve people of Manitoba, northern and remote communities of individuals who are unable to get loans from other individuals where there is more risk element, yes. So it is not just that specific thing. It is the whole area of how we can improve the Communities Economic Development Fund for the people of Manitoba.

**Mr. Herold Driedger:** Yes, I was aware also of the other way the fund gets its money—the loan appropriation. I know specifically why. I am asking this. I have noticed that in the Northern Affairs Estimates there is a separate half million dollar item indicated to be added to the CEDF, and I am just wondering where this particular half million dollars would then be applied to in the CEDF operation.

\* (1210)

**Mr. Downey:** Mr. Chairman, I stand to be corrected, but it is my understanding that the additional funds that are approved there—we can debate it further in the Estimates of Northern Affairs and get additional information, but it would be from losses incurred by the Communities Economic Development Fund.

**Mr. Herold Driedger:** Then, in essence, just very quickly, the losses that the fund undertakes because it is actually operating in an area of reasonably high risk will not then just be strictly written off. These then, you are actually stating that from now on will be a line item to sort of cover so that these can be examined and debated. Is that what you are suggesting?

**Mr. Downey:** This is not new that when there is a loss incurred that it is funded by the Northern Affairs Department. It is not a new situation.

**Mr. Herold Driedger:** No, and I understand not new, but now it is there. You can even see it in dollars and cents.

**Mr. Downey:** Yes.

**Mr. Herold Driedger:** Continuing on, under the General Manager's Review for the annual report, he refers to the fact that over the year—and this refers now to the '86-87 year—"internal changes have been implemented which allow us to ensure the most appropriate decisions can be made on individual applicants." What kind of changes are these specifically that were referred to and how do they actually differ from what went before?

**Mr. Downey:** Recommendations in controls which were recommended by the Provincial Auditor, internal controls which were recommended by the Provincial Auditor.

**Mr. Herold Driedger:** Have these recommendations then ended up in creating a more efficient operation, or do they enable the actual work of the CEDF which is actually to deliver funds to worthwhile enterprises to be enhanced? Exactly how did these changes ultimately end up in, I suppose, improving the delivery of the service at the CEDF?

**Mr. Downey:** As it would sound in the explanation, it would be a matter of control of loans that were provided to clients and internal monitoring and control of those loans that were provided to clients.

**Mr. Herold Driedger:** This is the monitoring function. Is that what I am hearing?

**Mr. Downey:** Mr. Chairman, I would say yes but, when one monitors and finds that a change or a security or something would have to be done, I am sure that that action was taken following the monitoring.

**Mr. Herold Driedger:** I wanted several more questions. I understand that there are two types of assistance that the fund provides, and I will stand to be corrected on that as well. One is a straight loan which appears to be granted at prevailing rates of interest or at specified rates of interest, and then there is another type which is the loan guarantee, which operates at a considerably lower rate of interest. Could I please have an explanation as to why and how of these two types of loans?

**Mr. Downey:** It is not uncommon, whether you are dealing with northern lending or in any other area of lending that saves the province or, in fact, if there are other companies out there providing a lending service that the province backs that loan for local usage of some of those organizations but also it is just a traditional system that has been established for better operations and use of resources.

**Mr. Herold Driedger:** I want to read Hansard to determine what the Minister said, but I would like to find out specifically whether or not in this loan guarantee question or answer, does this suggest that the loan applicant or in this instance it is a loan guarantee as opposed to loans obtained somewhere else and, in order to obtain the loan somewhere else—I know that the Minister shook his head in affirmative. In order to obtain the loan somewhere else, that indicates that the applicant had some assets or some equity that would enable him or her then to actually obtain this loan with just a little bit of guarantee.

**Mr. Downey:** Basically, that is right. If an individual walked into a bank for X number of dollars and the bank indicated or the credit union indicated that there was not sufficient equity or a sufficient ability to make sure they would recover their funds, then the provincial Government, through the Communities Economic Development Fund and the Manitoba Agricultural Credit Corporation, would move in and undersign that particular loan.

**Mr. Herold Driedger:** Is there any statistic as to the success rate of repayment in either—or I should not say so much a repayment. We know that many of these loan or loan guarantees tend to be in the more high-risk areas, because some of the applicants do not have the equity or the asset base to actually obtain funding elsewhere. Is there any comparison between the kind of potential loss or the loss that is ever experienced by the CEDF with respect to the loans or compared to the loan guarantees?

**Mr. Downey:** I give the Member the same answer that I got for several years that, in a general sense, the recovery or the loss at CEDF was approximately 20 percent of the loans made. I can get the breakdown as to what loss was incurred by the guarantees versus the straight loans. I can get that information, but the

overall loss ratio has been approximately 20 percent of the loans made by CEDF. Mr. Gammon may want to further elaborate.

**Mr. Gammon:** I would just like to make a comment that we do not have that much activity on the guarantee side. Very often, when we are doing the guarantee side, it is a shared risk with the other lender. They will take a portion of the loan as a direct risk and then we will come in and guarantee another part of the advance.

**Mr. Herold Driedger:** Is there any comparison with the general banking institutions as to what their loss factor is? I know that the CEDF is in high risk loans and we expect the losses to be greater. What is the standard for the industry, should we say?

**Mr. Downey:** Having a banker sitting at the table, it may be appropriate that he respond, having been a banking individual.

**Mr. Gammon:** There are several answers to that question. I will approach it this way, that various lending institutions or various lenders have various loss ratios. For instance, you will get finance companies up there that are much higher than banks. I think in the banking industry up in the northern areas, we would look at probably 3 percent to 5 percent which we would be writing off. I think if you get into some of the acceptance corporations who are lending against vehicles or skidders or whatever it may be, you will find that they will crawl up to probably a 7 percent, 8 percent, 9 percent range. I think we are at the top end of that bracket because we provide assistance as a lender of last resource. So we do take a little bit more of a risk than other people would.

**Mr. Herold Driedger:** Just a few more questions, this time now looking at the applicant, to apply for a CEDF loan, qualifying with respect to the northern and remote areas, how does the applicant actually then initially approach CEDF? Does he or she have to go to another lending institution first to obtain funding or how does this work?

**Mr. Downey:** No, they can make direct contact with the Communities Economic Development Fund.

**Mr. Gammon:** If I could just interrupt for a moment, he can make direct contact but one of the requirements is that he has to have had conversations with another lender and they must have declined him in writing, so that we have evidence of the fact that he has been elsewhere and has been unable to acquire assistance in the normal sense. Then we would look at it.

**Mr. Herold Driedger:** A supplementary question on that same line then, is it just a letter then that is required or, when the applicant then sits down, do you then do a further kind of analysis with respect to the kind of risks you might have to take, whether there is equity or assets or is it just a letter that is sufficient in this instance?

\* (1220)

**Mr. Gammon:** Once he produces a letter to us, which gives some brief details as to the kind of loan he was looking for and some brief details as to the security he was offering, we would then take that at face value, if it is a signed written refusal, and then we would approach it from the point of view of what our risk is and how we can help. We generally tend to take, in my short experience anyway and my background as being a normal banker, I find that we do step out a little bit and try and help the client. I think that is commendable.

**Mr. Herold Driedger:** Just to nail that last question down, then you actually take the application and go considerably further and you do investigate to find out why the applicant was refused by the more normal lending institution. Then you make your own assessment based upon whatever risks or whatever the worthwhile endeavour might be. Is that correct?

**Mr. Gammon:** That is correct, except that we do not go into great detail in examining the proposition as presented to another lending institution. All we want is evidence to the fact that they have been there and they have been declined. That evidence usually takes the way of a written letter from whatever bank which says, we have considered but we have declined. Then we look at it, assess it, and do what we have to do.

**Mr. Herold Driedger:** I see just by way of a comment, it seems to me that is a kind of an open ended and kind of a loose kind of control. I would think that maybe a bit of tightening up on that might be appropriate.

**Mr. Gammon:** I disagree quite solidly on that. I think you get into a situation where you can have controls introduced to check on controls. I think that is one of the things that we would want to avoid. You know you can take nine months or a year to make a loan to a client, if you wanted to go into all kinds of details and step on up to the bank and chat with them. I just think that is not the way to do it.

**Mr. Herold Driedger:** Thank you for that. I will defer to another question at this point in time.

**Mr. Harry Enns (Lakeside):** Mr. Chairman, just a few questions, I believe the Act calls for nine directors for this organization. Is the board fully appointed? Are there, in fact, nine directors now operating on the board as the Act calls for? The report before us indicates some seven members.

**Mr. Downey:** Currently, Mr. Chairman, there are eight.

**Mr. Enns:** A further question, appreciating the fact that investigations and reviews are under way, is the board carrying on its functions, business as usual, in processing loan applications as they come before them?

**Mr. Downey:** Yes.

**Mr. Enns:** Well, just a general observation, you know perhaps for as much the benefit of Mr. Gammon who has alluded to his change of venue from his more normal

banking business to this business. The difference being, of course, in the business that he has been in, he had to perhaps answer to a supervisor at head office if something went bad at the branch. This, of course, is a head office that once a year we question how taxpayers' monies had been used.

Having said that, I certainly want to indicate, and I think the committee would want to indicate, that we believe this to be a very important operation of Government, particularly in the areas that you are active in. You, Sir, will know from your own experience that it very often falls in between the stools for normal credit facilities being made available to these people. I would certainly encourage the board, the Minister, to support the activities of the Communities Economic Development Fund to the fullest. Hopefully, you know, move on from whatever internal reviews and difficulties may exist at the moment.

I can personally attest to the very worthwhile, you know, investments of public money in a number of different areas that I am familiar with in the North Interlake and other parts of the province that in every way would want me to continue to see the successful operation of this board.

**Mr. Laurie Evans (Fort Garry):** Mr. Chairman, I certainly would echo the comments from the Member for Lakeside (Mr. Enns) in terms of being supportive of the corporation and certainly would support the Minister in some expansion of the mandate, but I do have a few general questions, Mr. Chairperson. One of them relates to the 2.5 percent spread in the interest rate that was charged within this particular year. Does that indicate that the interest rate is not only dependent on the cost of borrowing money but also reflects differences in terms of the liability that the corporation assumes it is taking on with different clients?

**Mr. Gammon:** That is based on the rate at which the Government gets its own money on the street.

**Mr. Laurie Evans:** So it was tied together? It was just a case of a 2.5 percent spread in that one particular year. That, I assume, would be a little wider than you would normally expect within—

**Mr. Gammon:** It works on averages too, because you get fixed loans in there and times change as you go along. So that spread tends to narrow on occasion and widen on other occasions.

**Mr. Laurie Evans:** In looking at the applications over the period of years that are reported here at 625, what percentage of the applications that the corporation receives are approved? In other words, can you give us sort of the other side of that and make a fraction out of it?

**Mr. Gammon:** I cannot off-hand give you a percentage. If you want it, I could probably get it for you.

**Mr. Laurie Evans:** Could you give me a rough idea? Is it 50 percent of the applications that are approved or 90 percent?

**Mr. Gammon:** I would suggest at my brief review, I would think it probably would be in the area of maybe one in four are turned down. That is a guess and I stand to be corrected by my associates here.

**Mr. Laurie Evans:** Has there been any attempt at a follow-up, because you indicate on page 10 of the report that there are 2,025 jobs that have been either created or retained but this, I would assume, is a short-term calculation. If one went back 10 years, is there any attempt ever made to determine whether those positions have in fact been retained in the communities or has there been a drop off, in other words, a higher failure rate even though the loan itself may not have been in arrears?

**Mr. Downey:** My direct answer would be yes.

**Mr. Laurie Evans:** Yes, there has been a follow-up?

**Mr. Downey:** Yes.

**Mr. Laurie Evans:** What I am getting at, Mr. Minister, is of these 2,025 that are totalled here, how many of those would you say are still existent and could be reflected back on the success of this program?

**Mr. Downey:** Mr. Chairman, that information could be provided if it is not available readily within the books. We are living in a changing world. I think the numbers of job creations is certainly what the board looks at. If there are more or less, that information can be provided. I do want to say though that I think it is important to note that people who do get turned down, there are some routes of appeal to the board and they come to the Minister. There are other looks taken at them. It is not an uncommon thing. As far as specific job opportunities, in some cases, if there was not a CEDF loan, there would not be a job because there would not be any activity.

**Mr. Laurie Evans:** One final question, Mr. Chairperson, is the Minister in a position to give us the next line of this table on page 10 for 1988? In other words, the number of loans approved, the amount and so on, can that be updated or has it already and I just missed it?

**Mr. Gammon:** We have it here somewhere. While we are looking this up, I will just go back to your previous question. In the year '86-87, there were 16 declines and 68 approved, which is about roughly 20 percent. At the end of March 31, 1988, we had approved 75, declined 14, and number of jobs created in the year is 216. You want the dollar amounts too. It is 39, 31 and 339.

**Mr. Ashton:** I earlier raised a series of questions in regard to the audit. I want to make it clear to the Minister, in regard to the audit, we have certainly no objection to this Government looking at the operations of CEDF. What we would be concerned about would be a political witch hunt. The reason we would not want to see the Minister engage in that sort of activity is because CEDF is important and, in fact, I am quite proud of the record of the New Democratic Party, which

not only introduced it back in 1972 but greatly increased the number of loans. We saw a tremendous increase during the period that the NDP Government was in office. In fact, I did some quick calculations this morning. The average was approximately \$1 million when the Conservatives were last in Government. It has been close to \$2.5 million per year under the NDP and we would want to see that continue. In fact, I believe that figure will even be higher, given the results at the end of 1988.

The reason I am raising that is because the Touche Ross Report itself, for example, pointed I think to the bottom line in regard to CEDF, and it is stated: "We wish to caution the significant scrutiny the Fund has recently undergone may swing the pendulum too far to the control side with accompanying detrimental affects for the very important mandate of the fund to provide assistance to economically disadvantaged persons in remote and isolated regions." That is the concern outlined by Touche Ross.

**Mr. Chairman:** I would like to interrupt, if I may, at this point in time, and ask the committee whether we would sit maybe a few minutes longer, whether we then would be able to pass this annual report, or what is the wish of the committee? (Agreed)

Mr. Ashton, with a question.

**Mr. Ashton:** As I said, that is the bottom line, and that is of not swinging the pendulum too far to the other side. We have already had some discussion about the lending performance of CEDF. What I would like to ask is whether there has been any significant change in regard to the degree of losses as a percent of overall loans over the last number of years, whether it has been a fairly consistent percentage, whether there has been a fluctuation. The statistics in the report seem to indicate that it has been a fairly consistent figure, probably in the 13 percent to 15 percent range.

So I would like to ask if there has been any change.

\* (1230)

**Mr. Gammon:** I think if you go back in history that the range has been a little higher than 13 percent to 15 percent, I think it is crowning 20 percent. I think that our experience in '88—

**An Honourable Member:** Was at that level.

**Mr. Gammon:** Is at the level of roughly 19 percent in 1988.

**Mr. Ashton:** So, despite the increase in both the cumulative number of loans and the annual number of loans, the write-off ratio has been within a fairly consistent range. Obviously it would vary from year to year. I notice there is a fairly significant difference between, say, 1985, 1986 and 1987 on an annual basis but, in terms if we deal with the cumulative loan portfolio of CEDF, it appears to be fairly consistent. Is that a fair statement?

**Mr. Gammon:** That is a fair statement.

**Mr. Ashton:** I think that is important because, once again, we heard a lot of talk from the Conservative Party, when they were in Opposition, this Minister suggesting that there was mismanagement, and yet the figures show that this was not the case. The figures show there has been a fairly consistent loss ratio, which reflects the type of loan portfolio that CEDF has. The figures show that, despite a dramatic increase in the number of loans under the past six and a half, seven years when the NDP Government was in power, there was not a significant change in regard to the loss ratio. I think that is important because the Minister said that he is reviewing the mandate.

I would certainly encourage a review of the mandate for CEDF. I think there is room for CEDF to deal with disadvantaged persons who have the same characteristics as northern and Native people. There are many Native people, for example, who do not fit into the target area. Even in the city, I would suggest there might be a potential role, worthwhile projects that could create jobs but otherwise do not receive funding from other financial institutions.

So there will be no objection in terms of the mandate. I guess the concern is that the Minister will not follow the warnings of the Touche Ross Report, that he may indeed, as Conservatives have done in the past, swing the pendulum so far to the control side, which is the terminology used by the Touche Ross Report, that CEDF will see a drop-off in its ability to meet the needs out there. In fact, I think the indications are quite clear that CEDF has played an increasing role in northern Manitoba in recent years.

So I would like to ask the Minister whether he agrees with that statement that we must make sure that we do not get the pendulum swung too far to the control side so that it prevents the mandate from operating.

**Mr. Chairman:** Can we, after that, ask the Minister to make his closing remarks?

**Mr. Ashton:** Okay.

**Mr. Downey:** I would take his other questions right now and then I will deal with it in my closing comments.

**Mr. Chairman:** I believe the Member indicated he had no more questions.

**Mr. Downey:** Oh, he has two more questions.

**Mr. Ashton:** I am raising these questions because I think it is very important to the look at what has happened with CEDF to correct, I think, some of the statements that were put on the record by this Minister when he was a critic, statements made by the Conservative Party—basically, not even really the politics of it. Let us face it, there is a cloud hanging over CEDF right now. We want to see the cloud lifted. We want to see it lifted in a way that it does not affect the bottom-line mandate, and the cloud is being created by some circumstances which are obviously beyond the Minister's control.

I certainly do not blame him for the allegations that have been made against the chairperson. Some of his

statements, I know some of the statements he made following, not in the House, but outside of the House in regards to this particular audit that was put in place once again got into the area of, I would say, straight pure 100 percent politics referring to the NDP mandate, suggesting that there has somehow been, and using his term, mismanagement during that period. Well, we have seen in the Touche Ross Report that is not the case.

I would like to ask the Minister, and I also have some closing statements, but I would also like to ask the Minister to put clearly on the record that CEDF has been doing an excellent job over the last number of years in serving the needs of northern and Native people.

In fact, I would like him to even respond to whether he will respond to another recommendation in the Touche Ross report which talks about CEDF taking a pro-active role. Up to this point in time, CEDF has essentially been there if people require loan funding but the report, the Touche Ross report, recommended as one of its recommendations it take a pro-active role. I would like to ask the Minister, specifically will he confirm that CEDF has been doing a good job and further that instead of cutting back its role either directly through a change in its mandate or indirectly by the imposition of controls that be so stringent it would prevent it from operating its normal role, whether in fact this Minister will now come around from his previous statements and do the right thing with CEDF which is to continue its work and expand its work.

**Mr. Downey:** Mr. Chairman, I will be brief. No. 1, in the comment earlier, it was basically a question, I guess, or a comment he was accusing me of being on a witch hunt. I would suggest if he is making those criticisms, that those criticisms are of the Auditor, not of me. Is he criticizing the Auditor of being on a witch hunt?

It is the board who are carrying out the concerns of the Auditor, the mandate, Mr. Chairman. I think it is important that it be expanded and broadened to assist people in northern and remote communities and possibly other parts of the province. I think there is full support from the committee, from Opposition Parties here, and we will endeavour to do that.

Mr. Chairman, I would suggest that I am not today going to give him the full endorsement that he is asking for, that he and his Ministers and Government carried out such an admirable job. His former colleague, Mr. Ken Dillon, has pretty near lived in my office complaining about the activities of the way in which he was handled under the Communities Economic Development Fund. The seat which he now sits in, that man has been living in our office over the past few months, fully critical of the activities and the performance of CEDF as it related to him. As it is related to other people, I have had complaints come to my office. I am not going to comment further until we see what the Provincial Auditor's report is. He is not going to get that kind of an endorsement from me.

I would hope that all Members of the Legislature, when we are in a situation of a Special Audit, that we

would have the cooperation of lifting the cloud off of CEDF, so it can in fact get on and not try to say or to deviate or to try to deflect from looking at an operation. Yes, the Member is concerned about whether he will be reflected or his Government will be reflected in what the outcome is, to say that he is going to hang his hat totally on Touche Ross. If that is what he is saying, if he is satisfied with what Touche Ross has to say, I will be interested to see what the report of the Provincial Auditor is as it relates to the comments that he has put on the record here today.

\* (1240)

**Mr. Ashton:** Well, I think, Mr. Chairperson, it is important to make it clear because the Minister likes to play with words, that we are not questioning the role of the Auditor. I have read every single one of his reports over the last number of years. What I am questioning is the Minister who when he brings in a ministerial statement, I might add only after the allegations were made public on the front page of the Free Press, neglected to mention the most recent and a fairly comprehensive report, the Touche Ross Report, then went outside of the House and started referencing CEDF in terms of what he perceived to be, "mismanagement."

It is documented in the report that the Minister brought here that despite the fact that during the New Democratic Party Government's period in office that there was a dramatic increase in the number of loans by more than 250 percent according to my calculations, that the loss ratio basically stayed within the same range. That was confirmed once again in committee.

It is ironic too that the Minister, when you scratch the surface, starts talking about specific cases. He has been attempting to leave, I think, the erroneous impression, certainly when he was in Opposition, that CEDF was not doing a good job in terms of dealing with its mandate and did not have the proper conduct. Now we start seeing a bit of a shift that the Minister has seen the facts. I do not think the shift is good enough though.

It is ironic he mentioned the Ken Dillon case. I remember it was only a year or two ago he was attacking the loan that was given and now he is apparently attacking it from the other side. It is interesting how the Minister's vision has changed, but I think even the fact that he brought this up indicates that our concern about the Minister's role in this is a very legitimate one. We want a clear statement so that the cloud will be lifted. I think it is a cloud that was contributed to by the Minister.

I am not saying it in reference to the Hugh Jones allegations but, when he goes outside of the House and starts talking as he did about it in straight political terms, that does create a cloud. It is a cloud that could be lifted by the Minister's own recognition of the fact

that CEDF has done the job. Despite the increase in loans, it has done well in terms of collection of those loans with a 250 percent increase in portfolio. It is the Minister that can lift the cloud.

In Opposition, what does the Minister expect us to do? We are not given any of the details in regard to the allegations that were made against Mr. Jones, so what are we expected to do? What we have done is state that we hope that the allegations were appropriate to be taken to an auditor and we await the results. My comments are not related to the auditor either. I have made that clear. What I want to make sure is that this Minister does not conduct a political witch hunt at CEDF and not at my expense or the expense of the New Democratic Party or any other Party. The Minister can do that if he wants.

My concern is with CEDF and the mandate it has, and the northern and Native people who look to CEDF for funding. We have seen, as I said, some real improvements in regard to CEDF. We do not want to see the clock turned back. I think it is the Minister who is going to have to remove that cloud of suspicion over CEDF, and I think he can do that by saying, yes, CEDF has done a good job. It did a good job when the New Democratic Party was in office, and commit himself to keeping up that good record in terms of dealing with northern and Native people.

**Mr. Chairman:** I will ask the Minister to make his final statements on this report after which I will call for the question whether this report shall be passed.

**Mr. Downey:** I will be very brief in concluding. Just in reference, the Member is asking me to give him the kind of an endorsement which I said. I made no reference to the loan of Ken Dillon. I was using Ken Dillon as an example of his former colleague who was telling me what he thought of the operations of the Communities Economic Development Fund, is merely what I was using him for.

No. 2, can I say to the Member that I would have hoped that he would be anxious to get the report of the Provincial Auditor? It was the Provincial Auditor who requested the activity be carried out that is being carried out? We will see what that has to read and, hopefully, when the Member reads the report of the Provincial Auditor, he may be prepared to reassess some of the comments that he has made. Thank you very much for your support in the passing of this.

**Mr. Chairman:** Is it the will of the committee to pass the Annual Report 1986-87 Communities Economic Development Fund—pass.

Committee rise.

**COMMITTEE ROSE AT:** 12:43 p.m.