

ECONOMIC DEVELOPMENT COMMITTEE

10:00 o'clock, Thursday, May 16, 1974

CHAIRMAN: Mr. Shafransky.

MR. CHAIRMAN: This morning we are to hear from the Chairman of Moose Lake Loggers Limited. I'm going to call on Mr. Green to introduce the chairman.

MR. GREEN: Mr. Chairman, I'd like to first of all direct your attention to the first page of the report that is being submitted, which contains the names of the Board of Directors of Moose Lake Loggers Limited relative to the period that is now being recorded. The chairman of the corporation is Mr. C. C. Hunt, who is long-time resident of Swan River, Manitoba. Mr. Hunt first began to be involved in the activities of Moose Lake Loggers before the company was actually incorporated, while it was still being run really as an adjunct of the Department of Mines and Resources. He is well known in Manitoba for his activities with the Manitoba Pool Elevators and as a personally successful farmer in the Swan River area. I think that having said that I turn the microphone over to Mr. Hunt to deal with his report.

MR. CHAIRMAN: Mr. Hunt.

MR. HUNT: Mr. Chairman and gentlemen, I am pleased to be able to report to you this morning on the operations of the Moose Lake Loggers for the year 1972-73, and with your permission I would like to just give you a quick resume of the operation, the objectives of the company and some of our accomplishments, which would take only a very few minutes, and then I suppose that you would be asking questions of me. If that's agreeable, I would start by saying that this Town of Moose Lake, the village is located approximately 40 miles southeast of The Pas and has a population of approximately 700 residents, between 700 and 800. And I hope that I am not repeating something that some of you know because at the previous time that I reported here some of this was dealt with. In any event, the objectives of this company were:

- (1) To provide employment opportunities to the residents of this area;
- (2) To achieve a break-even or a profit position in the shortest possible period of time;

and

(3) To provide the residents of the area an opportunity to acquire over time the aptitudes and skills required to operate this company; and

(4) To transfer control of the company, an ownership of the company to the residents of the area.

To achieve the objectives of the logging programs several distinct phases have been or will be implemented at Moose Lake as follows:

Phase 1 involved the establishment of a training program to develop the skills of the local people;

Phase 2 involved the formation of a development oriented organization within the Department of Mines and Resources and Environmental Management;

Phase 3, the current stage, involved the establishment of a Crown owned company under the authority of the Manitoba Natural Products Development Act.

One of the main objectives of this progressive legislation was to create a means by which persons from the business community could work together with residents of the general community in remote areas. Through the formation of the company Moose Lake Loggers Limited and the formation of an integrated Board of Directors consisting of both local residents and outside businessmen, the talents and expertise of both these groups were brought together.

The Fourth Phase to be implemented at some time in the future when the operation has proven to be sound; the sound economic position would be characterized by the withdrawal of direct government involvement and the conversion of the operation to an independent form of organization such as a privately owned company or a co-operative.

In terms of meeting its objectives the company has largely met the objective No. 1, the employment of local people, as virtually all the men from the community that desire full-time employment have access to jobs with the company.

Mr. Chairman, am I reading too fast?

MR. CHAIRMAN: No. Proceed.

MR. HUNT: Objective 2. Achieving a break-even position is also close to being met as the company experienced substantially lower losses in 1972-73 than for last year's operation.

Objective 3. Develop the skills of the local people has been partially met. I might say

(MR. HUNT cont'd) here that there's been some difficulty in that field.

The fourth objective the transfer and control of the ownership to the community is being pursued through the local representation on the Board of Directors and through the involvement of these representatives in making major decisions. The goal is however of a longer term nature since managerial skills must first be further developed.

Now just a quick look at the background of this company. On January 6, 1969, a training program was set up and that operated for a few months with some degree of success to start with but it wasn't very long till it became unsuccessful and was discontinued. Then it was started up again in a little different form under, I believe, the direct management of the Department of Mines and Resources and that carried on for a time, but that wasn't very successful either. It carried on until April of 1970. But at the end of that time when it wasn't successful at all, the Board made a decision to hire a new manager and haul out all the equipment for overhauling and establish a camp at the cutting site. Very soon after that on June the 4th, 1971, the company Moose Lake Loggers Limited was formally organized and control over the operation was transferred entirely to the company's Board of Directors.

I'm missing an awful lot in that report because I don't think you want me to read all that.

But the following table summarizes all the cordage cut, the revenue and expenses for the logging operation for the period from commencement of training in 1969 and to the end of March in '73, and that's on Page 6, and I would direct your attention to that. If I could just make one or two comments without dealing with the early days when there were considerable losses; if you would look at the two years ending in March 31, '72 and March 31, '73. In 1972 the Provincial Government suffered a loss after the Federal Government had picked up their share of the loss - the Provincial Government suffered \$22,828.00. In 1973, March 31, '73, the loss was reduced to \$10,460 for the Provincial Government's share of the loss.

Now a synopsis of the current year's events on Page 7. After incurring a loss of \$38,000 in 1971-72, of course the main objective was to try to control and minimize the losses for future years, and it was evident after a review of last year's experience that one of the most obvious ways to do this would be to increase the volume of the wood cut because we had no way to reduce the overhead, and the overhead was very high for an operation of the size that we were trying to run.

For the 72-73 fiscal year 23,245 cords were cut as compared to approximately 15,000 cords for the previous fiscal year. This increased production and the use of existing men and equipment on road contracts - we had a road contract for that year - reduced the loss in 72-73 to \$17,433.00.

For this same period the net cost of the camp operation, that is the wages and supplies for the camp - we boarded the people and gave them sleeping quarters, and the net cost of that because it had to be subsidized, that was \$16,633. If you look at this, if we hadn't had to subsidize the dining room and the sleeping quarters, we would have almost exactly broken even during that year 72-73.

The camp is however a necessary part of the operation because of the isolated nature of the cutting area; that's only part of it, but that's one reason. The net cost of the camp actually results from the fact that the company does not charge the employees the full cost of operating. In the fiscal year 72-73 CFI paid the company \$16.25 per cord f.o.b. bush landings. This compared with the revenue of \$15.50 a cord in 72-73.

In middle of Page 8: During the year the company was successful in concluding an agreement whereby it assumed responsibility for providing a hauling road to enable CFI to haul the company wood to The Pas, the company was able to take this contract on with their existing equipment and staff, thus realizing an increased revenue which was able to partially offset losses on the logging operation.

Now I'd like to go over to Page 11. Under the terms of a five-year agreement between the Province of Manitoba and Canada (Department of Indian Affairs and Northern Development) any operating losses of the company are shared 40 percent by Canada up to a maximum of \$19,000 in each of the first three years, and up to \$10,000 in each of the last two years. All other losses are assumed by the province.

On Page 14 are some interesting figures, and it indicates for a part of the year 72-73 the earnings and the hours and man-days, and so forth, of the cutters and the people who were employed, mostly cutters; they were the ones who were on piece work. If you look at the bottom figure in the last column you will see that \$327.48 was the average bi-weekly earnings for

(MR. HUNT cont'd) these cutters during this period. Some of them earned as high as I believe - and I'm speaking from memory now - I think some of the cutters earned as high as \$600.00 in some two-week periods, but it averaged at \$327.48.

On Page 15. There are normally seven, three-man crews operating, or a total of 21 men involved in actual production. In addition to the crews, there is a mechanic, a cat operator, a loader operator, cook, bull-cook, manager, bookkeeper and assistant bookkeeper. Average daily earnings for the last half of the year of those actually involved in wood production was in excess of \$43.00 a day.

The average bi-weekly earnings were approximately \$327.00, although the best crew averaged over \$450.00 per man every two weeks, and in better bi-weekly periods grossed over \$640.00 per man.

The production payroll for the last two quarters averaged approximately \$16,000 per month, thus representing an important source of income to the community. In total the payroll for the year was close to \$250,000.

During the 72-73 fiscal year the company continued to cut timber on the reserve of the Moose Lake Indian band. Under the terms of the agreement reached with the band the company paid the Band \$1.50 a cord for all wood cut on the reserve.

Now, gentlemen, you have the report before you, and unless you wish me to deal in some detail with the financial statements, why that is my report to you, and you have the financial statements before you if you wish to question me.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Thank you, Mr. Chairman. One of the difficulties here obviously is that we're dealing with a report that's over a year old.

MR. HUNT: It's my difficulty too.

MR. CRAIK: The report which we have here to a certain extent depicts a reasonably good picture, and Mr. Hunt's comments do it well. So what we're faced with one year later, as the present time, is a company that is apparently in very serious difficulty. It's closed its doors, at least temporarily, and with no great assurance that they're going to be opened again even in the near future, or at all.

We have in Mr. Hunt's report reference to the good management abilities that were imported into the company, and we have on the other hand I think the present case where that management has even left the province; and also a statement by the Indian band of that area, they're complaining bitterly about the management capability that was brought into the company. So what we're essentially faced with is a picture now that is just diametrically, or would appear to be diametrically opposed to the 72-73 annual report. And it seems to me that we have to have some explanation; we certainly can't leave the examination of this operation on the basis of what's being presented to us at this time, because it is, as I understand it, the company is closed down and is in debt to the Provincial Government to a very large amount of money, approximately a quarter of a million dollars or so, maybe larger - it's a little difficult to tell from last year's statement and we don't have anything more recent - and a native community that is highly disturbed and there's all appearances of both a financial and a social disaster on our hands. So we really have to get down to the problem as of today and not when the annual report was written a year ago.

MR. CHAIRMAN: Mr. Hunt.

MR. HUNT: Mr. Chairman, I think Mr. Craik's point is very well taken, and since I was responsible, that is I was the chairman of the Board of the company for a number of months until October of the year that you're concerned about, I'd be very happy to deal with that.

I'd much prefer to deal with the year that I have just dealt with, than the one that you want me to deal with, but the fact of the matter is that . . .

A MEMBER: I wonder why.

MR. HUNT: . . . Is it your wish, Mr. Chairman, that I deal with the question of Mr. Craik?

MR. CHAIRMAN: Well, if you wish to deal with it, you can proceed, otherwise . . .

MR. HUNT: Well, I have . . .

MR. GREEN: I have indicated, Mr. Chairman, and, you know, I think that I told honourable members that we did have this difficulty of having a statement which was favourable and I knew that the next year was unfavourable, but I told the members I'd get the report to

(MR. GREEN cont'd) committee. But Mr. Hunt is here and the new chairman is here, and I've asked them both to answer questions to the extent that they are able about last year's operation.

MR. HUNT: Mr. Chairman, I would be happy to take most of the responsibility for this - or to answer the questions anyway for this year 73-74, for the part which I was chairman, because Mr. Minish had no responsibility at all, and the difficulties arose before Mr. Minish came into the picture; so if there is any responsibility for the sad situation the company's in now, I'll have to take that too.

I was a little disappointed, Mr. Chairman, that Mr. Craik said we had just presented a report of a reasonably good year; I thought it was very good, but however - to answer your question . . .

A MEMBER: Yeah, it was a real good year.

MR. HUNT: . . . immediately following the close of the year March 73, we weren't able to start up again at all. Our whole difficulty, our sole difficulty, was we couldn't get anybody to cut the wood; we couldn't get anybody to cut wood. And there are a number of reasons for that, and I don't know, Mr. Chairman, just how much I should go into that, but I'm going to go into it anyway.

One of the reasons we couldn't get anybody to cut wood was there was a school being built at Moose Lake and for some reason our cutters were induced, many of them were, to go and work on this school. Another reason is that there is a government-run school at Cranberry Portage and it's my opinion - while I can't prove this - that a great many of our cutters were induced to go over there and go to school instead of cutting wood for us, and what they were learning at school I don't know but I heard they were learning to drive taxis and lay bricks, and what not. Anyway, that . . .

MR. CHAIRMAN: That's at Keewatin.

MR. HUNT: No, I think that's over at Cranberry Portage. Now as I say I can't prove this but I think that's the case. But in any event our trouble was that we couldn't get anybody to cut wood. Again - if I'm getting out of order, I guess Mr. Chairman or Mr. Green will call me to order - but it's very difficult to get the Indians to cut wood even if they make 40 or 50 dollars a day when there are so many other people offering them money for doing nothing. As Mr. Minish can point out to you too - and I've known about this a long time - it seems to me that there are too many organizations, and Indian Affairs, and everybody else, forebays and back bays, and everybody else, whatever that is, they're over there trying to persuade the Indians to take some more money for some reason or other when they would be very able to work for Moose Lake and earn some money for themselves. But basically, Mr. Chairman, that is the problem. We couldn't get anybody to cut. Does that answer your question, Mr. Craik?

MR. CRAIK: Not entirely, Mr. Hunt.

MR. HUNT: Well let's pursue it then.

MR. CRAIK: I think there's a question here of the management as well. Certainly it has been raised by, both by the Indian band, Moose Lake Indian Band, and . . .

MR. HUNT: Well we have this management when we had a good year, the same management. You're speaking of the Kowalkos, I suppose, the manager and his son, Sam.

MR. CRAIK: Right. The direct reference made in your report to him.

MR. HUNT: Well I didn't read that part because - not that I didn't think that they did a good job, but last year when I reported to you people I did brag on our board of directors, and I said how smart they were, and how good management we had, but I refrained from doing that this year because I thought that maybe it would be rather bad taste when the year we're in now was such a poor operation with the same people. But there's nothing wrong with the management. That wasn't the trouble, because if the management had a good year in 1972-73, the same management was there for 1973-74.

MR. CRAIK: Mr. Chairman, you have both a condition of the - I don't think we've dealt fully yet with the objective that's indicated in the opening paragraph of the report. "(iii) to provide residents of the area with an opportunity to acquire over time the aptitudes and skill required to operate, supervise and own, and/or own a logging enterprise." And the Indian band has indicated in their letter that that's exactly what they want to do.

MR. HUNT: Mr. Chairman, I don't know anything about the letter from the Indian band because I didn't see it, but I can assure this Committee that we did everything in our power to

(MR. HUNT cont'd) induce the Indians to train as managers. We even tried to get them to run the cat and to run the loader, and so forth, and there's nobody there that we could find, in spite of what they may say in a letter, there was nobody that we could get to run the loader or run the cat, or even work in the shop, and to say nothing of trying to get somebody to be an assistant manager. They didn't want to do that. They wanted to cut and that's all they wanted to do. We did our best, Mr. Craik.

MR. CRAIK: Well maybe I should indicate - maybe I could excerpt from their letter which is sent officially to the First Minister in February of 1974, just to indicate and ask you what the solution is to it. It says, "This is to bring to your attention our concerns about Moose Lake Loggers Limited and want you to take immediate action. Our community believes that the logging operation here brings many benefits to our community and is very necessary. It creates jobs for our men and allows us to sell our resources for the betterment of our community. However we see several very real problems in the over-all setup of the current logging operation which needs your attention to be resolved. Until they are solved the loggers' operation will never really operate efficiently and to the maximum benefit of our community or the people of Manitoba. These are:

"1. The current official decision-making power, the board, lies outside our community. Because of this we feel alienated from the operation. Often decisions are not made in our best interests. Our local board members feel they have no say on the board.

"2. The local management of the loggers comes from outside Moose Lake. It also reflects outside interests in every decision it makes. The original intent of the loggers was that our community people would receive training help to take over and run the operation. We know from the current management's point of view that that will never happen. The current manager's inability to understand and relate to our people is most apparent. Currently we have a number of problems facing us that he will not deal with. They are

- i lack of willingness to pay our mechanic more than \$3.50 per hour while mechanics at CFI get over \$4.00.
- ii Six skidders broken down leaving only two operating.
- iii No cutters because the manager does not stay around camp to pay us every second Friday. Our men want their bi-weekly pay not monthly pay.
- iv Inadequate power supply due to generator being over-extended from burning when the manager's sons are welding their trucks.
- v All the manager's family works with him in better positions.
- vi Inadequate shelter for repairing machinery, and so on."

I don't know if the rest of it is relevant. It deals with their dealings with the government. But I think that this puts in context what appears to be the problem from the point of view of the community and in reaching the objectives.

Now there's also other documented information indicating the dissatisfaction of people who are not from the Indian band but others who worked there that were seriously critical of the performance of the over-all guidance and management of the corporation.

MR. HUNT: Well, Mr. Chairman, I cannot accept any of those reasons or complaints that they have made. Now I think basically that another trouble is this: the band, the Indian people there, the local people, they wanted to take over complete - they wanted to implement this part of the objectives of the company that they take it over and run it, and there's some kind of a company. They wanted to do that immediately at the end of the year 1972-73. They insisted that in some way that they be given the authority or the power to take over the operation of the company and the board of directors, at least the Anglo-Saxon people, that we would get out and they would run the whole thing. Well now, Mr. Chairman, that wasn't a decision that was up to the Board of Directors of Moose Lake Loggers, that was a decision that I think is a decision of Mr. Green's Department. In my opinion -- Mr. Chairman, am I allowed just to express an opinion here?

MR. SHAFRANSKY: Well we're not prone to having opinions expressed, but I believe you can proceed.

MR. HUNT: In my opinion these people were in no way - in no way would they be able to even begin to operate this company successfully. It couldn't even be seriously considered by any reasonable person that they should take it over and run it. And some of the Indian people themselves, and some of the band, some of the workers, even made the statement - not to me but it came back to me - that if we do that we have to be insane, that the whole thing

(MR. HUNT cont'd) will be in the junk heap in 60 days. Now whether it would be or not I don't know, but my opinion is that it would have been entirely irresponsible to have turned the operation and the control of this company over to them when they wanted it. And that's one reason why they wouldn't work at the beginning of the year 1973-74 I think. In fact I'm just sure that they were trying to force somebody to turn it all over to them.

MR. CHAIRMAN: Mr. Osland.

MR. OSLAND: Mr. Chairman, I just wanted to clarify: it was the Indian band that wanted the company turned over to them.

MR. HUNT: Well there were both Indian and Metis people working there, and I think this feeling was stronger among the Indian people than the Metis, if that answers your question. In fact I'm quite sure it was. These people weren't too responsible themselves. For instance I went up there one time and took another fellow with me - they wanted to see us - and we made an appointment, and with great difficulty because it's a kind of a radio telephone, we made an appointment to see the Chief and we went up there and drove for 140 miles, and hired a plane for 50 or 60 dollars, and went over there, and we got there at the proper time for the appointment and the Chief did see us for about five minutes, and then he said, "Excuse me, gentlemen, I've got to go away a minute." He went away and we sat there and cooled our heels for about 40 minutes, and pretty soon some young boy came back to the office and said, the Chief sent word that he won't be able to see you any more today, he's got to go to the boat races. And that was the end of that. --(Interjection)-- Pardon?

MR. SPIVAK: That even happens with Ministers though, when people come to see Ministers.

MR. CHAIRMAN: Well I don't see the relevance. Mr. Green on a point of order?

MR. GREEN: No. I'll just let it go.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, the question again is, where does this place us now?

First of all in terms of the financial picture, despite the fact we haven't got the most recent year's official report, can you tell us where we stand in relation to 1973-74 year; and secondly, where we stand in terms of getting the operation rolling again in view of what appears to be the conflict that exists between the objectives of the community and the experience of the board. Where does this now take Moose Lake Loggers?

MR. CHAIRMAN: Mr. Hunt.

MR. HUNT: Mr. Chairman, I would like to let Mr. Minish answer part of this question, that is to what is the program from now on. But I would like to make one comment with respect to the first part of your question, Mr. Craik: What is the position now? Well the position now is that we are losing money, and we have lost a considerable amount of money because our overhead goes on just the same. But the major part of our overhead is a payment on a lease-option deal we have for these eight skidders. I think we have to pay - and I'm speaking from memory here, the figure might not be exact but it's very close - I think we have to pay about \$550.00 a month lease on each one of these skidders, and after approximately three years the skidders would - we would have the option of owning them. Now we've almost reached that three-year stage. I believe the final payout would come very soon. So our cash flow loss, which is considerable now, is not nearly - the real loss isn't as bad as it looks because part of this loss, monthly loss, a big part of it was the payment on these skidders which will be ours, and then they will be on the other side of the ledger as soon as we - as an asset. My knowledge of skidders isn't extensive but I think these skidders might be worth, when we pay them out, they might be worth 75 or 100 thousand dollars. In fact I'm sure they will be. So the loss, the real loss won't be as bad as what the cash flow loss appears to be right now.

It isn't all bad. We've bought a big caterpillar tractor and a loader that cost sixty-six and twenty-some, twenty-five thousand dollars, and we've used them for a year and a half and we could sell them today for more than we paid for them. So there's some advantage accruing to us that maybe we didn't anticipate.

Does that answer your question fairly?

MR. CRAIK: I realize that you've said - you're saying in effect that the financial statement, whatever it is, is influenced by your payments on these lease-back arrangements.

MR. HUNT: Very greatly.

MR. CRAIK: That's fine. But could we get some figures on our present picture?

MR. CHAIRMAN: Well, Mr. Craik, unless Mr. Minish could give us an indication of that. Mr. Minish.

MR. MINISH: Mr. Chairman, the loss for 1973-74 season that ends on the 31st of March, 1974, will indicate a substantial loss in the operation and for me to place a figure on it I can't do that because I have no financial statement to go by, but I can indicate to you that it would be well over \$100,000, and this would be without the fact that Mr. Hunt mentioned about the skidders when they're paid out they will be going over to the other side of the ledger, which would show a reduction of course of cash flow. That's all I can indicate on that, but any other questions . . .

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: What does this bring the total liabilities of the company to?

MR. CHAIRMAN: Mr. Minish.

MR. MINISH: Within a few hundred thousand dollars - within a few thousand dollars I would say in the neighbourhood of \$280,000 for liability.

MR. CRAIK: It's been entirely financed one way or another by the Provincial Government?

MR. MINISH: Yes.

MR. CRAIK: Apart from grants from the Federal Government of 5,000 or so.

Well is the operation at this point closed down, unless there is a decision to reopen it? Is that the present position of the company or what is the -- you're not just closed down for the break-up season right now?

MR. MINISH: Mr. Chairman, we are closed down for the break-up season at the present time, and the board made the decision to move all the skidders to Vulcan Machinery at Hudson Bay for, to be all serviced and put in working order, and I have recommended as Chairman of the Board to pay out the total sum owing on all the skidders before they are repaired because of the fact that the agreement calls for the skidders to be returned on the lease in working condition. Therefore it's only economical on the sense of Vulcan Machinery that they put the skidders in first-class operating condition to their liking, because on the lease that's what it calls for. So I recommended that we pay out the money owing on all the skidders and then we repair them to our satisfaction in working condition.

MR. CRAIK: Then you own them.

MR. MINISH: And we own them then, and we would have no further expense in the operation as far as the eight skidders go except the repairs on them, the everyday repairs that's needed. I'm doing this, recommending this, because it's only a sensible business venture on the corporation's part, because of the fact that at the present time there is no tires available in Canada for a skidder. There is no sale for a skidder in Canada. You cannot secure one under any circumstances, and we have a very viable machine when we get them repaired ready to go to work and which, on the inflationary market, are worth a lot of money because there is no way of procuring a replacement for them.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Well the corporation though, Mr. Chairman, is not - this is kind of an internal matter that affects your statement and affects your maintenance program, affects your financial statement and your maintenance program, but doesn't have very much to do I don't think with the viability of the operation you're faced with; assuming your skidders are paid for and in good operating condition what does the company do then?

MR. MINISH: I could answer that, Mr. Craik. We are dealing with the native people in Moose Lake at the present time. Mr. Wayne Fisher and his associates have had two meetings, and we're having a meeting of the board at The Pas on the 31st, of this month, to determine the future of the company. We have been negotiating with the band to satisfy them and to satisfy our position that we're taking as board members that this will be a viable operation, and that the Indians are willing to put every effort into it to make it so. It hasn't been mentioned by Mr. Hunt today but I think it's only fair to say this, that whether you're aware of it or not we are cutting on Indian property. It's the reserve. There's about 20 days left on this reserve of cutting and we have now - this is one of the points that the band has brought up, that they're in agreement that there's no way that we can operate from this site. We have to move to a new site, and it will not be on Indian band property when we move.

Another item that is worth mentioning is the fact that we had no cutters. I was personally involved as soon as I became Chairman of two meetings - I drove in to Moose Lake and had meetings with the band and the Chief to try and persuade them for to get cutters into our site so we could get this thing on the road. But it so happened that they had no cutters, and

(MR. MINISH cont'd) we brought up the proposition of bringing in outside cutters which we had, not a threat, but we had assurance that they would not accept this in any way, having outside cutters. So our hands were tied for to get cutters when they refused to cut themselves. And I think this is a very important point. They wouldn't let outside cutters in on the band land.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Then I take it you're now faced with making a decision in the near future as to what you're going to do with the company. What options do you face? Is one of the options the native community Indian band taking over the company, or do you agree with the conclusion that it's just not possible that this can happen.

MR. MINISH: At the present time they have indicated that they would agree to advertising for a new manager, and they have also agreed, the Chief and Mr. Martin, the mayor of the village, has agreed with our board members that there is no way that any one in their community can operate this as a manager. They want an outside manager, and they want us to advertise for one; which we are going to do. And if this is successful, then as the board chairmen, I have asked them to accept certain points that I have brought up, and one of them is, that they will agree in writing to supply us with a work force; and if they will fulfill their commitment, we will fulfill other commitments, as the board members will, to meet certain things that they want done.

Now they want for instance us to hire a local cook from the district, if we would agree to this. And for your information, we tried on several occasions to have a local cook hired from the Moose Lake community and we were unable to get anybody. This is why we had an outside cook hired. There's other items that they stated in their letter there - if you want to bring them up one at a time I could answer them. I'm quite familiar with it because I was at the meeting that they documented that letter.

MR. CRAIK: This letter that I . . .

MR. MINISH: Right.

MR. CRAIK: . . . read here.

MR. MINISH: Yes.

MR. CRAIK: All I have to say that it seems to be a very well written letter, and it seems to be well thought out, just as an observation without knowing what went on at the meeting, but it's signed by both the Chief of the band and the mayor of the community.

MR. MINISH: Right.

MR. CRAIK: . . . articulate their questions quite well.

Going back to the operations of the company: What qualifications would the manager, namely, Mr. Kowalko that you had in there have to present in order to hold a job like that? What was his background in attempting to take this over?

MR. HUNT: Mr. Chairman, we thought, and we didn't think altogether, but we knew that Mr. Kowalko was quite well equipped to do this work because he had had considerable experience in lumber camps, in lumber camp operations. As a matter of fact, Mr. Filuk the vice-chairman of our company recommended Mr. Kowalko to us, and Mr. Filuk has owned sawmills prominently. Mr. Kowalko was very well equipped to do this.

Now if there was a personality deficiency, if you could put it, in his ability to work with the Indians, or the Metis people, then I wouldn't know about that. But I can assure you gentlemen that from my experience, and I've had some experience around that kind of operation, too, Mr. Kowalko did a very good job, and his son did a good job. Now some of the people weren't happy with him but--just to put it in a nutshell, while these people, the Indian people and the Metis people, are certainly very fine people and they're good workmen when they're at it, but there are difficulties inherent in trying to work with them in this kind of an operation. You speak of cooks. Well you can't hire a cook to cook for a camp unless you're pretty sure the cook is going to be there every day. And the absenteeism with these people is more pronounced that it would be among others.

MR. CRAIK: Going down your directors here, as well as your manager, the only person's name that I can recognize as being somebody from forestry, forestry operations, is F. G. Marvin, in your line up here.

MR. HUNT: Mr. Marvin has been a director, and is still, and Mr. Marvin is a very able man and did . . .

MR. CRAIK: I agree with that, and I recognize from his past successful operations that

(MR. CRAIK cont'd) he has the qualifications, but I have to say that the most common qualifications for being involved in Moose Lake Loggers seems to have been to have been actively involved in political activities in the Swan River area.

MR. HUNT: You're entitled to that opinion. If you are of the opinion that the rest of the board didn't have any knowledge or any ability that's your opinion but . . .

MR. CRAIK: I didn't say that . . .

MR. HUNT: I can assure you . . .

MR. CRAIK: I said that the prime qualification of your board of directors, Mr. Hunt, Mr. Filuk, and Mr. Minish, who are all at top of these organizations have that common qualification.

MR. HUNT: Well Mr. Filuk at least was an eminently successful man in his own right, long before he got into Moose Lake. Did you know that?

MR. CHAIRMAN: Mr. Craik, I really don't see the relevance of the question. Mr. Green on a point of order.

MR. GREEN: I would like you to indicate, Mr. Chairman, that there is no, there is, you know, the honourable member can make whatever point he wishes relative to how the people were appointed. I would like to indicate that New Democrat or otherwise, Mr. Marvin was not to my knowledge as active in the political area on the part of the New Democratic Party.

--(Interjection)--Well just a minute. These people are all giving their time almost gratis, almost gratis. They were trying to work with that community, doing a job, and did do a job, towards making that company a success. And I assume that any government would try to find public spirited citizens to do that type of work, and that's all that we did.

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

MR. CRAIK: If you had three F. G. Marvins on here all with varying and indepth backgrounds in the forestry industry, I'd have made the same observation in a different direction. So I'm going to . . .

MR. GREEN: Mr. Chairman, I think that that is a unwarranted reflection on the other people who have been working with this company. Mr. Filuk was a very successful businessman in the Swan River area. Mr. Charles Hunt was a successful farmer and a distinguished representative of the agricultural community of the Province of Manitoba, and did lend his services to Moose Lake Loggers Limited. They were not working for a political purpose.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Well, Mr. Chairman, the annual report does take some time to outline all of the qualifications of the different people involved, and since they have taken the time--the annual report did not make that other observation that I made, which I think germane to the present situation. The problem is you're faced with now redirection of the company, which may involve turning it over to the Indian community, it may mean selling it, if you can, to a private sector or it may mean simply attempting to continue it the way it is and hope for better year next year.

MR. CHAIRMAN: Mr. Craik, that question, that question I don't believe we're here to determine, the directions, we're here to take the annual report for 1972-73 which is the latest report available. As you know, the practice in all committee meetings, when the committees are called and the chairmen of various groups are invited to appear before the committee, it is to receive their report. Mr. Green.

MR. GREEN: Mr. Chairman, we're getting into the realm of argument, but let me make it plain that I've always indicated to the communities concerned that if they had a way of showing how they could deal with the cash flow deficit, which has thus far been made up by the province and the Federal Government, that if they had a way of dealing with it and did not require provincial contribution, that they would of course be welcome to operate it and make up the deficit as long as the province was involved. In dealing with those deficits we've indicated that if they will demonstrate how we can play a role of a supervisory nature to protect our investment, that we would be quite willing to have the community operate the program.

MR. CRAIK: Mr. Chairman. I want to elicit from the people what the options are that are open, and in specific terms this is the most important matter here, and then it's a question of whether this is the board's decision, or government's decision, or whose decision, on what happens.

MR. CHAIRMAN: Mr. Minish, would you care to comment on that?

MR. MINISH: Yes. The board through a conversation with the government has indicated that we will hold a meeting with the Moose Lake Community, and which we are holding on the

(MR. MINISH cont'd) 31st of May, and we are to talk over the feasibility of several options. The ones that the natives have outlined themselves will be considered, and they have indicated that they want the logging operations to continue; the Indian people have and so has the government. The board is willing to go along with anything that's feasible to help the community, because this is what the company was set up to do for in the first place. It wasn't set up as a Crown corporation to make money, it was to put money into the community to help the community.

So we have come to that point right now, that we're in the process of dealing with the community.

MR. CHAIRMAN: Mr. Hunt.

MR. HUNT: Mr. Chairman, could I make a comment?

MR. CRAIK: Well that doesn't outline the options very clearly. I'm thinking of, in your dealings with them what options do the people have? Is your only option to continue it as an outside . . .

MR. HUNT: Well I believe, Mr. Craik, there was some indication about the assets, and so on, what the options might be, depending what the decision of the community will be.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I have to indicate that the department has a role here, and as long as there is a requirement of provincial funding for the operation, it has been my position, and remains the position of the government, that I will have to account for that money to the members of the Legislature, and I will have to retain some provincial safeguarding as to what occurs. This is the practice that would be followed with regard to anybody else who is getting the money, and we are not dealing with the Indians in that community in a more paternalistic manner that we would deal with anybody else.

MR. CHAIRMAN: Mr. Hunt.

MR. HUNT: Mr. Chairman, would I be out of order to say that I resent to some extent Mr. Craik's implication that the board of directors were somewhat, some of them at least, were somewhat lacking in ability because maybe they were political appointees. If that is the implication, and I take it that's it, you'd better look on Page 6 and see what the losses were when the previous government was running this for a very short time. There were \$117,184.

MR. CHAIRMAN: I don't believe that that is relevant to the discussions right now, Mr. Hunt. Let us proceed with the questions.

MR. CRAIK: Well I think on that question we should--If Mr. Hunt is the business consultant and according to his qualifications he knows there's always a run-in period on any company. And surely we're not suggesting that since we had a near break even picture last year, but this year in a \$150,000 position of cash flow deficit . . .

MR. HUNT: Mr. Chairman, as soon as it was turned over to the board of directors we had two good years, and I think you have to admit it. This next year isn't a very good year because the Indians wouldn't work, for a number of reasons . . .

MR. CRAIK: Well I think on the other hand you're suggesting that a company can start out from day one and be successful and not have a run-in loss period.

MR. HUNT: I didn't suggest that; I'm just giving you the figures. I'm just giving you the figures. Your . . .

MR. CRAIK: Mr. Chairman, I want to make it clear on the record that I did not say that anybody on the board of directors was incompetent. I said, in reading through, one of the major qualifications of being on the board of directors one would have to observe is to have been very active in the Swan River in a political sense, because . . .

MR. CHAIRMAN: Well Mr. Craik, I don't see the relevance of your . . .

MR. CRAIK: Well I am prepared, Mr. Chairman, to drop that. I'm not that concerned about it.

MR. CHAIRMAN: . . . if you have something specific to state with relevance to the board of directors, then state them.

MR. MINISH: Can I make . . .

MR. CHAIRMAN: Mr. Minish.

MR. MINISH: I think it's highly an insult to your position to mention such a thing, but I'd like to comment that it doesn't seem possible that your interest lies with the welfare of the community at all. That all you're considering here is tearing down the board members because you think they're political oriented and I resent that myself very much.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, on a, I think, a point of privilege.

MR. MINISH: Mr. Chairman, may I have the floor for just one minute please.

MR. CHAIRMAN: Order please. Mr. Craik, you have a point of privilege?

MR. CRAIK: Mr. Chairman, the annual report has gone to some extent to point out the qualifications of the board members. There is one person on the board that has an extensive background on forestry, and the three parties that have been principally involved in the heads of the operation of this thing do not include that person. So I think the observation that I have made is a legitimate one and it's not a statement of these peoples that they're not qualified to do it. It's a statement that a qualification of being involved in the direction of this project is pretty obvious.

MR. CHAIRMAN: Order please. Mr. Spivak on a point of privilege.

MR. SPIVAK: Really, on the issue of privilege, I think that there's something pretty basic here.

MR. OSLAND: There sure as hell is.

MR. CHAIRMAN: Order please.

MR. SPIVAK: Mr. Hunt has made certain references to the inability of the native community to be able to handle this particular situation.

MR. HUNT: That is my opinion.

MR. SPIVAK: That's your opinion, and that's an observation. I think it could be; I'm not saying that it would be the situation, but I think, based on the letter which was sent, of which we have a copy, to the First Minister, there would be native people who would question that judgment.

A MEMBER: Right.

MR. SPIVAK: A question of judgment. And would question the ability of the people to, or the ability of Mr. Hunt, or others, to reflect on their capacity in being able to handle this. All right? So I think we have a problem here. The observations that have been made by Mr. Craik are observations. I think that maybe some of the members of the board could be indignant about it, but that observation he's entitled to make, and I don't think that is really a subject of a comment here other than the observation himself that he's made, for the simple reason that in dealing with this matter we're not going to have the native community in front of us. We're not going to be able to deal with this. We only have their letter, and our own investigations, and therefore Mr. Craik is in a perfect position to make a comment, as offensive as it may be to some people, with respect to it. I must suggest that it's in order for him to do that, just as Mr. Hunt has made a comment, which I think is probably very offensive to the people involved in Moose Lake who have been concerned about this, but nevertheless he is entitled to make that comment. So having said that, and having recognized that Mr. Hunt had made a comment, and Mr. Craik has made a comment, I don't think it becomes an issue of debating it, of debating it.--(Interjection)--Well I wonder. Only in response to us. Well, if it's only in response to us, then I say, Mr. Chairman, to be fair, the Moose Lake representatives should be allowed to be here to present their position and to make their comment.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, just on the same privilege point, I have to say that Mr. Marvin, who the honourable member has referred to, has told me personally, and I have no doubt that he would make this statement publicly, that a large degree of the success of the operation has been as a result of the chairmanship of Mr. Hunt. Mr. Marvin has said that Mr. Hunt was doing an excellent job with that company, and he is the one that you have referred to as being the man who knows, and that Mr. Hunt's conduct of the operation, despite the fact that he was not in logging, his understanding of the business particulars involved was a great asset to the company. Mr. Marvin has made that statement to me and I have no hesitation in repeating it, knowing that he will confirm that he said it to me.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: I want to raise one more matter of privilege. It was stated by Mr. Minish that . . .

MR. CHAIRMAN: Well, Mr. Craik, I'll say you can raise your matter of privilege but I feel that you should be directing those particular points of view to the Minister who is the Minister in charge.

MR. CRAIK: Mr. Chairman, I raised the matter of privilege on a comment that he made that my interest is not in the welfare of this project but was politically oriented.

(MR. CRAIK cont'd)

Mr. Chairman, I want to put on the record the fact in case Mr. Minish doesn't realize it, this project was started by myself when I was the Minister of Mines and Resources in 1968, and the front end money required to start it was put in, and the initial operations of it were done in a non political objective way, with the idealistic objective of doing what's stated in the front of your annual report. Well, Mr. Chairman, I've had a vested interest from a point of view of the sociological and economic development of this thing since that time, and I watched it with considerable interest as it's gone by. I resent the statement made by a member appearing before this Board that I do not have an interest in the welfare of this project or the people, or whatever the comment was. It was started by myself, it was initiated by myself and two other people who worked day and night on this project for months on end to get it started, and I've now seen it fall into a state of concern, perhaps abandonment, based on the evidence that we now have. I think it's legitimate for me to make the observation that in view of knowing the background that the main qualification of people getting involved in this is to have a complete and adequate knowledge of the forestry industry, and if I look and review the job qualifications of the people that are at the top of this thing, that isn't the case. The common element, as I said, has been a political one, and this does not say they're inept in other fields, it is a common element of what . . .

MR. HUNT: Mr. Chairman, let me make one comment will you please. This will be my last one.

MR. CHAIRMAN: Mr. Hunt.

MR. HUNT: I think, gentlemen, that the problem's all solved now, there's no further problem. I am off of the Board and Mr. Halgrim, who I believe was the Leader of the Liberal Party at one time, he's been appointed, so all the problem's solved.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I wonder, Mr. Chairman, whether either Mr. Hunt or Mr. Minish could indicate Mr. Kowalko's salary, could indicate what Mr. Kowalko's salary . . .

MR. CHAIRMAN: Order please.

MR. HUNT: Mr. Minish, you know what you're paying him now and what you were paying him. I think . . .

MR. CHAIRMAN: Mr. Minish.

MR. MINISH: Within \$50.00, I think it was \$1,100 a month.

MR. SPIVAK: That's Mr. Kowalko. What was his son's salary?

MR. HUNT: I think it was the same, wasn't it? Or close to it.

MR. MINISH: About the same. About the same.

MR. SPIVAK: What was the son's responsibility?

MR. MINISH: He was a bookkeeper, an accountant of the books at a local establishment at Crossing Bay, and manager. He was Stores Manager too.

MR. HUNT: Gentlemen, this son did a remarkable job. He had his wife there and . . .

MR. SPIVAK: Mr. Hunt, I'm not leading into anything like that. I'm leading specifically to another area.

MR. HUNT: Okay.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Yes, I wonder now if you can indicate to me what accounting services were offered by the Department of Co-operative Development?

MR. HUNT: Well, I'm not in a position to answer that myself, but I believe we have a gentleman here that can answer it. Mr. Wayne Fisher could tell us.

MR. CHAIRMAN: Mr. Fisher, would you like to come forward as directed, take the mike, please, or you could actually have used that one. Mr. . . . You may sit.

MR. FISHER: The Department of Co-op Development did provide quarterly financial statements for the company, and that was the extent of their involvement. The bookkeeper did the books for a three-month period; Co-op Development came in and prepared quarterly statements.

MR. SPIVAK: Was it an accountant from Co-op Development who did that?

MR. FISHER: Yes it was.

MR. SPIVAK: Can you tell me the name of the person?

MR. FISHER: His name was Mr. Cotton.

MR. SPIVAK: And he's a chartered accountant or a public accountant?

MR. FISHER: I'm not sure what his credentials are.

MR. SPIVAK: Well, does he have any knowledge of accounting particularly?

MR. FISHER: Yes. He was able to prepare financial statements to the satisfaction of the Provincial Auditor.

MR. SPIVAK: Well, but again I ask you, you know, did he have any particular qualities? The Minister of Co-op Development is here, I think he's in a position to know. Did the gentleman have any particular accounting ability, accounting knowledge?

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Mr. Chairman, I don't know whether I know Mr. Cotton personally, other than having met him at a staff conference, so I would not have any particular knowledge without having to check back.

MR. SPIVAK: Can I ask Mr. Hunt or Mr. Minish, with a loss of approximately 160,000 for this year, at what point did the Board start to realize that it was going downhill and that there was going to be just a complete cash outflow loss, and what course of action did they take to minimize the loss for the company and for the taxpayers?

MR. CHAIRMAN: Mr. Minish.

MR. MINISH: Well, the fact that - it was quite evident when you have no cutters in the bush that you're in a losing position, and this was evident at the start of the cutting season in 1973 in May, or some time in June is when they start cutting, there was no cutters available to go back into the bush to cut, so therefore that's when our losses started, and of course it continued. Some time I think in September we finally got cutters into the bush and they averaged about three crews for awhile, and then we had one crew. Our administrative end of it is set up to handle 21 workers, that's seven complete crews, and our skidders are geared to handle that many crews, so therefore there was no way of cutting down on overhead in a corporation like this, because it went on every day about the same, out-cost was about \$12,000 a month to operate, whether we cut two cords of wood or we cut 15,000.

MR. SPIVAK: How much of that cost was managerial staff? \$5,000 a month, \$6,000 a month, managerial staff?

MR. MINISH: About three.

MR. SPIVAK: Only about three?

MR. MINISH: Not more than three I would think. About 3,500 Mr. Spivak.

MR. SPIVAK: About 3,500 of a \$12,000 operating cost. Mr. Hunt has indicated that there was about a 500-dollar a month cost with respect to the skidders.

MR. MINISH: No, that's per skidder, Mr. Spivak. There's eight skidders.

MR. SPIVAK: Okay. So that's \$4,000.

MR. MINISH: About 4,000.

MR. SPIVAK: That would leave \$7,500, so you still have an administrative cost of approximately 3,500 to \$4,000.

MR. MINISH: Yes.

MR. SPIVAK: Where was that? On what? What was that for?

MR. MINISH: You'd have . . .

MR. HUNT: You had the bank interest, an enormous sum.

MR. MINISH: I think the bank interest was costing us about between three and four thousand a month in operation.

MR. SPIVAK: Well, if the bank interest was costing you three or four thousand a month, which would be about \$36,000 a year, even at ten percent interest that would mean that the bank loan was \$360,000.

MR. MINISH: Well then I'm wrong on that figure, Mr. Spivak. It must have been about 2,700 then, it was operating . . .

MR. SPIVAK: Well, if it's 2,700, that would . . .

MR. MINISH: We're talking about 2,000, 2,000 to 2,500.

MR. SPIVAK: So that means the bank loan is about \$200,000.

MR. MINISH: Yes.

MR. SPIVAK: So you have now a bank loan of \$200,000. We have had an operating loss of \$160,000. What are the actual assets worth at this point for resale?

MR. MINISH: We have a caterpillar D7C is worth about sixty-five to seventy thousand dollars on the market, and we paid I think about 66 for it. And we have a skidder, a piler that's worth - we had an offer on it which - a private offer of \$27,000. Incidentally we had an offer,

(MR. MINISH cont'd) a private offer, on the cat when we closed up too in the neighbourhood of 65,000. So this is the figures I'm going by. The skidders would be between seventy-five and a hundred thousand dollars saleable equity. Then we have all our camp equipment on top of that, the trailers - and there's no way of me giving you a breakdown.

MR. SPIVAK: How much is owing on that now? How much is owing on that?

MR. MINISH: The skidders - and I would guess there's about \$20,000 on a payout on the skidders, and then we would own them.

MR. SPIVAK: The cat's owned?

MR. MINISH: It's paid out.

MR. SPIVAK: Okay. All right. When you're going to deal with community now, how are you going to deal with the community? Is it your intention to tell the community that they have to assume the indebtedness that exists now both to the bank, just to the bank itself? Or are you going to deal with them on the assumption that that indebtedness now has to be written off as a loss?

MR. CHAIRMAN: Mr. Hunt.

MR. HUNT: Mr. Chairman, that's a question that the government or the Minister will have to discern. We have no authority to determine that.

MR. SPIVAK: Yes. But then I put it to you, Mr. Minish. Do you believe that the community if they were to make any arrangement with respect to the use of the equipment and the facilities to continue on the major objective of the project in the first place, do you believe that they can assume the carrying charges now owing to the bank and still make it a viable operation for themselves?

MR. CHAIRMAN: Mr. Minish.

MR. MINISH: My personal answer is, if I can define what you mean by carrying charges, you mean pay the interest on the loan and carry on the operation?

MR. SPIVAK: Well, the carrying charges would be the bank loan and the ultimate payment of the bank itself, plus the carrying charges on the equipment. Do you believe that the community can absorb that and continue on and make this thing into a viable kind of operation, even with experienced - well, experienced is not the right word - even with the best of intentions of good management?

MR. MINISH: My personal opinion is that they could operate the operation if they were capable of it, and I want to emphasize that, if they're capable of it, by operating it, by paying the bank interest on the operation.

MR. SPIVAK: So they could pay the bank interest on the operation but not the bank loan itself.

MR. MINISH: No, because the loan, the greatest majority of the loan is tied up in equity of property.

MR. SPIVAK: But nevertheless at some point, if what you are saying is correct, the loan to the bank would have to be paid off or it would be held in perpetuity by the government guaranteeing it.

MR. MINISH: It's paid off as rent.

MR. SPIVAK: Well, again then if we're going to pay this off as rent, then are we paying just the bank interest as a rent, or are we going to be paying the actual capital cost? What I am basically saying is, how is it going to be possible for the Board to deal with the community unless you wipe out the indebtedness that now exists, possibly with the exception of the \$20,000 on the skidders, but wipe out the rest to give them a chance to be able to carry on a viable operation. Is it going to be possible?

MR. MINISH: I'll ask Mr. Green to answer that.

MR. CHAIRMAN: Mr. Green, I believe that should be . . .

MR. GREEN: I've indicated, Mr. Chairman, that the government is not seeking to have losses recouped by an operation that would be set up. Part of the idea was to get it to the position where it could operate on a viable basis, and if it couldn't carry that type of load that would consider in the discussions with the community, and they've been told that.

MR. CHAIRMAN: Well can we proceed then to move that the annual report of Moose Lake Loggers Limited 1972-73 be received?

MR. SPIVAK: No, I'd like to ask a few more questions if I could.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Will the community know - you know, Mr. Green has sort of stated the

(MR. SPIVAK cont'd) position here. In their negotiations with the community, is that position going to be understood by the community with respect to the assumption of the liabilities, or, I mean this statement that's made here, it may or may not be communicated back to them. Is it the intention of the Board based on this statement to assume that what Mr. Green is saying is a basis for discussion?

MR. GREEN: Mr. Chairman, I did indicate to the community, I believe in writing, that we'd be prepared to hear from them how they feel that they could operate this viably, and that the government's sort of equity in the operation be protected at the same time. So if the honourable member is asking me, I'd say that we'd be prepared to consider anything which was reasonable which could show that the thing could operate on a sound basis.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Well now I'll put the question to the Board. Is there any way in which the government's equity can be protected, that you believe that you could negotiate a reasonable proposition that the community would ever accept?

MR. CHAIRMAN: Mr. Minish or Mr. Hunt.

MR. MINISH: I would give you my opinion on that, that we have asked the community, and they have in turn indicated to us that they're willing to negotiate on a period, and I think it was 60 days of operation, whereby if they could indicate to us that they could supply us with ample cutters in the bush that we would continue with the operation and it would - and as it's indicated in our statements, that the only thing that's lacking in this operation is the absence of cutters. So if we have full cutter crews in there it's a viable operation. This is the only thing that we wanted them to guarantee, and they have indicated that they're willing to accept this, and I think it's only fair.

MR. CHAIRMAN: Mr. Hunt.

MR. HUNT: Mr. Chairman, I believe Mr. Spivak directed part of that question to me. I think, Sir, that it would be - in fact it's been proven by the year 72-73, that if we can get cutters that anybody can run this operation successfully and pay the bank interest. The government . . .

MR. SPIVAK: But not the bank indebtedness.

MR. HUNT: Yes. Pay the interest to the bank.

MR. SPIVAK: Interest, but not the bank indebtedness.

MR. HUNT: Well, I wouldn't say it couldn't be paid some time. But in any event the carrying charges were paid, or very nearly paid in 72-73, and I see no reason that it can't continue that way if whoever manages it, if they can get somebody to cut.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I think Mr. Spivak is asking questions as to how we are going to discuss this matter with the community concerned, and I'd be prepared to say that if the assets that are involved without debt was demonstrated as something that could be taken over and then operated viably, but not just turned over. In other words, if the assets that are talked about is \$100,000, and we look after the debt position, and they were able to demonstrate that they can protect the \$100,000 in assets that are being turned over, rather than turning over the company, turning over the assets, which means that the province would accept the debt load, that's something that could be considered, that's not out of the realm, but that has not been the position to date. I think it's just been said turn over of the company, and there has been no way in which that could be considered.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I want to ask Mr. Minish, I guess, as one who will now be sort of negotiating with them, whether he believes that there really will be an opportunity to try and work something out based on the letter that was sent to the First Minister by the Moose Lake Loggers, in which they said, "As you can see, Moose Lake Loggers Limited is working neither for the government nor for this community. Further, Moose Lake is being blamed by the manager and the government for this, when, as we have pointed out, the fault lies in the current system of management. This has a most damaging effect to our people and the community. Our board members feel completely unable to change the situation. Our past experience in dealing with either the chairman of the Board or the Honourable Sid Green shows us that we can reach no solution through that route. We are convinced the solution has gone beyond correction by the Board." Do you believe with that position stated as of February 14th, that in realistic terms are going to be in a position to deal with the community.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Well, the question is put to me, Mr. Chairman.

MR. SPIVAK: No. It was put to . . .

MR. GREEN: . . . negotiating on it.

MR. SPIVAK: Mr. Chairman, Mr. Minish is going to be negotiating . . .

MR. GREEN: Mr. Minish will be discussing with them, but the Government of Manitoba, which is the financial supplier of the funds to the area, will certainly have an interest in dealing with the assets that belong to them.

MR. SPIVAK: Well, Mr. Chairman, on a point of order, I, you know, I directed my question to Mr. Minish. I recognize that the final approval will have to be given by Mr. Green, but I want to ask Mr. Minish whether he believes based on this position as stated by the Moose Lake Indian Band, that there really is any possibility of them being able to deal with the community?

MR. CHAIRMAN: Order please.

MR. GREEN: Mr. Chairman . . .

MR. SPIVAK: Well, I want Mr. Minish to answer. Otherwise there's no point in him or anybody else coming to this Committee. We might as well have Mr. Green appear here and make the presentation.

MR. GREEN: Well, Mr. Chairman, the honourable member . . .

MR. SPIVAK: . . . for the corporation and for every other corporation in which he is involved.

MR. GREEN: The honourable member can state his position and he can take the position of a group of people who are anxious to pursue a certain end. I can indicate, Mr. Chairman, that the government could as an option operate a logging company in the area, hire whoever is willing to work for them, and try to make it viable, and if that is . . .

MR. SPIVAK: Mr. Chairman, on a point of order. I have asked my question of Mr. Minish, and I believe that I am entitled to have an answer by Mr. Minish; he's appearing before this committee. You know Mr. Green can make any statements he wants afterwards, he can make a statement outside, he can make a statement in the House, but I would like Mr. Minish to be able to answer.

MR. CHAIRMAN: Mr. Minish.

MR. MINISH: Well "Mr. Minish" will answer the question. As of the 31st of May when we have a meeting with the people of Moose Lake and the Board has their meeting, I'm unable to say what position that a board is to take because we have negotiated with the Indian people and they have indicated that they're - in their letter there - that these things have to be talked out, and that's what we're about to do at this meeting. So there's no way that I can tell you what is going to take place.

MR. CHAIRMAN: Okay. Mr. Craik.

MR. CRAIK: . . . what the prices are this year for your product per cord for your pulp. \$16.25 last year; is it the same this year?

MR. CHAIRMAN: Mr. Minish, the price per cord.

MR. MINISH: Seventeen dollars and thirty-five cents, wasn't it?

MR. HUNT: There was a seven percent increase. Anybody that can figure that out.

MR. MINISH: Seventeen dollars and thirty-five cents, I believe, is the correct figure within a few cents. That was our 1973-74 cutting that we paid to the people to cut.

MR. CRAIK: That's at the bush landing.

MR. MINISH: At the bush landing, that's right.

MR. CRAIK: And from there on the transportation to The Pas is carried by CFI?

MR. MINISH: CFI negotiated with the truckers to haul it at whatever they bid it at.

MR. CRAIK: Have you any idea what they pay the truckers to haul it in?

MR. MINISH: I have no idea. Yes. I could take a guess.

MR. HUNT: Don't do it.

MR. MINISH: Four or five dollars.

MR. CRAIK: So it's f.o.b. The Pas; it's in the order of \$21.00, \$22.00 a cord then.

MR. MINISH: Yes, I think it is.

MR. CRAIK: Is that price competitive with what it's costing the, you know, the CFI operation to bring in their own product? In other words is the price that you're getting at the present time a price that's parallel or commensurate with the other prices in the general area?

MR. HUNT: Mr. Chairman, I negotiated the price every time that I did that with CFI, and regardless of some people's opinion of my competence I thought I made a pretty good job of getting a pretty good price. Now the CFI claim - at least the people I negotiated with and that was the top people - they say that this is a better price, somewhat better, than they're paying anyone else. But the reason we were able to get a little better price was that the CFI operation is very greatly in need of saw logs in preference to pulpwood and we had a higher proportion of saw logs than the average from the other cutting operations; So I think we did get a little better price; at least that's what they tell me.

MR. CRAIK: When you say you're getting off the Indian land, in about 20 days of cutting you'll be off the land - does that mean that you're going to be on land not owned by the Indian communities from hereon in, or . . .

MR. MINISH: We'll be on Crown land. CFI.

MR. CRAIK: You'll be on Crown land from hereon in in the foreseeable future?

MR. MINISH: In the foreseeable future, we have 25 or 30 years of cutting in one area, that's east of the area that we're cutting in now, but it will be an area of about 30 miles from Moose Lake itself, the village. This is the concentration of the best timber. There's several areas. But this brings up realistic problems that we don't have on the Indian Reserve, and this is the unionization of operations of camps, and so forth.

MR. CRAIK: So when you move on to Crown land you're then faced with a different set of circumstances regarding the Indians?

MR. MINISH: Right. Now the reason that we're moving is that - I hope this is clear to you - that we're out of timber on the reserve. We've only got about 20 days or a month's cutting under top production or less on this.

MR. CRAIK: Do I understand you correctly that when you said there's 25 to 30 years of cutting that that was on Indian land, it could be . . .

MR. MINISH: No, that's on Crown land.

MR. CRAIK: That's on Crown land. Next year you're moving to . . .

MR. MINISH: Yes. Well this is the area that we propose, that the Board proposed to move to, and this is another form of negotiation, this was another point of grievance with the Indian people that they brought up.

MR. CRAIK: Do they have other areas apart from the area you're in?

MR. MINISH: I can't answer that yes or no because actually I don't know, but it would indicate from their conversation that they might have other timber on the reserve someplace else that they'd like us to move to.

MR. CRAIK: What sort of stumpage do they get for that?

MR. MINISH: They get \$1.50 a cord stumpage; it's paid to the band. This is quite a revenue to them, and this is one reason why that they . . .

MR. CRAIK: So if you're off . . . on Crown land, does that stumpage fee revert to the Crown?

MR. MINISH: Yes--(Interjection)--Pardon?

MR. CHAIRMAN: Mr. Enns.

MR. ENNS: Just a question. Up to now you've been basically cutting on reserve land, and I understand there's been some arrangement appreciated by the band that the stumpage charge revert, goes to the band funds. You're now moving on to Crown land and the normal procedure would be the stumpage fees, whatever collected, would come to the Crown.

MR. MINISH: I would believe so unless the Crown made some deal with them that they would pay that. I don't know how that would work.

MR. ENNS: So my question, it is to you, Mr. Minish, is, this would be among the things perhaps that you would want to be negotiating with the Crown and with Mr. Green, as to the disposition of the stumpage, future stumpage fees, whether or not the band could still continue to . . .

MR. CHAIRMAN: Hypothetical.

MR. ENNS: . . . get some of the - Well I think some of the appreciated funds that the stumpage fees has provided up to now.

MR. CHAIRMAN: Mr. Hunt.

MR. HUNT: Mr. Chairman, we were cutting on Crown lands up until the time we started cutting on this reserve, we cut on Crown land and had to pay the usual fee, which I believe at that time was 37-1/2 cents a cord.

MR. GREEN: . . . to the CFI. It's all CFI cutting territory?

MR. HUNT: Yes.

MR. CHAIRMAN: Okay. Can we now have that the annual report be received? Somebody entertain a motion?

MR. GREEN: I move it be received, Mr. Chairman.

MR. CHAIRMAN: Mr. Hunt.

MR. HUNT: Mr. Chairman, before you do that I would like to make this comment, that whether the operation was successful or unsuccessful, or good or bad, I would like to say that without the assistance of Mr. Fisher here from the Department of Mines and Resources it would have even been much worse. Mr. Fisher made a major contribution to whatever success we had.

MR. CHAIRMAN: Moved that the annual report of Moose Lake Loggers Limited 1972-73 be received.

MOTION carried.

MR. CHAIRMAN: Committee rise and report.