



Fourth Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

42 Elizabeth II

Chairperson
Mr. Jack Reimer
Constituency of Niakwa



VOL. XLII No. 6 - 10 a.m., TUESDAY, JUNE 8, 1993

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

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

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Tuesday, June 8, 1993

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRPERSON — Mr. Jack Reimer (Niakwa)

ATTENDANCE - 10 — QUORUM - 6

Members of the Committee present:

Hon. Mr. Downey

Ms. Friesen, Messrs. Gaudry, Helwer, Hickes,
Lathlin, McAlpine, Penner, Reimer and Rose

MATTERS UNDER DISCUSSION:

Moose Lake Loggers Annual Report

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Mr. Chairperson: Order, please. The committee will be considering the annual report for the Moose Lake Loggers for the fiscal year ending March 31, 1992. For the committee's information, copies of the annual report are available on the back table.

I would like the honourable minister to make his opening statement and introduce the staff present this morning.

Hon. James Downey (Minister responsible for The Manitoba Natural Resources Development Act): Thank you, Mr. Chairperson. I have Mr. Gordon Trithart and Mr. Percy Williams who are with the Economic Development Branch of the Department of Northern Affairs.

This report that we are presenting today is the completion of the Moose Lake Loggers operation as operated by the government, concluded its operations as of March 1992. The complete transfer to the community took place over the period of time from then until September which was the first start-up date.

The board of directors recommended this take place and the conclusion of it, the recommendation was accepted by the government and have proceeded to do so.

The report speaks for itself and I am prepared to pass it. This will be the last report of the Moose

Lake Loggers before any committee of the Legislature.

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

Mr. Oscar Lathlin (The Pas): Mr. Chair, I realize that Moose Lake Loggers is no longer in existence as a Crown corporation.

Mr. Chairperson: I wonder if the member could bring the mike just in front of him.

Mr. Lathlin: As a Crown corporation, I realize it ceased to operate as of the end of last fiscal year, but I am nevertheless still interested in the way Moose Lake Loggers was privatized, given to the Moose Lake Indian Band and the community council of Moose Lake.

I still have some concerns as to how the community of Moose Lake will be able to handle the work themselves now, not that I have any concerns of their capabilities, but the work, the way the corporation was given to them is what concerns me.

I still feel that there was a lack of preparation in terms of putting the company on a more solid footing in terms of perhaps assisting the community and going after economic development, business development, funding agencies such as Community Canada, the Aboriginal Economic Development program and others like it.

I am not going to spend too much time on the report itself. It is finished, but I would still like to ask some questions, maybe not necessarily on the financial side of the report.

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

Mr. Neil Gaudry (St. Boniface): Yes, Mr. Chairperson, just to say that we are prepared to pass this since it has ceased operation as of March 31, 1992, and we will probably have questions going through the report here. Otherwise, we will be prepared to pass it.

Mr. Chairperson: I thank our critic for those comments.

I would appreciate some guidance from the committee. Shall we consider the report page by page or by entirety.

Mr. Downey: Entirety.

Mr. Chairperson: By entirety? Okay, proceed.

Mr. Lathlin: I would like to ask the minister, I know when they were talking to the community in Moose Lake, there had been suggestions of maybe assisting the new owners of the Moose Lake Loggers, at one time it was suggested, for a period of one year by way of line of credit or something like that. There was also suggestion that perhaps that assistance could be as long as three years.

Could I ask the minister, is there any arrangement to that effect made with Moose Lake Loggers?

Mr. Downey: Yes.

Mr. Lathlin: Could I ask the minister to please elaborate on that?

Mr. Downey: Yes.

Mr. Lathlin: I asked the minister, Mr. Chair, to elaborate, maybe to give a description of the arrangement that he has made with Moose Lake Loggers.

Mr. Downey: I am sorry. I apologize. I thought he asked if I would elaborate, and I said yes.

If he has specific questions, then I could deal with them. I can elaborate if he wants me to do it at this time.

Mr. Lathlin: Let us start with the suggestion, for example, that was made last year, when there were talks of turning the company over to the community of Moose Lake. What arrangements were made in terms of financial assistance, for example, cutting area and things like that?

Mr. Downey: Mr. Chairperson, that is fair.

First of all, this did not just come about over the last year. The discussions have taken place with Moose Lake Loggers and the communities since 1988, I guess, when we came into office. It came to the point where the community, through the board of directors, brought forward a resolution saying that they were prepared and ready to take

over the operation of Moose Lake Loggers, which I believe is the right way to go.

I do not believe the member—and I think he made a clarification of it. I was a little concerned at the outset that he lacked confidence in the people of Moose Lake to carry on the operations. I do not want to say it in that way, because he in fact clarified it, I think, if I understand him correctly. He does have confidence in the people of Moose Lake, as I do, and that is where it should be. It should be operated by the people of Moose Lake.

The Province of Manitoba, over a number of years, as it is reported, has seen substantial losses on a per-yearly basis. We believe that there was some improvement; some changes could take place, and I can report today, that has in fact taken place. The community has demonstrated their ability. The cutting rights and areas, I believe, have not been changed in any way from the previous operations, as it was operated as a Crown corporation.

Secondly, there has been a package put in place. There has been a training program working with the community for a manager and bookkeeper position. There is a line of credit that has been left to assist the community of some \$300,000. There are two officers appointed to provide advice and facilitate access to financing agencies and to support the community in general in working with the start-up of the business.

* (1010)

I am pretty pleased with it. The financial commitment has been substantial by the Province of Manitoba. The cost to the province in transferring of Moose Lake Loggers to the local community has been in the neighbourhood of \$700,000. That is the write-off of the assets that we have. It is the liabilities that we have as it relates to Moose Lake.

So it was not just a matter of us callously walking away. It was a matter of, first of all, the community making the decision they wanted to operate the Moose Lake program. Secondly, it was a matter of supporting them financially with some financial commitments to make sure they got off and running, and thirdly, to have some staff continue to work with them to make sure that in dealing with financial organizations and/or with Repap, where they have to get their contracts, there is support there. As well, there is a major seedling planting

program that is available to them which will in fact assist them in a major way.

I appreciate the member's concern. I appreciate the questions, but I am satisfied as a representative of the government and who has had close working relationship directly as minister, but also with the support of the staff that are here today and other members of our Northern Affairs staff and Economic Development Branch, that it is the right thing to do to have the community now operating their own logging company dealing on behalf of their own organization with Repap, with seedling operations.

I am pretty pleased, Mr. Chairperson, what is being reported to me. It was the right thing to do, and I hope the member would come out in a supportive statement of the actions that have been taken by this government.

Mr. Lathlin: Mr. Chairperson, maybe I could ask the minister, this financial commitment or assistance that he talks about, will that go on for just one year, or will that go on for three years or maybe even longer as had been suggested at one time?

Mr. Downey: No, Mr. Chairperson, it is a three-year commitment, a maximum of \$300,000 support of a line of credit of which diminishes by \$100,000 dollars per year over the next three years.

Mr. Lathlin: How is that \$300,000, which diminishes \$100,000 each year, administered?

Mr. Downey: Mr. Chairperson, I can report that it is a bank loan guarantee. I can report that the company has not had to draw on that line of credit to this point. In fact, I understand that they are in a reasonably good cash position within their company. It is not for me to report what is happening within a company. It would be up to the member to ask them directly.

All I can report is as to the 1992 report and what has taken place with government transition to the community and what our further commitment is. The maximum commitment we have is, as I said, \$300,000 over a period of three years that diminishes by \$100,000 dollars a year. To date, they have not drawn on that line of credit. They have enough resources to continue on without the provincial support at this point.

Mr. Gaudry: They are doing better without your involvement.

Mr. Downey: You have it. The member for St. Boniface makes a comment that they are doing better without our involvement, and he is absolutely correct. It further substantiates the private sector being able to run their business better than the government. [interjection]

The member for Wolseley made a comment under her breath that when I was in charge—I would ask her to look at the amount of money the taxpayers put in when her favourite political party was operating the Moose Lake Loggers which cost the taxpayers a substantial amount of money and left them always having to deal with government rather than let them go on their own to run their business.

Mr. George Hlckes (Point Douglas): I would just like to make a comment on that. If we look on page 2, if you look up from the year 1987 down and compare to the year 1988 up, I do not understand the minister's comment. There is quite a difference in dollars here.

There was a change in government in 1988, and continually until 1992 you see an increased deficit every year. If you look at the transfer of the company to the community which is great as long as the government has put in place a safety net, because if a company is losing \$267,000, that has to be made up somewhere along the line. If the minister is stating that all losses will be absorbed by the band, it will be very difficult for the community to continue operating, unless there are safety nets put in place for the government to support this project until it shows profits for a community.

Mr. Downey: Mr. Chairperson, I will ask the member to look at what happened prior to 1981. In 1981, and we can go back to previous to that, but we can look at '82, lost almost \$100,000; it broke even in 1983; in 1984 it lost \$51,000; it made \$37,000 in 1985; it lost \$11,000 in 1986; '88, which was the last year which I would anticipate was operated by the previous administration, lost \$142,000; in 1989, the Repap, or the Manfor reduced the price which they were paying Moose Lake Loggers for the product which they were producing. On top of this, if one were to add the cost of workers compensation in all of these years previously, then we would show a substantial loss

in all of those years, so there has been substantial subsidy to the community.

I am a little different than the member for Point Douglas (Mr. Hickes). I am confident that the first year of operation, as I have said, they have not had to draw on their line of credit, they have operating monies in the bank, and I would think they will show a bottom-line profit. I take a little more positive attitude than the member for Point Douglas, that I think they can in fact manage the affairs better than the province can with them.

So I say we have not abandoned them. We have left in place a program for three years, a loan guarantee with the bank, if they in fact need it. I am confident that to this point, they have not had to use it, and I would anticipate that over the next two years they probably will maintain that track record. So we have not abandoned them, there is a safety net there, they will be able to build up some reserves, and they will be able to run their own operation and, hopefully, the member for Point Douglas (Mr. Hickes) would support this move.

If he does not, let him say he does not; and if he does, let him say he does. I think he is an honourable member and should come clean on this one.

Mr. Hickes: Well, in that respect, the minister knows very well that I support any projects that would benefit northerners and aboriginal people and citizens of Manitoba.

The question I am asking is to make sure that there is a safety net. When you look at the years of 1988 up, it is a continual loss of dollars. What I am asking the minister is to ensure that there is a safety net program in place. When you hand over a company that is losing to any organization, there has to be some measures in place to make sure that company is going to be profitable, or all you are doing is setting up aboriginal people to fail.

I do not think that is what government should be doing. It should be making sure that organizations and companies that are absorbed and taken over by aboriginal people do succeed and continue to succeed indefinitely to make sure that the community people have employment opportunities. That is the only question I was asking.

Mr. Downey: Mr. Chairperson, again, I have indicated that there has been, there is a safety net put in place, there is support for the community. I

would ask the member, as he is an honourable individual, does he support the move to provide and turn the operation over to Moose Lake? I know it is not an opportunity for me to ask him questions, but I am saying, as an honourable member, I think he should put his position on the record.

Does he want aboriginal people, does he want these communities to be on their own, or does he want them to continue to depend on government? I am saying, I am supportive of the work that has been done. We have seen a reduction in the amount of income that Moose Lake has taken over the past, the losses which have been incurred, because the price which they have received for the product they produce has been lowered.

I say, as well, that I believe they will have more opportunity to train their own people within their own community than what was taking place previously. They will have less restrictions on them, and I think that is the right way to go.

The community, as I understand it, are extremely pleased at the way this is operating, and I give them nothing but compliments and full support as this is taking place.

* (1020)

I again say, the member does not want to disregard this, that the taxpayers, in providing the Moose Lake Loggers company to the communities of Moose Lake, the band and the community, have in fact written off or forgone some \$700,000 of which the province has not asked for any payment.

So as well as a safety net over a three-year period, as well as providing the community with the company and the support of staff, I think that this is the right way to go.

And again I would hope the member would be honourable and put his comments in a supportive way. If he is not, then I would appreciate if he would say so.

Mr. Hickes: Well, on that note let me make it very clear, like the minister would say. I do support business opportunities for aboriginal people, and I have stated that in the past, because if we did not believe in that, why would our party have made sure that the inherent right to self-government was in the Manitoba task force? That should tell you our position on aboriginal ownerships, because you cannot continually hand losing businesses over to

any individual unless there are programs in place to make sure that the people are there that will benefit later on.

And when I say that, when you look at the continual loss of dollars—the minister made it clear that there was a safety net of dollars in place. Then I turn to page 5 and you see a reduction in the softwood contract from 44,632 cords to 34,545 cords. Why is that? That is a decrease of 10,000 cords.

Mr. Downey: Mr. Chairperson, I want to further add to the numbers that the member has. The budgeted amount for 1992-93 was 41,580, I believe. Since that time they have actually outproduced that and are producing something like just about 45,000 cords, and the company that they are selling to, known as Repap, are accepting that additional production.

So it appears with the additional production their profitability will be there. As well, they have got a major seedling contract for some 600,000 seedlings to be planted this year, which I think is a substantial amount of money, a substantial amount of employment, and of course a substantial amount of reforestation for their community for continued production.

So we are pretty pleased with it, and as I said, I would hope the member, as an honourable member, would speak out in support of the transfer of this business to the Moose Lake community.

Mr. Hickes: I thought I made it very clear that I did, with the proper support systems in place.

I only have one more question here, and that is to do with D on page 7. It says, "The company continued to provide on-the-job training."

In order to make the company viable and to make it profitable, all individuals that are employed will have the skills to do the job. I am not doubting the skill level of the community. What I am saying is if there is a change or turnover in employees, is there adequate training positions and dollars in place to assist the community to continue advancing now their own company, because you need continual training? You cannot just train once and forget about it, because there is always a turnover of staff.

Mr. Downey: Mr. Chairperson, I have more confidence in the community than the member for Point Douglas has. This company has operated

within the purview of a Crown corporation system over the last many years. Some of the best operators come out of the Moose Lake community as it relates to the production of wood and to the work in which they do. The upgrade that he refers to is in fact available. It is both self-trained, and there are programs available through KCC at The Pas, but I think they have been able to demonstrate, with the new technologies, with the slashers and the cutters and all the equipment that is there and available, that they have in fact been able to upgrade.

Let me tell you a problem that was there previously, and this the member for the New Democratic Party should be aware of, that previous operations disallowed training activity to take place and produce wood for the mill because the unions, in fact, did not want that to happen. They would not allow for less pay to go to trainees, and it has been a problem. I would hope, with the changeover and the local community now operating it, that there will be less restrictions on training of people internally within the company.

So I think this will be a positive move, something that, again, I am very supportive of. I think the community has been able to demonstrate they have some of the best people available. I have also made reference to the fact that there has been a training program in place for the manager and bookkeeper, and the Department of Northern Affairs, through staff and support available to them through normal government programming, will be available to them.

We want to make absolutely sure this operation succeeds. It is in the best interests of the community. It is in the best interests of the provincial economy, and it is in the best interests of the individuals' esteem and their pride in making this operation go. They just do not have to look to government whenever problems arise; they will be able to deal with them and have demonstrated that.

The same with Channel Area Loggers, Mr. Chairperson, and I should not deviate. The turnover of the Channel Area Loggers to the Channel Area community has been nothing but positive for those communities, and I think the members, hopefully, would be supportive of that move as well.

Mr. Hickes: I do not have any more questions, but I would just like to let the minister know that I

personally support this. Like I said, it is to make sure that the government just does not sever all ties and say, okay, well, now it is yours, and do what you want with it. If the company sees any problems, it is to make sure you go in there and help the community to overcome instead of just losing everything that has been gained, if it needs a little bit of training, if it needs a little bit of assistance, to go in there and help the community to overcome that. That is all I am saying. [interjection] I thought I made it perfectly clear.

More of these agreements should come about because that is the future that the aboriginal communities are looking at, is the concept of self-government. This is one form of it, the local autonomy and local ownership. This is a step in the right direction, but you have to make sure that it is monitored and supported to make sure that it works to the full benefit and ongoing benefit of the community. That is all I am saying here.

Mr. Downey: I thank the member for supportive comments.

Mr. Lathlin: I have one last question, Mr. Chairperson, and that is the seedlings that are being planted by the Moose Lake Loggers. Before the Clearwater Lake Nursery was done away with, I wonder if the minister could advise us, did Moose Lake Loggers also get seedlings from

the Clearwater Nursery, or were they dealing strictly with Repap? What was the arrangement with Clearwater Lake Nursery? Also, what was the arrangement with Repap in terms of planting seedlings?

Mr. Downey: Mr. Chairperson, I am sorry I cannot answer where they currently get them. They did have the supply coming from Clearwater nurseries previously. I do not know where they are coming from now, and I do not know what the arrangements are with Repap, but I know what the contract calls for. I believe it is a living tree for every tree that is taken. That has not changed.

I will have to get the specifics as to the seedling relationship now with Repap and with the community of Moose Lake. The seedlings are provided by the Department of Natural Resources.

Mr. Gaudry: I would just like to thank the minister for his comments and his information that he has passed on. I would like to wish well to the new owners of Moose Lake Loggers. I know they will do well. The government will make sure that they are well supported if anything happens.

Mr. Chairperson: The Annual Report for Moose Lake Loggers for the fiscal year ended March 31, 1992—pass.

The time being 10:30, committee rise.

COMMITTEE ROSE AT: 10:29 a.m.