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Fourth Session - Thirty-Sixth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Economic Development

Chairperson
Mr. Mervin Tweed
Constituency of Turtle Mountain



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Sixth Legislature

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ENNS, Harry, Hon.	Lakeside	P.C.
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EVANS, Leonard S.	Brandon East	N.D.P.
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GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
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McCRAE, James, Hon.	Brandon West	P.C.
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NEWMAN, David, Hon.	Riel	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank, Hon.	Morris	P.C.
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Vacant	Charleswood	

LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, February 26, 1998

TIME – 1 p.m.**LOCATION – Winnipeg, Manitoba****CHAIRPERSON – Mr. Mervin Tweed (Turtle Mountain)****VICE-CHAIRPERSON – Mr. Gerry McAlpine (Sturgeon Creek)****ATTENDANCE - 11 – QUORUM - 6***Members of the Committee present:*

Hon. Messrs. Gilleshammer, Praznik

Ms. Barrett, Messrs. Chomiak, Helwer, McAlpine, Penner, Rocan, Sale, Struthers, Tweed

*Substitutions:*Mr. Dyck for Mr. Praznik
Mr. Ashton for Mr. Chomiak
Mr. Newman for Mr. Gilleshammer**APPEARING:**

Mr. Gordon Wakeling, General Manager and Chief Executive Officer, Communities Economic Development Fund

MATTERS UNDER DISCUSSION:

The Annual Report of the Communities Economic Development Fund for the year ending March 31, 1997.

Mr. Chairperson: Good afternoon. Will the Standing Committee on Economic Development please come to order.**Committee Substitutions****Mr. Chairperson:** Before we can consider the '97 Annual Report of the Communities Economic

Development Fund, we have to deal with some resignations. Where I am not in receipt of resignations signed by the member, I ask for unanimous consent to accept the resignations without the proper documentation. I ask if there is that consent. [agreed]

Mr. Edward Helwer (Gimli): Mr. Chairman, I would like to recommend that Mr. Dyck, the MLA for Pembina, replace Mr. Praznik.**Mr. Chairperson:** It has been moved by Mr. Helwer that Mr. Dyck replace the honourable Minister for Health (Mr. Praznik). Is it the will of the committee? [agreed]**Mr. Jack Penner (Emerson):** Mr. Chairman, I move that Mr. Ashton replace Mr. Chomiak.**Mr. Chairperson:** It has been moved by Mr. Penner that Mr. Ashton replace Mr. Chomiak on the committee. [agreed]**Mr. Helwer:** Mr. Chairman, I understand you have the resignation from Mr. Gilleshammer there, and I would recommend that Mr. Newman replace Mr. Gilleshammer.**Mr. Chairperson:** It has been moved by Mr. Helwer that Mr. Newman replace Mr. Gilleshammer. Is it the will of the committee? [agreed]

I have received the resignation of Mr. Chomiak, just for the record.

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Mr. Chairperson: The business referred to the committee for consideration this afternoon is the Annual Report of the Communities Economic Development Fund for the year ending March 31, 1997. If members do not have a copy of these reports, there are copies available. If you need them, please indicate and the page will provide you with them.

Does the minister responsible have an opening statement? I would also ask that he introduce the officials in attendance at the table.

Hon. David Newman (Minister charged with the administration of The Communities Economic Development Fund Act): Mr. Chairman, I am pleased to present the Annual Report of the Communities Economic Development Fund for the year ending March 31, 1997. In attendance from the fund are: Harold Westdal, the Chairperson; Gordon Wakeling immediately to my left, General Manager and CEO; and, Eileen Bray, the Manager of Finance.

In this its 26th Annual Report, the fund continues to demonstrate the need for a reliable source of low- to medium-risk capital for economic enterprises in the North. Since its reorganization and redefinition of its mandate between 1988 and 1990, the fund has approved loans to a wide range of projects throughout its lending region, providing opportunity for northerners to offer goods and services to enhance the quality of life for the region, and which without this type of program may not otherwise exist. The fund continues to administer two lending programs, a program tailored to the needs of small business under The Communities Economic Development Fund Act and a program for commercial fishermen under part three of The Fisheries Act. During 1997, loan advances under these programs totalled \$7.8 million.

The fund enables northern entrepreneurs to participate fully in the growing provincial economy. The fund's staff provide a high level of business support services. Their knowledge of both business and regional issues is kept current by regular opportunity for training. One of the key elements in enhancing the likelihood of success for a new entrepreneur has been assisting the client to fully explore the business they propose. Fund staff work extensively with a client to ensure that they understand the proposed business plan prior to start-up. This is the basis for a strong working relationship, allowing the fund to help the client through the challenges which may later arise in the business. The approach also increases the business's chance of success which serves to reduce loan losses over the longer haul. The fund is represented in all areas of its lending region. The head office is located in Thompson with field offices in Gimli, Swan River,

The Pas and Winnipeg.

We certainly welcome the opportunity to engage in dialogue and look forward to questions and ideas from members of the official opposition and from my own party, my own government. Thank you.

Mr. Chairperson: I thank the minister. Mr. Ashton, do you have any opening statements?

Mr. Steve Ashton (Thompson): Yes, I want to indicate the importance of CEDF to northern Manitoba. It is interesting that we are now in the position of having more than 25 years of experience to look at. There have been various changes over the years, various ups and downs in terms of its position in the North, various changes in its mandate. Of course, most notably recently would be the decentralization move of a significant number of the staff outside of the original location in the city, which certainly I have supported in the past.

I will be asking some questions today, particularly in some of the areas where we have seen some of the greatest activity in recent years, in the forestry side. There are some very significant changes that we are likely to see with forestry in northern Manitoba with the new Tolko which is taking over from Repap, some very dramatic shifts in the way that company proposes to operate, particularly if the current appeal of the CEC licence is not successful—the appeal that has been filed by a number of groups, including the MPO, and I do know that there is a great deal of concern out there. This would be one of the main focuses, because there are a lot of people who have undertaken under Repap to engage in some major operation where they move to self-employment, some significant investment, and there are some very real concerns about where they will end up as a result of the changes that Tolko is proposing. I look forward to getting into some detailed questions on that and also the details of the report.

Mr. Chairperson: Thank you, Mr. Ashton. Does the committee—I would ask them how they wish to proceed this afternoon. Shall the report be considered in its entirety or on a page-by-page basis?

Mr. Ashton: I would suggest we deal with it in its entirety.

Mr. Chairperson: In its entirety. I would ask right now how late the committee would like to sit.

Mr. Ashton: I would suggest we assess shortly before three o'clock. I think we should be able to complete the report today.

Mr. Chairperson: We will now proceed to consider the Annual Report of the Communities Economic Development Fund for the year ending March 31, 1997. Questions.

Mr. Ashton: I want to start with the focus that I referenced in terms of Tolko and forestry, and I want to give some background to members of the committee who may not be aware of what we are faced with. I, by the way, had the opportunity to attend a meeting of the forestry advisory board with Tolko. I have talked to people in a number of the communities that currently are involved with logging in my area, and I have talked to my colleagues who also represent communities that are a significant part of the current forestry operation.

* (1310)

I want to indicate that obviously this is CEDF. I am not going to get into some of the environmental questions. I can put the government on notice, however, that once we resume sitting in the Legislature next week that this is going to be an issue that I am going to be raising on behalf of northerners. I will raise various questions about the impact of what is going to be happening.

By way of explanation, Tolko is proposing to increase its forestry cut by 60 percent. That, by the way, is within the CEC licence, the original licence, and would be within the new licence. A lot of it depends on your definition of sustainable. You know, we have a lot of forestry. I think we probably have the largest cutting area in North America right now, certainly in terms of available cutting areas. One only has to look at what has happened elsewhere to see pressures for environmental reasons, pressures from aboriginal people in many other jurisdictions and in Manitoba, the fact that you do not have anything comparable to the cutting rights that Tolko has in place.

They are proposing to go from the 60 percent cut to move to seasonal cutting. So essentially they are going

to be taking 60 percent more wood out in the winter period, which will result in a significant shift in the operation. It will have a number of impacts. It will result in less all-weather road construction. That is a concern I know in Thicket Portage, but obviously it is going to have a major impact on the people in the forestry industry itself. Given the fact that Tolko has already brought in contractors from Alberta that have been doing some significant logging activity just south of Joey Lake, which is—for those who are not aware of that area, it is in between Thompson and Wabowden. It is a bit south of Paint Lake. People are concerned, very concerned.

There was a meeting that was held in Wabowden, and it is interesting because when you are trying to combine forestry with the other resource uses in the area, trappers, for example, those that are on the commercial fishing side and tourism, it is not often you get people coming together under one umbrella and then expressing similar concerns. But that is what has happened in Wabowden. Wabowden, by the way, has a significant number of people who have worked for Repap in the past, a significant number of contractors and people who were employed by the contractors and a significant number of people who have received funding from CEDF.

That is why I am raising it in this context, because they are very concerned. They are also concerned about the potential shift to far more capital intensive equipment. I can tell you it was pretty much of a leap for a lot of people to be looking at moving into \$500,000-plus, in a lot of cases, \$400,000, \$500,000 worth of equipment at a minimum. People are very concerned about where they go from here.

Now CEDF played a key role. If it had not been for CEDF, I think Repap's plans of moving into this contracting out would never have worked. CEDF has allowed a lot of people to stay employed in the forestry industry. But what people are concerned about now is whether they are going to be able to compete.

I want to put on the record that I am very disappointed in Tolko hiring the Alberta contractor. I think that sets a very, very bad precedent. I did attend the forestry advisory meeting and I did express that at the time and I will be expressing it to Tolko in addition,

but I think a lot of this also has to come back to the provincial government because essentially it is our resource. We license it to companies and if you go back to the origins of the Repap sale in 1989 there were various discussions and debates at that time. I think one of the unfortunate things at that time was the fact that there was no real recognition of the role of communities at that time. I know the minister, in his other area of jurisdiction as Minister of Northern Affairs, is talking about incorporation and more possibilities that way. I know Wabowden is a community that has looked at that. The difficulty again is if you look at the situation communities like Wabowden are in, they have virtually no power over anything outside of their Northern Affairs boundary, which is a very limited area in Manitoba.

They have very real concern about a couple of things, whether there is going to be a resource. People in the forestry industry are saying that they were looking at a 20-year time frame. Some of them are concerned that the resource could be gone in six years for the use of the contractors and the increased cut, the 60 percent. They are concerned about the impact that is going to leave on the environment. I am talking about people on the forestry side of things, not just people who are concerned in other ways, like the trappers who have expressed this concern.

One of the quotes that came out of Wabowden was the people were concerned that within six years there would be a vast clear-cut area that will have taken away a fairly sustainable industry that had problems. There were problems for trappers. There were problems in terms of cuts coming right up to the lakes, and I am documenting that as well now because I think even the current guidelines have not always been followed. We are potentially looking at a situation where the forestry resource could be pretty well forested out, if that is the word, within a short period of time, and not only will that have an impact on the environment, but it will result in a lot of lost job opportunities for people who have relied on forestry through the last few years, and actually it is the main source of income in Wabowden and other northern communities.

* (1320)

So I want to ask the minister if he has met with Tolko. I want to ask him if CEDF has considered in

any way, shape or form the impact that this shift is going to have both on existing individuals who have received loans related to forestry and what assurances the minister can give, in both his capacity as Minister of Northern Affairs and the minister responsible for CEDF, that the provincial government will be not only sitting on the sidelines on this but ensuring that our forestry resources are used appropriately and that in the context of CEDF that the people who have staked their future on forestry are not squeezed out by contractors such as the one that is currently operating south of Joey Lake.

Mr. Newman: Even though much of what you have raised is probably outside the mandate of CEDF, I am going to respond briefly and leave to another day further discussion, and you have indicated that you are going to participate in that kind of debate and in fact initiate it and I think that is good and healthy.

The question about whether or not I have met with Tolko, I have fairly recently, and I met with Allan Thorlakson's management team when they first were introduced to our government and got to understand their value system and their method of operating. The most recent meeting really primarily shared the concerns of the Northern Affairs communities and in particular, Wabowden, with them. The whole self-reliant community initiative, which was announced in our throne speech and was I think evidenced in the amendments to The Northern Affairs Act that we introduced last time, means that the whole approach that we are taking to northern socioeconomic development is founded on sustainable development. The self-reliance community initiative together with the sustainability approach for socioeconomic development come together and mean that the local communities are deciding more for themselves what they want to become and what their long-term goals are and how they are going to get there.

So it is a very interesting time for a community like Wabowden that has had a history in forestry, a history in mining and a history in trapping and fishing and tourism. It is a vibrant community with a great future. They are making, at the community level, decisions about the degree to which they want to do economic development on one hand and the degree to which they want to protect the environment on the other hand. It

is very interesting as they assert themselves more with increasing self-reliance with our encouragement and how they relate to Tolko.

They had sought my services, as I am sure they have sought yours, to communicate their concerns to Tolko and we have done that. Tolko has been responding in many cases directly with them or directly to NACC on their behalf. Many of the anxieties they had to begin with I believe have been resolved, the issue of the Alberta contractor, the issue of how much work was going to go to people in Wabowden. I believe that has also been addressed and resolved to the satisfaction of local people. To what extent the philosophy of Tolko, which is to only go where they are wanted, will mean that if they are wanted badly, they might subject the local forest to greater cutting than would otherwise be the case. Those kinds of issues are of concern to Wabowden. I think they have assurances and I know we have assurances that they do not want to do anything to damage the relationship with these emerging self-reliant communities. Time will tell, and I encourage you to monitor it and in the interests of the sustainability of those communities.

With respect to the impact on CEDF, I am going to have Gordon Wakeling respond to that in more detail but just briefly would say that certainly the success of our clients, the clients of CEDF, will depend on sustainable forestry, because a number of the borrowers for our magnitude of our loans, large borrowers, have invested in equipment and put a lot into the business. CEDF does not want to see them fail. They want them to succeed and the loans to be repaid.

With respect to assurances, my mandate is to represent the northern communities, and I will do it vigorously and conscientiously. In many cases I am sure, Mr. Ashton, you and I will be on the same page in the interests of those communities, and I look forward to joining in common cause where their sustainability is going to be jeopardized. Maybe Mr. Wakeling would like to add something on the impact on CEDF.

Mr. Gordon Wakeling (General Manager and Chief Executive Officer, Communities Economic Development Fund): I think in many ways we have been participating with the clients directly, with Repap on two levels, Repap Tolko now. As issues related to

particular clients arise, then we intervene in the interests of our business, which is of course the interests of their business and ensuring that they are viable to make loan payments.

In regard to the move to different forest methods, different harvesting methods, different harvesting levels, these of course become resource management issues which as the minister indicated are outside of our mandate. However, we do, as we evaluate loans as loans arise, consider the economics of the loan and in so doing, where the practice is, at least on the seasonal harvest level, to be uneconomical and therefore make the business unviable and unable to pay loans, the first indicator of that would be a significant slowdown in the approval of loans in this area. We are working with clients who are anticipating six months harvest, not just in the Nelson River district but also on the west site, and their indications are that they can be viable harvesting at six months. What it may require is some transmission and some adaptation in cash management procedures with the client to allow them to work through this change in their cash flows.

Mr. Ashton: I want to put this in perspective because, if you just take the indication of the loans approved in 1996-97, by quick calculations, 16 out of 45 are in the forestry sector, but if you look at the actual value of those loans, my quick estimate is that it is \$3.5 million out of about \$4 million. You are dealing with the vast majority of the loans being in the forestry sector. Not all of those by the way involve Tolko, but the most significant ones do.

I just point members of the committee to page 8. Just so people get some idea of the scope that you are looking at, \$447,500 Swan River forestry; Chemawawin Cree Nation, \$285,000; John Uhrina Logging, \$724,000. These are fairly significant scales, and I am glad you are working with the clients on that basis because, I can tell you, I have talked to them and they are worried. Even though there have been assurances that this can be viable, once again there is the question of the capital investment that is going to be required for Tolko's proposed forestry practices.

I am wondering what information you have received from Tolko as to the kinds of logging procedures they are going to be looking at and, more specifically, within

CEDF's mandate—because I do not want to get into a discussion of forestry practices; I understand it is outside the mandate of this committee—but, you know, what impact that is going to have on people who wish to remain as contractors in the forestry sector.

Mr. Wakeling: Specifically within the Wabowden area and the north cut portion, which is actually Cranberry Portage and that region, I think most of the changes which were going to occur in terms of capitalization and equipment brought to the forest floor have occurred. The equipment has been on the forest floor now for three to five years. We are looking at a much more mechanized operation, as you have noted. We are looking at onsite processing of lumber from the old days of rather, in my opinion, poor ecological practice of ripping it across the forest floor and processing it at central sites. We now process at the stump. Most of that equipment has been on the forest floor for the last three to five years.

I think in fairness to Tolko, and I do not wish to prejudge their expected or forest practices, we are following forest practices that we had previously followed under Repap.

The majority of loans at this stage into that region are recapitalization loans which, if you recall, we discussed this a couple of years ago. We are going to run into three- and five-year recapitalization cycles as the equipment ages and is replaced. It is very expensive equipment. You correctly point out that a significant amount of our portfolio now is placed in high-priced equipment, and of course we have a vested interest in ensuring that we communicate both with our clients and with the forest company the need for viable practices both in their payment and contracting with our clients and in their employment of our clients' equipment. That is what we continue to manifest.

Mr. Ashton: And that is pretty much the concern. There is a real concern by the way. I say to the minister, I mean, Tolko officials were present at a meeting that took place a couple of weeks ago, so there has been some discussion back and forth. I know the use of the Alberta contractor was I think a flash point for a lot of people in the North. I know Tolko's explanation. They said: we want to increase the cut 60 percent. If we want to do it right away, we have to

bring in an outside contractor.

Quite frankly, from the meeting I went to, I do not think Tolko understands, or did not at the time anyway, what that meant for people in northern Manitoba. It is our resource as a province. It is our resource in terms of northern Manitoba and I am very concerned again even in terms of the impact of the increased cut. It is one thing to say in a global sense it is sustainable. You know, there are enough trees in the North that you could keep cutting for a hundred years and then you start growing again. It takes that long, and you know that. Whether that is wise environmentally, I will get into in another area. But just take the area of, say, Wabowden. There is some dispute back and forth. Tolko says six, seven years is underestimated significantly in terms of the time in which it will be cut out.

You have to understand, the people of Wabowden and other communities are looking at sustainable in their own backyard. It does not matter if there is cutting—and they are travelling quite a distance—but if the cutting is north to South Indian Lake, that is something that would be of concern to people in South Indian Lake and, by the way, it is.

There is particular concern that you are going to end up with the kind of situation where the resource may be shrinking in terms of its sustainability for a lot of these contractors. Particularly the seasonal cutting is of grave concern because, if you just run through the logistics of it, going from year-round employment—I understand Tolko is a business, why they are looking at doing it. You do not have to build all-weather roads. You can just run on winter road operations. As you pointed out, they are doing a lot of the processing, if you like, or preprocessing out in the bush. There is a fair amount of haulage that goes in and out of there.

But I would urge you as Minister responsible for CEDF to work with CEDF on this, because I am really concerned if we do not sit down and educate Tolko, they do not understand the depth of some of the concerns. I went there, for example, and people raised concerns from one of the First Nations communities and pointed out that they were going to be affecting resource areas, treaty land entitlement areas and Northern Flood areas, and one of the Tolko officials

from B.C. said: that is politics. I sat there, and I went over to him afterwards. I said: it is not called politics; it is called the law. It is rights that people have. It is other uses.

That is one of the problems, by the way, that you have. People see the North as one vast, open space. It is not. I mean, there are various resources, some of which are complementary, some of which are mapped over on the same areas.

* (1330)

So I would urge the minister to get involved and advocate. I know he has obviously been doing that in terms of some of the communities but also from his CEDF perspective because, in communities like Wabowden, I think if you are looking for a community that is willing to look at incorporation, there is a classic example. I will tell you what they will want. They will want a greater say in that area. I think you should look at an LGD-type of concept. I think once you give more resource use, you will then, by the way, see some real economic development, because the problem the communities have, you know, the cutting is taking place 20 kilometres outside of their community. They cannot do anything. They have no ability to lobby you as minister, lobby me as an MLA.

This was the lost opportunity with Repap, by the way, and I am not blaming the minister personally on this. I said this at the time, that one of the concepts that should have been built in in 1989 was community participation, community ownership, community control, at least putting communities on a fairly level playing field with what some of the First Nations communities now find they have to a certain extent, because of nothing to do with this concept but dealing with treaty land entitlement and Northern Flood settlements.

When you have that ability to look after things in your own backyard, I will tell you, the people in Wabowden will do a lot better job of ensuring a sustainable resource than any of us sitting at this table because, within that community, they combine tourism, trapping, fishing and forestry. Tolko has united all of them. Tolko should be concerned about that. I am going to be raising this with Tolko. I went to the

meeting for that purpose, and I will be raising it again.

But I think there is a role for the government. I do not think the government should be—and I do not point to the minister. I realize the minister is probably more involved than anyone as Minister responsible for Northern Affairs, but it is our resource. I think we have not only the right, but we have the obligation to ensure that its use is sustainable in the truest sense of the word, not just in some global element, that it is not going to destroy the ecosystem, is not going to destroy competing uses, and also it is going to provide some value and benefit to people in the surrounding area.

I realize The Pas will get employment out of this. That is good news for The Pas. But there are a lot of forestry jobs outside of The Pas as well. People are sitting there saying, well, we have Alberta contractors, we are going to go to six-month forestry practices. What do we do then the other six months? EI has been cut. What is going to happen to our cash flow? There are a whole series of questions. How are we going to compete against this Alberta contractor. You look at what this Alberta contractor did, the amount of volume it cut out in a short period of time. There is one vision of the future for forestry in northern Manitoba, and I invite the minister to look at that and talk to some people who are aware of the volume they took out in a very short period of time. They are efficient. I have no doubt about that. I also think that the people in the area can be efficient. I also happen to think that they are efficient, plus they are concerned about the environment. So I would urge the minister to get involved and make sure that we do not sit on the sidelines on this one. It is our forestry resource, and I want to make sure we do not end up with people on the sidelines once again.

I mean this is the history of northern Manitoba in a lot of cases, you know, since Manitoba became part of the province in 1912, since the 1930 transfer of natural resources. Compare the amount of resource extraction that takes place as compared to the jobs that exist and take place, and you will find that we can do a better job. I think the minister would be the first one to agree with that. Particularly for the outlying communities, you know, the urban communities have been able to get a significant amount of value-added, but it is a real challenge for the Wabowdens, the Thicket Portages, the

Cranberry Portages, the South Indian Lakes, and you know the experience of a lot of those communities, the reason they are so frustrated, is a lot of times they end up losing. They do not get the jobs, they do not get the spinoffs, but they see the environmental impact and the impact on other resource areas.

I realize some of this here is outside of the minister's hat at this committee hearing, but I would urge him to sit down from the Economic Development side and ensure that Tolko structures it and encourage them to structure it in a way that maximizes northern employment. Something, by the way, the Tolko officials I talked to did not see as being anything that was of a particular concern to them, and that concerns me. You know, I think there may be a gap here between what their previous experience has been in other communities, and this is the first time they have taken over a business that was making money. That is what they told us at this presentation, but you know it may also be the first time they have been in a place like northern Manitoba where people have a real sense of ownership over resources, and I would urge you to perhaps help educate them.

I am going to be trying my best as an MLA because I will tell you, otherwise, I can see Wabowden in five, 10 years being forested out, and I can see impact on other resource areas and the ecosystem and I do not want to be sitting there—no, maybe even here. You know, who knows with politics who will be sitting here in 10 years, but having some sense that we could have done something in 1998 to stop it. I am not talking about being heavy-handed with the company; I am talking about giving them some sense of the advantages of listening to people in northern Manitoba.

Mr. Newman: I am not going to go on at lengths. I think your contribution to the discussion is useful. The only thing really relevant to CEDF is your point that we should be conscious of the impact that their harvesting practices will have on our loan portfolio. I expect CEDF to monitor that and if there is any practices that are negatively impacting on those portfolios, those businesses that are our clients, I would expect that to the extent that they do not get results in relation to Tolko that I will hear about it. I would insist that I hear about it if those things happen.

With respect to the bigger issue, just suffice to say that it is very good I think for Manitoba if we have a business that is well run and profitable and has a good sense of sustainable development and social responsibility, and this may be the company that comes closest to having all of those qualities. Their track record certainly proves that, and being a privately owned business that does espouse and claims to practise very sound fundamental values, it bodes well. I certainly will be monitoring their performance in relation to the northern communities on a regular basis through the northern communities themselves, who have no hesitation sharing with me, either directly or through NACC, when they feel the North is not being treated appropriately by this particular business. I have made it very clear in a meeting with Allan Thorlakson of Tolko my expectations for a respect for these communities and have also challenged those communities to let their views be known and establish relationships which make them comfortable with the degree of harvesting that is going on in their neighbourhoods and beyond.

So the goal is healthy, sustainable, more self-reliant communities, and they see Tolko as a means to that end, and without them, they would not have nearly the opportunities. So it is a question of balancing the cutting rights that Tolko has by virtue of its licence against those other competing interests for use of the forests and for the human beings and the animals that live in those forests and all living things that are there. That is the great challenge that we have throughout the world, and probably in Manitoba we are further ahead than other jurisdictions, I believe, in promoting and understanding sustainable development. It is an imperfect science, maybe more of an art, but we as a government under the leadership of our Premier (Mr. Filmon) have been committed to that since the government came in power before I ever got into politics.

Mr. Ashton: I am tempted to respond—I think we were doing not badly until we got to the last part, because I can tell you that the scale of what we are looking at now in terms of the forestry practices is unprecedented in our history. So I add that as a caution. We are in a very sensitive area of the ecosystem. Our ecosystem in northern Manitoba, apart from this year with some of the mild weather, is such that we do not have a lengthy

growing season. Trees do not grow that quickly in northern Manitoba. A lot of the old trappers I know who I have talked to—I was talking to some elders yesterday in Pikwitonei who were commenting, an 85-year-old gentleman, on how things have changed over the years. But, you know, nothing, mining, even Hydro, impacts on the degree of scale and area that forestry does.

I am very concerned when I see what is happening in northern Manitoba that even our definitions of sustainable do not mean the same things to the same people. I can tell you what sustainable means to a lot of people in the company and various others. It means there are enough trees, we can keep cutting for a hundred years, and there will be more trees, and we can keep going. That is true. There is a much bigger question, though, whether that is a sufficient definition of sustainable in terms of the environment and in terms of the ability to make a living from that environment, whether it be from forestry or other activities.

* (1340)

So I was not going to actually add a comment until the minister threw in something about the government's record. I can get into that, but I realize we will do that at another time. But that will be very much at the root of the debate, and I hope the minister realizes this. You know, sustainable is not just about the ability of companies to keep doing whatever, or individuals to keep doing whatever, and not run out of the resource. It has to be sustainable in the sense that once that activity takes place you do not just have more trees you can cut, that you have an environment that is still able to support the ecosystem, other resource uses. You know, that is, I think, one of the weaknesses that we have run into in sustainable. We have forgotten what it really means, and it does not just mean the ability as compared to say with oil where it is not a sustainable resource, because eventually it will run out. There are all sorts of other dimensions, and that we will get into during the session because there are some real questions being asked by the Clean Environment Commission.

What I did want to do, actually, was move into some other areas that are identified in the report. I want to ask some questions on—just some items obviously show

as being aberrations year to year, for example, if I can run through the schedule of operating expenses, collections costs. There was a significant jump in collections costs between 1996-97. I was wondering if I could get an explanation on that.

Mr. Wakeling: It is an accounting policy we have where we have to invest money in equipment that we have repossessed for resale and fix it. We categorize that as a collection cost as opposed to adding it to the value of the old debt and writing it off as a bad debt. So those numbers have to be considered in conjunction with our bad debt line, and in this particular instance we had two significant upgrades to make to equipment to ready it for sale to new clients after we had to repossess it from unsuccessful clients.

Mr. Ashton: Would this have been in the forestry sector perhaps?

Mr. Wakeling: Yes, it would.

Mr. Ashton: I think it is interesting that it is only two that you are dealing with that bump up the collections costs by in this case close to \$90,000. I think it shows again the scale of resource we are looking at, and I appreciate that.

You mentioned the two cases. I actually know of one of them personally, but I am wondering if you could indicate how many loans there are currently in the forestry sector and what the default percentage has been.

Mr. Wakeling: I could not comment specifically and give you an exact number. I can indicate that our success rate in the forest sector in general has been in keeping with the rest of our portfolio rates. There is no aberration across industries. The factor is, as identified for the member, that we tend to be dealing in bigger dollars, and so it shows up more quickly when one or two go wrong in the forest sector.

Mr. Ashton: Earlier I mentioned in the forestry side the current number of loans, just in the previous year. I do know that if you go back to 1996, for example, and some of the years since 1994, the significant jump in the volume of loans that have been approved is essentially from the forestry sector. I am wondering if

you could give me an idea of how many clients you currently have in the forestry sector and a global approximation of what the total portfolio value is of that.

Mr. Wakeling: Approximately 45 percent of our portfolio in dollar terms is in the forestry sector. Given the large size of the portfolio, that can translate to as little as 16 percent of our overall client base. I am sorry, does that indicate what you are asking for?

Mr. Ashton: What I am trying to do is put in perspective some of the figures that are in the report because, you know, it has varied over the years. I think our worst year in recent years was 1989. The then minister Mr. Downey was involved in a major shakeup with CEDF. There followed a recovery to a certain extent in terms of loans. What I am trying to get some idea of is we know forestry is a significant dollar amount less a certain number of clients obviously, but I am trying to get some idea of outside of forestry, which is very much related to Repap and now Tolko and the contracting out, what the tracking is in terms of other types of loans.

Mr. Wakeling: We had a bit of an aberrant year, as you note, in 1993, when forestry first geared up into larger mechanized operations, and at that point approximately 65 to 70 percent of our activity in our portfolio was vested for the year in forestry. It has since split out, as I mentioned, about 45 percent of the portfolio at any given time is in the forest sector, and you will notice year over year that we are starting to see expansion out into other sectors. One of the more interesting ones for northerners I think is the move towards tourism. I was recently able to speak to a tourism conference here in Winnipeg and indicate that the fund is now participating in tourist activities right across the spectrum of our northern area where in fact we were previously located solely in the core areas. I think we are seeing a general upswing in activity overall. Now on a year-over-year basis, forestry is starting to represent that 45 to 50 percent of lending, but we still have strong lending in other sectors.

Mr. Ashton: I am certainly pleased to see that on the tourism side. I know it is an area that has been identified as a major area of focus. It is one of the world's growing industries, and I would argue it is

underdeveloped in northern Manitoba. I am certainly pleased with some of the initiatives now to try to get a tourism co-ordinator through Norman RDC and others. I know the government has been looking at that, hopefully favourably, but I do think it is an area of potential.

What I want to focus in on, too, is in looking to communities it is obvious that I think with maybe one or two exceptions—and I am open to correction on that—the prime focus is still continuing to be in urban communities, Thompson, Flin Flon, The Pas, and Northern Affairs communities. There still is the difficulty that has been an ongoing difficulty in CEDF, providing services on First Nations communities.

Mr. Newman: Yes, I am going to have Mr. Wakeling respond to that in more detail than I. What must be borne in mind, of course, is that many of these Northern Affairs communities are very close to, if not adjacent to, the First Nations reserve communities. But the First Nations reserve communities as they really focus on socioeconomic development, as they have been over very recent years thanks to the treaty land entitlement land contributions to the resource assets of the reserves and thanks to the money transfers, thanks to the federal government's contribution and the Northern Flood Agreements with those five communities, four of which have now settled, involving a transfer of land and the transfer of substantial dollars put into trust with the income being used for the benefit of the bands, means that there is a substantial resource and income flow which is being utilized for economic development. There are also a number of sources of funding for the bands, both directly through the federal government or through the funds established by tribal councils and by the Assembly of Manitoba Chiefs through their business arm. So there are fairly significant opportunities for them to access funding which is of the kind provided by CEDF, so that they probably have less need.

* (1350)

I just offer that by way of background. I do foresee more applications forthcoming, but they are well aware of the security issues, and Gordon can speak to that better than I, because I know that we have gone through some exercises that I have watched with interest of

attempting to facilitate some socioeconomic development on or directly in relation to reserves. The biggest issue which stands out is the joint venture for mining development associated with Cross Lake where there is a major world-class identified titanium deposit there which pursuant to a 50-50 joint venture, if developed, could make a very significant impact on that community. One of the issues there is in what form you take title to that kind of property. Should it be reserve land? Should it be fee simple? Should it be provincial Crown land? What is best going to facilitate development of that to the maximum benefit of the Indian people who live on that reserve or are part of that band?

So the whole issue of security is a very interesting one which I am hoping, in partnership with the federal government, we might be able to come to grips with to meet the need, aspirations and desires of the aboriginal people in those sorts of situations, recognizing the realities of financing on a world scale, especially when you are doing something major like that titanium one.

So these kinds of issues in relation to CEDF are small in comparison with the importance of these issues in the whole bigger picture, but Gordon I would invite to respond as to the specific experience, the amount, the extent of involvement in the First Nations communities in using CEDF and the kinds of difficulties that CEDF may be encountering in securing those loans.

Mr. Wakeling: I believe we cover this ground fairly regularly. As the minister has mentioned, securitization of loans on reserve properties and funds related under the Indian Act, of course, presents difficulty for all lenders, and it has been well out with the mandate of CEDF to impact that situation. We have worked creatively where possible with First Nations communities to find alternate securitization modes. We are, as previously noted, primarily a fixed-asset lender.

I think also that we have to identify the demand which is coming from First Nations communities in terms of industrial development and other forms of development. At the lower end of capital requirements a lot of the needs are being met at the community level through a federal funding model, through community economic development organizations and, as we move into the higher end, of course, we are looking for

alternate methodologies. We are also looking more and more to manage the expectation of the business as it comes forth, and I think there has been a move within First Nations communities to try to identify businesses with high probabilities of success and then to try and enhance the probabilities of success through a funding model which may include capital drawn from other sources.

Many of the First Nations communities do, of course, have access to other forms for capital. To look to joint venturing in a number of occasions and not to mention specifics, I think we know of several instances, particularly in northern Manitoba, where a successful joint venture has been brought in to work with the First Nations and thereby enhance the likelihood of success. The lending, though not through CEDF, has tended to appear as off reserve, as secured by off-reserve assets.

Mr. Ashton: I appreciate all the difficulties, and there are ongoing difficulties. I do think that the growth of the capital available to some communities—not all, because our Northern Flood communities, there are five communities, you know, are in the position of having a fair amount of capital down. Nelson House has just purchased a hotel off reserve. There are various examples of that, you know, that potential for off-reserve business from reserves that now have some capital resources. It is not quite the same for some of the other communities which are not flood communities. In fact, even though, as you are aware, there are some federal models available, they still have fairly limited resources.

What does strike me, in a way, is almost a complete absence of a retail sector in virtually every reserve in the North outside of Norway House, which has always had an indigenous retail sector, but even Nelson House, Split Lake. There has been a lot of talk—part of the problem is getting which one of these comes first. I mean, you need the retail skills. A lot of people, not having been exposed to the retail sector, do not have even the basic retail skills, but you also have the difficulty again of the financing and the rest of it. I do think there is a role for CEDF in the future once some of these issues can be dealt with. I think one thing that will probably contribute to the ability to do stuff on reserve is the amount of activity taking place off reserve. Once an asset is off reserve it can be assigned.

If you own a hotel, you can use that as collateral for further loans, et cetera, and I would encourage CEDF to look at that.

When I asked the question, I did not mean it in the way of criticism. I just know it has been something we have raised year after year after year. I think though that we are at a point that some of these larger-capital, off-reserve expenditures can be potentially used creatively to lever the kind of funds to people to go on reserve.

On that note, I wanted to ask if there had been any further experience with some of the more innovative styles of putting together loan funds, the loan circles. There was an intent a few years ago by CEDF—I know a couple of other agencies have tried it. It is a model that has worked very well in areas where you are dealing with low income and where you are dealing particularly with lending for capital purposes.

A classic example I think is Minnesota. They had—it was Wevco [phonetic] at the time, Woman Ventures I think it is called currently, and they would loan money to women who were living in the ghetto—this is how they started; it was aimed directly at women—for sewing machines, for a basic capital asset that would then produce income, and they had basically, I mean, your basic collateral is the asset itself. They found that they had a very good experience with that, particularly if you get into some of the concepts of opportunities of loan circles, because part of the problem that people often have is the need for peer support as well as expert support.

So I am wondering if there has been any experience on that, either directly with CEDF over the last couple of years or with other agencies in the North.

Mr. Newman: I am glad you raised that. You may, through your contacts with the communities within your constituency and throughout the North, have heard what I have been saying in this respect over the last year. I am a very strong supporter of those kinds of circles, particularly for females, because too often they are overlooked as being economic development assets, entrepreneurs in the communities. In fact they are, but they often need the support of each other in joint and several ways and sometimes some financial support in

terms of seed money to get them going in surprisingly modest ways.

Before I ever came into government I was a bit of a student of this whole microenterprise area and did some investigation of it in other countries in the world as well. I am very close to the whole green-bank-originated process for doing this kind of fundamental socioeconomic development in underdeveloped countries. We have now successful models like that, as you may know, in Winnipeg through the auspices of bodies like the Manitoba Mennonite Central Committee. Also I know that one of our credit unions in Manitoba sponsors the Seed Winnipeg Program, offering low interest loans to struggling entrepreneurs.

* (1400)

So, with that kind of background, I have invited CEDF to take a real serious look at this in conjunction with nongovernmental partners as well. It goes hand in hand with the whole self-reliant communities initiative. CEDF has been, because of this and because of the role that they can play, in effect, developing clients and developing and doing the sorts of developmental things that I discussed in my opening remarks, they are engaged in the various workshops that are going hand in hand with the self-reliant communities initiative and are sharing these kinds of ideas.

With that introduction, I want to say that I am strongly encouraging that, and it has got to be done right. Maybe Gordon could just share where CEDF is on that.

Mr. Wakeling: I know that Mr. Ashton will be aware of the Business Resource Centre which we have developed in northern Manitoba in Thompson, and in conjunction with many of our partners through that centre both onsite and offsite we have started to examine—firmly onsite in some cases—some microtype enterprise approaches. Some that you may or may not be aware of is a recently announced program through the Women's Enterprise Centre which is being exported currently into northern Manitoba is a lending circle program for women. It is targeted to the small communities, and I think that is a very positive step for development.

Also, there is a model which is being developed in central Manitoba on reserve, a circle lending program being developed by CEDOs, community economic development organizations, and there is a very successful one in Fisher River, I understand. Not to move into a crowded field I think is our issue here, but to be able to deliver access to those programs in a kind of co-operative way with our fellow economic developers.

In the North, I think you may also be aware we just recently held a meeting in Thompson with economic development agencies and three levels of government and established a framework for co-operation which I think will see single-window access to programming delivered through multiple windows, if that does not sound too much at odds.

I do agree that there is opportunity, as the minister has pointed out, for various forms of financial instrument to be delivered, and I think we await to see what the market is going to demand in these and what the current success rate is with others with whom we are working closely.

Mr. Ashton: I really want to encourage this because I see this all the time. I can introduce you to people who, for example, have a significant supplement to their incomes from producing moccasins, mitts, et cetera. What happens is they produce them when they have the money to buy the raw materials. They sell them at the Y in Thompson or through word of mouth, et cetera. There is a whole opportunity out there to market this. It has got to start with the seed funding, but I also think there is a real opportunity to market communities in northern Manitoba. In a similar way, by the way, if you want to see a comparison, compare the Northwest Territories. What they are doing in some of their communities is light-years ahead of what we are doing in terms of marketing traditional handicrafts and taking that into other media.

So I would really urge us to look at that, and I would actually suggest that we might want to talk to the banks. Rather than educate us in their condescending way about what we supposedly do not know about the economy, which I assume is an attempt to deflect us from record profits they are making—you know, one thing that really bothers me is if they really wanted to

do something to increase the image of banks, I would suggest what they do is take that money and put it into this kind of a project. I, for the life of me, do not know why in developing lending circles you do not have the banks playing the lead role in that. They know more about lending than anybody else. Maybe they have forgotten how to lend to individuals. Maybe that is part of the problem, you know, some of the smaller levels. I throw that out too because this has been one of the traditional problems in the North.

The banks are finally understanding, I believe, the importance of aboriginal communities. We are starting to see some branches put into communities. They are making an effort finally in terms of aboriginal banking, but I can tell you, you can talk to a lot of small business people and a lot of people in communities who will point to the fact that the banks have basically redlined all sorts of communities, will not lend into communities because of perceived risk and maybe even justifiable risk compared to past experience.

So it would seem to me that we might want to offer our expertise, which I think we have, CEDF has 25-years-plus of experience, and maybe challenge the banks to come up with these kinds of programs. I know, for example, the banks are now part of this internship program, which I think is nice to see. We will see where it leads. They recognize the need to create jobs for young people. I am not going to be critical of that. I appreciate that, but here is a real opportunity.

I think the banks, if they could dedicate some funds for these kinds of innovative proposals—when I say innovative, innovative by Canadian standards. There is standard elsewhere, there is a long history, and ironically in the United States, they have a better track record than we do in a lot of areas of community economic development outside of perhaps in Cape Breton where there is a tradition, the co-op tradition in Quebec and some of the prairie co-op tradition we have had over the years. The Americans have done a lot more, and I think what has happened is, one of the reasons is, because they have smaller banks. I am not relatively speaking size but you know, you have community-based banks. I think one of the reasons is because they have often in a lot of cases been able to challenge banks to take an interest in dealing with their equivalent of our core area.

I really think and I find it very interesting to hear the proposal from the city talking about a nine-point plan to get tough on panhandlers and graffiti and various different things. I would like to see us get equally tough on some of the causes of the problems in downtown Winnipeg, in northern Manitoba. The sources of crime, and I think one way is to give people a lot more hope and a lot more sense of self-sufficiency.

By the way, the 85-year-old elder I talked to yesterday told me about the days of when he was young, when his community was a hundred percent self-sufficient, jobs on the railroad, trapping. People used to come up from Winnipeg to go trapping. It was that economical. They used to go by dog sled to Split Lake and back. They used to ferry stuff back and forth. So there is a real tradition of this self-reliance, but I can tell you one thing, we are losing it. I think we are losing it year by year as the elders die off. A lot of people in the community who have those skills are dying off. They are not being transferred.

We talked about women. There are a lot of women who—the elders were making their own clothing—were experts on that. Often it is the elders who were making the moccasins, 50, 60, 70 years old. The younger people in the communities need that transference of skill and maybe with a bit of '90s marketing to go with it because I think the sky is the limit. I think nowadays there is ability to market globally in terms of a lot of these areas.

So I throw that out to the minister as suggestion. I know he is always open to suggestions, but I would like to see us approach the banks and say it is time to reinvest some of those profits and here is a good place to start.

Mr. Newman: I thank you for your ideas. We are being very careful that in any approaches that we take in this whole self-reliant communities initiative that we do not be paternalistic. We are encouraging the communities through round tables, workshops, small group participation with collections of communities that they come up with these kinds of ideas facilitated of course. There is nothing better than to have them come up with these facilitated ideas and then be committed to them, own them, and then we, through the

department I am responsible for, playing the role as coordinators, liaisons and advocates for those communities, relate to the banks and relate to CEDF and other bodies to provide the funds necessary to do that kind of small enterprise development.

* (1410)

The government does a certain amount of this through Rural Development but not at this microenterprise level, and we have a program—maybe Gordon Wakeling could speak of the Rural Development program that exists now, which he is well aware of in practice and the kinds of businesses that does support in the North, but the answer to your question is yes. I think the banks, who I have had discussions with them about this kind of thing, and in particular about knowing that the direction they are going is electronic banking and there is a great need to educate the remoter areas of the province and the elders and people your age and mine, Mr. Ashton, about how this can be advantageous to their development as a community, if they understand it and use it.

I also had experience in the Northwest Territories and just recently came back from there and saw how they do embrace technology because they have to do it—they are even more remote—and how they are doing it with some relish and to their advantage. So I think there is a part for the banks to play consistent with their perceived role in the financial community, and they can play an educational role and also maybe they can contribute to financing this kind of thing and where they do not, that is for the CEDF to step in.

With respect to the details on the Rural Development program, maybe you could just refer to that, Mr. Wakeling.

Mr. Wakeling: I just wondered, Mr. Ashton, if you are aware. I have neglected to mention the Community Works Loan Program, a Rural Development initiative, which I was not sure if he was aware of also which is available to communities throughout rural Manitoba on a matching basis to create a pool of funds which are administered in a circle-lending format. In fact, I am fortunate enough to participate on the board of that in Thompson, and I know that in many communities it is starting to have an impact at the small-scale level. I

also just wanted to point out, in that process many of the rural communities have been able to implore their local financial institutions to make a capital contribution to that program for the purposes of obtaining matching funds from the province.

Mr. Ashton: I also want to suggest, incidentally, that there is a role for the development of ideas and germination of ideas. I will give you a classic example. I recently met the owner of a garment company in Winnipeg that had some experience—his father had actually been involved in training programs in First Nations communities—who had a tremendous concept which is to work with the First Nations community on the growing market of First Nations products and trying to sort of take some of the existing expertise and the existing cultural symbols and put them in a form that would be transferred to jackets, leather jackets or other apparel that could be produced in the community and would give in a marketing sense the input of the community as well, because that is one of the key things that people are looking for, particularly in the European market.

I think we tend to have a lot of programs here and there—which I think are some good programs—but in a lot of cases people in the communities know how to make moccasins and know how to make them well. What they need is the marketing expertise to go in and say, well, maybe you need to brand it, need to give it a community identity. That, by the way, is what the Northwest Territories is doing. You know, I have a tie, a beautiful loon tie. It is from Baker Lake. It is a stylized, an aboriginal stylized version of it, and it is on a tie. Now a tie is not a traditional form of clothing anywhere, and Mr. Wakeling knows in Thompson I very rarely wear one myself. But the transfer—well, today we are in the same boat. This is pretty formal for me.

I throw this out because I think that is where some of the gaps are coming. What we really need to do is match the skill potential which is there and can be trained with the marketing idea that can take that and take it to market. If you want any examples close to home, Arctic Trading, if you look at what they have done, their very innovative catalogue I think is a classic example.

The European market is expanding dramatically for art and for everything from clothing, anything that is part of the aboriginal experience. I think we should be considering ourselves as a province really making that one of our marketing niches and working with First Nations on a partnership basis. It also gets into tourism, which is something you have already mentioned.

I throw it out because I think if you rely—I believe in grassroots a hundred percent in northern Manitoba in terms of getting the ideas and whatnot. A lot of the ideas are there, but what you really need, though, is some of the outside expertise, and I would really argue that particularly in the rural development side, northern affairs, et cetera, I do not think this is something CEDF should do. I think CEDF is much more sort of a lending agency and working with loan recipients, et cetera, but I think there is a real—that is one of the big gaps.

If we can get some of that professional outside expertise and use some of the examples like the Northwest Territories—and the minister having returned from there will know what I am talking about. Some of the things they have been doing there are absolutely remarkable. Maybe we do not think we are isolated enough in northern Manitoba that we have to be that creative enough to do those kinds of things.

The reality is, economically we are isolated, particularly remote communities, just as isolated as anybody in Baker Lake. The long and the short of it is, in a lot of cases, even when activities occur, for example, tourism, the same way that a number of the lodges are owned by Americans, employment often does not involve people in the surrounding communities.

I just talked to a lodge owner just recently and the reasons for that. It is no fault of the lodges. In some cases, often because we are not training people, we are not setting up a career path of guiding tourism-related activities. So once again even when you do have activities, they do not necessarily translate into value-added jobs for northerners.

So I once again throw that suggestion out to the minister that we might want to look at putting together

some marketing expertise. I think probably the biggest thing we are lacking in northern Manitoba right now is marketing.

I can make the same criticism, and I will, in tourism. I have done it in the past and our critic has done it. You just have to talk to some of the people in the business, and they can tell you what needs to be done in a lot of cases. We are in a very competitive market, whether you are a fishing lodge or anything today. You are up against all sorts of jurisdictions, and if you are not in there and you are not promoting yourself and you are not marketing the region and its advantages, you are going to be left behind. So I throw that out as much as a challenge, I guess, a suggestion of ideas, than a question. I do not know if the minister has any comments. I have a couple more questions and that will be it.

Mr. Newman: The comments I think are very well placed and consistent with the thinking of our government but more importantly in the thinking of the aboriginal people. The Vision Quest second annual event for aboriginal entrepreneurs, which will be held sometime this spring in Winnipeg, which we will be supporting, is the kind of place where this kind of teaching about marketing finds a very prominent place.

I was there last year and was very struck by the opportunities to get involved in this kind of training. Seeing the kinds of results was very beneficial to the aboriginal people there, and that will continue. I think CEDF will probably be registered at this kind of event, so they will benefit from this kind of experience.

The recent art sales event, the arts and crafts event in Phoenix, Arizona, was probably the largest effort that has ever been made to market the arts and crafts of aboriginals in Canada in the United States, and Manitoba was well represented there. I know the Honourable Jim Downey's Department of Tourism did support that event, as did other departments of our government, and I know Mr. Downey was down there, and organizations like the CEDA gathering and other single entrepreneurs and other groups of entrepreneurs have done some excellent work at making the wares, making the products of these excellent Manitoba craftspeople available to the general public. I know I have attended several of the CEDA gathering art

shows, and found it difficult to walk away without buying something, and if I did not, my wife did.

We have some excellent entrepreneurs in the city. Certainly May Louise Campbell has a wonderful gallery, and there are many others. There is one that has been established in the Aboriginal Centre and the individual there is a broker on a commission basis. So there is a growing awareness by the aboriginal community of the popularity of their works and the ways that they can maximize the revenue from this.

It starts when you are young, too. I attended the Frontier School Division annual meeting, for a segment of it, here in Winnipeg, and they had for sale the works of art done out at Cranberry Portage, done by the students in that program there. They were magnificent works by young people under strong teaching. So all of this is transpiring as we speak. We certainly are encouraging it, and I am glad to see that the official opposition is likewise supportive, and together and with the federal government behind it too, but not getting in the way, but facilitating their self-realization they are going to be happier and contribute a great deal to this province, more than they do now through their self-sufficiency.

* (1420)

Mr. Ashton: I want to thank the minister for that response, and it is something I will be raising continuously in the future. I think it has huge potential if we can put together some of these pieces.

I just have a couple of quick questions from the report. I note there was a significant number of loans, accounts written off this year. Was there a particular reason on that? Does this go back to a previous year that we now hit a certain time period? I want to get some explanation on that. Also if we could get some indication of what the current default ratio is and whether it has increased or decreased, the total, as compared to the historical default ratio.

Mr. Wakeling: I think you just noticed timing in write-offs. We are required to pursue all available collection activity that we can on a loan prior to making the write-off so it is more a note of the end of that procedure, and if that coincides with one particular

year-end and we write off more as a result. I do not think you will find that the write-offs have been significantly different than in previous years; it is just an ongoing process. We do have loans which go bad, become uncollectible, and are written off.

As regards the total of the portfolio, if the member would look at note—I believe it is Note 5 on page 18 of our report, you will note that we have an allowance on the business loan portfolio at the end of the year of roughly \$1.09 million, and I believe that is on a portfolio of approximately \$8.2 million in loans, or roughly one-eighth of the total portfolio. That is a fairly consistent number across the last few years of operations. It will tend to fluctuate a little bit depending on the type of activity we get into or if there are any specific problem areas in the portfolio. For this year, we anticipate that we will be formulating our final budget numbers soon. As you may be aware, our year-end comes up March 31 and, at that time, we will have some clearer indication of some of our loan situations.

Mr. Ashton: So the figure \$382,900, would that relate to the number of loans in a given year that—I assume that is partly to do with the forestry defaults you referenced earlier.

Mr. Wakeling: I just mentioned we did have a couple of large forestry loans come to a head, if you will, in 1997, yes.

Mr. Ashton: One of the reasons I am raising that, and I get back to my original point, is that it is high stakes for people. I know one particular person that went through this and it did not work out, and it was a very difficult process. Once again, I reinforce what I said earlier about Tolko and the need to ensure not only that the individuals are able to have a sustainable living—I will just use that word again—by being able to meet their loan payments but also that CEDF does not end up in the position of having—it would not take too many loans here at \$300,000 and \$400,000 a shot or in the case of one this year, \$700,000 in the Thompson area, it does not take too many of those to go under before you have a huge shift in your loan portfolio at CEDF.

I want to note for the record that generally in good years and bad that CEDF has maintained a fairly consistent ratio, maybe not the same percentage that the

banks have but not far off the range you would expect from a—I would not even classify CEDF as a lender of last resort in the truest sense of the word. I think it is a lender to people in high-risk areas and higher risk loans. I think that is a better description rather than lender of last resort. I do want to note that because I—and including some of the years when CEDF was being questioned, its very existence, I know this was the first thing that people would throw at CEDF at the time, which was the rate of default. It has been fairly consistent and, even when there has been a significant increase in the number of loans, the portfolio value has still been kept at a fairly consistent level. For that I want to commend the staff and the board.

I think throughout its 25 years, CEDF has been really fortunate to have very competent and dedicated staff, and I include the boards in that and I include boards of whatever political stripe happened to be in the day. I think there have been some really good people, some good people on the board currently. I know in the opposition we often get accused of being negative. I do not get negative when it comes to CEDF. I may be a little bit critical of the government—well, okay, a little bit more than a little bit critical at times—but I think it is important to recognize that.

When I look at this 26th Annual Report, it is a shame in a way that we did not mark the 25th, because there is a whole series of initiatives out there that go back to the original days when the Northern Affairs department was set up under the Schreyer government. Excuse me if I get a little bit political on this, but CEDF, actually I could probably go for the rest of the afternoon, but what I am saying is that what I am really pleased to see now is that areas like CEDF can go through changes in government and upswings and downswings in the economy and I think there is a consistent commitment to it.

So I say it in a positive sense. I think that CEDF is doing an excellent job, and that is it for my comments. I want to finish up on a positive note and, once again, particularly thank the staff. I know there was a bit of a mixup on the timing at the last meeting, and we ran into each other at the airport, Mr. Wakeling and I. I was coming in. He was kind of surprised I was coming in on the plane instead of headed out, so there was a bit of a mixup, but I appreciate the northern staff coming in,

and I think it has been a fairly good year for CEDF. Keep up the good work.

Mr. Chairperson: Are there any further questions or comments on this report?

Mr. Newman: Maybe I could just make a final comment. The CEDF has done an enormously, I would say, community-oriented kind of job through the board, and staff have demonstrated their understanding of the North through northern minds and hearts as well, so that is probably one of the reasons it is as successful as it is. I do commend the board and staff for their excellent work and look forward to them taking on new challenges along the lines that we have discussed today. It has been clearly identified that they have a role in effective sustainable development in the interests of CEDF because of the portfolios they have. So it is

another creative tension to better ensure that companies like Tolko and other bodies that deal with resources in the North will respect that interest in sustainability. Thank you.

Mr. Chairperson: I thank the minister. Shall the Annual Report of the Communities Economic Development Fund for the year ending March 31, 1997, pass? [agreed] The report is accordingly passed.

This completes the business before the committee today.

The time being 2:35 p.m., committee rise.

COMMITTEE ROSE AT: 2:35 p.m.