



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

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**STANDING COMMITTEE**

on

**ECONOMIC DEVELOPMENT**

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42 Elizabeth II

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*Chairperson  
Mr. Jack Reimer  
Constituency of Niakwa*



**VOL. XLII No. 7 - 10 a.m., TUESDAY, JUNE 15, 1993**

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

**Members, Constituencies and Political Affiliation**

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| 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 15, 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

Messrs. Ashton, Helwer, Hickes, Lamoureux,  
McAlpine, Pallister, Penner, Reimer, Storie

**APPEARING:**

J.W. Clarke, Chairperson, Manitoba Mineral  
Resources Ltd.

Ian Haugh, President, Manitoba Mineral  
Resources Ltd.

**MATTERS UNDER DISCUSSION:**

Annual Report of Manitoba Mineral Resources  
Ltd. for the year ended December 31, 1992.

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**Mr. Chairperson:** Will the Committee on Economic Development please come to order. The committee will be considering the Annual Report for the Manitoba Mineral Resources Ltd. for the fiscal year ending December 31, 1992. For the committee's information, copies of the annual report are available on the back table.

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

**Hon. James Downey (Minister of Energy and Mines):** Thank you, Mr. Chairperson and members of the committee. I, first of all, want to introduce the President of Manitoba Mineral Resources, Mr. Ian Haugh, and Mr. Jim Clarke who is the Chairman of the Board. We also have Mr. Cyril Vickers, Vice-President of Finance, and Mr. Neil Briggs who is the Vice-President of Exploration with us this morning.

Let me at the outset acknowledge the work of the employees of Manitoba Mineral Resources, their continued work and effort on behalf of the corporation.

Mr. Chairperson, let me as well point out that I think the report that has been presented to this legislative committee is pretty inclusive in all the activities that are taking place, pretty self-explanatory. I may as well indicate that the recorded profit for the year which we are reporting is up substantially from the year previous, something like a \$2.3 million profit for that period of time, and can report that it is always easier to report that kind of a situation than it is one of lesser return.

I am sure the members will have some questions and will conclude my remarks with that, Mr. Chairperson.

**Mr. Chairperson:** Thank you, Mr. Minister. Does the critic for the official opposition have an opening statement?

**Mr. Jerry Storie (Flin Flon):** Mr. Chairperson, the president may have some opening remarks and before I would add much, I would like to perhaps hear the view of the current financial circumstances, the anticipated profit or loss for 1993. [interjection] We may have a problem. Traditionally and including last year, I think if the minister reviews the record, there was no problem with providing us with an estimate. I appreciate that it will be an unaudited estimate, but certainly the province knows, the chairperson of the board knows, the president knows what the circumstances of MMR are this year in financial terms, broad general terms.

Traditionally in committee, including when I was a minister and responsible for many Crown corporations over the years, those kinds of projections were always provided to committee. It is unfortunate that we do not get these reports in more timely fashion. [interjection] Mr. Chairperson, we are reviewing the 1992 report. What I am asking for is an update. The fiscal year for MMR ended months ago. You can certainly provide us with it. [interjection] That is what I was asking for and I was asking for the president or the chairperson of the board to give us an overview of the 1993 situation.

**Mr. Downey:** Mr. Chairperson, I can give the member a quick brief overview. The base mineral prices are down and that is one area which revenues have been generated from. The impact that that will have at this particular time, there may be some more specific detail that is available. If they have some information which they feel is accurate and want to put it on the record, that is the president's or the chairman's prerogative.

Let me as well say that a percentage of the income that has been derived from MMR has been from cash reserves which they have been interest bearing and returning revenue to the corporation. With interest rates being down, that has in fact impacted or will impact on the bottom line. So projections for next year to the income-generating activities of MMR, one would find at the outset that probably with lower mineral prices and lower interest return, you can draw your own conclusion. To what quantity that will take place, I cannot tell the member. But, to project and raise hypothetical questions, one can only speculate as to what it will be.

**Mr. Storle:** Mr. Chairperson, the minister I think conveniently has anticipated some of the criticism of the way MMR has operated in the past year, and that criticism is going to revolve around the fact that there are less cash reserves, significant less cash reserves as a result of the government's desire to look good on the books, the provincial government books, and so they have sucked some \$16 million out of the cash reserves of MMR.

The point is that the government now, the minister responsible, refuses to acknowledge the financial position of MMR. Part of it is going to be as a result of that sucking sound of \$16 million coming out of the cash reserves of MMR. Mr. Chairperson, a long time ago I told the minister that what he was doing was going to jeopardize MMR. My concern is that this is going to end up putting MMR in a position where when they have a loss, funding ongoing exploration activities is going to be next to impossible.

\* (1010)

Mr. Chairperson, so we need to understand something of the picture that 1993, the next fiscal year to the one we are considering, looks like. That is common practice, and I do not believe for a minute and the minister cannot tell this committee, that the president and the chairperson of the board

do not know in round, general terms what the fiscal position of MMR will be at the end of the fiscal year for 1993.

**Mr. Chairperson:** I would like to remind the members that we are here to question the report of the Annual Report of the Manitoba Mineral Resources Ltd. for the year 1992. Also, I would request that the comments and concerns go through the Chair so that there is a bit of order.

**Mr. Downey:** Mr. Chairperson, I agree that we are dealing with 1992. I think, as far as generalities are concerned, one can talk about the 1993 year and project it as it has happened in committee before. But as far as with dealing with specific numbers and specific issues, I think we should deal with the report that is before us.

Generalities, talking about the state of the industry, where it is going, the fact that, yes, there were some monies taken by the shareholder from the corporation, was not to make the government look good, was not to do anything other than to make a decision of government and, in discussion with the corporation, what we were doing. It has been done.

The member can be happy or unhappy about it. It is a fact that has taken place. The impact is that there will be less revenue generated for MMR from the interest that it was getting off its cash reserves. That is the impact, okay?

**Mr. Steve Ashton (Thompson):** Mr. Chairperson, would it be in order to make some introductory comments? I think we have been into some warmup questions here. I would just like to begin by saying that I would hope that during the committee hearings we will look at the current year. I mean, I am surprised that the minister would suggest that we not look at the current year.

We have done it in committee dealing with CDF. We have done it with Hydro; we have done it with MTS. It is standard practice in this House to deal with questions related to the current year of a Crown corporation when we consider the report of the corporation, recognizing that in some cases we are dealing with reports that can often deal with a time period that is not even, in this case, six months previous. But we often are dealing with over a year.

Obviously, the intent is to look partly at this reporting mechanism that is in place here, but I think it is absolutely appropriate to also be looking

at what is happening, in this case, with Manitoba Mineral Resources Ltd. in the six months that have taken place since the time of this report, particularly given, as the member for Flin Flon (Mr. Storie) has pointed out, the budgetary decisions that were made to strip the money from MMR, from its reserves, for budgetary purposes by the Minister of Finance (Mr. Manness).

As the member for Flin Flon pointed out—actually, I disagree with the member for Flin Flon in one thing, he said it was to make the government look good. I think it was an attempt—making the government look good when they have got a budget deficit of \$862 million in anybody's real books is an impossibility, Mr. Chairperson.

So, I must admit—

**Mr. Storie:** I stand corrected.

**Mr. Ashton:** Well, I think we are in agreement now. I think the member for Flin Flon is agreeing that the attempt was to make the government look good. The Minister of Finance obviously was looking for the ability to transfer funds from other sets of books, in this case from MMR's books, onto the government's books.

The problem, as the member for Flin Flon has pointed out, is the potential impact on MMR and the very vital purpose that MMR has served since the Schreyer government in 1971 in terms of exploration, processing of minerals and also marketing with specific emphasis on exploration.

One of the key things we will be wanting to find out from the minister in this committee is the current status of MMR in terms of its financial status following the budgetary decisions taken by the government, and also in terms of its current activities, because, Mr. Chairperson, the activities of MMR are particularly vital in terms of the future development of the mining industry.

I think that when one looks at the history of MMR and one looks at the history of its activities, even the minister, being a Conservative minister and knowing some of the controversies that have taken place over time in regards to MMR and its activities, will admit that this has probably been a logical involvement for the public sector. In this case, MMR is solely owned by the Manitoba government in terms of the area of exploration.

The minister knows full well that exploration is vital to the mining industry, and that there is a fair

amount of volatility in terms of private exploration. It can be affected by a number of factors, particularly including current price. We can get into discussions, as we have in the House, about other influences on exploration in terms of taxation, mining royalties, et cetera, but one of the most direct ways of ensuring that we have adequate exploration is through the activities of MMR, either obviously directly or in terms of joint ventures.

I must admit, Mr. Chairperson, we in northern Manitoba are quite concerned. There was a great deal of concern that was expressed to me at the time of the budget from people I know in the mining field, not that MMR plays a significant role in the Thompson area, but more generally in terms of its impact in the North.

I know that the member for Flin Flon (Mr. Storie), I am sure, will be asking many questions because the activities of MMR are very clearly focused currently in many areas of his own constituency, and I think that is something of particular concern. The member for Flin Flon has seen, under this government since 1988, the closure of the mine at Lynn Lake and the closure of the mine at Snow Lake, both in his constituency, and has seen the impact it has had on people.

Quite frankly, Mr. Chairperson, as someone that has lived in Thompson, a mining community, since I was a kid, I know the tough times that you can get in mining communities. Exploration is the lifeblood. We have been more fortunate than others in the sense that Inco has had the financial capacity, give or take the difficulties it has run into periodically between '77 and '81-82 in particular. Even given the current downturn, it has had the financial reserves to be able to carry out an aggressive exploration program. Inco has had the luxury of having proven reserves far in excess of current time frames, when one talks of the current year or current several years.

But that has not been the case with other mines, and it has particularly not been the case in areas which have been basically developed through smaller companies, smaller mines. That is always the greatest area of marginality, Mr. Chairperson, is those smaller mines with smaller companies involved in terms of the exploration. Even where you have a larger company such as HBM&S operating a small mine, you are dealing with much shorter time frames, much greater ability for the reserves simply to run out.

That is why we are going to be raising very significant concerns about the stripping from MMR of the money that the member for Flin Flon (Mr. Storie) referred to in the budget, because while that may make a slight difference on the budget deficit brought in by the Minister of Finance (Mr. Manness)—to my mind, it is still \$862 million in real terms—the ironic thing is, that is really just a small blip in terms of the budget deficit, but it is not a small blip when it comes to MMR. It has a very significant impact.

\* (1020)

We will be asking some very direct questions, quite frankly, about wanting to impact that move and also the general policy of this government in terms of MMR is going to have on, particularly, exploration because that is the lifeblood of northern Manitoba.

With those few comments, Mr. Chairperson, I want to stress again that we want questions answered in terms of the current year. We have done that with every single Crown corporation and Crown agency that we have dealt with in this committee and we have done it in the past. I seem to recall the minister actually asking a few questions in various committees on current year's activities. He shakes his head, but I know he asked questions. Perhaps he does not remember. Perhaps—

**An Honourable Member:** A selective memory.

**Mr. Ashton:** A selective memory. That is right—[interjection] No, to say that someone has a selective memory I think is in order. It is certainly accurate.

The fact is, we want some answers on the current year and also not just the activities to date, in the six months, but I think it is important we get some answers in terms of corporate planning for this year and for the upcoming number of years. The minister knows that planning has been done. I mean, the MMR has obviously set its budget for the year, has outlined its activities, has financial plans. There are various things the corporation is doing at this point in time, but we want to see where MMR is headed, Mr. Chairperson, and we will be asking some very significant questions, because this is the lifeblood of mining to many northern communities.

**Mr. Downey:** Mr. Chairperson, one can get into a long and extended philosophical debate, and I am quite prepared to get into that. For the member to

say that MMR is the lifeblood of the North and the mining industry, I think it has played a role, but it is certainly not the lifeblood of the North—[interjection] Yes, he did.

Exploration has been important. Let us just look at the history. Since 1971-72, when MMR was first started into business, there has been—I will use a rough figure here. It is not exact. We could get the exact number. Some \$50 million has been expended on exploration. If one were looking at the returns from the exploration or the finding of any mines, I think you would be hard pressed to say that if you were running it as a private corporation whether you would still be operating or not. In fact, you would not be.

It has been the other activities, for example, Trout Lake has been added to the income. It has been the interest that has been developed. As far as giving return, the interest on investment that is returned has helped the operations proceed.

When one looks at asking for current information as to this year, we cannot even give him a six-month report, because the year-end is the end of December, and what can we tell him at this particular point? I have told him two things. One is the interest income will be lower, based on two points, the fact that the interest rates are lower and the fact there is less of a fund to draw interest on. If you want to take—[interjection] Well, the member can figure himself. If you take \$16 million out of your bank account and you are not being paid interest on it, take the interest rate times the amount and that is how much less you have. I mean you do not need a lot of the time of this committee to figure that one out.

One can project the mineral prices. One would hope the returns on the mineral prices would in fact improve. That is not able to be reported today. We have seen some improvement in the gold price, but the base mineral price, of which the majority of the returns come out of Trout Lake through the HBM&S agreement, are not, at current day's prices, that great. So to project anything but less of an income would be inaccurate, and I am not going to do that.

The member is saying, what about the future of MMR? Well, we have tried, we have attempted, and we have done a lot of things to make sure the corporation has not been a drain on the taxpayers, and it has not been, because of its self-sustainability. What about the future, as far as

the industry he is speaking to is concerned? Well, it is public knowledge. I have had a petition from the industry that they believe that MMR should in fact not be any longer, that something else should happen to it. It is not needed in the industry. I have received a written petition of that nature. So, if members want to get into the full range of debate, I am prepared to do so. At this point, we are carrying on to try and make sure that it carries out its responsibility, that it is carrying out an exploration plan. Hopefully some day there will be resources that are identified, that can be developed.

I do not need to get into it now because we will be going into the Department of Energy and Mines very shortly to debate the broader picture of what this government has done to encourage mining activity. I can tell you there is a tremendous interest.

Last Friday we were in Flin Flon at the introduction of NATMAP which is a new identification program for finding new reserves targeted at the Flin Flon-Lynn Lake area. There were 50-some to 60 people expected to register for the program to be part of the educational activity and see what new technology was available. I believe the final count was something like 179-plus people registered showing interest in mining and prospecting and developing in Manitoba. They had two days of field trips. The member for Flin Flon (Mr. Storie) should be aware of this. So to sit here and paint the picture that there is not interest, that the private sector and other activities are not taking place, is inaccurate. There is a lot of interest in mining in Manitoba, not just coming from MMR.

I think it is time to take a look at where we have been at with the expenditures and what we currently have. I do not have any trouble with public debate on that. At the current time, I am reporting 1992. As far as 1993, we hope that there is some positive indications coming from areas of exploration. As far as exploration this year, the president can speak to it or the chairman of the board, if they so wish. I will let them do so.

**Mr. Ashton:** Mr. Chairperson, I think the minister was not listening very carefully to the remarks, because I did not say that MMR in and as of itself was, by any stretch of the imagination, the only mechanism in terms of exploration. I very specifically pointed out that, even in my own area, MMR has not been active in the Thompson area. Inco itself has. MMR has been active in the Flin

Flin-Snow Lake area. I believe the minister's own report points out the fact that two-thirds of its projects have been in that area, the other area has been Lynn Lake-Leaf Rapids, but obviously its activities are important in those areas.

The point is, Mr. Chairperson, I said that exploration is the lifeblood of the mining industry, and indeed, exploration is ongoing. I pointed that out in my own remarks in the case of Thompson and other areas. I find it interesting that now the minister is acknowledging the impact of a number of the ventures that MMR has been active in in terms of the fact that the government was able to strip out the cash reserves to the extent it was, because over the years—and I should not perhaps just point fingers at the minister, I know he has been in the House since '77, but I know Conservative parties have been critical of MMR's role in the past, very significantly critical.

I think MMR has shown that there is a role for the public sector, in this case, largely through joint venture. In fact, the minister's report indicates a fairly significant number of joint ventures this year. A vast majority of the activity is not, in fact, wholly owned ventures. It is in terms of joint ventures in terms of 1992, and we will be asking questions in terms of that being the future direction. In fact, the report refers to various current projects: Limestone, Farley, Minago, Bur, Woosey, Wellmet, Eldon Lake and other projects that are ongoing, most of which are joint ventures.

That is the point, Mr. Chairperson, though, and I think this is something that needs to be emphasized before we get into questions. What is working in northern Manitoba is a combination of different mechanisms; and, in different areas, there are different ways in which there has been a fair amount of success, as I said in the case of Inco. There has been a fairly aggressive corporate exploration program. That has been fairly successful in terms of maintaining reserves or reserves at a fairly significant level, as the minister is quite aware.

It also led to a number of development in the early 1980s of the current open pit development to replace the previous Pipe Lake development, all predicated, again, on the regional exploration, reserves, et cetera, and of course, cost factors. But the point is the mixture of programming is important. The success of the mining industry, to my mind, in the future, is going to be as a result of

obviously not just the MMRs; it is not a major player in many areas. It is a significant player in some of the smaller ventures.

\* (1030)

As I said, that is probably the key ballplayer in the North where you are dealing either with smaller mines, specific circumstances; for example, in Wellmet or Eldon Lake, there are various different specific circumstances. The point is you cannot have one or the other. There was a time when the debate seemed to be between those who felt there was no room for any public sector involvement and those who felt there was some room. I think the record of MMR has been fairly clear that there is a role for the public sector.

The minister can debate the question of whether MMR would have operated as a private company; obviously, it operates under a different mandate. Within that mandate, I would suggest the minister would acknowledge that it has been relatively successful, in particular, in a number of examples, and I can take the minister back to some of the Trout Lake debate in particular.

I find it interesting when one goes through this particular report to see the impact this has had up until the current point of time, although currently the Trout Lake mine has been dealing with limited ore reserves. In fact, I notice that it is noted in the report. But that was the point, Mr. Chairperson, and I hope the minister—we will ask some questions. In fact, we are quite prepared; we have some very detailed financial questions but quite prepared to get some idea from the minister where he wants to go with MMR.

I noticed the minister made some cryptic reference to MMR not continuing in operation if it was in the private sector. Is this government still committed to MMR? Is it committed to MMR with the current mandate, the current degree of activity? Those are the kinds of questions we are going to be looking for because the concern that we have is that by stripping MMR of their reserves, it does restrict its mandate. Although it does not necessarily have to lead to a change in the role of MMR; it may lead to a reduction in the scope. It does not have to lead to a change to mandate and role.

We are looking for some clear commitments from this government, from this minister to a continued role for MMR in the future similar to the kind of role

it has played in the past, and with those comments again, Mr. Chairperson, if the minister wants to get involved in back and forth debate we are quite prepared to do so, but we have a number of detailed financial questions we would like to ask the minister.

**Mr. Downey:** Mr. Chairperson, I am prepared to enter into any kind of debate the member wants. Our objective though is to pass the report of Manitoba Mineral Resources and to get as much information as is possible to the members, so they can help in their own minds feel comfortable with what is going on, and if they do not feel comfortable they can express themselves. Our job is to carry out the activities as we are mandated to do. Let me just go back and remind the member, on page 2, and I think it is important that every once in a while one should read the profile and the mission. I will read them a paragraph just that may help:

"The Corporation's primary objective continues to be the discovery and development of new mines in Manitoba." Okay? I have not been able to identify any new mines that have been developed because of the work that has taken place since 1973. The member for Flin Flon gets his face all screwed up. Well, it is crazy, but I cannot tell you that there have been too many mines of major significance that have been actually established by Manitoba Mineral Resources.

They have played a role. I am not saying they have not played a role. I think one should be fair. They have played a role, and I can tell you at the opening I made a comment about the staff that have worked there. I think they have committed themselves and have worked extremely hard to make sure Manitoba Mineral Resources did in fact what the government expected of it, "to create new wealth and opportunities for Manitobans and enhance shareholder value. The corporation acts as a catalyst in fostering exploration and development of Manitoba's mineral resources. Priority is given to exploration and development in mining districts containing communities threatened by declining ore reserves."

Again, I have identified, that is where we have targeted. Areas where declining reserves have been, there has been particular attention paid. "Work is also undertaken in more remote areas with the objective of finding and developing a new mining district.

"Normal business philosophy and procedures are followed internally and externally. The corporation co-operates and competes with the private sector within the same framework of rules and regulations. Exploration projects are operated either by MMR's professional staff or by MMR's joint venture partners."

So I think really where we are at in our society at this particular time, and I do not say this with any particular philosophical bent, because we have, Mr. Chairperson, operated MMR for the past five years, have been continuing to work with it and still are. But I think there is time for public debate on certain things, and I am prepared to enter into public debate on it. During this report that is what we are doing. I would anticipate and hope that it carries on to perform a role that is helpful to the mining industry, but I still have to report to the taxpayers of Manitoba as to are we getting our best use of our monies, and is that taking place. So let us debate it. That is really where we are at, and I am quite prepared to deal with specific questions. At the end of the day, we have to be able to say that we have done what we have to do in the best interests of the taxpayers of this province.

Now the member keeps saying he has some specific questions. I would be more than prepared to entertain them. To say that other major activities are not taking place in Manitoba in the mining sector is inaccurate. There are other activities of major companies that are taking place. In fact, when one looks at the city in which both these members live, if it had not been for the Incos and the HBM&Ss, there would not be those communities.

So one has to debate, again, what can we do to find another one of those particular sites that has those kinds of orebodies [interjection] Sold what?

**Mr. Chairperson:** Order, please. If the member for Flin Flon (Mr. Storie) has a question I will recognize the member for Flin Flon, but Mr. Minister to continue.

**Mr. Downey:** Mr. Chairperson, as I said, if the members have some direct questions, then I would be prepared to deal with them.

**Mr. Ashton:** Mr. Chairperson, indeed we have some questions, and I will ask a very direct question of the minister because I am intrigued by his comments about debating. I get the sense you have a minister here that has some difficulty with

MMR. This is always interesting when you get Conservatives in government after being in opposition for a period of time in which they rail against public sector involvement in the economy and then become responsible for the public body that they have been so critical of. The minister says, well, maybe we can debate the role of MMR, et cetera.

I will just ask the minister very clearly on the record, will he commit this government to maintaining MMR in the mandate and role that it has been in previously, a mandate and role that, within the parameters in which MMR has operated, has been relatively successful? Will the minister commit to maintaining MMR and its current role and mandate?

**Mr. Downey:** The debate is, and he is referring to the successes, there will be some that have come forward and said it probably is not as successful as what the member for Thompson would indicate. On the other hand, I think it has had a meaningful role. It has played a meaningful role. What is the future of that at this particular point in time?

We are proceeding to carry out an activity this year which is not unsimilar to last year, but I cannot say for the next X number of years, of which we would anticipate that hopefully we are in charge of the responsibilities of governing this province, that some changes might not take place. After all, it was established in 1973. There may be a time to review the mandate and the role of a corporation.

Let us face it, when the Manitoba Oil and Gas Corporation was established, it in fact was said by the member sitting opposite that after a period of time that it should be up for review to see if it was fulfilling its mandate. I remember Wilson Parasiuk making that statement in the Legislature at that time. So are the members sitting here today saying that there does not come a time when the government has an ownership in a property that an assessment should not be made and we debate the mission and the objectives of the corporation? I do not want to sit here and mislead or do something that is not open and public, and I am not going to do that. I am not that kind of an individual.

\* (1040)

**Mr. Ashton:** I just want to get this very clear on the record. The minister is saying that he, as the newly appointed minister—well, relatively newly appointed—feels that there should be a review of

**MMR.** Am I correct then in saying that the minister over the next period of time will be looking at whether MMR should be sold, disposed of, maintained, reduced, expanded in terms of its current role?

The reason I asked that is because I am intrigued by the minister who comes in, the minister responsible for MMR, and he has been rather equivocal in terms of his statements in terms of its role. Ministers can come in and talk about we can debate this, we can debate that—he is the minister. They are in government for the next short period of time; we will see in the long-term perspective. But is the minister then actively looking at reviewing not only the role of MMR but whether MMR should exist as a public entity involved in the mining industry?

**Mr. Downey:** Mr. Chairperson, at this particular point, there have been no decisions made along the lines of what the member is asking; there have been no decisions made. I think, in fairness, that we are doing a review of the 1992 report. I am prepared to answer questions as it relates to that. I am prepared to answer as best I can what is projected in the future, but I have not got any decisions made as it relates to anything further than what I have put on the record to this point.

**Mr. Ashton:** In other words, then, I did not ask of the minister if he had made any decisions, but it is very clear that the minister is reviewing the role of MMR and whether it should even exist. I would appreciate if you would just say that, because the minister basically said he had not made any decision. I asked if the minister was looking in the next period of time at reviewing or is currently reviewing MMR's role. If they are not, if the minister is saying that they are not, I would appreciate that statement on the record. It is a very clear-cut thing: either you are reviewing it or not.

**Mr. Downey:** Mr. Chairperson, I think it is important to put on the record that when one has a Crown corporation, whatever it is, that we are responsible for, and you go over a report as we are going over, that this is a fair and open comment. As far as me personally having hired someone to do a review as it relates to Manitoba Mineral Resources at this particular time, I have not, in any form of a review, hired people to do that. That has not, in fact, taken place.

**Mr. Ashton:** Just one final question, because every time I ask a question of this minister, what the

minister does is he goes and restates the question. I did not ask if he had hired someone. You do not have to hire someone to have a review. The minister put some statements on the record that to my mind were rather equivocal in terms of support for the current role of MMR. I asked him if the minister is either undertaking any review or is anticipating a review in the next period of time in terms of MMR. All the minister has to do is either say, yes, we are reviewing it; no, we are not reviewing it. I did not ask about paid staff. I did not ask about hiring someone to do it. That is not the question I asked him.

It is very easy for the minister to end this discussion right now by saying, no, he is not currently reviewing the role of MMR or yes. I think the people of Manitoba have every right to know that, because I think those on either side of the question should know whether MMR's current role is being reviewed, so they can meet with the minister, so they can provide input to the minister. Are you looking at a review—not with paid staff, let us not play games with words here—at the current time? Yes or no?

**Mr. Downey:** Mr. Chairperson, my responsibility as the Minister of Energy and Mines is to try and maximize the opportunity, in a responsible way, the mining sector in Manitoba, to encourage new mining activities, to find new reserves, new orebodies which will feed the mills that we have, to encourage investment in Manitoba in the mining sector. We have made some major, major moves in the introduction of new programs.

The member for Flin Flon (Mr. Storie) may be critical, but the point that should be made is we have made some significant moves in dollar commitments, some policy commitments and some major, major, I think, activities as it relates to the mining sector.

Manitoba Mineral Resources has played a role over the past many years. I expect that it will continue to play a role in the mining sector in Manitoba.

What I think we have to do is, every once in awhile, see how we can continue to maximize the role that instruments of government play, and how they fit into what is taking place. I said I do not have a particular group of individuals out doing a review, an investigation or that type of thing. I am listening to what people tell me in the industry. I am

listening to my departmental people. I am talking to the chairman of the board, to the president of the board and have been to see how we can maximize mining opportunities in Manitoba.

So to specifically say that there is a review taking place of Manitoba Mineral Resources, as a specific review, the answer is no. What role, the future role that it can play to advance and enhance the mining opportunities and where it fits, I would have to say yes. So the answer is a combination of both.

**Mr. Kevin Lamoureux (Inkster):** Mr. Chairperson, I would be somewhat disappointed if in fact the minister was not ongoing and looking at the role and the mandates and so forth, especially given times and things of this nature.

The question I have for the minister is that we have a private industry out there that is seeking exploration of minerals and deposits and so forth. Does the minister believe that there is growth in that particular industry in the private sector? Are there indicators demonstrating that in fact there is more exploration that is going on in the private sector?

**Mr. Downey:** The answer is—it may be a little longer than the member wants, and I do thank him for his basically looking at the total package as what we really have to do. I say, yes, there is continued interest in the mining sector because of several things. One is we have introduced some programs and some policies that have encouraged some activity. We have shown our commitment through financial contribution of that.

Let me say, as well, that we are faced with a couple of things that are not of a positive nature. One is that the base mineral pricing has been very poor over the last period of time and there has been, quite frankly, a lot of reluctance on companies to continue to expand their exploration dollars when in fact they are facing very tough times. That is a reality.

The second point I want to make is that in Canada, as a whole, we have seen a reduction of exploration. We have not been that much different, although we have seen some positive signs in Manitoba recently that, after some policy changes and some things we have done, are encouraging.

What is happening is that South America and a lot of the, we would call it, offshore opportunities are opening up and the companies are coming and saying they have got better environmental climate,

they have got better economic climate and that is where a lot of the money is going.

To give you some numbers, in 1988, approximately '88-89—these are just rough. I stand to be corrected to some degree if somebody came and said I was not exactly on the numbers, I believe there were some \$800 million to \$900 million spent in Canada in exploration. That dropped to about a half last year, and that is a significant amount of money, very alarming. The members opposite would immediately say, well, the government should pick up that expenditure. Well, it does not work that way. We are not able to fill in where the private sector have been investing.

\* (1050)

On a positive note we have some—and I am not going to put it on the record at this particular time because of, I do not know how much it has been. I know there are some annual reports that come out, if one were to read them, that you could probably get some information that would be helpful in this regard. We have some companies that are fairly significant that are looking for new ore bodies in this province. I am very encouraged by the activity that is taking place. As I said earlier, I am very encouraged by the prospectors and developing that is taking place in the Flin Flon and the Snow Lake area, again, based on some of the things we are doing in Manitoba. So I will get more detail for my Energy and Mines Estimates so we can get right down to the specific numbers, but I am encouraged that there is an opportunity to turn around.

Let me just deviate for one minute. I know, Mr. Chairperson, you should call me to order for doing this. We have seen, again, in the oil sector a lot of lack of exploration taking place over the last few years. That in fact is turning around this year. We are seeing a tremendous turnaround in the exploration for oil and oil activity. So, hopefully we are going to see some continued support for the province in the exploration area.

**Mr. Lamoureux:** Mr. Chairperson, could the minister provide a graph of sorts that would indicate since 1971 those ventures that were entered into that were wholly owned, compared to joint ventures? What I am hoping to get out of that is the fact, is this government or have governments generally been moving more towards joint ventures as opposed to wholly owned ventures.

**Mr. Downey:** Mr. Chairperson, that pretty much is self-explanatory in the two graphs on page 8, if the member were to look at that. It is spelled out there pretty much, the private sector versus MMR, and as you can see the graph has gone up and down over a variety of years, probably the high point being, I would say, about 1987-88 period in which we saw tremendous increase in both the private sector and MMR as pretty much record years. Then it levelled off in 1989 to '92 at pretty much the \$2 million, just under \$2 million in private sector and basically the same thing in MMR. Then if you go to page 9, in the middle of the page, it basically points out again the split between the private and the MMRs participation.

**Mr. Lamoureux:** Mr. Chairperson, what I am looking for, and I had those figures open before me, is more so than numbers. Like here, for example, wholly owned, active and inactive for 19, joint ventures is 12 and 26, that would be 38. Are we seeing more numbers ending towards those joint ventures? Like, the graphs on page 8 do not indicate in terms of the number of projects that would be in fact joint versus wholly owned.

**Mr. Downey:** The best I could do, I could try and find some more information and specifics for the individual, but it is basically holding constant, not a shift more one way or the other as far as MMR is concerned. But I would say as far as other activities taking place, I am encouraged by some fairly major exploration programs that are carried out. Again, under pressure, after all these major companies that are doing their exploration programs are doing some restructuring, some cost-cutting measures, and all departments within them are getting the same treatment. They are having to see reductions in expenditures.

**Mr. Lamoureux:** What I am getting at is, given the limited resources that any government has, if you want to try to maximize those dollars, you want to enter into, in my opinion, joint ventures, and by the looks of it, where it is being managed by others, because you put in a dollar and they tend to be putting in \$2, the private sector.

Now, if the role of MRC was to increase into joint ventures and putting more dollars into that area, would we, in fact, as a direct result, see more exploration going on?

**Mr. Downey:** That is again a point I think the member—if I am understanding him correctly, if

you can put \$1 of MMR money and get \$2 of someone else's, that is leverage you are getting. I do not have a breakdown at this particular time as to anything more than what is being projected here.

If the members of the department or, I am sorry, of the corporation, want to make a comment, it would be appropriate for them to do so if they can further help the member. I have no—do you have anything to add?

**Mr. J.W. Clarke (Chairperson, Manitoba Mineral Resources Ltd.):** Just to clarify, there is no difference between the two joint ventures, managed by MMR and managed by others. In this one snapshot period, it looks like it is dollar for dollar in the one and \$2 for one in the other. That just happened to be the way it went that year. On average, it is approximating the 50 percent, give or take, in each one.

**Mr. Lamoureux:** That would even be for the ones in which MMRC is not the managing body.

**Mr. Clarke:** Yes.

**Mr. Lamoureux:** Maybe I can ask Mr. Clarke then, if there were more monies that were being made available for the joint ventures, would the corporation have any problem in terms of finding those additional private dollars, or are we currently maximizing the private dollars in joint ventures?

**Mr. Clarke:** Perhaps I will pass that on to the president. I think he will best speak to that.

**Mr. Ian Haugh (President, Manitoba Mineral Resources Ltd.):** I think in general terms, it is the policy of the corporation to try and maximize the leverage in the way you are suggesting. We try to strive for at least a 50-50 breakdown between our funds and others. You can see that in the rolling average on the graph at the bottom of page 8 that that has been bumping along around a little less than 50 percent. We are at all times trying to maximize the amount of private sector funds that are coming into the province.

**Mr. Lamoureux:** Using that graph, and just so that I can get a better understanding myself, if you have a private industry that is concentrating its dollars that are being expended in three or four exploration projects, whereas government is spending a good bulk of its money in solely wholly owned exploration projects, could you not then see the private industry actually putting in a fair share, but not necessarily reflecting where that money is going? That is the

reason why I had initially asked for the actual numbers of joint ventures. Is that making sense?

**Mr. Haugh:** I am not sure I am following you. The way which this operates, we either initiate exploration projects ourselves—we will go out and acquire ground and develop an exploration project and then go and seek private-sector investment from other companies. Or private-sector corporations may come to us with a project and say, would you like to share the risk on this project, and we can participate in a joint venture that they initiate. Our whole program is a mix of those kind of ventures.

**Mr. Lamoureux:** Yes, and I can appreciate that, and that is the reason why, again, I am trying just to find those more exact numbers, and one can go through the annual reports in the past, I guess, to extract that, but are you, is the corporation being approached by more and more private industry representatives looking for government money or Crown corporation money for exploration?

**Mr. Haugh:** This fluctuates from year to year, of course, and generally affects the overall health of the exploration business as to how many companies are approaching us in any one year. At the moment there is an awful lot of exploration dollars being sucked off into diamond exploration, as you may well be aware, and that is putting a total skew in the whole system at the moment.

So it is—unless we get our own diamond projects going, which is likely to happen, we will just have to wait until that cycle works its way through. This is a very cyclical business and we expect these kinds of fluctuations to be the order of the day. You can see in the graphs. That is what we have put them in for, just to show how variable and cyclical it is. That big peak in '88, for example, is a result of gold exploration that year that we participated.

**Mr. Lamoureux:** Well, as I said, mining is not necessarily my expertise, so this is the reason why I would just as soon focus in terms of the mandate of the corporation, and look in terms of what it is that we can do to ensure that the dollars that are in fact being used are being maximized. I believe that if in fact you can venture into more joint ventures as opposed to the wholly owned—and I can understand the reason why in many cases you would want to go into the wholly owned in terms of the vitality of some remote areas of the province and the need to be able to have some sort of

exploration going on. But in terms of maximizing dollars I think that by far you need to go by through the joint ventures.

In looking at the graph I also notice, you know, that the business cycle also has played a fairly significant role in the amount of dollars that are being expended given the two recessions and so forth.

I guess, maybe, if we can just go back to the minister just to basically ask the minister, does he feel that the MMR and the future of MMR is more towards the joint ventures? Would he like to see MMR ultimately enter into joint ventures given the resources that are there?

\* (1100)

**Mr. Downey:** Well, Mr. Chairperson, in the world we live in there are scarce resources in all areas, but, of course, if one can lever or encourage joint participation it has been, I think, to everyone's advantage. Again, one has to say or raise the question, would that in fact take place whether or not the province was involved through MMR or is it not?

I mean, that is the basic question that has to be raised, and I know the member wants to deal with philosophy and policy in a little bit of an area here, I can tell you, and I will repeat it, I have had the mining industry, through representation, petition me to say that the Manitoba Mineral Resources corporation is not helpful, that in fact it is a deterrent to the private sector coming in and investing, and that is a position that they have put forward.

I have had the head of a major mining corporation come to me and say that in this—again I am not trying to provoke debate from the members opposite—but he indicated clearly that under the Schreyer regime when there was a policy in place that if a mine was to be developed in Manitoba that the province wanted to participate 50 percent. The mining corporation that I talked to said, when that policy was introduced, their investment decisions turned straight away from Manitoba. They did not want any part of it.

I can tell you that that was the general feeling that I received when I visited with the mining industry and have visited with them, and there were those who have come forward and said that it has paid a meaningful role. That is a debate that is out there. [interjection] No, these people have been out looking at Manitoba, but the point is that has gone

on for the last 20 years and has been a debatable point in philosophies.

I am not taking this approach as strictly a philosophical debate. If MMR can play a role to advance in a major way the mining activities in Manitoba, then I want to see it happen. The point that we have to make, though, is what has been the success ratio, and what do we project the future success ratio to be? Is it a meaningful instrument? The question is, I believe it can be, but if you just sit and say, we are going to carry on as we have for the last 20 years and not review what we are doing and not assess where we are at as an industry, then I think that I would be less than responsible, and I think the member agreed with me in his opening statement.

**Mr. Lamoureux:** Can the minister indicate the number of successful cases that were wholly owned from MMR?

**Mr. Downey:** I will ask the staff for that.

**Mr. Haugh:** You are talking about exploration successes or successes in terms of deposits that have become mines?

**Mr. Lamoureux:** Exploration successes.

**Mr. Haugh:** Well, there have been a number of what we call technical successes in that we have identified mineral deposits, but none of them has been mined largely because they were of insufficient size or insufficient grade and just could not stand the costs of mining. I do not have a list of these technical successes with me, but there have been two or three small deposits discovered under the limestone south of the Flin Flon-Snow Lake belt. There is also the Farley Lake gold deposit, but as I say, none of these has turned into a mine as yet.

**Mr. Lamoureux:** When you say technical success—again, you are going to have to forgive me for not knowing the terminology here—are you saying that at this day they are not economically feasible to be able to turn into a mine, but in some future point in time they will be mines?

**Mr. Haugh:** That is correct. Whether they will or will not will depend on a lot of circumstances that one can only speculate on at this stage, but at the present time they are not economically feasible.

**Mr. Lamoureux:** If in fact MMR was not participating and just participated in the joint functions, would you see a significant decrease in

employment, for example, employment opportunities out in the areas of Lynn Lake and Snow Lake and so forth?

**Mr. Haugh:** In terms of employment opportunities out in the areas of Lynn Lake and Snow Lake and so forth.

**Mr. Haugh:** In terms of employment opportunities, I think that is where most of the opportunities occur, in the North of this province, Mr. Chairperson. Mining undoubtedly is a major factor in creating jobs and a new mine is capable of creating a lot of jobs.

**Mr. Lamoureux:** But on the wholly owned, there has not been any new mines.

**Mr. Haugh:** That is correct.

**Mr. Lamoureux:** What sort of employment, in terms of discovering the mines that are technically a success?

**Mr. Haugh:** Are you suggesting a hypothetical-sized mine, and what sort of employment it creates?

**Mr. Lamoureux:** On average, more.

**Mr. Haugh:** I do not think there is such a thing as an average mine. Possibly, the member for Flin Flon (Mr. Storie) can give you a better answer than that in terms of what exists in his own constituency from the operations of Hudson Bay Mining & Smelting, where individual mines may employ anywhere from 10 people to hundreds of people, depending on the size of the mine, but overall, the operation may be good for a couple of thousand people in terms of a totally integrated operation.

**Mr. Downey:** Mr. Chairperson, I believe you would be looking at probably in the neighbourhood of 2,000 to 3,000 people employed for HBM&S. If I were just doing a guess, that, I think, is maybe in the range of 2,500 people directly employed.

**An Honourable Member:** Fewer people than that number.

**Mr. Downey:** Fewer than that, the member says, but it is a substantial amount.

What is the best way to accomplish the discovery of reserve orebodies? I am saying that, to a point, we believe that there are some economic policies, there are some programs that we have implemented.

This is not the place to debate them, but maybe we can do a combination of both, both here and in

the Energy and Mines Estimates, because that is where we have introduced some new programs and expended some money, like the new mine tax holiday, like the Prospectors' Incentive Program, tax incentives.

The member for Flin Flon (Mr. Storie) has had his comments about them, but at least we have made some moves which we think have been clear indicators to the mining sector that we want to see them come to this province and develop. I can tell you that we are encouraged by some of the activities that are taking place.

**Mr. Lamoureux:** Is it safe to say that, in terms of the Lynn Lake and Snow Lake areas, there are mines that in fact also are being sought out from the private industry, that would also be classified as a technical success, given economic feasibility that they would be in operation also?

**Mr. Downey:** I would say, just because there is certainly some interest right now at LynnGold with a company called Cazador, that there are quite a few things come into play. One is the known ore reserves that are there, the availability of them, the cost of getting them to the mill, the fact that there are some giant ownerships of some of the properties that are going to be needed to make that as a part of an opportunity to make money.

Another major factor in all of this, of course, and he is well aware of it, and that is the price at which you are able to sell the product you produce. I am encouraged, particularly as it relates to the Lynn Lake and the former LynnGold properties, of which Farley is a part of it, not a part of that, but it would be a part of future activities that take place there, that gold prices have in fact improved substantially.

\* (1110)

(Mr. Jack Penner, Acting Chairperson, in the Chair)

Based on that, I would think that the private investors who would come to carry out a start up of that operation would be easier to encourage to do so. That to me speaks very clearly, if the market is there for the product and if it is priced properly, then automatically what should flow from that is the investment to take place from the private sector, if it is stable.

**Mr. Lamoureux:** If MMR has not received or had a successful mine from the wholly owned—and what I am trying to get at is in fact maybe what we are doing is we are spending in an area in which it

is not necessary. If in fact we have private industry that is also seeking this exploration and it is finding potential banks of ore or bodies of ore for future development, it is just not economically feasible today.

Would not those monies that are in fact being expended for these wholly owned ventures be better off spent on joint ventures to provide more of an incentive for private industry to get more involved?

**Mr. Downey:** To this point, Mr. Acting Chairperson, we have been doing some of both. We have been continuing to encourage activity with MMR, plus we have introduced a major package which is, through both grant and tax policies, encouragement for the private sector to go ahead without any participation, just setting an economic climate that would in fact encourage that investment.

We are really taking a double-barrelled approach. MMR are out there doing their work through joint venture. Also, we are involved through direct expenditures through a grant program, through a tax incentive program, through a new mine tax program, through a prospector's grubstake program to try and spur that side of it on as well without provincial participation through MMR.

Which is the best place to spend your money is really the question that he is asking. At this point, we are still continuing with both approaches.

**Mr. Lamoureux:** Well, as the members for Flin Flon and Thompson had pointed out in terms of the cash reserves, anytime when you expend money from cash reserves, one always has to question in terms of why it is and the actual intent of government of withdrawing money from the cash reserves.

A concern I have is one in terms of, if the role and mandate and mission, if you like, of a Crown corporation can be enhanced to shed more of a positive light on the corporation, then in fact we should be doing that change. My fear is that MMR does not necessarily play a significant role with this government potentially in the future, with this political party into the future.

I would not want to see it written off in the sense that, I think, given the opportunity and the mandate that would allow it to seek, I would argue, more joint ventures, because I think you would have a tough

time selling to the average Manitoban, such as myself, who does not necessarily have the expertise in mining, why it is that it would be going into ventures on its own 100 percent when the minister and the board have told me that there has not been one successful mine as a direct outcome.

I have to question whether or not that money would have been better spent in a joint venture or in something entirely different because—and again, I will stress the fact that I do not have the mining expertise, but I do believe that there is private industry that is out there exploring to find out what banks or bodies of ore are out there. I would like to see MMR concentrate more on bringing in those joint ventures where I see a higher percentage of private dollars being expended.

**Mr. Downey:** Mr. Acting Chairperson, let me say to the member that hindsight is 20-20 vision. I think the majority of work that MMR has participated in have been joint ventures. I do not think they have gone out and been solely operating on their own looking for the one major deposit. I think in fact, speaking in concurrence, that most of the work that has been done has been joint ventured.

As I say, I am not second-guessing what had taken place. I mean, this is a very difficult thing to do, to try and find new orebodies. All these minerals that are out there are where they are, not where you want them to be. The challenge is to find them and to do so in an economic way and something that will provide the jobs and promote the economic activity that we need. When one looks at the importance that HBM&S plays in this province and Inco and some of the minor participants in the mining sector, it is phenomenal what impact they have.

(Mr. Chairperson in the Chair)

Mining, just to help the member out, produces over \$1 billion worth of wealth for the province. It is the second generator of wealth for Manitoba. It is a tremendous role, and we have to foster and encourage it to the best of our ability.

These are choices that have to be made in government today, and the chairman gave me an interesting quote: There are no easy choices, only intelligent decisions to be made. That is really what we are trying to sort out.

**Mr. Lamoureux:** Just to end on this, again I would ask if it is possible to get some of the actual numbers. For example, as a wholly owned in

1992, there was 19. Are we seeing the number of wholly owned going down as projects overall? Again, the staff can get back to me on that.

**Mr. Downey:** I will attempt to get that information.

**Mr. Storle:** Mr. Chairperson, I certainly enjoyed the philosophical nature of the debate, and I appreciate the member for Inkster's comments. I understand that he does not have, I guess, the same kind of experience with MMR and mining generally as perhaps some other members of the committee, but I would not want it left on the record that somehow MMR's lack of success in terms of wholly owned ventures has not contributed to, generally, the development of mining operations in the province.

Certainly MMR has been very cautious when it has taken on wholly owned exploration projects—and recognize that we are talking about exploration—but certainly in the last decade they have done so within their own reserves. They are taking retained earnings, they are taking cash that they have in the bank, so to speak, to do some wholly owned exploration. Certainly we expect MMR to provide some leadership to explore where no man has gone before in some sense, to try and develop, extend the boundaries of the existing kind of exploration activity. MMR has done some of that.

Certainly MMR has been quite successful in the fact that in the last 10 years they have operated without having to come to government for additional capital. They have operated based on earnings that have come about as a result of their share of investment in Trout Lake, a significant investment.

**Mr. Downey,** the minister, referred to the fact that some \$50 million-plus have been spent on exploration over the years, and he is not sure, because of the size of that exploration expenditure, whether you could justify operating the company. Well, there is no mining company in the world that operates as an exploration company. You do not make money exploring. You make money developing mines, bringing ore to the surface and milling it and selling it.

The government has lost the couple of opportunities to create other Trout Lakes where they could have had additional earnings from MMR. The government had a 49 percent interest; MMR had a 49 percent interest in Callinan mine.

Certainly, it will be a profitable mine. Certainly, that is the view of HBM&S. Unfortunately, the government decided to sell its share, and that is where some of the cash reserve from this came from.

The minister talked about the government's general intentions when it comes to the mining industry and how supportive they have been. I simply remind the minister that the \$16 million that was taken out of the reserves of MMR is 10 times what this government has actually spent in terms of general revenue on mining. All of the new programs and policies, including the prospectors assistance program and the Mineral Exploration Incentive Program, have not been generously used to this point, and that the cash grab represents at least 16 times what they have actually invested in mining directly.

I am concerned, notwithstanding some of the good intentions of the government, notwithstanding, I think, some positive aspects to both the Mineral Exploration Incentive Program and the new mine tax holiday, which, I think, will prove to be beneficial in the long run. But I hope that those incentives are not enough to encourage the government to review the mandate of MMR in any serious way.

\* (1120)

Certainly, you can review the ratio of wholly owned ventures versus joint ventures. You can be very cautious before you actually go into mine development on a joint venture basis, but I think the government should continue to do it. It has been very successful, and right now in Flin Flon, the future will be dependent upon, to some extent, the joint-venture partnerships between MMR and HBM&S: Trout Lake, an ongoing venture; Callinan, which was begun because HBM&S came to the government and said, we cannot find financing for this venture. HBM&S came to the government and said, we need some assistance in terms of lining up some capital to develop this mine. [interjection] The member for Inkster (Mr. Lamoureux) says they should concentrate more of their effort on joint ventures.

We are talking about two different things. Once you have found the ore body, MMR does not have the capacity to develop a mine, to operate a mine, to do the milling, so joint ventures make a lot of sense there. They do have the capacity to do

some exploration on their own. They have the capacity to look at a geological map and say, yes, this makes sense; let us try it here. They have been very cautious. They have not come to the government. They have not asked the taxpayers of Manitoba in a long time to support that kind of speculative exploration. That is the role they should play.

The minister talks about some unnamed mining executive who has this jaundiced view of what happened in the province. I wish the minister would finally put that name on record, so I know who that idiot is, because frankly, I said either the guy does not know what he is talking about or he is stupid. There are only two choices. Certainly, it was not HBM&S that was talking about getting rid of MMR. I cannot believe it.

Manitoba Mineral Resources has played an important role in Flin Flon, in Lynn Lake when LynnGold was created, in Leaf Rapids when we helped HBM&S purchase Ruttan Mine from Sherritt Gordon. It has been around to support needed exploration, joint venture and otherwise in communities that are struggling.

That leads me to the question, Mr. Chairperson, about the current activities in MMR. It is a concern, given the cash drain on MMR, about their ability to continue to operate a reasonable level of exploration. Perhaps I can begin by asking the president about the current exploration activity and the dollar value of the 1993 program.

**Mr. Downey:** Mr. Chairperson, again, we are dealing with the 1992 report. I do not mind providing information. Are we going to get into a whole long period of time what we are doing for this coming year? I can give him some information that—but if he wants to get into a debate on that, then fine, but I am just asking where we are going to go because I can do my best to get that information.

#### Point of Order

**Mr. Storle:** Mr. Chairperson, from my recollection in committees, whether we are dealing with MMR, previously Manfor, Manitoba Hydro, virtually any Crown corporation you can name, it has been the practice of the committee to review the report being considered with the expected results.

On May 7, 1992, the previous president, whom I respect greatly, provided committee with the expected results for the next year. It has been a

matter of practice in committee for many, many years. What is the minister trying to hide? Let us deal with the expected results and let us find out. There is no point—

**Mr. Chairperson:** Order, please. I will point out to the member that he does not have a point of order. According to Beauchesne, 831.(1): "A committee can only consider those matters which have been committed to it by the House." Also 832: "As creatures of the House, committees can only consider those matters which have been committed to them by the House", which is the annual report of the Manitoba Mineral Resources Ltd. for the year ended December 31, 1992.

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**Mr. Storie:** I appreciate the Chairperson reading the rules. Of course, the real rules have been breached in practice every year since I have sat on committee. The fact of the matter is—[interjection] For the member for Portage la Prairie (Mr. Pallister), the minister was the same minister last year. So he, as well, breached the rules by allowing that discussion to consider.

Mr. Chairperson, we recognize that there are some problems at MMR. I think the government has helped to create them. What we want to do is examine how serious they are and what repercussions those are going to have for the communities that I represent, mining communities who live in uncertain times, I do not have to remind the minister.

So what we would like from the president is a review of the expected results for 1993 and the expected level of exploration activity on behalf of MMR.

**Mr. Downey:** I cannot give him specifics. I have given him a general comment as it relates to the expectations for the coming year. I am told and anticipate that the exploration will be something close to last year, probably a 10 percent less expenditure in exploration than last year.

**Mr. Storie:** So Mr. Chairperson we are talking about an exploration of under \$3 million.

I did not want to leave this unsaid. It seems ironic that every previous chairperson/president were able to give us some expected results in a more detailed way than the minister has some generic comments. It strikes me as odd that we cannot have anything more substantive from the

president, given that we are a month later in committee, and given the fact that the administration costs have increased by 30 percent. Can we have an explanation, I guess, first of all of the increase in administration costs?

**Mr. Downey:** Mr. Chairperson, I believe some of that has to do with staffing and there is some to do with general office expense, some computer expenses as well. If there is more information that the president has to give, then I will ask him to do so. But that I believe is generally what it is at is an increase in some staffing costs and also administrative relating to computer costs.

**Mr. Storie:** Well, \$200,000, Mr. Chairperson, is a significant increase in administrative costs. I appreciate the explanation that some of the cost may be capital related to computers, but I hardly think that it is \$200,000 worth. Perhaps we could have a more detailed explanation.

**Mr. Downey:** I believe, Mr. Chairperson, at that particular time we had some additional cost as it related to the retirement of the former president and the introduction of the new president. I think that was part of it. As well we have the addition—and I would hope the member would not be critical of this, he would hopefully be supportive—we had the hiring of a new geologist within the system. So it does not take long to add up that additional amount of money. I think that is basically where the monies have been expended.

**Mr. Storie:** Mr. Chairperson, we are supposed to be asking detailed questions. So I would like a breakdown of the \$200,000 increase in administrative costs. I mean, we are seeing a smaller exploration program, and we have a new geologist.

**Mr. Downey:** Basically, Mr. Chairperson, it was a hiring of a new geologist—

**Mr. Storie:** Mr. Chairperson, what we need is a rough ballpark figure of what each component of this increase represents.

**Mr. Downey:** Mr. Chairperson, I believe the numbers are: salaries are \$110,000, both increase in salaries and an additional geologist being hired is part of that; legal \$31,000; personnel recruitment of \$17,000; and some other miscellaneous expenditures as I related earlier.

**Mr. Storie:** Mr. Chairperson, it cost MMR \$17,000 to recruit one person?

**Mr. Downey:** Yes, it did.

**Mr. Storle:** Mr. Chairperson, we had better have a better explanation.

\* (1130)

**Mr. Downey:** You will. That was the finding of the individual, the moving costs and bringing the person to Manitoba, I guess, to employ him in Manitoba. It was an administrative management decision that was made.

**Mr. Storle:** Well, Mr. Chairperson, this I assume was the geologist?

**Mr. Downey:** Yes.

**Mr. Storle:** Could the minister explain what sort of process was followed in locating this individual?

**Mr. Downey:** Mr. Chairperson, a normal process of advertising and making an arrangement with the individual is what it took to get the individual that MMR decided they were going to bring to work with MMR.

**Mr. Storle:** Backing up to the salary increase of \$110,000, that represents what, the one staff year?

**Mr. Downey:** There is a partial year's salary for the new president, a partial year's salary for one geologist and a partial year's salary for a geological technician.

**Mr. Storle:** Mr. Chairperson, can the minister indicate what the president's salary is?

**Mr. Downey:** Yes, Mr. Chairperson, it is \$93,000.

**Mr. Storle:** Does that represent an increase over what was paid to the previous president?

**Mr. Downey:** Identical. Just a minute, I want to get this correct. I want to be accurate, I am answering too quickly. I understand it is less than what the previous president was making.

**Mr. Storle:** Mr. Chairperson, the figures that the minister gave us do not add up to the \$200,000 increase. There is another \$40,000. [interjection] Stamps? Big stamps.

**Mr. Clarke:** Telephone, \$7,834; printing, postage, office supplies, an increase of \$6,958. Do you want this type of detail?

**Mr. Chairperson:** You may continue, Mr. Clarke.

**Mr. Clarke:** Travel costs, \$3,420.

**Mr. Storle:** Mr. Chairperson, these represent increases in costs?

**Mr. Clarke:** These are the increases. I can give you both if you want.

**Mr. Storle:** Getting back to, I guess, the more important question, what is the current cash reserve position of MMR after the \$16 million has been withdrawn?

**Mr. Clarke:** Approximately \$8 million.

**Mr. Storle:** So, Mr. Chairperson, we now have MMR in a position where they had \$24 million in the bank, and now we have \$8 million as part of their cash reserve.

In the budget of 1992 the president of MMR had indicated to committee that at the beginning of the year, at least, MMR had been budgeting for a \$3.5 million loss. If that were the case, in two years, theoretically, the reserves of MMR could be gone.

That raises the most serious problem with the government's decision to strip MMR of its cash reserves. The fact of the matter is that over the last decade, certainly, MMR has not had to come to the government to take money out of general revenue, to take money out of health care, education or anywhere else to do mineral exploration.

It is certainly a concern of mine, and I think northerners and mining community leaders, that it would be exceedingly unfortunate if the government were to be put in a position where they had to argue to take money out of general revenue. The government would say, well, we cannot take money out of education, we cannot take money out of health care to do exploration.

It is important right now. It is vital information for the communities to know what sort of position MMR is in. So I would like to ask the president, what is the expected loss for 1992-93?

**Mr. Downey:** Mr. Chairperson, I think it is very unfair to ask anyone to project that at this particular time, because we have some unknown factors, like the price of the product that is being sold out of Trout Lake. One can say it can be down, one can say it would be up. We know there will be less revenue.

One thing I have pointed out, there can be less revenue as it relates to the interest that has been drawn on the cash reserves. Two ways it is down is because there are less cash reserves because of the \$16 million that has been taken back by the shareholder, No. 1, and No. 2, the interest rates are in fact lower. So that is a given.

What will happen on the other side of it, I think it is unfair to ask anyone only five months into this

year's operation to project. I think it is an unfair question to ask, and there are some variables that can in fact come along. I think it is an unfair question. I would hope the member would be reasonable and not try to force an answer that is not able to be given.

**Mr. Storie:** Mr. Chairperson, we are paying the president of this corporation \$93,000 a year. I assume that the corporation was presented with a budget which would tell what the expected loss would be. Certainly it was possible last year a month earlier. I just do not accept the filibuster here.

**Mr. Downey:** If the member does not accept the filibuster, then he can quit and we can pass this report. As far as I am concerned, I have given his as much information as possible.

I do not believe it is proper to sit here and speculate at this particular time what is going to happen in this year. You have read the rules. We have provided as much information as we have available. We have told him what the exploration budget will be. I cannot, in all honesty, force anyone to put a number on the record that absolutely cannot be calculated at this time. It is not even fair. You can project all you like, but I do not think it is within the mandate of this particular committee to do that. I am not going to do it.

**Mr. Storie:** Mr. Chairperson, the government just passed a budget that is a series of financial projections about revenue and expenses. There is no corporation in the world that operates without a budget, that does not have some sort of expectation of what it is going to spend and what it is going to recover, what it is going to receive in revenue, no company in the world, I hope not the company that is being run by this chairperson and this president. That is simply ludicrous.

What we need is a figure, a ballpark figure. I promise the minister I will not hold him to it. The previous president was good enough to suggest that, although they were in the midst of doing a new set of projections, they had presented a budget which forecasted a loss of \$3.5 million in 1992. It turned out that, in fact, the projections were conservative, that in fact the loss was only about half a million dollars. What we want, Mr. Chairperson, is to know how difficult a circumstance MMR is in. This is not simply some

philosophical, some sort of debating society. People's lives depend on this.

\* (1140)

**Mr. Downey:** Mr. Chairperson, again, I think it is a question that you could give a number, but it does not mean anything when you look at the projections of last year that were put on the record as to what was the actual outcome. What would we have accomplished?

**Mr. Storie:** Mr. Chairperson, what I am trying to do here is raise red flags, that there are some serious repercussions if MMR ends up in a position where it cannot meet its exploration obligations, where it cannot invest—and we will get into the question of whether MMR is going to be in a position to invest as a partner in Trout Lake to the extent that it may be required or at least requested to do so. That is the concern.

The government tells us every day that it just cannot afford this. It has tough decisions to make. MMR was a self-sustaining Crown corporation that had significant reserves, reserves that were developed as a result of the sale of mining interests of MMR, not any largess on the part of government. What we want to do is make sure that when the communities need it, when the mining companies need help, that they have access to the support they need. I do not expect, I certainly do not want the government to be in a position where it has to choose between health care dollars and supporting a mining venture. That is why this is important.

It is also important to know what sort of shape MMR is in, and we are talking about a report that is now at least six months old—pardon me, a year and six months old. The report that we are dealing with is December '92. It is a year and a half old—pardon me, six months old.

#### Point of Order

**Mr. Downey:** Mr. Chairperson, on a point of order. I am wondering if we should not take a break so the member can get a glass of water and get himself reorientated to the year which we are in.

**Mr. Chairperson:** The minister did not have a point of order.

\* \* \*

**Mr. Storie:** Mr. Chairperson, we are six months into a new fiscal year, and we are into a situation where MMR is clearly going to lose money. We

now know that the reserves of MMR have seriously been depleted. The question is how many years can they sustain losses of the magnitude that they expect this year?

**Mr. Downey:** Mr. Chairperson, I cannot accept that. I cannot either agree with or disagree with the member as to what, in fact, this year will do for MMR. I cannot, in all honesty, tell you what the mineral prices are going to do over the next six months.

One would hope that it would improve substantially. If it were to improve substantially, then the argument and the debate we are going through here is irrelevant. If it loses money, we have to deal with that situation at the time. Last year, we had a projection where it would have lost some \$3 million. It did not. It made some almost \$3 million which we are very happy for.

**Mr. Storle:** Mr. Chairperson, I guess what I am trying to get the minister to concede is that the decision to take \$16 million out of the reserves may in fact be a problem on an operating basis for MMR, not dealing yet with the question of whether there is going to be some call for capital from MMR from their partners.

Mr. Chairperson, we know now that the government intends to reduce the exploration budget by about 10 percent. MMR intends to reduce exploration.

Mr. Chairperson, can the president or the chairperson indicate whether HBM&S has approached MMR as one of its partners for additional capital spending for further development at Trout Lake?

**Mr. Haugh:** There are always ongoing expenses at the mine, as you know, but as far as major capital is concerned, no, not at this time.

**Mr. Storle:** Well, perhaps I can ask the chairman a more general question. Certainly, I have spoken to the CEO of HBM&S on a number of occasions in the past couple of months, and there was certainly an indication that some significant additional development may be required at Trout Lake mine.

Have those general discussions taken place with MMR about HBM&S's preferred development option at Trout Lake?

**Mr. Downey:** Mr. Chairperson, I believe that the operation of a mine is of a technical nature. You have engineers, and you have all the expertise that

both Hudson Bay have and that MMR have, another partner as well. You have heard what the president has said.

I do not believe there has been a definitive final decision made as to what additional monies have to be spent in a major way. As the president has said, there are ongoing discussions as to activities that have to take place. But as far as a formal request or any final decision made, I do not believe there has been one as to the future development of the mine.

**Mr. Storle:** Well, then, my question is to the minister. There is no doubt that certainly, if not this year, then next year or over the next couple of years, that significant redevelopment at the mine is going to be required.

My question to the minister is, is the government prepared to say at this point, that regardless of the financial position of MMR, that the government will find the resources to support the contribution that is required by MMR? Is MMR going to be left on its own hook after you have sucked it dry? That is the question.

**Mr. Downey:** Mr. Chairperson, as I said, the operation of a mine does not take place from around this table. What takes place in a mine is decisions are made based on how best it can extract the ore from the ground, the work that has to be done in the most economical and efficient way. When a decision is made as to what we would have to do as a participant in that decision, then it will be made. We cannot sit here today and make decisions that are six months, a year, two years down the road.

We are partners. It has been generating revenue for us. Mr. Chairperson, we would like to continue that, and when the decisions are made as to how best to do that to maintain the position of MMR, those decisions will be made and they will be made responsibly.

**Mr. Storle:** My question is, is the minister prepared to say at this point that if the capital call as a partner in Trout Lake is beyond the reserve of MMR, that the government is going to come up with the capital?

**Mr. Downey:** If a decision is made, hypothetically, that a development has to take place to return to continued operations at Trout Lake mine, in which we are a partner, that will have to be made. We will not sit here and not participate to jeopardize the

operation at Trout Lake. We will not jeopardize the operation of it as it relates to expenditures to that development.

**Mr. Storle:** Well, which leads, I guess, to the next question, and we will move away from Trout Lake. Right now, I am aware that negotiations are going on between Cazidor and MMR with respect to the Farley Lake gold deposit. I am wondering whether any conclusion has come to those negotiations.

**Mr. Downey:** Yes, the member is correct. I have had discussions with the mayor of Lynn Lake, a considerable amount of discussions with him. Also the member is aware that Cazidor have made a proposal to MMR to include their share of Farley Lake in the activities that are being proposed by Cazidor.

That came, I believe, to MMR on the 4th of May, that proposal. Because there are other people involved, other organizations involved in the properties that we are talking about, there has to be some work done and there is some work being done.

I would say, without trying to raise anyone's hopes without substance, that we are not in any way trying to prohibit, delay, or stop what would be the responsible thing to do. There has to be some work done as it relates to the proposal that was sent to MMR.

There has been, to put it honestly, I believe some impatience on the part of the companies that are driving it. Certainly they have indicated they would like now to withdraw that and have MMR show interest by going back to them.

It is not our intent to try to delay in any way, in an irresponsible way, activities that may take place, but we want to make sure that both the community and any involvement that MMR has would be done in a responsible manner.

We would love to see that development take place. We would like the investment, we would like the jobs, we would like it done on a sound basis.

I know that MMR is actively dealing with the proposal. They are certainly, because a decision had not been made sooner, not neglecting the situation. They are in fact dealing with it as actively as I would consider possible.

I know there are some anxieties, there is some impatience, but again we have to be sure that the board and the management, of course, assure me

that they have to be sure that everything is done. They certainly have legal advisers to do that, as it relates to the agreements and how they participate in any activities.

**Mr. Storle:** Can you tell me what MMR's stake is in Farley Lake? How much have we invested to date in the development of that deposit?

**Mr. Downey:** I understand that MMR's portion that has been put into road development and the development of Farley to this point is approximately \$6 million MMR money. Other monies have been put in as well, but the \$6 million has come from the province, sorry, not from the province, from MMR. I apologize.

**Mr. Storle:** Did MMR have to approve the sale of Mingold's interest to Golden Band?

**Mr. Haugh:** Mr. Chairperson, on page 11 of the annual report there is a write-up about the Farley project. What transpired was that Golden Band Resources concluded an option agreement with Mingold which ultimately, if the option were exercised, would have Golden Band take over Mingold's interest. In reaching that agreement, MMR waived its right to first refusal on Mingold's share.

\* (1150)

**Mr. Storle:** Has the government taken a position on whether they would be looking for, given their hefty stake in Farley already, an equity position in the development of this project, the establishment of Cazidor's mill?

**Mr. Downey:** I am not clear on the question. Are we talking about the government or MMR? I will let the president respond.

**Mr. Haugh:** Mr. Chairperson, there has been no agreement of any kind reached with Cazidor Resources at this time, either between MMR and Cazidor, or between Mingold and Cazidor, or Golden Band and Cazidor.

**Mr. Storle:** Is MMR proposing, however, or has MMR taken a position on whether they would like to turn their existing investment in Farley into an equity position in this venture?

**Mr. Downey:** Mr. Chairperson, these are all decisions that are, I am sure, being considered. The president may want to further answer to it, but as far as I am concerned that is part, just so we are clear, of what I referred to. The whole proposal is

under consideration by MMR. I do not believe there has been a decision made.

**Mr. Storle:** Mr. Chairperson, then can I ask the minister: Does he philosophically oppose MMR taking an equity position if they can negotiate one in this project?

**Mr. Downey:** Mr. Chairperson, I would wait to hear what the board would consider and the management. There is an instrument in place to deal with this. I have not had any proposals which I have had to deal with at this point. I certainly would encourage—I would like to, as I said at the outset, we would like to see the development take place. However, it has to be done on a sound business basis.

The initial activity started, I believe, with the return for gold at about \$335 an ounce. It is now trading, I believe, in the range of \$365 probably. If it was a sound investment for the private sector at the initial stages, it should be that much more attractive today and would hope that monies could be generated to carry out the operation without major government involvement. That decision would have to be made by the board and by the management.

**Mr. Storle:** The minister makes me more nervous as he speaks. The minister was commenting on the fact that MMR as a company, he did not know if they would exist, given that they spent \$50 million on exploration, and, of course—

**Mr. Downey:** I did not say that.

**Mr. Storle:** The minister most certainly did. It is certainly on record saying that they had spent \$50 million in exploration. He said they did not know if it was a private corporation if it would still be around, because they have not returned that much. Of course, you do not make any money exploring. The minister has pointed out how valuable Trout Lake is to MMR, the fact that we are a partner in an operating mine, and we have been making money on Trout Lake.

The question is then: Why, if the minister is now talking about how the prospects for Cazidor look better because of the improved gold prices, we would not be looking for an equity position so that we can actually get a return on our investment, and perhaps, a substantial return? Why would we not be looking to take an equity position, given, some would say, the strategic importance, maybe in the

long run, of the Farley deposit? I am speculating that it is important.

**Mr. Downey:** Mr. Chairperson, we have a board of directors. We have management, and we have technical people within the operations of Manitoba Mineral Resources. They will have decisions to make which we will anticipate as soon as they can be made.

**Mr. Storle:** Mr. Chairperson, it is nice to see the minister now putting so much emphasis on the expertise and the advice of MMR and its president and its chairperson.

I would ask the chairperson whether the MMR board discussed the government's decision to withdraw \$16 million from MMR prior to the government notifying MMR that was happening.

**Mr. Clarke:** Yes, the board did discuss the dividend and passed the dividend as a regular motion at a directors' meeting.

**Mr. Storle:** Mr. Chairperson, a more direct question, was the question of paying a dividend brought to MMR by the government?

**Mr. Clarke:** Yes.

**Mr. Storle:** Can the chairperson indicate whether, for example, the projection for this year's MMR performance was discussed with the board prior to any decision?

**Mr. Clarke:** That goes into the upcoming year again. I think we are here reporting on the existing year, the '92 year end.

**Mr. Storle:** Of course you will understand the nature of my question. I am wondering what kind of CEO, what kind of leadership would consider turning over a significant portion of the reserves without understanding what the prospects for the coming year might look like. I cannot believe, sir, that you would say, yes, take this \$16 million, we are really not concerned about the future.

The question was, did the board discuss the expected results for '93 prior to approving the government's decision to raid the kitty, so to speak?

**Mr. Clarke:** The board, as I am sure all Manitobans are, are interested in the future of what is going on in northern Manitoba and what we are doing. The money, the \$16 million, as you are aware, and more has been sitting on deposit with the province for many years and has been building. It is, at this point, redundant capital. The decision

was made by the board to pay the dividend to the government.

**Mr. Storie:** Mr. Chairperson, redundant capital—first of all, I do not know how long Mr. Clarke has been chairperson of the board, but certainly he will know that this redundant capital, in large measure, came about as a result of the sale of MMR assets, Callinan mine in particular. Secondly, I cannot believe that the chairperson does not know that as a joint-venture partner in Trout Lake certainly the prospect of multimillion dollar capital investments are in the offing and somehow someone, MMR or the government, is going to have to come up with that capital.

**Mr. Clarke:** That is speculation, the development in the future. Presumably if it is a good project it is also financeable as a good project from the regular sources of financing for business ventures. That might be banking or other regular business principles.

**Mr. Storie:** Mr. Chairperson, the chairperson is suggesting that MMR would go to a bank to raise the capital. They are a joint-venture partner. Is the chairperson suggesting that MMR would go to the bank, if in fact it has no capital reserves, to borrow the money to invest in a joint-venture project? Is that where we are going?

**Mr. Clarke:** We have capital reserves presently. I do not know what the project might be down the road. If, as you are intimating, there may be a major expenditure, that presumably, if it was to be made, should be justifiable on good business principles and if so should be financeable between the three partners in the project.

\* (1200)

**Mr. Storie:** Mr. Chairperson, maybe to the minister, can the minister explain the urgency of taking the \$16 million out of MMR, given the obvious to everyone difficult circumstances in the mining industry, the low metal prices? Can the minister explain the urgency? What advantage did the province get from this, a one-time reduction in a deficit that is already acknowledged as being too large.

**Mr. Downey:** Mr. Chairperson, I do not perceive any urgency. It was a decision that was taken and acted upon, not urgently. It was a decision of government and MMR.

**Mr. Storie:** Does it strike you as odd, Mr. Chairperson, that no one considered the long-term

impact on MMR and potentially on the industry? The board is saying they did not even consider the expected results for the next fiscal year? This is just "unbelievable," as my friend from Lakeside would say.

**Mr. Downey:** Mr. Chairperson, the member may want to criticize all he likes. The decision was taken and action was taken and it has happened.

**Mr. Storie:** My colleague from Thompson has some questions. I have some additional questions on some of the exploration projects themselves, but I will leave that for another time.

**Mr. Ashton:** Mr. Chairperson, in fact, I would like to ask some questions myself. I apologize for having to step out earlier. I had to deal with some House business for later.

I just want to look at some of the current projects that are being dealt with. I am wondering if any information has been placed on the record in terms of the specific activities that are listed in 11 and 12 of the report.

**Mr. Downey:** There have been some brief comments. They are pretty self-explanatory though.

**Mr. Ashton:** I would like to focus in on one part of the mandate of MMR, which is not just to deal with specific projects, but to open up new areas in terms of mineral areas. I notice there are a number which are referenced. For example, Minago is an extension of the Thompson nickel belt. I am wondering how many of the projects are essentially exploring in extensions of existing areas or in new areas where that is part of the specific focus of the exploration, which is to identify new belts or extension of existing nickel belts or other ore belts.

**Mr. Downey:** Mr. Chairperson, let me at the outset try and help the member. The province has supported and spent a considerable amount of money with the federal government and with HBM&S to upgrade the smelter at Flin Flon. I believe there is something like a commitment of \$55 million from the province, \$25 million from the federal government and a substantial commitment from HBM&S to upgrade a smelter.

One of the things that will make sure that that smelter and that investment is solid and able to be justified is to make sure that there are orebodies and feedstock that will feed that operation. I pointed out earlier today and I will point out again now, it is extremely important that an investment

continue to be made in the search for new orebodies that would feed that mill and that smelter. That investment has to be serviced. As well, we have communities like Lynn Lake, where there is work being done to try and reactivate the LynnGold operation, of which, I indicated earlier, that there has been a proposal made to Manitoba Mineral Resources. It is being actively worked upon by the corporation.

As well, other areas that would assist, whether it be Thompson and/or other areas that make eminent sense to see an expansion of where we can have some influence, that as well is being worked on, as I understand it, from the corporation.

As far as going out looking for diamonds, out in other parts of the province or areas, I do not believe that is in fact a first priority of Manitoba Mineral Resources. I believe they are aggressively out with their joint venture looking for some additional base metals that will feed the companies that are there.

As well, of course, we know of several other private companies that are not involved with MMR at all, that are aggressively out looking for new orebodies. So I apologize for making my answer a little longer than I should, but I can tell you the best knowledge that we have available to us, the best knowledge that the private sector has available to them, are out aggressively looking for orebodies that will create employment, economic activity and everyone can do well with.

So I am satisfied that the people who are running both the board and management of MMR are doing their utmost. I say this genuinely to find what it takes to make this industry go, and that is ore bodies.

**Mr. Ashton:** I assume that is what they are doing. My question was in terms of—beyond some of the site-specific explorations, he is trying get some sense of where the focus of MMR is geographically.

I mentioned the Minago project, because it is concerning the extension of the Thompson nickel belt. Perhaps if I can ask some questions in terms of other areas, in particular, in the Cross Lake-Wabowden area, there has been private exploration for a considerable period of time. In Wabowden, for example, there have been various approaches to the band and Cross Lake over the last number of years.

I am wondering if MMR is involved in any way, shape or form, with any existing projects for exploration in that area or any potential project projects for exploration in that area.

**Mr. Haugh:** The answer to that question is no.

Mr. Chairperson, the closest we are to Cross Lake and Wabowden is the Minago project, which we are pretty well winding up now because we have not been very successful on that one. That was a joint venture with Outokumpu.

**Mr. Ashton:** I am just wondering the reason for that. Has there just not been any focus in that area? Has there been no approach from private companies?

**Mr. Haugh:** There has not been any approach to us on anything in the Cross Lake area as far as I know. As far as Wabowden goes, I think you are aware that Falconbridge has had a pretty active exploration program and is still ongoing.

\* (1210)

**Mr. Ashton:** Yes, I am quite aware of that, and for the minister's knowledge, there is ore certainly in the Wabowden area, and there are some prospects in the Cross Lake area. The reason I am asking this question, Mr. Chairperson, is because when you have a community that is located in the area, it provides potential spin-off benefits for the community, not just in terms of production but in terms of exploration. It also avoids some of the infrastructure costs that companies and also the government potentially have to incur with development of new mines at new sites.

That is why I am asking, particularly, in the case of Wabowden, because I know they have been active. Has there been any contact, any consideration with Falconbridge or have they communicated their desire to proceed under the current existing exploration program without any potential for a joint venture with MMR?

**Mr. Haugh:** I believe there was an approach, Mr. Chairperson, by Falconbridge on the part of one of their properties, which I think they were contemplating releasing, and we did not take it up. We did not consider the property had sufficient potential to warrant our participation.

**Mr. Ashton:** So there was one property. But in terms of their other exploration efforts, which are ongoing in the Wabowden area, I would not say they are extremely active, but they are certainly

continuing some level of exploration. So there have been no discussions between MMR and Falconbridge in regard to those?

**Mr. Haugh:** No.

**Mr. Ashton:** Over the years, too, there have been mineral developments in what is generically called the Island Lake area, particularly in terms of gold. I am wondering if there have been any approaches by MMR with companies that may hold existing rights in that area or whether there has been any consideration for exploration activities? When I say the Island Lake area, that includes Gods Lake, Gods Narrows, Island Lake. I am talking the generic area.

**Mr. Haugh:** Mr. Chairperson, I do not want to sound evasive, but one has to be careful in this exploration business, because it is highly competitive, and one does not want to tip one's hand as to where we are working at any one time. I can tell the member that we are constantly looking at all parts of the province, and I would not discount any of them at this time.

**Mr. Ashton:** I appreciate the commercial sensitivity of that particular question. Obviously though, there are, shall we say, probably some prospects that should be considered in that area, given both the past history and also the possibility of improved infrastructure, provision of direct line power in particular, which presumably would impact fairly significantly on the viability of any potential mine in that area.

Perhaps I will leave it in terms of the Island Lake area, stating that I think there are some prospects.

I am wondering, too, and there is a bit of an advantage here, potentially, with the minister being both Minister responsible for Manitoba Hydro as well, which is the main part of an infrastructure at any one mining operation, whether MMR has met with Manitoba Hydro to keep them up to date in terms of discussions with provision of direct line power into communities, the reason being that there are certain communities now without direct line power where a mining operation would presumably be very difficult. I mean, even a very basic mining operation consumes a certain amount of hydro, so I am wondering if that contact has been made in terms of future planning for MMR.

**Mr. Downey:** Mr. Chairperson, the member raises an interesting point. In that whole area in the northeast region of the province without electricity,

it would be impossible to start up a mining development. However, if a mine were found, I am sure that would help in the decision to string electric power to that area. As the member knows, we are advancing the environmental work as it relates to several of those communities, and there are plans to proceed with activity in that area. So we are quite aware of it, and as minister responsible for both, I am quite conscious of the fact.

The specific answer, as far as whether MMR has talked to Hydro, I will let Mr. Haugh answer that. Being the minister responsible for both, we have a fairly good handle on it. They may have. I do not know. I will ask Mr. Haugh to answer.

**Mr. Haugh:** No, Mr. Chairperson, there have not been any actual discussions. As the minister says, if we were successful in finding a mine out there, I am sure we would have discussions right away, but at the present time, there have not been any, no.

**Mr. Ashton:** Mr. Chairperson, I would certainly encourage MMR to talk to Manitoba Hydro because I really believe it does make a major difference. In this particular case, Hydro has had an ongoing schedule in terms of provision of direct-line power. There are some discussions ongoing currently as to specific dates, and I do not think it is a question in this particular case that, if there is a mine developed there, there will be hydro. What I am suggesting is there is going to be direct-line hydro subject to environmental hearings, provision of funding and agreement with various different levels of government and government departments. So I would certainly encourage that.

Of course, the minister is in another unique position here, too, being the Minister of Northern Affairs, whereby some of the communities that are affected are also Northern Affairs communities, so you have that potential there to co-ordinate what I feel is a lot of potential in the area. The reason I mentioned the Island Lake area in particular is because it has had a history of mining development. A lot of people tend to forget, we tend to have a focus on the Incos and HBM&Ss but forget some of the mining ventures that have been in place throughout the North. In fact, there are many, shall we say, mining ventures that are ghost towns now that at one time were boom properties.

Without getting to specific projects, I want to get some idea, because I recognize some of the commercial confidentiality, what is the process that

MMR follows in identifying new areas? I notice in the report that there has been a significant shift in this current year, and I assume the member for Flin Flon asked some questions on the shifts from wholly owned ventures to joint ventures this year. That may just be a one-year development.

I am wondering, what is the process that MMR is currently looking at in terms of identifying new areas? Is it looking at increasingly becoming involved through joint ventures or is it looking at continuing the current tradition at MMR, which as I understand it, and I stand to be corrected, that basically MMR has tended to take on the early stages of exploration and has entered into joint ventures at a later point in time with particular companies after some initial results have been received.

**Mr. Haugh:** Generally speaking, it is MMR's policy to joint venture projects at the earliest possible time, in other words, to bring partners into a project. As I explained a little earlier, we either develop our own projects and invite participation from partners who we think might be interested or we on occasion will be invited to participate in other people's projects. Generally the objective is to make sure that we end up with something approaching a 50-50 split between our funds and the private sector.

I can assure you that I have a board that is watching this very closely, and even though we initially have to put some seed money into projects, my board is very anxious that we do not let that seed money blossom too far and become a full-blown crop before we have some private-sector money joining in with ours. So generally that is the pattern, and depending on how successful we are in attracting new venture partners depends on what our proportion is for each particular year. That is why it fluctuates up and down, but we are actively looking at developing new projects and opportunities to attract investment to the province.

**Mr. Ashton:** What is the trend in terms of, I mentioned wholly owned and joint ventures, and perhaps if I can expand that to the three categories that are identified here in terms of joint ventures managed by others, joint ventures managed by MMR and wholly owned. The 1992 figures are here. I am wondering if the minister or MMR could give some idea of the trend.

**Mr. Downey:** I regret the member was not here. We went through quite a bit of extensive discussion on this, and it is pretty much constant as the charts point out.

**Mr. Ashton:** Yes, but I was referring specifically to the breakdown between joint ventures managed by MMR and managed by others. I was here earlier when there was discussion about the wholly owned and joint ventures.

I would like to go a bit further and ask in terms of the current staffing, if we can get a breakdown of the staffing. I would also like to ask, in conjunction with that, since Bill 22 has been much on people's mind, whether Bill 22 was applied to staff at MMR, the public-sector-compulsory-days-off bill?

**Mr. Haugh:** Yes, Mr. Chairperson, Bill 22 does apply to our particular Crown corporation.

**Mr. Ashton:** What is the current staffing with MMR?

**Mr. Haugh:** In round numbers, 15, Mr. Chairperson. I do not know whether you want a breakdown of that, but we are mostly geologists. We are an exploration company, and aside from what I would call three support staff and the vice-president of finance, the rest of the complement are all geologists.

**Mr. Ashton:** I apologize if the question was asked on this earlier. Between 1991 and '92 there was an increase in administration expenditures. I was wondering if I could get some update on that.

**Mr. Downey:** It was gone through in detail, Mr. Chairperson. It is on the record.

**Mr. Ashton:** What is the current staffing in comparison to previous years? Has it been fairly constant? Has it increased? Has it decreased?

\* (1220)

**Mr. Downey:** Increased by two.

**Mr. Ashton:** Was this specific project-related expansion? We are talking about 1991 to 1992. Is there any particular reason for the increase?

**Mr. Downey:** Again, Mr. Chairperson, we answered that. There was an additional geologist added to staff and a technician.

Mr. Chairperson, this area has all been covered by questions from his colleague the member for Flin Flon (Mr. Storie). Maybe we could, if he has some additional questions in other areas, deal with them, and if not we should pass the report.

**Mr. Ashton:** Well, Mr. Chairperson, I know that there are a number of questions remaining in terms of the specifics the member for Flin Flon wishes to ask in terms of current projects. He had identified that earlier.

I am quite prepared to adjourn the committee. We are not in a position of passing the report now. I do not anticipate that it would take more than one meeting, and even at that I do not think it would take a full meeting necessarily. But the member for Flin Flon did have a number of questions, probably about an hour, an hour and a half worth of questions, on specific projects, so I am quite prepared to adjourn at this time. I did want to ask on Bill 22 though, because it is a matter that has been fairly much on people's minds.

**Mr. Downey:** Mr. Chairperson, with respect, we have tried to co-operate all the way through, and I am not going to be belligerent on this particular subject matter. If I can get a commitment from the member for Thompson (Mr. Ashton) that we can not have all the staff come back for the next hearing, and do it within a half hour to an hour—I am reluctant to do it, I say that genuinely because the member for Flin Flon, we have now gone from 12 to 12:30 and I respect the questions the member for Thompson has put on the record. They are important issues to him, and all I have been able to respond to is that we have already answered them the majority of them.

So I do not need to get into a scrap with him, and that is not my intent. But I am a little disappointed that the member for Flin Flon is not here. I am not, as I said, going to be belligerent on this thing. We could sit here, and I know that the member for Thompson has ragged the buck before and he could do it again to put in the time so that we can have to rise at 12:30 and come back again. I hope we could get some agreement that the member would give us the assurance that we could do it in a reasonable amount of time at the next hearing, so that we do not have to bring all these people back for the purpose of bringing them back.

#### Point of Order

**Mr. Chairperson:** I would just like to remind members that reference to members being in committee—

**Mr. Downey:** I apologize; it is withdrawn. Mr. Chairperson, I do genuinely apologize and

withdraw that comment because it is not appropriate.

\* \* \*

**Mr. Ashton:** Mr. Chairperson, I just also point out to the minister that there was no consultation on the date of this committee. As House leader, I get rather concerned when that happens. I think the minister should understand that members in this case have had to juggle various different meetings, responsibilities. If there had been more consultation on the time, we might have been able to block off a time, perhaps an evening sitting and had this finished in one meeting. But if the government House leader insists on bringing in—in fact, we had about seven or eight committees announced with no consultation with the opposition. I think that the member should understand that this kind of situation may arise.

Now, in terms of the specifics as to another meeting, what I would recommend we do is perhaps adjourn currently. I will talk to the member for Flin Flon (Mr. Storie), and we can perhaps identify areas of questions that may be asked. I think we would probably need to have the chair or the president here, but I for one, by the way, do feel that a lot of times we have staff tied up unnecessarily, not just here but also in Estimates, and it is a significant staff cost. I would much rather have MMR out there exploring for minerals than sitting around committee rooms, as I am sure they would too.

So I would suggest what we could do is if we adjourn right now, I can give the assurance that we will have one more committee meeting, as long as it is arranged in conjunction with our side. We will try to identify the type of questions we might be asking so that we might be able to restrict the staff that has to be here.

**Mr. Downey:** Mr. Chairperson, I appreciate that. I will speak in defence of our House leader (Mr. Manness). It is my understanding that he is most co-operative in the establishment of committee meetings. I have never known him not to be. I will have to talk to him and to see if he is going to verify what the member for Thompson (Mr. Ashton) says, or if he does not, but we do not want to be unfair to him because he is not here.

The Liberals have not indicated what they want to do, but I would hope that we could clean this up

within an hour of another committee meeting, and it would be my intention of now rising.

**Mr. Chairperson:** Is it agreed to?

**Mr. Lamoureux:** Mr. Chairperson, just to say a couple of things. First, with the chair and so forth being here, it is only the two individuals that are necessary.

With respect to the government House leader (Mr. Manness), as the House leader from the official opposition (Mr. Ashton) had stated, nor was the Second Opposition Party consulted in any fashion whatsoever. As a courtesy, it would be nice to see these type of discussions so that schedules can be made.

You know, it is unfortunate that we even have to come back to debate this, because had we had some advance notice, we probably would have been able to have passed it.

**Mr. Chairperson:** Is it agreed the committee will adjourn?

**Mr. Downey:** Mr. Chairperson, I think it is important that we try and co-operate. I do know that the House leader, and all House leaders, have to try and work in, in the next while, a lot of activities. So we will co-operate. I would hope we can do this sooner, rather than later, to get this—[interjection]

Well, the member says, next week. I will have to talk to my House leader, but it will either be when we can fit it in or it may have to wait a considerable amount of time, but we will do what we can. I appreciate the fact that I cannot say anything about whether there are members here or whether they are not.

**Mr. Chairperson:** The time being 12:26 p.m., committee rise.

**COMMITTEE ROSE AT:** 12:26 p.m.