



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

STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

39-40 Elizabeth II

Chairperson
Mr. Jack Reimer
Constituency of Niakwa



VOL. XLI No. 6 - 10 a.m., THURSDAY, MAY 7, 1992



**MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature**

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward	Portage la Prairie	PC
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
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALLOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
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MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	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
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, May 7, 1992

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Jack Reimer (Niakwa)

ATTENDANCE - 9 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Downey, Ducharme

Messrs. Helwer, Hickes, Lamoureux, Reimer,
Mrs. Render, Messrs. Storie, Sveinson

APPEARING:

Jim Clarke, Chairperson, Manitoba Mineral Resources Ltd.

Malcolm Wright, President, Manitoba Mineral Resources Ltd.

MATTERS UNDER DISCUSSION:

Annual Reports of the Manitoba Mineral Resources Ltd. for the years ended December 31, 1990, and December 31, 1991

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Clerk of Committees (Ms. Bonnie Greschuk): Will the committee please come to order. We must proceed to elect a Chairperson for the Standing Committee on Economic Development. Are there any other nominations?

Mrs. Shirley Render (St. Vital): Yes, I nominate Jack Reimer to be Chair.

Madam Clerk: Mr. Reimer has been nominated. Are there any other nominations? Since there are no other nominations, Mr. Reimer will now take the Chair.

Mr. Chairperson: Will the committee on Economic Development please come to order. The committee will consider the Annual Reports of Manitoba Mineral Resources for the fiscal periods ending December 31, 1990 and 1991.

For the committee's information, copies of the Annual Report for the Manitoba Mineral Resources are available at the front desk.

I would like the minister responsible to introduce officials present and to make an opening statement

regarding the 1990 and 1991 Annual Reports for Manitoba Mineral Resources.

* (1005)

Hon. James Downey (Minister of Energy and Mines): Mr. Chairperson, I am pleased this morning to introduce the Chairperson of the Manitoba Mineral Resources, Mr. Jim Clarke, who will have an opening comment to be made as well as it relates to the Manitoba Mineral Resources. We have Malcolm Wright, who is no stranger to this committee, President and CEO of the Manitoba Mineral Resources. We have Mr. Neil Briggs, who is the Vice-President of Exploration, and Cyril Vickers, who is the Vice-President of Finance, with us this morning as well.

Mr. Chairperson, I am pleased, as the Minister responsible for Energy and Mines and the Manitoba Mineral Resources, to have these reports before the legislative committee this morning. I hope that the members have not only gone through the reports and could deal with some constructive criticism. I am sure there may be some negative criticism as well, which we will try and deal with as it comes forward.

I say genuinely, I want to recognize the contributions of Mr. Wright and those individuals over the past few years who have been working with Manitoba Mineral Resources. Their endeavours, particularly when we have seen some difficult situations in the mining industry, their efforts and their attempts have been genuinely, I think, to put forward and to find not only new reserves, but to deal with the properties that the Province of Manitoba is involved with in a responsible and productive way as possible. I want to acknowledge him and the board members as well and all the other employees.

I have confidence that, we hope, with some of the new initiatives we may well, in fact, see some turnaround in the mining industry. I hope that MMR is able to fully show positive results when and where involved in the activities that they are participating in as well.

Thank you, Mr. Chairperson. I am prepared to have the opposition members make their comments. I would hope that we could deal with both the reports at the same time and, when it comes time to pass them, we pass them both, and deal with them as one opportunity to pass them.

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

Mr. George Hickes (Point Douglas): We have no problem with passing both reports at the same time.

The area of concern to us is that the mining industry, as everyone is well aware, used to be a billion dollar industry and it is rapidly going down. In the last few years we have seen three communities virtually close right down—the communities of Sherridon and Lynn Lake and now the possibility of Snow Lake.

If anyone has ever been up there lately, the community of Lynn Lake is virtually closed now. It used to be thriving at one time. So we are very concerned going into communities that are in danger of losing their labour forces. In the last few years, we have seen the loss of about a thousand jobs. So we are very concerned in those areas.

The minister mentioned that shortly we could see a turnaround in the mining field. I hope he is right, because mining in the North is very important in terms of dollars and activities that are undertaken in northern Manitoba surrounding mining areas.

So we look forward to this discussion today. These are some very serious questions.

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

Mr. Kevin Lamoureux (Inkster): No.

Mr. Downey: Mr. Chairperson, I want to introduce Mr. Clarke, who has an opening statement to make on behalf of MMR.

Mr. J.W. Clarke (Chairperson, Manitoba Mineral Resources Ltd.): Mr. Chairperson, members of the standing committee, it is our pleasure to be here to discuss the 1990 and 1991 Annual Reports of Manitoba Mineral Resources Ltd.

I will first deal with the 1990 report.

Our mission is to act as a catalyst in fostering exploration and development of Manitoba's mineral resources. During our 1990 year, the net income was \$1.8 million versus \$7.6 million in the 1989 year. This change resulted mainly from, firstly, a revenue decline of \$1.6 million due to lower copper

production at the Trout Lake mine and lower metal prices; secondly, an increase in operation expenses of \$2.5 million due mainly to problems with equipment and ground control at the Trout Lake mine; and thirdly, a write-down of \$2 million, being the company's investment in the Tantalum Mining Corporation.

Exploration expenditures during the year totalled \$4.1 million on 53 different projects. Joint venture partners contributed \$1.6 million for a net cost of \$2.5 million to Manitoba Mineral; 55 percent of this money was expended in the Lynn Lake area and 43 percent in the Flin Flon area.

In 1991 the corporation incurred a loss of \$6 million. This resulted from, firstly, a reduction in revenue of \$3.4 million due mainly to the sharply lower metal prices received during the year; and secondly, to an increase of \$1 million in operating expenses on the Trout Lake mine, two-thirds of which was an increase in the amortization cost of the new shaft that went on stream the year before.

Exploration expenditures in '91 totalled \$5.6 million on 34 projects. Joint venture partners contributed \$2.9 million for a net cost of \$2.7 million to Manitoba Mineral Resources. Twenty percent of this money was spent in the Lynn Lake area and 80 percent was expended in the Flin Flon area.

Total equity in the corporation at our last year end, December 31, 1991, was \$33 million. The company does not owe any debt.

That is my report, Mr. Chairperson.

* (1010)

Mr. Jerry Storie (Flin Flon): Mr. Chairperson, I appreciate Mr. Clarke's overview of the financial situation at MMR and its activities over the last couple of years.

Mr. Chairperson, my colleague the Energy and Mines critic I think sort of laid the groundwork I hope for our discussions this morning. The member for Point Douglas is very familiar with the North, and I represent the communities that have been most affected in the last three years by the actions, the activities and the policies of this government and, I guess, MMR.

I guess my colleague has laid out the fact that there have been a lot of mining and mining-related jobs lost in northern Manitoba in the last three years. Of course, that does not tell the whole story.

It does not tell the story of a gentleman by the name of Horace Cockerill, who lived in Lynn Lake

virtually all of his working life, invested in his home, in income property, property for his family, had his lifesavings tied up in that property, and lost it all.

It does not talk about an individual in Snow Lake, who has invested 22 or 23 years in building a business in Snow Lake only to see its value and his effort turn to nothing overnight.

We are not just talking about an industry that was worth a billion dollars at one time or an industry that has lost a thousand employees over the last three years. We are talking about a lot of lives ruined, a lot of heartache, misery and despair that is the result of some things which cannot be controlled and other things which I believe could have been controlled.

Yesterday, Mr. Chairperson, I asked the Minister of Energy and Mines a series of questions about the government's actions and was really quite flabbergasted by the inaccurate, the partisan nonsense that was put on the record by the Minister of Energy and Mines, who still appears to know very little, really, about what is going on in mining in northern Manitoba.

Mr. Chairperson, I think committee members here will recall, and certainly I am sure Mr. Wright will recall, our conversations of about two years ago, three years ago, shortly after the government made the decision to sell our interest in Callinan Mine.

I asked MMR at that time to consider expanding its exploration program to prevent the kind of disaster that we see today. I think we all recognize that exploring for minerals is a hit-and-miss proposition. There are no guarantees. You can spend \$2 million or you can spend a million and find the mother lode, or you can spend \$20 million and find nothing.

The difficulty I have is that MMR and the government certainly had the money to invest in exploration and chose not to really increase their exploration budget. The budget did increase marginally in 1991. It went from \$2.5 million roughly to \$2.9 million, but I think for people sitting in Snow Lake, it is too little too late. It is an unacceptable response to what I think everyone clearly saw as a crisis.

Perhaps it is unfortunate, in some respects, that the community and the company dealt with what was a serious situation in a low-key fashion. Perhaps they too should have been down demonstrating on the steps of the Legislature trying to heighten the awareness of the problem and its seriousness.

I do not think, Mr. Chairperson, I can excuse the minister. I should not say this minister, because he was not the minister responsible at the time, but he was part of the government that I think ignored a serious problem and, if you are sitting in the community's shoes, refused to act in a manner which at least would have demonstrated a commitment to the people in Snow Lake.

* (1015)

The fact of the matter is that MMR sits today and was last year sitting on \$24-million worth of working capital. MMR spent approximately the interest they received on that amount of money in exploration, not all of it in the Snow Lake area. I believe that I pleaded with the government, as did the town of Snow Lake and perhaps HBM&S, although I was not party to any discussions HBM&S had with the government, to accelerate the exploration program, and nothing was done.

On top of that, yesterday the minister tried to pretend that the government had acted in terms of legislation and programs which would have assisted the mining industry. In fact yesterday, in something that is quite startling, I spoke to another Treasury Board—not Treasury Board member, I am not certain a Treasury Board member, certainly a member of Executive Council, who was not even aware that this government had imposed a 1.5 percent surtax on mining companies in 1989, was not aware that 1.5 percent surtax was still in place.

The government, the First Minister (Mr. Filmon) and the Minister of Energy and Mines (Mr. Downey), had the audacity to stand up and blame the previous government for its tax policies as having an impact on the Snow Lake situation, instead of accepting responsibility or, Mr. Chairperson, at least saying, we are going to look forward and we are going to assure that the relocation effort, the costs that are incurred by individuals are going to be covered by the province in one way or another, that we are going to use the resources that have come out of northern Manitoba, in particular mining taxes in the last three or four years are going to be used to the benefit of the people in Snow Lake and the other people who are going to be affected as the implications of this latest announcement are played out.

The implications are not just for people in Snow Lake. The minister knows, or he should know, that there are bumping rights, that there are going to be people displaced in Flin Flon as a result of the

closure in Snow Lake, that there are at least two other I guess related incidents that are going to affect the level of mining employment in the Flin Flon area.

I guess I am a little, perhaps, not surprised, but disappointed that the government would choose to point the finger at events 20 years ago which have nothing to do with the consequences that face people in Snow Lake today rather than acknowledge some of the blame and say, yes, we could have done more and agree to use the resources that it has garnered from resource extraction in northern Manitoba to protect the interests of people who are affected today. There are things that the government could do, and there are things the government can do.

I ask the minister to first commit the resources of the Mining Reserve Fund to assist in the redeployment of the employees in Snow Lake. I ask the minister to begin with the Department of Education and the Department of Labour at providing retraining, training opportunities for those people who were displaced, not only in Snow Lake, but in Namew and the people who will be displaced as a result of the modernization which is ongoing.

Mr. Chairperson, that leads me to the issue of modernization. The minister attempted to say that the government's action in providing support for modernization was an example of its commitment.

I want to remind the minister that in 1987, when Hudson Bay Mining and Smelting came to the province unsolicited and asked for support in investment in developing the Callinan Mine, it took the government, and Mr. Wright will correct me if I am wrong, but a matter of months—a matter of months—to respond and provide an assurance of some share, 49 percent of the capital cost of developing that mine—a matter of months.

*(1020)

At approximately the same time, a little bit later, HBM&S approached the government with the modernization plan. This was some five months before the government was defeated in 1988. I was Minister of Energy and Mines at the time, and I said unequivocally that we would be there if HBM&S needed us; if the copper and zinc industry, which is important to the northwest part of the province, needed the Province of Manitoba, we would be there.

It took almost three years for the government to conclude a deal. In that three years, although HBM&S did maintain some exploration activity, clearly they were hampered by the fact that Inspiration was not willing to finance; Inspiration, which owned HBM&S, was not interested in financing a major exploration budget because of the uncertainty of the future of Flin Flon itself.

The government, rather than being prepared to invest unconditionally in the thousands of jobs that were affected, basically said, we will only invest if we are 100 percent guaranteed. That is what the Minister of Energy and Mines told this committee, that they were not going to risk any of the province's money, despite the fact that that industry pays hundreds of millions of dollars to the province through not only mining taxes, but payroll taxes and other kinds of taxes, sales tax, et cetera.

The province, Mr. Chairperson, is partly to blame for the fact that HBM&S was not doing the kind of exploration investment and exploration activity involved in the exploration activity that could have been because of its unwillingness to make a commitment to the North and to mining in the North. Only after Minorco, which did not need the money, probably did not need the guarantees, came along and purchased HBM&S did the province say, okay, yes, yes, we will put up some money now; we will put in our loan, our repayable loan.

Mr. Chairperson, the government has to take some responsibility for what has happened in two respects—first of all, the delay, the unwillingness to invest on behalf of the province; and secondly, I believe, in not providing direction to MMR to increase its exploration budget and at least try on behalf of the people in Snow Lake.

The minister is going to say, well, you can spend all you want, there is no guarantee. That is quite true, but the province is sitting on \$24 million worth of money that was raised in the mining industry, and most of it—most of it—comes from operation in the Flin Flon area and the sale of assets in the Flin Flon area, and it chose to do nothing when it could have done something.

Mr. Chairperson, I hope the minister has the intestinal fortitude to go to Snow Lake the next community meeting, and there will be more, and explain his actions. I certainly, Mr. Chairperson, am not afraid to go and explain mine, nor the previous government's.

Mr. Chairperson, I know this is not the place to flay the government for its failure. We are here to focus on MMR, but I wanted that on the record—I want those things on the record. The minister can choose to respond. I hope if he does that he will choose his words much more carefully than he and the Premier did yesterday in response to my questions because, frankly, they were nonsense; they were not correct, not factual and not helpful.

Thank you, Mr. Chairperson.

Mr. Downey: Mr. Chairperson, I do not think it is in the interests of this committee, when we are dealing with two reports, to get into a major broad political debate, but I guess I could enter into one that the member maybe is inviting me to participate in. I will try and be fairly reasonable in the time I take to do this.

First of all, I hope the member is not making any reference to the fact that we or any member of the Legislature in our government particularly find any good feelings about people losing their jobs in any industry. I want to make that eminently clear at the outset.

We are as concerned about the community of Snow Lake, about the community of Flin Flon, about the community of Lynn Lake, any of those areas that have faced the difficulties that are out there. Every one of my colleagues has the same feeling, that it is unfortunate that this kind of news is there but, quite frankly, I have not given up and will not give up on the North, South, East or the West in this country. I believe we still have some tremendous opportunities.

Now let me refer specifically to the point that the member raised about the modernization of Flin Flon. We, Mr. Chairperson, I think carried out a responsible action. We carried out the action of putting some \$55 million of a loan into the upgrading of the smelter, showing confidence in that whole area, in that community.

* (1025)

The member is criticizing us for the time factor. The point is, it is done and being done and employing people and guaranteeing the future of that community. I mean, again he is saying it could have been done faster. I do not believe it could have been done faster and been done in as responsible a way as what even he should have wanted.

He touched on the community of Sherridon. I could give a long speech on Sherridon as to what happened in that particular area where the monies that were put in there now are laying idle, as what I would call probably a decision of the previous administration to build a trailer court, where it is now vacant. The mine had not been proven up. A lot of money moved in quickly and the assurance of a long-term mine site was not guaranteed. That money which was spent there was done so, I am sure, in good faith by the province.

We as well went in and made major expenditures to the road into Sherridon when we were first elected. It was in a deplorable situation. The first thing we had to do was make it so people could move back and forth to the community, a commitment that I think could have well been looked after previous to our coming into office.

The whole question of the worker adjustment and how we have dealt with it in the past, with the unfortunate situation at LynnGold, has demonstrated that we moved in with a worker adjustment support program to help those individuals and spend monies on their behalf.

Mr. Chairperson, as far as Snow Lake is concerned, the Worker Adjustment Committee, I believe, and the community adjustment committee have been in there for some four months now working with those communities. I think that this has become an issue today, and the member is driving it to some degree, and he is reporting as to what the community feels. I have a pretty good sense for how that community feels. I was there several months ago. I believe we were dealing with a grant to further develop their airport, which is extremely important to them, showing again confidence in the community.

I want to deal with what the member refers to as the Premier and me yesterday. The first thing I did as the Minister of Mines was to take a visit to some of the majors who are headquartered in Toronto. I could not believe what I was hearing, but I had it further confirmed what I was hearing was accurate when I went to the prospectors and developers 60th anniversary convention about a month ago in Toronto.

Everyone I met continually came forward and said: Is Manitoba the way it used to be? We believe that they still had the policies of full participation of 50 percent by the province in any mine investment.

One mining company said: When the policies of the former government were in place, our weather vane and our investment policies just turned straight away from Manitoba.

I am not going to put the name on the record, but I can give it to the individual.

Mr. Storie: Please do, because I can only say he is stupid. Give me his name, I will send him a copy of Hansard.

* (1030)

Mr. Downey: Well, the member makes reference to the members in the mining industry as being stupid. That is not correct. What I am reflecting is what I heard from the mining industry.

What we did, Mr. Chairperson, was come back and, in this budget, previous announced incentive program of \$12.5 million, where the regulations have just been now put in place and the program now just starting to work, try and get the attention and to show the investors that Manitoba is open for investment in the mining sector.

He is shaking his head, Mr. Chairperson, but what did he do? I guess if I go to Snow Lake and I go to those communities, I say, you do not find a mine today and develop it tomorrow. We are still suffering from some of the former policies of the former administration—the province is. I mean, that is the whole issue here.

If there had been some incentives—he refers to MMR. I am not going to say that the people running MMR are wrong in their decisions not to just go out and spend money for the sake of spending money. I believe they have an expertise within the board, an expertise within their management to use the money prudently to select partners and to select areas in which they want to look for reserves in a responsible manner. That is what they are challenged to do.

I can assure you that everybody who works for MMR and is involved in it is as anxious to find or be a part of finding a new body of ore as anyone else because they have the same kind of feeling.

The bottom line is that the perception of Manitoba within the mining industry was one of, not the place to be—not the place to be—from the top end of the investment people in the mining sector to the prospectors and developers. I would call them the real people who go out and look for the reserves.

They said, with the attitude that has been in the past in Manitoba, why would we want to be there?

The member makes a reference to a surtax. Well, that was a decision made. I am not so sure that it was not a carry-forward of a decision from the previous administration and, if it was not, then that was imposed, but that did not deter new mine investment. New mine investment will come about when we introduce policies like a tax holiday for a new mine that is to be developed, and until they get their capital expenditures paid for, they will not have to pay any provincial tax.

That to me is a major incentive, to put in an exploration incentive for junior companies. I have heard the member talking to the press and the media. The first thing he says, well, that will not help HBM&S, that will not help the major companies.

Mr. Chairperson, I did not say that it would, but it will help a lot of junior companies who are out there of a \$100 million and less that are going to, and have in the last few weeks, shown tremendous interest in what we are doing.

We have put in place a policy where, if a major company, for the money they spend in their exploration activities, they can write 150 percent of it off against their income.

Now, he says that is not helping the companies. Well, I would like him to be at least fair. Well, that is what I am hearing. He is not being quoted by some of the reporters who are phoning me saying that Mr. Storie says that there is no help for the major companies. Now he is saying one program. At least he should have acknowledged that there is one program. He did not even do that.

I mean, you can play this game politically or you can play it really. I am telling you, I am here as the Minister of Energy and Mines to play it in real terms of helping those communities and get this industry going. I am telling you that it takes a lot of today's planning for tomorrow's activity, and it has now been put in place, a lot of effort and hard work.

The member has ideas that we could spend more money. He is telling us that we should be using MMR money to spend more money on exploration. Has he got some specifics that he would like to recommend to this committee as to where and how we do it, or is he just saying, spend more money? That is like saying spend more money and something will happen in the oil patch. If you spend more money, you are bound to find more oil. If you do not go to the right place and use the right technology, you are not going to find it.

The orebodies are where they are, not necessarily where you want them to be. What I have to put my confidence in and have is that MMR, the decision makers, have used the best technology available to them. The private sector, who I can tell you, and I know the member has seen a little bit about the private sector, when they invest money they like to see a return on it.

HBM&S this year, as I understand it, have committed an increase of at least 30 percent in their exploration activities—targeted more than that, the member is saying.

It is not that there is not the desire both by the government or by the companies or MMR to find new reserves to keep communities like Snow Lake alive. That to me has to be what we are all driving towards. Now we can stand here and sit here and take political shots saying, we are not doing enough, we are doing it the wrong way, but I believe we have made a significant start in the policies we have introduced.

I think I could have been justly criticized if we had not acknowledged the difficulties that were out there and had not moved on some policies and programs, and my former colleague who introduced the \$12.5-million incentive package.

We have made some significant moves. The member is not prepared to even acknowledge it in a fair way, and that kind of bothers me. It bothers me on behalf of the people of Snow Lake who I think would like him to say, yes, maybe, and he is reflecting accurately the fact that they maybe would have liked more money spent from MMR. That is a fair comment. Maybe the MMR—I will let them speak to what more money expenditure may have done.

The bottom line is, I think what we should say to each other here, and that is what I am trying to project to the people of Snow Lake, we have not given up—we have not given up. I hope that the member has not given up either. If he has some positive recommendations that can help direct what we do, more power to him. That is what the objective has to be, to find new orebodies, to find new reserves and to maximize the job opportunities that come from them.

In the interim, Mr. Chairperson, and I say this genuinely, there are programs that are being looked at under the Worker Adjustment Committee. That is a structured mechanism that is not new to the member. Certainly the commitment to Flin Flon is there in the upgrading of the MMR smelter, the money we

have put in. He can criticize it. The fact is, the money is there. The federal government money is there and the private money is there. If there is ever a time for a partnership, we have seen it.

He can say, well, we probably did not have to go in when Minorco was there. If we did not go in when Minorco was there, he would say, well, why did the provincial government not put their money on the table? I mean, I hope he has one little bit of fairness in him and at times could bring it forward.

Mr. Chairperson, I have gone on longer than I wanted to. Maybe we could get on to some specific questions dealing with the MMR reports.

Mr. Storie: Mr. Chairperson, I want to be very clear. I referenced the Mineral Exploration Incentive Program, which was introduced in 1991 by the former Minister of Energy and Mines. The minister and the First Minister referenced that program in particular as being an example of what the government had done to prevent the closure in Snow Lake, to improve the mining industry.

There are two major mining companies in Manitoba, have been for a long time, and either this minister or the previous minister should know that. That program was not available to those companies. They fund their own exploration activities. I was told that by HBM&S directly and, although I did not speak to the president of Inco, the same was confirmed in Inco's case.

Of the \$14.5 million that was set aside in the budget in 1991, how much does the minister think was spent? Zero, not dollar one, because it was not designed to work. The minister has made some changes to the program. He has dropped it from \$14.5 million to \$12.5 million. I do not know if that says, yes, we are really committed, or not. Maybe the minister has a different view of what a \$2-million reduction in the program means, but I just want that to be on the record.

When I gave my budget address, I referenced the three other programs that the minister referenced. Yes, the write-off provisions for new mines is very helpful, and I said that. I hope the minister will acknowledge that something that is introduced and the regulations have not even been developed yet is hardly going to be any benefit to the people in Snow Lake, given the current crisis.

* (1040)

Yes, it may be helpful some time in the future, but the minister knows as well that given the way the

program is designed, it is not going to cost the government anything this year either. It is a good program, and I said so in the budget when I gave my address, and the two others measures. The Mineral Exploration Program, there have been some improvements in it, but let us not overemphasize how much this is going to do.

Mr. Chairperson, the minister talked about some conversations he has had with mining companies in eastern Canada. He wanted to say what did the previous government do. Well, I want to take up the minister's challenge, and I want to answer that question.

First of all, I spoke with the then chairman of Inco, Mr. Phillips. I certainly know Mr. Ames, who is the president of Inco Manitoba, and I spoke frequently to the CEO, the president and general managers of HBM&S, both Mr. Nilsen and Mr. Ellis. I know a little about their operations as well.

Between 1982 and 1988, we saw in Manitoba the development of at least three mines—Tartan Lake, Puffy Lake and Callinan mine—which the government invested directly in, put up some \$7.7 million before the province, the minister's government abandoned our commitment there. Inco opened an open-pit mine, invested about \$300 million. We helped Hudson Bay Mining and Smelting purchase Ruttan Mine from Sherritt Gordon to save that community. Inco Gold purchased the rights at the Nor-Acme site in Snow Lake. Inco got involved in gold mining or gold mining properties, I guess, in Manitoba. They subsequently sold that, I believe.

The fact is that the mining companies who were here and others, including Granges and Outokumpu, were not afraid to invest in Manitoba. No one ever expressed that concern, and in fact those policies were 20 years ago, as the minister referenced in his speech. Those policies have been changed a long time ago and the minister knows it and so should the First Minister. To reference those in some sort of debate is ludicrous. If Inco and Hudson Bay Mining and Smelting are not major players in mining in Canada, I do not know who is. I cannot believe that any competent CEO of any mining company does not know that.

I do not know who the minister was talking to. I would certainly like to get the name. I would like to set that person's record straight, because he is in dire need of some remedial education.

Mr. Chairperson, so what is the current government's record? What has happened since 1988? Well, we had Puffy Lake mine close, affecting Sherridon; we had Tartan Lake mine close, affecting a whole bunch of workers and people in Flin Flon; we had Lynn Gold mine close, affecting a whole bunch of people in the community of Lynn Lake; we had Spruce Point mine and Rod mine go down. Now we know that two other mines in the area, Chisel and Stall, are going to close as well, affecting in a debilitating way the community of Snow Lake. For a government that has done so much for mining I do not think the record speaks very well of the accomplishments of the government.

I acknowledge that some of the initiatives in the budget may help in the future, but we are dealing with a crisis now. Snow Lake is dealing with a crisis. Yes, we can remain hopeful that ore will be found in the Snow Lake area, but everyone acknowledges that even if it is found today, it is going to take much beyond the 1993-94 deadline before that mine would come into production and restore some jobs to the Snow Lake area.

Mr. Chairperson, in conclusion in terms of this topic, the minister asked what positive suggestions I have for the government to make, for the government and MMR.

The first one is, today at this committee, I would like MMR to commit to doubling or tripling its exploration budget in the Snow Lake area.

I am not blaming MMR for the lack of joint-venture activity necessarily in the Snow Lake area, because I realize that Hudson Bay Mining and Smelting has not always been that anxious to joint-venture obviously unless it is in their interests, as it was in 1987, when we started the project at Callinan mine.

I still believe in terms of utilizing the infrastructure in Snow Lake at some future day it is worth increasing our investment in exploration significantly.

HBM&S, as the minister referenced, has increased its exploration budget in the Snow Lake area, I was told by Mr. Powell, to approximately \$4.5 million, a significant increase over the previous years.

I remind the minister that HBM&S is able to do that because of the Minorco purchase, because they have a company behind them that can fund increased exploration budgets, significantly increased exploration budgets. I am asking the government to make the same commitment and

increase significantly its investment and exploration in the area.

Number two, I am asking the government to be prepared to spend money that is available in the Mining Reserve Fund or other government sources to assist in the relocation effort for the 480 households who are affected by this closure or will be affected by 1994.

I am asking the government to put together a training program, because it is not apparent in the near future that we are going to see any significant increase in mining employment in the province. It has declined significantly since 1988. I would like to think that the government is interested in training and retraining the workers and the people who are affected by the most recent closure and the closures in 1989, frankly, in Lynn Lake. There are still people, I am sure, who need some assistance in that regard.

Number three, the minister referenced the help the province gave to Lynn Lake. The minister's understanding of the help that was given to Lynn Lake is significantly different than the people of Lynn Lake's understanding of the help that was given.

The workers were shafted. They did not get all of their severance money. They were promised by the government that there would be no taxes on the severance they received and other benefits and there were taxes. The community has had to cut services. There has been no assistance for the people who lost their lifesavings, for the seniors who worked there for 25 years and were looking to retire and own their own homes in Lynn Lake and whose homes are now valued at a thousand dollars if they can sell them at all.

I think that the government has to make a commitment to the community immediately to help it deal with its lost revenue. The municipality is going to begin losing revenue almost immediately. I do not think anyone can blame people in Snow Lake for looking at their tax bills and saying, my house is not worth a cent right now the way it is, am I going to pay my municipal tax bill?

People raised it at the community meeting on Sunday. They said, well, why should I? What is this about? How is the community going to survive? How is it going to provide services?

I am asking the minister to make sure that the municipality can continue its services for the next couple of years as it will have to, because there will

be employment there until late '93 or sometime in '94.

Mr. Chairperson, I am also asking the government to commit today to looking at a home owner's and small business equity insurance program, a program that is paid for by premiums from individual home owners and small businesses along with contributions, perhaps a capitalization of that fund initially by money from mining taxes, either Mining Reserve Fund or some other avenue of using mining taxes for that purpose so that we can create a fund that will protect the investment of people in northern Manitoba into the future.

Mr. Chairperson, I did some very preliminary calculations. If the government could find \$10 million, either from the existing funds in MMR or the Mining Reserve Fund, which I understand is standing at about \$15 million if I heard the minister the other day correctly, if it capitalized it with a fund of \$10 million and collected premiums of perhaps \$100 or \$200 per year from miners and people who volunteer to enter that program and that contribution was matched by the province, in a matter of two or three years the fund would grow to the point where every person in Snow Lake could have received \$10,000 to \$15,000 of equity return as on the basis of an insurance program.

We have had communities in the North—Flin Flon and Thompson have been very secure. We always did know that none of them had infinite life expectancy, and that is true today.

I am asking the government, the minister to take the lead and seriously look at the concept and see if we cannot do something. We have insurance programs for other industries. The minister was a farmer at one time. We have a Gross Revenue Insurance Program for farmers.

Mr. Downey: What is the matter with me today? I am not a farmer.

Mr. Storle: Well, you are still shovelling, Mr. Chairperson, but you ain't a farmer.

Mr. Downey: I am still seeing it shovelled that way.

Mr. Storle: Well, I used to be a farmer too, I have to confess.

Mr. Chairperson, the bottom line is that the minister has a unique opportunity to do something long-term to protect the interests of people who want to invest in mining communities, in small businesses, and the minister should know that right

now it is almost impossible for businesses to start in northern Manitoba.

The confidence level in terms of the chartered banks is zero. They will only lend money to people who do not need it and, clearly, the latest series of announcements is only going to shake what little confidence they have in terms of residential mortgages and so forth. We need some support on that level as well.

* (1050)

The government wanted some positive suggestions. There certainly are some. I wrote yesterday to the minister and outlined, I think, some things that should be done. I have given the minister again sort of a synopsis of what those things are, and we will see whether that translates into a commitment. The minister said he wants to work from this day forward and, although we can argue about the past, at this point we cannot change it.

I am asking the minister to do something positive. He has an opportunity, and we will be watching to see whether his words today coincide with his actions of tomorrow.

Mr. Chairperson, I would like to move now to the business more directly at hand.

I guess, generally, the first question I have is, the results from Trout Lake in particular are somewhat discouraging, and Mr. Clarke referenced the fact that some of the financial problems are related to ground control problems at Trout Lake mine. There have been a number of unfortunate instances in Trout Lake. I am wondering whether those are under control and what the prospects for '92 are, whether we can get some sort of an update, given that the '92 results should be available, on the prognosis.

Mr. Malcolm Wright (President, Manitoba Mineral Resources Ltd.): The ground control problems at Trout Lake are being brought under control, Mr. Storie, but we are doing this by a change in mining method. The net affect of that change in mining method is not yet known but, during this transitional period, our operating costs are going up and the ore grades are going down.

Mr. Storie: I understand that while the ore grades are going down, there has been kind of an extension of the known and probable and possible reserves. I am just wondering what kind of life expectancy is now considered possible at Trout Lake.

Mr. Wright: We are now showing a proven reserve which gives it a five-year life. I do not have the figures for the probable and the possible at hand. I would think if you added in the probable, you have one more year of life, and our possible reserves have actually been shrinking as exploration is being carried on.

We are now in the midst of a deep exploration program of some \$3.5 million dollars which we hope to have completed at the end of this year to get a better handle on the ore potential at depth at Trout Lake. We have had some encouragement in the earlier days, and we are having some disappointments at the moment.

Mr. Storie: Mr. Chairperson, just referencing the cost of production, can Mr. Wright identify what sort of elements lead to those problems?

Mr. Wright: You mean into the increase in the costs of production. Well, you have to put in a lot more ground support and also a lot more development in changing over to this new mining method, and that is basically it.

Mr. Storie: Mr. Chairperson, can Mr. Wright tell us whether the new shaft that was put in at Trout Lake is operating and whether that is likely to change the results for the '92-93 year in terms of the cost?

Mr. Wright: The shaft has been operational since 1990, and we are still experiencing these increasing costs. At the moment, we are now planning to mine below the shaft and start over the whole exercise again.

Mr. Storie: Well, that raises the question—my understanding was that the shaft was not sunk deep enough and that created an additional cost. What kind of costs are we expecting or does MMR expect to have to incur as a result of the deepening or the extension of the shaft? What kind of dollars are we talking about?

Mr. Wright: Well, we have no plans at the moment to deepen the shaft. We are spending \$3.5 million dollars this year to find out if we should deepen the shaft. In the meantime we have been forced into declining below the shaft level and trying to access some of the ore there.

As to whether or not the shaft was sunk deep enough, these decisions are very easy to make in hindsight. A target level was picked; there was no information below that level when the decision was made. We also recognize that there was a cost

overrun of some 50 percent, and no one was prepared to exceed that cost overrun.

Mr. Storie: Now, there are three partners in this, and I am just wondering whether the partnership is solid, we are not having any trouble in terms of sharing the required capital costs.

Mr. Wright: Mr. Storie, a partnership is like a marriage, or a joint venture is like a marriage. It has its ups and downs, and we have had some downs lately.

Mr. Storie: Mr. Chairperson, I do not think Mr. Wright provided me with the information on the expected results for the 1991-92 MMR report.

Mr. Wright: We are in the midst of making a new forecast, but the budget that we went into at the beginning of the year showed a loss of \$3.5 million dollars. I believe that we will improve upon that, but we are still cranking out the numbers. Part of that, Mr. Storie, is a result of trying to maintain a reasonably high exploration level in the Snow Lake area.

I would like, if I may at this time, to address some of your comments as to how Manitoba Mineral has reacted to the problems in Snow Lake.

I would first like to read to you a section of our annual report, which you dealt with with regard to the \$24.6 million of working capital. Our annual report reads: "The working capital will be used: to finance new investments in Trout Lake or elsewhere in the Manitoba mining industry; to sustain exploration at normal levels through periods of low metal prices; and to fund accelerated exploration on new discoveries without impacting on normal exploration budgets."

There is no question, Mr. Storie, that Manitoba Mineral has the funds available and they are earmarked for mining investment, either development or exploration. The problem is lack of opportunity. Then you have to ask the question, why is the opportunity not there. In order to answer that question, you have to go back into the history.

Let us talk the history of the Snow Lake mining district.

In the period of 1953-73, spanning some 20 years, there was a great flurry of exploration activity in that district, and many copper-zinc deposits were found. At that time the district was opened up by Hudson Bay Mining and Smelting, which staked the core area. Out of that activity in that 20-year period

came seven mines and many noneconomic deposits.

* (1100)

Since 1973, there has been, by my count, in excess of some \$100 million spent on exploration in the district that has not produced commercial deposits.

What has Manitoba Mineral specifically done about that area?

When we were incorporated back in 1971, we recognized that Snow Lake would be facing the problem it is facing today.

We have had an ongoing exploration program year after year after year in the Snow Lake area. That has been inhibited to some extent by Hudson Bay's core holdings, but we have been exploring the periphery. We and our partners, over that some 21 years that we have been in business, if you had to repeat that same work today, we are talking about a joint expenditure as partners of \$31 million.

Now I do not have the numbers for Hudson Bay going back into that period of time. I do have them for the past 12 years. If Hudson Bay's work was repeated today, you are looking at, in the last 12 years, some \$40-odd million of expenditures.

In that period of time, and I have only heard this on the street, as it were, but it looks about right, Falconbridge itself has spent in excess of \$10 million in that area. More recently, Inco has spent \$6.6 million on the Nor-Acme mine and is now prepared to walk away from it for 10 cents on the dollar and some questionable paper.

That brings us to the point of what Manitoba Mineral is doing today in the Snow Lake area. We have a budget right now of a million dollars, most of which is being consumed on four projects with Hudson Bay Mining and Smelting. We are negotiating some new projects with Hudson Bay Mining and Smelting in the area. If the opportunities present themselves, we are prepared to go back to our board and say, let us increase our budget, we have this money.

We are now on two of those projects exploring at depths in excess of half a mile straight down. I do believe that your criticism of lack of action on the part of Manitoba Mineral is somewhat displaced, because we have been at this game for 20 years in that area.

I might also point out to you that in the first 10 years of its history, Manitoba Mineral Resources

was headed up by my predecessor, one Albert Koffman, who was formerly the chief exploration geologist for Hudson Bay Mining and Smelting and was credited with the discovery of the Snow Lake district. He knew that district inside and out. One of our first projects was to keep on exploring in the Snow Lake area, and we did.

Mr. Storle: I appreciate the background that Mr. Wright provided, and I want to make it very clear that I have not been critical of Mr. Wright or Mr. Clarke or MMR, although I have perhaps made some disparaging remarks about the minister. I worked with Mr. Wright and respect his judgment a great deal. What I know is that the people of Snow Lake would like some assurance that some extraordinary effort was being made on their behalf.

It is a kind of interesting sort of sidelight, is it not? Mr. Wright has provided us with some background on the exploration dollars in the Snow Lake area in the last 12 years, and it certainly puts the lie to the minister's suggestion that exploration had dried up, that the mining industries would have been chased away by some sort of policy.

Well, Mr. Chairperson, the minister most definitely did say it publicly and on record yesterday, as did the First Minister (Mr. Filmon). I would just like him to acknowledge today in committee that he was dead wrong. It would be very helpful for the record.

Mr. Chairperson, in terms of MMR's activity, Mr. Wright indicated that approximately a million dollars had been targeted to the Snow Lake area. I appreciate that HBM&S certainly had some core property in the Snow Lake area which really was not accessible to MMR, but I would like to ask today whether there are any ongoing joint ventures with HBM&S in the area, or any anticipated.

Mr. Wright: The answer to both those questions is yes. We have joint ventures with them and we are developing new ones. Hudson Bay geologists and our own geologists are working co-operatively across boundaries to try to establish new projects. As I said before, the problem is not the lack of funds, the problem is the lack of good projects.

If the people of Manitoba, in their wisdom, wanted to keep Snow Lake going longer than what it is, there are all kinds of deposits like Puffy Lake, Cotton Lake and LynnGold which were not designed to be wealth producing mines, were designed to mine the public. There are all kinds of those deposits available if you want to sink your money into them.

Mr. Storle: I think Mr. Wright may in fact be quite right on that, although there were no public funds in Puffy Lake other than through the income tax system.

My question more directly was: The current expenditures, what project and what locations are you currently joint-venturing with HBM&S? When did those agreements come to fruition? When did exploration get under way? What specific locations are we looking at in terms of the future, in the next six months or the next year? What joint ventures are they looking at?

Mr. Wright: One of them is an area called Limestone Bay, underneath the limestones, which we have been in a joint venture with Hudson Bay for 10 years or more. That is an order-of-magnitude figure. We have recently accelerated our exploration there and have been drilling down to depths of half a mile. We had smoke down to 1,000 feet and we got smoke down at 2,500 feet, but we have not found the fire.

The second major project we have been working with them on is the burr zone, which everybody up in the Snow Lake area is aware of. The known mineralization there would create a mine if it was very heavily subsidized. I think everybody there understands that.

In that particular area, we have had a joint venture with Hudson Bay for the past few months, I do not remember exactly how much. Again, it was a Hudson Bay property; Manitoba Mineral is the operator. We are spending jointly \$600,000 or \$700,000 in there and again drilling down to depths of half a mile.

Another area which we have had—I do not remember the numbers—a substantive exploration program with Hudson Bay is out west of Snow Lake in the so-called Woosey Lake area. That project goes back 12, 14 years type thing. We have accelerated expenditures out there.

We are presently having a handshake deal on the so-called Rail Lake deposit, also west of Snow Lake, which is Hudson Bay's territory. We are talking other ideas with them in the core area, but none that I would like to put a finger on right now.

Mr. Storle: One of the problems that HBM&S has is that they are zinc rich and copper poor. If Mr. Wright's memory is correct on the amount of money being spent at the burr zone, it represents 65-70 percent of the money. I understand that is more of

a zinc deposit than a copper deposit. I think on Sunday we were told it is like 1.8 percent copper.

The question was raised at the Snow Lake meeting of whether that is sort of a good use of resources if the issue is, we need copper, not zinc.

(Mr. Ben Sveinson, Acting Chairperson, in the Chair)

Mr. Wright: Just to get the numbers right to begin with, Mr. Storie, when I said we were spending \$600,000 or \$700,000 on this deposit, that is the combined expenditure. Ours is approximately half that, so it represents about 30 percent of the \$1 million I was talking about.

With one exception, which is noncommercial, I do not know in the Flin Flon-Snow Lake area any deposit that is not a combination of copper and zinc. If you are going to be hunting for copper, you are going to have zinc go along with it. This is the case at the burr zone.

I say I only know of one noncommercial one that is a pure copper deposit. You get to a situation that, while you explore for copper, you anticipate you are going to get zinc, but you take what you get.

Mr. Storie: I guess the question was that, I believe it is 9 percent zinc in the burr zone and 1.8 percent copper, and I guess the question was that they are so desperate for copper, is it economic for them to mine at that level? Does it really help their overall situation? Does it make sense to be spending money in that area? That is the question.

* (1110)

Mr. Wright: The numbers that you are quoting are the nonmineralization, and we are not exploring the nonmineralization. We are exploring some extension of it in the hope that it will change.

The nonmineralization is one of the deposits I alluded to before. It is quite near surface, it is quite narrow and, if the people of Manitoba would be prepared to heavily subsidize it, it might be a mine. That would be an open-drain subsidization. There are a number of deposits in that area which are the same way.

In fact, there are probably more noncommercial deposits than there are commercial deposits in the entire area. A rough rule of thumb is 20 to one.

Mr. Storie: Mr. Acting Chairperson, the longer-term question is whether in fact HBM&S is going to be successful in the next few years at not only finding enough ore to sustain or recommence

populating Snow Lake, but the future of the copper-zinc industry generally. I am wondering whether Mr. Wright can share with us his views or his concerns about the prospects for finding enough copper to keep us going.

Mr. Wright: That is the essence of the gamble which the province and the people of Manitoba are taking with the \$55-million loan to Hudson Bay. It is the essence of the gamble that Minorco was prepared to take in backing that loan and also in backing the bank loan of a larger sum. Also, Minorco is now beginning to put additional money into Hudson Bay, as you are aware through their acceleration of exploration programs.

What the end result will be, I frankly do not know. We have to improve on our exploration performance of the past 20 years. The possibilities are there for that to happen, but it is not guaranteed.

Mr. Storie: Mr. Acting Chairperson, one of the other announcements that HBM&S made at the meeting on Sunday, May 3, was the announcement that the Namew Lake mine would also be in all likelihood closing sometime in 1994 or late '93. I am wondering whether MMR has been involved in any joint-venture exploration activities with HBM&S or any other mining company in the search for additional nickel deposits.

Mr. Wright: The Namew Lake venture is already a joint venture between Hudson Bay Mining and Smelting and Outokumpo of Finland. They tied up a very large area of the ground around that facility and have been actively exploring in it.

Anything that we have done in the search of nickel has been outside of there, and those facilities would not be of any use if we were successful. We also have an exploration program which has been going on for three years with Outokumpo of Finland on an extension of the Thompson nickel belt beneath the limestones. That has been going on at the rate of about \$1 million a year in total, of which we have been funding 50 percent and they have been funding 50 percent. We have been the on-site operator of that particular project.

To answer your question more directly, we are not involved in any nickel exploration which, if successful, would visualize the use of those particular facilities at Namew Lake.

Mr. Storie: Well, Mr. Acting Chairperson, again, as Mr. Wright knows quite well, there are dam rumours all the time, and the most recent one is that another

company, not Outokumpo or HBM&S, has found nickel deposits in the Namew Lake region. I cannot remember the company that was involved, whether it was Falconbridge or who it was. I am just wondering whether Mr. Wright has any information on some of the prospects or the legitimacy of those kinds of rumours.

Mr. Wright: The only rumour that I am aware of in respect to nickel is one dealing with Falconbridge, but not in the Namew Lake area. It was in the property adjoining our own underneath the limestones on the extension to the Thompson nickel belt. We actually overflow that particular area and looked at the drilling set-ups and wondered what they were doing. It was fairly obvious from the way the drills were set up that they were having trouble following whatever it was they had found.

Mr. Storle: Mr. Acting Chairperson, again, a related sort of nickel question. I am wondering, Inco, I gather the open pit, the Thompson open pit, has now closed. There was some sort of extension that was being considered. I am wondering what position Inco is in in terms of reserves and whether MMR has any kind of idea of what is happening on that score.

Mr. Downey: Mr. Acting Chairperson, I guess I have no difficulty with Mr. Wright if he wants to respond to it. It is not directly related to MMR. I may add as well, and the member may not be aware of this, there has been a licence issued just recently to Westminer to go into the Split Lake area, to go into a major exploration activity there, so that is about it as far as the activity at Thompson.

If Mr. Wright has some additional information, he is quite free to provide it, but again it is off a little bit the topic that we dealing with.

Mr. Storle: It is sort of about minerals.

Mr. Downey: You want to encompass into the whole of the mining area.

Mr. Storle: I consider Mr. Wright an expert and I value his opinion.

Mr. Downey: I do too. Mr. Acting Chairperson, again, those questions can be well raised during Energy and Mines debate as well. If he wants the answers today, if Mr. Wright feels that he wants to provide it, then I have no difficulty if the rest of the committee members agree.

Mr. Wright: That is quite a lead-up to a short answer. The short answer is, I do not know.

Mr. Storle: I guess that also answers my next question, which was: Does MMR have any joint ventures with Inco? Obviously the answer is no as well.

Mr. Acting Chairperson, just moving on, a couple of quick questions—it seems to me that a year ago or perhaps two when we were at committee, Mr. Wright, I think, was speaking quite optimistically of the position of Tantalum and the marketing of spodumene. I notice that we are not doing as well as we had anticipated, and perhaps we could have an explanation.

Mr. Wright: Our problem with that operation out there, the financial engine that drives it is tantalum, and those markets have not materialized either in volume or in price as was anticipated. We are in serious problems out there with the tantalum markets. We are working very hard right now, at least the general manager is, to put together some forecasts for the balance of this year and also for next year which are going to depend entirely on what can be done in terms of contracts for the purchase of tantalum.

Mr. Storle: Perhaps Mr. Wright can give us sort of an overview of the financial prospects for Tantalum Mining Corporation 1991-92. We do not have a report before us, but I expect some sort of unaudited statement has been made available.

* (1120)

Mr. Wright: I was talking with the people out at Tantalum this morning, and they are currently working on 13 different scenarios. That is an awful number; I wish it had been 14 or 12, but they are working on 13. The answer is that I do not know, because we have not got the market picture firmed up right now. We hope to address this before the end of the month, but it is not a secret. The people out there have been advised with notes on bulletin boards on the status of the development of contracts for the purchase of tantalum. As of today we do not have a contract in place beyond the end of June.

There are some very positive signs out there, but I do not want to get into a public arena on those things which are still on the come.

Mr. Storle: How many people are currently employed at the Tantalum operation?

Mr. Wright: We have 110 people out there right now.

Mr. Storle: The other questions I had related to Lynn Lake. I am wondering if Mr. Wright can update

us on the activities of MMR in the Farley Lake area and whether there is any interest, as a second question, in the LynnGold property. I gather there is still an attempt to be marketing that, although I recognize prices are not very attractive.

Mr. Wright: Our own analysis of the LynnGold property showed that it would require a gold price of \$450 to \$500 U.S. per ounce, and this was some time ago, in order to be a viable operation. At present the price is down around the \$330, \$340 area. I did not see at the time that it was being debated and I do not see now that a viable operation can be established on LynnGold's deposits in the immediate Lynn Lake area.

With respect to Farley Lake, it is one of those almost situations; it was not good enough to save the town. Again, we had 2 million tons containing .1 ounces of gold per ton which was extractable by open pit. If we had a gold price at that time or felt some comfort in a gold price of around \$450 an ounce, we would have had an operation. If we had made that decision, we would have taken an unholy financial bath of some \$30 million, \$40 million.

The other thing that could impact and assist in the economic evaluation of the Farley Lake deposit is the finding of additional reserves. That particular venture was a joint venture between an outfit called Mingold and ourselves. We actually put jointly some \$10 million or \$11 million into that. There was a building of a road and a bridge and there was an actual mini-open pit taken out to take a 10,000 ton test sample out of it. Mingold itself was a joint venture between Minorco and Inspiration Resources.

When Minorco got disenchanted with the \$80 million it had put up in total to explore North America and purchase what is now Independence Mining in the United States for a few hundreds of millions of dollars—I do not remember the exact number—they gave up their interest in continuing the exploration of the Farley Lake deposit and other ventures which they had been in, and they have been trying to dispose of them. We have been waiting with bated breath for a new owner to surface so that we could get on with the second possibility of Farley Lake, mainly improving it through additional exploration.

We have had an overture—well, it is more than an overture. One of our members is not here today, because he is busy working on legal papers under which a company called Golden Band Resources would take an option on Mingold's portion of it, and

there is a work commitment that exploration money has to be put up. The fellows are today working on a program of somewhere between \$600,000 and \$700,000 exploration program to continue it. Now all the papers are not signed off, but they are working pretty hard to do that. I think it will go ahead.

Mr. Storle: Well, Mr. Acting Chairperson, given Mr. Wright's analysis of the prospects of a viable mine there, is this another example of where there are going to be more write-offs than value for the public? What is the process there?

Mr. Wright: No, I have been very careful. I said that we had a chance to improve upon what we have by finding additional ore reserves. You have to find them and then make an economic analysis to determine whether you have viability, but we are in the controlling position on this one; we have a 55 percent interest. I do not want Manitoba Mineral in any way, shape or form to be involved in an operation which is designed to mine the public rather than the ground.

Mr. Storle: Mr. Acting Chairperson, we appreciate that.

I note in the 1991 report there is no mention of exploration activity in the Leaf Rapids area unless that is included in the Lynn Lake area, particularly referencing the Ruttan mine and the exploration that is going on in the west anomaly. I am wondering whether we are involved, MMR is involved individually or jointly with HBM&S in any copper-zinc exploration in that area.

Mr. Wright: First off, to answer the first part of your statement, the so-called Lynn Lake area map where money is being spent includes Leaf Rapids. The second part of your question—if there is any involvement in properties outside of Ruttan, it is very small. I think we have an interest in one of them which we have negotiated a deal on. We did have an opportunity to take a look at some of those properties some years ago surrounding Ruttan. Again it was a difficulty of finding what is a viable target to go after.

To back off for a minute, the province has an interest in the Ruttan mine at which Manitoba Mineral is the agent to look after it. We did not want that investment on our books, to be very blunt with you, Jerry.

The province has participated indirectly in the exploration at the west anomaly, and that

exploration which is all underground has come to fruition. When the deal was first put together in 1987 it was expected that mine would close in 1991 but, because of the exploration success on the so-called west anomaly, combined with some exploration successes in the old mine, as it were, we are now looking at Ruttan going out there to 1996 or 1997, provided copper prices act reasonably.

I say indirectly the province is involved there in the sense that this interest, which is called a cumulative cash-flow interest—the province originally had 50 percent interest in the cumulative cash flow coming out of the mine, as such term is defined in the agreements.

World copper prices spiked up. The province actually collected some \$3 million or \$4 million, but because it is an interest in cumulative cash flow, when the cash flow goes negative, it is plowed back in. All that money has been plowed back in, and one of the big reasons it was plowed back in is the capital and exploration expenditures going on in the west anomaly, so that is why it was indirectly.

Now the west anomaly as such was outside or treated differently than the agreement covering the main line. There is reference in one of these reports to Manitoba Mineral in its capacity as an agent to the province renegotiating the Ruttan deal, and we are getting now very close to having that done.

* (1130)

Mr. Storie: Mr. Acting Chairperson, there is, I guess, only one mine, the copper-zinc mine in the Lynn Lake-Leaf Rapids area, although in terms of the geological formations and so forth, one would expect that there is additional copper and zinc ore in the area. I am wondering whether MMR is involved in copper-zinc exploration in the Lynn Lake area, or is he aware of any exploration being done by HBM&S in the Lynn Lake area.

Mr. Wright: I know that Hudson Bay has been—I am not sure whether they are as of today—doing some exploration in the immediate vicinity of the Ruttan mine on their holdings out there.

We have interests in four copper-zinc deposits in the broader Lynn Lake area. Some of them are east of Lynn Lake and some are west of Lynn Lake.

We are currently putting together a deal on one of them to get an investor involved. That is the so-called Wellmet Lake deposit, which is in the vicinity of Barrington Lake, which you will know.

We are looking for participants in three others. Now I am talking specific deposits. We have also staked a large core area in the Lynn Lake area, practically staked the town of Lynn Lake, because Sheritt Gordon let that ground go recently. We believe there are base metal opportunities in there. We have an expression of interest in principle on some very large holdings, as I said, practically sitting on the town, but there is no deal as of today.

Mr. Storie: Well, Mr. Acting Chairperson, that is encouraging because I think, given the investment that is being made by Minorco and the share the province has put in, we cannot afford not to find those reserves. To the extent that we find them in areas outside the immediate Flin Flon area, we maybe can secure the future of Leaf Rapids and what remains of Lynn Lake.

I think everyone appreciates the fact that this is a bit like a lottery. Trout Lake and Callinan incidentally are two examples where exploration budgets of millions and millions have been spent, and you move a hundred yards from where you explored 10 years ago and you find all kinds of ore.

That is the point I was trying to make in terms of the exploration budgets in the Lynn Lake area previously and Snow Lake more recently, that it would be nice to say, you know, quite categorically that every effort that could be made was made in terms of protecting the interests that the people had in Snow Lake. That is the point of my questions.

I do not have any further questions on the reports. I do not know if my colleagues have or not.

Mr. Lamoureux: I just have a few questions that I would like to ask. You know, there is a very human side that has been pointed out from the member for Flin Flon for the last hour and a half or so. You know, part of the problem is, when you have a one-industry town, as we all know, if something happens to that industry that is in the town the future can be at times bleak.

There is in fact a role that government can play in terms of preserving those one-industry towns, and that is why we have MMR. MMR's first priority is, of course, to look at the communities threatened by declining reserves for those one-industry towns that rely on minerals, and then they also have a role in terms of finding or exploring areas that do not necessarily have mining towns in and around them.

I am curious to know in terms of what, in the sense of percentage of dollars MMR invests in exploration,

is given to that first priority and if in fact there has been any shift of that percentage—no doubt the budget has changed over the years—but as the percentage of monies going into the preservation and exploration of those communities that currently exist.

Mr. Wright: Just before I answer your question directly, I would like to expand a little bit on the first part of the question you actually asked.

Manitoba Mineral has long recognized, as any mining company will, that every mine in the mining district will one day be depleted and closed down and eventually the entire district closed down. So there has always had to be the policy of saying, okay, one day we are going to lose mining districts, so a whole district has to be replaced, and we have continued that type of approach for many years.

The target in the distribution of how much money is spent in the existing districts versus looking for a new district is 80 to 20. Now that will be exceeded or not met on an annual basis, but over a period of years that is about the way it works out.

Mr. Lamoureux: In going through the '91 annual report I notice that there are 34 projects, of which 22 were projects with a joint partner of sorts; 12 were carried out from the corporation. Those 12 projects, is it safe to assume that those would have been in the first priority areas? It is on page 2 of the annual report.

Mr. Wright: The wholly owned projects?

Mr. Lamoureux: Yes.

Mr. Wright: Boy, I would have to tear those down on a project-by-project basis, but I suspect that most of those were projects in existing districts that we started and put in the seed money and are now trying to find a partner.

Mr. Lamoureux: I guess, you know, one has to seek on an ongoing basis in order to get some sort of partnership, in many cases, I would suggest because of the area that you might be looking at. I have virtually no experience in mining—I will say that right from the onset—with the possible exception of a tour I had in Thompson, where we had a briefing from Inco.

So with that, I qualify my remarks and my questions and would ask, I guess, in the sense that these 12 projects that would be carried out or where the corporation goes in as an independent without any partnership and it does not look as if it is going

to be very easy to get a partnership that that should be in the first priority area.

The second priority area, as I would have assumed, there should be some sort of initiative coming from the private sector, and I would ask Mr. Wright if he could give me some sort of indication of what level of exploration we get from the private sector. Has that been increasing in the last number of years, or has it been decreasing?

If it has either one of the two, increasing or decreasing, how does that compare with other provinces in a general sense? Manitoba as a province—are we seeing more investment from the private sector, in particular in mineral explorations, or are we on the bottom of the 10 provinces?

Mr. Wright: A variety of considerations go into what, where and what a company will invest its exploration dollars. One is the geology of a particular province. The other one is the commodities that one might expect to find in the province, and of course there are also political stability, the rules of the game and so on.

I cannot give you the relative numbers among Ontario, Quebec, Manitoba and Saskatchewan. During the time that I have been around I think on an annualized basis Manitoba has been running at around \$35 million or \$40 million a year in mineral exploration on a fairly consistent basis. There have been ups and downs and things like this, cycling with policies and prices. That is in Manitoba now.

Mr. Lamoureux: It is interesting in the sense that the three categories that you had and the political one is often debated inside here. I would not expect you to comment on that.

(Mr. Chairperson in the Chair)

* (1140)

In terms of the types of ore, does the province—like I know somewhere in the annual report, as I was reading it I had noticed that there seemed to be a bit of a de-emphasis on gold as an ore that the MMR is looking at other orebodies. Is there a move towards or a greater potential growth in some ores that MMR sees in the future in terms of as an overall percentage?

Mr. Wright: We try to follow the mining industry and what it is they are looking for because we have to attract money into the province. When gold was up there around \$500 an ounce and there was lots of flow-through money available, there were all kinds of people crawling all over the place looking

for projects with lots of money, so we were heavily in gold. Now gold is at \$330, \$340, very few people are interested in it, so we are moving out of gold for that one reason.

We are also moving out of gold because of the environmental improvement project up in Flin Flon, which is going to have to have new copper-zinc reserves, particularly copper found to ensure that it is a financial success. We are moving very heavily into that.

We have attracted Outokumpu in particular into nickel into the province of Manitoba because they have a considerable nickel base or nickel expertise back there in Finland, their home country. They are also heavily involved in copper and zinc, and we have had projects with them in copper and zinc.

Saskatchewan happens to be blessed with uranium, which we are not, and there have been all kinds of other companies pour into Saskatchewan during the uranium boom. We got a little spill over that in Manitoba, up in the northwestern section, but we had smoke and no fires up there and they had the fires in Saskatchewan. That attracted the companies like a magnet. The fact is that if the potential is big enough and rich enough companies are prepared to take considerable political risks and go.

Mr. Hickes: I just have a few questions. First of all, I would like to ask, in the northern section, has there been much exploration done now?

Mr. Wright: I think that we explored up in that country for the first seven or eight years of our existence. What we did up there, as we said, we have a railroad up as far as Churchill and we have very little exploration of what is known as volcanic belts where we find most of our mines in Manitoba. There were volcanic belts going west of Churchill, and we said, well, we will explore that area for 100 miles out from the railhead, but do not go any further. We had a whole host of joint ventures up there with Home Oil, with Eldorado Nuclear. I cannot remember—there were other names up there as well. The net result was that we spent jointly a few millions of dollars and we did not find anything.

Now several of those areas are not accessible to exploration by virtue of being designated, and I am not sure that I have the words right here, but you cannot explore them because they are heritage area or park areas or whatever.

Mr. Hickes: That was leading up to my next question concerning the Seal River area. Has there been much exploration there, because I know it is going to be designated or there is a possibility of it being designated a heritage park.

Mr. Wright: Our exploration up in there indeed focused around the Seal River area, but I would not say that we exhausted all possibilities. In fact, I know that we did not. We decided that we did not want to risk anything at that point in time further than 100 miles out from the railhead and also that we are not prepared to look at anything less than what might be a herd of elephants.

Mr. Downey: Mr. Chairperson, the limited knowledge that I have, and I have to say it is limited, further supports Mr. Wright's comments that the Seal River area does have the proper geology for some possible mineral extraction, and we do not want to get into a conflicting situation here, but that has to be taken into consideration when areas are designated for future preservation of a certain activity.

I think that the public should be one of the decision makers as to whether or not those designations, when they are designated, will allow for the potential of extraction of minerals done under certain circumstances. Those are the kinds of public debates that have to take place. I would personally just further reiterate what Mr. Wright has said, from the limited knowledge that I have, that there are some geological, for the proper terminology, capabilities within that area.

Mr. Hickes: To follow up on that, the reason I asked that is that in contact with some veteran prospectors they said that they were wondering why, because they believe that there is an abundance of ore bodies around that area. With the modern technology that we have today versus when they were doing their prospecting, they believe there is quite a bit of ore in that area. That is why I asked if there was any exploration.

Also, I am aware of the dangers of exploration if it is going to result in a heritage-protected area. My question to the minister would be: Is there any, well, I guess you would have to wait till later, but are there any negotiations or anything taking place today to see if there would be mining exploration and mining activities in parks?

Mr. Downey: Mr. Chairperson, that of course is a whole subject of public debate as to where this goes,

particularly when we are talking of an area in Churchill where he is a former resident.

The community is looking for economic activity, employment creation, wealth generation. Is he of the mind and is the public of the mind in that area that we should put that into a reserve that should never be touched for mineral extraction? I happen to take the position that I believe, and I say this, if there is a process put in place that handles these situations responsibly, that it probably could be done. I say probably, and I would appreciate his comments on it.

It is a delicate issue. It is one that I think has to be handled through the proper process of decision makers, but the question is: Do you want economic development through mineral exploration or do you not? The word I hear from communities like Churchill, they are looking for all kinds of activities related to employing their people and keeping opportunities in the North.

You just cannot approach it as a closed mind I do not believe—not a closed mine, but a closed mind.

Mr. Hickes: Just in concluding my remarks, I hear exactly what the minister is saying. I share the same view, because the communities do want some activity for the employment opportunities for their people, and I do also.

Also, I recognize the importance of the rivers, about Seal River and other rivers are a historical fact of importance. There is a way of coal management or coal producing, whatever you want to call it, multiple use of those parks. I do not think the people in Churchill would be that concerned if it was guaranteed that the environment would be protected, if that is possible.

* (1150)

Just in concluding, I would like to thank the minister and his staff. I would just like to leave the of word caution with the minister that my colleague from Flin Flon, whom I thought gave some very good recommendations and some very helpful possibilities to preserve the community of Snow Lake.

I hope the minister will look at them very seriously and look at the possibilities of saving that community and also look at some of the recommendations to make sure his plan can be implemented.

Snow Lake is not the only one-industry town that we have, and people who invest their whole lives and their future retirement plans around these one-industry towns should have some form of protection from governments. I just hope the minister will investigate them seriously. I look forward to some positive activity for the communities that, like Snow Lake, will be affected in the region.

Mr. Downey: I thank the member for his comments. I hope that I did not leave on the record or put information that was misunderstood. I did not particularly say that there was not any exploration activity taking place over the last numbers of years when the member was referring to it.

What I said was, I believe that there could be opportunities greater then and there will be more opportunities with the policies that have been introduced.

I want to acknowledge again Mr. Wright and Mr. Clarke and all the members of the staff for coming before the committee this morning. I hope that in the ensuing years we are able to come forward with all kinds of good news.

I will conclude by saying, as I understand it, the first day that a mine opens is the beginning of when it closes, because that is really what you are dealing with, a time in which it runs out of orebodies, and you cannot get away from that. It is a matter of keeping in balance the investment in finding new deposits versus the time frame of those being depleted that are currently being mined.

I thank members of the committee and MMR for their contribution to the committee this morning.

Mr. Chairperson: Shall the Annual Report for Manitoba Mineral Resources for the fiscal year ending December 31, 1990, pass—pass.

Shall the Annual Report for Manitoba Mineral Resources for the fiscal year ending December 31, 1991, pass—pass.

This concludes the matters under discussion for this committee. I would like to thank the minister and staff of the Manitoba Mineral Resources. I would also like to thank the committee for their contribution this morning.

Committee rise.

COMMITTEE ROSE AT: 11:52 a.m.