

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, October 5, 1989

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Helmut Pankratz (La Verendrye)

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Connery, Neufeld

Messrs. Angus, Burrell, Cowan, Helwer,
Minenko, Pankratz, Rose, Storie, Taylor

APPEARING: Dr. Malcolm Wright, President,
Manitoba Mineral Resources

MATTERS UNDER DISCUSSION:

Annual Reports of Manitoba Mineral
Resources, 1987 and 1988

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Mr. Chairman: Please come to order. We are here to consider the reports of the Manitoba Mineral Resources for the fiscal years ending December 31, '87, and December 31, 1988.

The committee had met on Tuesday, October 3, to consider both reports. The committee had also met previously on March 16, 1989, to consider the 1987 Annual Report.

We shall now resume consideration of the 1987 and '88 Annual Reports for Manitoba Mineral Resources Ltd. I would like to ask the Minister whether he has any comments to make at this time.

* (1005)

Hon. Harold Neufeld (Minister of Energy and Mines): Mr. Chairman, at our last meeting the committee requested certain information be brought to this meeting today and I would like to take a few minutes to explain what that information was and the position we have taken with respect to that information.

First of all, there was a request on all working papers, documents, reports produced for and by the Government of Manitoba on behalf of the Manitoba Government or with the use of public funds that relate to the Manitoba Miner's Resources ore deposit, the commercial development of that orebody, and/or LynnGold mining and milling operation at Lynn Lake.

I have to remind the committee, Mr. Chairman, that the decision on the future of the mining operations in Lynn Lake will not be made by the Government but will be made by LynnGold Resources Inc. They are, of course, asking for some assistance from the

Government. It is with respect to this assistance that we are negotiating with LynnGold, which incidentally is a public stock company and affects many people besides those on Government, those on this committee, and indeed those in Lynn Lake.

Negotiations at this stage are at a very sensitive stage and a disclosure of any information at this point could jeopardize the entire negotiations.

I do not think that the committee would like to be the cause of any negotiation breakdown. This would affect, of course, the lives of many people in Lynn Lake and I do not think this committee wishes that. We will provide all and any information the committee wishes upon the finalization of negotiations with LynnGold Resources or their parent companies.

Having said that, Mr. Chairman, I will repeat again that the operations at Lynn Lake have nothing to do whatsoever with the mandate that this committee has. The mandate of this committee is to review the operations of Manitoba Mineral Resources for the years 1987 and 1988, and the operations at Lynn Lake have absolutely nothing to do with that.

That is something they can discuss with the respective committees of Government, but should not be discussed with the report of the Manitoba Mineral Resources. As well, Mr. Chairman, the committee asked for an agreement between Manitoba Hydro and LynnGold Resources. Manitoba Hydro's policy is that they will not disclose agreements with its customers without the prior consent of those customers and that consent has not been received, and Manitoba Hydro has not provided the agreement.-(interjection)- Just wait till I finish.

Mr. Chairman: Order, please. We will allow the Minister to finish first.

Mr. Neufeld: With respect to the Mingold and Manitoba Mineral Resources Agreement, Mingold of course is a public stock company, again, and our agreement with Mingold calls for their consent before any information with respect to that agreement is released. We have not been able to get that consent, and consequently have not provided that agreement.

* (1010)

Mr. Chairman: Mr. Cowan, on a point of order.

Mr. Jay Cowan (Churchill): Just on a point of order, it is normal practice that when we have committees that we have the Hansard transcripts available to us before the next committee. I had asked the Speaker, informally, if he could try to expedite that, yesterday, and he had indicated to me that he would try informally to expedite that. I wonder if we can have any word

from the Clerk as to whether or not we will be able to see those Hansard transcripts.

Mr. Chairman: I guess that is under the privy of the Speaker, and I guess we should request that then, at this point in time, but could we carry on with the meeting? On the same point of order, Mr. Taylor.

Mr. Harold Taylor (Wolseley): Mr. Chairperson, the NDP brings up what I think is a very pertinent point. This is not the first time in this Session that this has come up. In fact, it was out of earlier Economic Development meetings in the spring that the same request was made. It is rather difficult when you cannot get transcripts because that is often a problem and you do not have the Hansard in final form until maybe two meetings later, and there were occurrences of that nature.

My hope would have been that would have been corrected by this time, because the Hansards of the committee, to me, have to have the same priority as the Hansards of the House. If something could be conveyed at this moment to the Speaker's Office that in fact it would even be helpful to see that Hansard brought to this table during the meeting. Thank you.

Mr. Chairman: Mr. Cowan, on the same point of order.

Mr. Cowan: I had indicated that I had requested informally that the material be available from the Speaker, but I want to make the point that it is not the Speaker's obligation, responsibility to do that. It is actually the Government House Leader's (Mr. McCrae) responsibility to ensure that he schedules committees in such a way so as that transcripts can be available. If he schedules committee back to back, such as he has done in this particular instance, that he makes those transcripts available to us.

I think what we might want to do to deal with the immediate problem is to have someone ask the Speaker if those transcripts can be made available to us at this meeting, and if they cannot, then we have to determine how to continue or not continue on with this meeting. We should also make it very clear to the Government House Leader, as a committee, that we believe he has a responsibility to ensure that committees are scheduled, because he is the only one, according to the precedents and the practices, who can schedule committees, call committees. He has to live up to that responsibility and that obligation to ensure that we have Hansards available to us so that we can carry on from one meeting to the next with some continuity based on the written transcript of the meeting, because while we do keep notes, the written transcript is more accurate.

So my suggestion is that we first ask the Speaker, right now, if they are available, not in any pejorative way, but just to find out. If they are not available, after a short recess to find out, if they are available to us, then we determine how we want to continue on with this meeting.

Mr. Chairman: I would like to advise the committee that a Page has been sent out to check and see whether

the Hansard is available, and will report back to us within a few minutes.

Mr. Helwer, on the same point of order.

Mr. Edward Helwer (Gimli): If we could have these, I do not know whose responsibility it is, whether it is the House Leader's or whose it is, but certainly in two days they should be able to get these printed up, and I think it would be beneficial.

Mr. Chairman: Mr. Taylor, on the same point of order. Mr. Angus, on the same point of order.

Mr. John Angus (St. Norbert): I am not sure, Mr. Chairman, I will let you be the judge of that. It was going to be my suggestion that as I was to discuss information from the reports that has nothing to do with what happened on Tuesday, it would have no relevance to any of the Hansard transcripts that perhaps while we are getting those, the committee would entertain those questions.

* (1015)

Mr. Chairman: Is it the will of the committee to be able to carry on with some questions which Mr. Angus would have while we are waiting basically for the Page to report to us in respect to the Hansard? Is that the will of the committee?

Mr. Taylor: Before we get into the questions, I have a point of order related to the statement from the Minister a few moments ago. The Minister seems to be stating that in regard to the motion that was passed by this committee on Tuesday, the 3rd of October, that it is his position and that of the Government that they will not respond to that request for information with a couple of exceptions.

I raise the point of order to get a clarification. I am not sure I quite understood just what he was saying, and if possibly the Minister can reiterate his position in short form without a lot of detail, I would very much appreciate it and I think the other Members of the committee would also.

Mr. Neufeld: With respect to information that affects other corporations, by that I mean other than corporations owned by Government, as Manitoba Mineral Resources, we cannot release information without their prior consent. That was, in a nutshell, what I said.

Mr. Chairman: Just for the benefit of the committee, I understand that was not a point of order. So, Mr. Taylor, we would like to carry on with Mr. Angus' questions at this point in time.

Mr. Taylor: I am trying to understand the Minister's statement and it was not clear and I think, in that it is relating to business of the committee, I think that it is only fair that we can understand quite clearly what is being said. I guess the other point would be, did the Minister then solicit in the intervening two days the co-operation and the consent? In other words, in the last

two days did he ask for the consent of those external organizations who are a party to these agreements.

Mr. Chairman: Again, Mr. Taylor, that is not a point of order, and if you want to raise it as questions—Mr. Taylor you can raise it as a question so it is not a point of order.

Mr. Taylor: I want to raise it as a question and Mr. Angus has deferred the floor to me to do that.

Mr. Chairman: Very good, Mr. Taylor, carry on with your question.

Mr. Taylor: I repeat that question. Did the Minister in the last two days request the consent of any of the firms involved or any other agencies involved whose consent would be, it would appear, would be required by contract or by agreement to be there before there was a release of that information?

Mr. Neufeld: We discussed it with all the parties.

Mr. Taylor: Did the Minister formally request their consent, not discuss it, did he formally request their consent to release?

Mr. Neufeld: Yes, we did.

Mr. Taylor: The last question, Mr. Chairperson, is what then will be the resulting documents that will be released? What information will we see then? Can he just state that out, a list of them.

Mr. Neufeld: At this point, there will be no documents released. The documents either affect other corporations whose prior consent we require or they affect the sensitive negotiations that are presently in place with LynnGold.

Mr. Taylor: Yes, Mr. Chairperson, based on the request by the Member for Flin Flon (Mr. Storie) and seconded by myself, the Minister is saying there will be absolutely no information forthcoming whatsoever. Is that correct?

Mr. Neufeld: That is correct.

* (1020)

Mr. Taylor: Yes, Mr. Chairperson, has the Minister considered the ability of this committee to go in camera to discuss matters of this nature and thereby in effect meet the requirements of the agreements about consent.

Mr. Neufeld: The resolution was a request, not a demand. The committee can, I understand, not demand, and I have not considered what the consequences might be, but I will repeat that we will not produce the information today.

Mr. Taylor: Mr. Chairperson, the Minister does bring up an interesting point. I would suggest that it would be within the power of this committee to demand certain information, particularly as it relates to the Farley Lake

gold mine operations. I would, in all sincerity and seriousness, point out to the Minister that it is within the mandate of this committee. It is germane to the subject on the table. I would offer a friendly suggestion about his consideration, and that of the Government, as to what is the power of the committees, particularly in the context of a minority Government. The attitude of co-operation will go a lot further than one of arrogance, suggesting that there is no power and the committee should not, and they will not, and they cannot. That sort of attitude is, quite frankly, just going to irritate and not elicit a context of co-operation. We have found from time to time that we could have good co-operation at these committees. So I leave that for the Minister's thoughtful consideration. Thank you.

Mr. Neufeld: Mr. Chairman, I of course am not too concerned about whether or not you are irritated, Mr. Taylor, but let me suggest to you that the Farley Lake -(interjection)- I am not concerned whether you are irritated, Mr. Cowan.

Mr. Neufeld: Let me say simply that the Farley Lake deposit, which you specifically referred to, comes under an agreement with Mingold. I have told you already that we cannot release that, by agreement, without the prior consent of Mingold.

Mr. Cowan: On that same point, Mr. Chairman.

Mr. Chairman: Mr. Cowan, on that same point.

Mr. Cowan: Following on something the Minister said, the Minister said that he had requested consent to release the reports from the other parties. Can he please inform the committee as to exactly whom he requested that consent from in the past two days?

Mr. Neufeld: I requested, Mr. Chairman, the consent from the President of Manitoba Hydro. Dr. Wright talked to the President of Mingold.

Mr. Chairman: On a point of order.

Mr. Angus: I understand the Clerk has reported back on the Hansard. I wonder if you would like to comment on that.

Mr. Chairman: Again that is not a point of order, but I would, with the consent of the committee, report on that at this time. I would just like to inform the Members of the committee that Hansard for the Tuesday, October 3, meeting is not ready at this time, but will be ready early in the afternoon.

Mr. Angus: What about the transcripts?

Mr. Chairman: Transcripts? I understand that these are the transcripts that will not be available until this afternoon, but I will clarify that shortly. In the meantime I will ask Mr. Cowan to proceed with his line of questioning.

Mr. Cowan: Could the Minister just provide the names of the individuals with whom consultations were held

over consent, and the form in which those requests for consent took place?

Mr. Neufeld: The requests were verbal. We did not of course have time to do it any other way. The request for the Manitoba Hydro Agreement was made from the president. The president of Manitoba Hydro is Mr. Beatty, and the president of Mingold is Mr. Thompson.

* (1025)

Mr. Cowan: They were informed that the committee had requested that information and that the Government was requesting consent to release it on the basis of that request by the Government.

Mr. Neufeld: That is correct.

Mr. Cowan: Why did the Minister not contact LynnGold?

Mr. Neufeld: Mr. Chairman, LynnGold's consent refers to the Manitoba Hydro agreement, and Manitoba Hydro would have to contact LynnGold for that consent.

Mr. Cowan: Did Manitoba Hydro contact LynnGold for that consent?

Mr. Neufeld: I am not aware that they did, but I will check that.

Mr. Cowan: Could the Minister check that so that we could have some indication by the end of this meeting as to whether or not that had been done?

Mr. Neufeld: I would have to leave the meeting and see if Mr. Beatty is in his office and see if he can give me that information—I will attempt to do so.

Mr. Cowan: I would suggest the Minister, himself, does not have to leave the meeting, that he has staff present that he could have one of the Pages have one of the staff from his office come down, a whole number of ways. I would like him to undertake to provide that information. It is a very important point and I do not want to get into the LynnGold operation right now in any great detail, because I do want to wait until we have the Hansard transcripts available to us to carry on with the debate that was held the other day.

I am going to at this time pass the floor over to the Member for St. Norbert, Mr. Angus, if he is next on the list, Mr. Chairperson. I know it is not my job to pass it over, but I will relinquish the floor for whomever is next on the list on the basis that we will not be discussing the LynnGold operation as a committee until we have the transcript available to us or new information becomes available to us today.

Mr. Neufeld: I just wanted to point out to Mr. Cowan that the agreement that he refers to between Manitoba Hydro and LynnGold has absolutely nothing to do with this particular committee. The agreement is to supply power for Lynn Lake as a first preference, and it has absolutely nothing to do with the Farley deposit at this

point, because if there is no intention for Manitoba Mineral Resources and Mingold to develop Farley at this point in time as a stand-alone plant, therefore, no power would be required.

Mr. Angus: Mr. Chairperson, my questions I guess are to the management, particularly Dr. Wright. I am not trying to offend the Minister, but he was not in power I guess, and certainly his hand of direction would not have had a lot to do with the 1987 report, and a lot of the things in the 1988 report were probably in place long before he had much of an opportunity to make a significant influence.

* (1030)

Dr. Wright, in just looking at the statements, the assets and the liabilities, this is a reasonable projection, the 1988 report. It appears on the surface anyway that you have done a good job. Would you like to just comment on your level of comfort in terms of the statements? Do you feel comfortable with them? Do you have any concerns about them?—and trust me, this is not a set-up question.

Mr. Malcolm Wright (President of Manitoba Mineral Resources Ltd.): I have no problems whatsoever with these statements. We have our controller with us. They went through an audit committee of the board. They were very happy with them and the board itself was very happy with them. I would point out though to Mr. Angus that if he compares these statements perhaps with the statements of other mining companies, he will find that the policies which we have in place, with regard to the statements, are quite conservative. I am quite satisfied that these statements are not hiding any unpleasant surprises.

Mr. Angus: Mr. Chairperson, I have sufficient confidence in the administration, and in their professional and ethical capabilities that they would not intentionally try to hide any information. I notice the sale of concentrates has gone up significantly between 1987 and '88. Do you want to comment on that, and what do the future projections look for sales of concentrates?

Mr. Wright: There are two basic reasons why the volume of the sales of concentrates went up. The first one was that there was an increased copper, gold, and silver production out of Trout Lake, which more than offset the decrease in the zinc production. The second reason, and the main reason, is the price of copper and zinc was a lot higher in 1988 than it was in 1987.

With regard to the second part of your question, in 1989 the copper and zinc prices have been even higher than in 1988, and we are currently projecting a year-end figure of approximately bottom-line \$7 million for the current year vis-a-vis the—I believe it was 4.6 which we reported for the year ending December 31, '88.

Mr. Angus: Mr. Chairperson, the next line unfortunately does not look quite as attractive. I suspect that there is a large chunk of debt retirement and there is a massive increase in interest payments. Do you want

to just comment on the debt load of the corporation and—

Mr. Wright: If you will note, that is all under the heading of income. That is an increase in interest income, not a decrease. There is no debt.

Mr. Angus: This is an investment then, that you are collecting interest on, loans that you have made to organizations, mines, partnerships?

Mr. Wright: If you will take the two numbers 1987 and 1988, we have an increase of \$507,000.00. The increase comprises a number of things. The greatest one is \$240,000.00. We had larger amounts on deposit with the Department of Finance because we are doing better, and we had higher interest rates. The figure also includes \$200,000, which is accrued interest on the Callinan loan mentioned in here. Those are the two big numbers.

Mr. Angus: Mr. Chairperson, can you indicate to me what the rate of interest is that the Government pays to the corporation? Is it a common interest rate? Perhaps the Minister can comment on that.

Mr. Neufeld: It is the interest rate that the Government pays on its current debt.

Mr. Angus: What is that?

Mr. Neufeld: It would be a factor of the prime rate, probably prime, or somewhat less than prime. It is whatever the Minister of Finance (Mr. Manness) pays on his other current debt, which incidentally is more than we could make if we invested it with another carrier.

Mr. Angus: Unreasonable.

Management fees, this would be in relation to partnerships that you have, Dr. Wright?

Mr. Wright: That accounts for most of it, although there is an increase in 1988 which relates to a management fee for looking after the province's interest in the Ruttan mine. In 1987, there were only three months of that fee; in 1988 it was a full year of that fee.

Mr. Angus: Moving to the expense side, the administration fees seem to have increased substantially. Do you want to comment on that, sir?

Mr. Wright: Yes, part of this, a large part of this, is due to a change in the accounting in the area of salaries and benefits. In prior years of 1987, vacation pay was not accrued. It is now accrued. We have instituted a new dental plan. We have had increases in the Canada Pension Plan and UIC.

Another large number is their comptroller was with us only part of the year in 1987 and for a full year in 1988. I think he was only with us for two or three months in 1987.

Mr. Angus: Mr. Chairman, there has been no increase in staff except for the comptroller?

Mr. Wright: That is correct. There is a difference of one in the staff and that reflects the comptroller.

Mr. Angus: Perhaps I could get an explanation of the item on page, no number—(interjection)—Manitoba Minerals Resources Notes to the Financial Statements.

An Honourable Member: Which note number?

Mr. Angus: Note No. 5, Capital Authority, The Loan Act \$16 million 1988. Perhaps you could just give me a general overview of that, what it was brought in for and why, and what you did with it. Did you exercise it?

Mr. Wright: I think if we perhaps take these line by line it will resolve itself.

The company was originally set up with grants up until 1982 and then the method of funding was changed to issuing shares. The first two, a loan Act of '82 and '83 were to provide the working capital necessary in lieu of grants to keep the company going.

If we look at the last three as a lump, there was partial replacement for money which had been issued for exploration purposes. It was topped up in the Act. There was provision made for how much money would be needed to finance the Callinan development, which was approximately \$17 million, and there was another \$16 million provided in the loan Acts in the event that we required financing to put the Farley Lake deposit into production.

These amounts have all now been reviewed in the light of what has happened with Callinan, what has happened with Farley and the financial strength of the company now. We have recommended to the Government that all of that authority be cancelled.

Mr. Angus: So I have this clear in my mind, this is authority to borrow from the Government at, I expect, fixed rates, or are they interest free?

Mr. Wright: No, this is the authority the Government has to borrow money to buy shares of Manitoba Mineral. We do not borrow from the Government, as such.

Mr. Angus: Excuse me, but have I got this straight then? The Government acquires shares of the corporation, they arrange the loan and they then buy the shares? It is an accountant's method, Mr. Chairperson, of giving the money to the corporation instead of giving it as a grant or giving it as a loan. They simply—you make a call to the table and the board of directors decide to ante up some more money. Is that basically it, in layman's terms?

Mr. Wright: No, in layman's terms this is the same thing as somebody going out and purchasing stock. The Government has the authority to borrow money to purchase the stock in Manitoba Mineral. The Minister now tells me that this authority has now been rescinded. We had recommended it be rescinded. It now has been rescinded.

Mr. Neufeld: Mr. Chairman, there is no loan at the present time that the Manitoba Mineral Resources has

from the Government of Manitoba; indeed, the flow of money is quite the opposite way. The Manitoba Government has a loan of some \$6.9 million from Manitoba Mineral Resources. Manitoba Mineral Resources will not need any money and therefore the loan authority has been cancelled. Last year, in 1988, they did acquire some more shares but I believe that was for the Tantalum mines, was it not, Dr. Wright?

* (1040)

Mr. Wright: And partly the Callinan.

Mr. Neufeld: Partly the Callinan, so at this point in time we do not have a loan and no authority to access a loan.

Mr. Angus: Can you just then comment on your working capital, in light of those comments?

Mr. Wright: As you know, our working capital from these statements is very healthy. We have now prepared—

Mr. Angus: The \$6 million figure, is that the working capital, retained earnings?

Mr. Neufeld: With my background as accounting, Mr. Chairman, the cash or equivalence is \$7.028 million, and that cash or equivalent would be the cash and other quick assets less any accounts receivable, or any accounts payable, any quick payments, and that amounts to, according to this statement, \$7,028,895 million. The cash position of the company, if all debts were paid, the quick cash position would be \$7.028 million which is quite healthy for a company this size.

Mr. Angus: I would like to divert some questions then to exploration and to, what you might call, research and development, and perhaps invite from Dr. Wright an overview of the board's considerations in that area and their directions in that area.

Mr. Wright: I would like to run through some of the goals that we have with regard to exploration. It is our longer-range intention to focus 80 percent of the exploration funding that we have on areas where mining communities are threatened by declining ore reserves, specifically that would be in the Flin Flon, Lynn Lake, Leaf Rapids areas and to allocate 20 percent of such grass-roots exploration funds to the balance of the province.

We are working toward a more balanced distribution of exploration expenditures in terms of commodities than is reflected in the present report where the bulk of the money was spent on gold. We are now targeting to spend about 45 percent on copper-zinc exploration, 45 percent on gold exploration and about 10 percent on others.

We will be targeting to keep exploration expenditures at a level of approximately \$3 million a year in constant dollars, so that our projections indicate that it would increase by the amount of inflation, of course. This is what I would call the grass-roots exploration money,

the predisccovery exploration money. There may be years when we would require more than that, if we have a discovery, and you are either going to fund that with additional money or you are going to have to hold some projects back. It is our intention not to hold projects back, to have a basic core of ongoing grass-roots exploration maintained at a constant level and be able to fund any need following a discovery.

We have pretty well maintained our leverage on the dollars that we spent in the 50 to 50 area between the Government and private sector. Our overall plan in that respect is to maintain leverage of 55 percent Government funding and 45 percent private sector money on a five-year rolling average basis.

Mr. Angus: When you refer to Government funding, you are referring to your corporation?—

Mr. Wright: That is right.

Mr. Angus: —and these, if I may understand it, your exploration now is along the lines of being a recipient of opportunities to share investments for exploration by private companies. The private companies will come forward and say we think we have got something going here that we would like to explore. They make a case to you and your board, then you agree to co-operate with them or not, is that—

Mr. Wright: That is the secondary function. Their primary function is the other way around, to start the exploration projects and peddle it, and sell it to the private sector and get them to come in with us. We say that we know the exploration opportunities in Manitoba, and we have the staff to do the work. We generally try to enter into these ventures early on, on the understanding that we will be the exploration operator until something is found. The company that we have a joint venture arrangement with would then pick it up and carry on into production, and be the operator if something is found.

Mr. Angus: Have you broadened your horizons in terms of other opportunities, or is it simply what you might call hard products mining that you are looking at? Have you looked at other opportunities that can be developed in the Province of Manitoba? You mentioned 20 percent in southern Manitoba. I am thinking of things like potash and/or other mineral resources that might be available. Has the board closed its mind to other opportunities of that nature?

Mr. Wright: No, not entirely. We have focused our efforts, which are limited in terms of both dollars and staff, mainly in northern Manitoba into the traditional areas of copper, zinc, nickel and gold. This is usual for a company of our size and for very much larger companies. If they get into the area of potash, or into the area of industrial minerals, you are into a totally different ball park, and you usually need an entirely different kind of a staff, and a very different kind of financing, particularly if you are into something like potash where you are talking about an investment, if you have green field deposits of the order of magnitude of half a billion to a billion dollars.

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Mr. Angus: With respect, Mr. Chairperson, through to Dr. Wright, if I was on the board of directors, or if I was the Minister, I would like to reserve the judgment of a payback of that nature. It seems to me that it is only prudent for you to look at all opportunities whereby there may be potential growth industries in the province, and if in fact you find that you do not have the expertise to develop pro forma ratings on things such as potash, as an example—I am only using it as an example—that you, given the current healthy situation of the corporation, that it would be an easy thing to joint venture allowing those companies that do have the expertise to front the burden, and we would be making investments based on hopeful projections.

* (1050)

Obviously there would be a point where you would have to make the decision as to whether this was something the Government wanted to exploit or did not want to exploit, but it seems to me that unless we broaden our horizons to what we might call new frontiers, and new opportunities, we are not giving ourselves as much of a chance to succeed as we possibly could. The Minister may want to comment on this, because I think it moves from the administration perhaps into Government direction.

Mr. Neufeld: Of course, as Dr. Wright has already mentioned, the cost of potash development, and potash was mentioned, is extremely high. The fact of the matter is that the Manitoba Government is involved in a joint venture, in a potash exploration development. The monies involved, as Dr. Wright has indicated, are in the magnitude of in excess of \$500 million, it is in the area of, say, \$800 million and it is a matter of finding that kind of money in the private sector to make that such an investment. The intent of Manitoba Mineral Resources is to, principally, look for new deposits in areas of communities that are threatened. If we were going to go into full-scale exploration, we would, first of all, have to consider the cost of such full-scale exploration, and we would have to consider whether or not those monies were wisely invested.

The private sector has indicated a willingness to go into the southern parts of the province and also, indeed, into the northern parts of the province where good deposits are found. It is our intention to keep Manitoba Mineral Resources on the track it is moving on and that is to look for orebodies where communities are threatened.

Mr. Angus: Mr. Chairperson, I appreciate that you have to protect your existing accounts, if you like, to the best of your ability. I agree that a larger chunk of the money should be going in to perpetuating the investments we have and the communities that have developed around those investments.

Any corporation that closes its eyes to future opportunities and does not invest heavily in good times, in research and development and in prospecting in perhaps new areas, is foolish in the long term and certainly narrow in the short term. I am not suggesting they are not doing that, but I would have been more

encouraged if I had heard they were going to be upping the ratio of exploration money and development money into new frontiers, looking for new opportunities to exploit.

I appreciate, Mr. Chairperson, through you to the Minister, that once the whiz kids in exploration, and research and development have found a new product they think will work and will generate income, it is a matter of putting together proformas, financing it, raising the capital, and things of that nature. If you are not looking for them, if you are not actively pursuing new opportunities, then I think you are limiting your scope.

Mr. Wright: I hoped that I had not given you the feeling that we were not looking for new opportunities. We definitely are. We have proposals come in the door several times during the course of the year which are marginal or fringe or outside of our normal scope of activities, and we certainly do look at these. We are looking at one of them right now.

If we are convinced that we ought to become involved, we will make an appropriate presentation to the Government to do so, although it might be outside of the normal scope of activities. But having said all that, one has to put some constraints upon where you look. If you are basically a mining company you do not want to be in the business of buying the grocery business.

Let us put it this way, mining related companies we are most interested in and we do have an interest in the Tantalum Mining Corporation of Canada which is outside the sphere of influence of copper, zinc and nickel. There we are involved in ceramic, grade spodumene; we are involved in tantalum, and we are looking in that deposit at opportunities for three more products.

Mr. Angus: Mr. Chairperson, silica sand is an area that is not in the traditional development products but it seems to be a mineral that can be utilized very effectively. While I compliment the Minister and the current chairman of the board of Hydro for moving in that direction, they came at it because they were looking for electrical producers, people that would consume electricity, and they found a method or an opportunity to exploit a mineral resource that Manitoba has.

I guess what I am suggesting through you, Mr. Chairperson, to the administration, and I am not down on any way, shape or form of the way they are doing their job, but I want to try and encourage them to not be afraid, to look at it differently, to look at the minerals that Manitoba has with the opportunity of exploiting them and creating industrial opportunities, creating mining opportunities, creating investment opportunities in the Province of Manitoba.

I think that is a very important management decision that should be taken, and Dr. Wright has given me his assurances that they are looking in other areas, but this is a good example that may in fact have come out of his department, I do not know.

* (1100)

It seems to me that it is not up to Hydro. Hydro did it and we are glad for that. It would have been my estimation that it should have gone the other way, that the Manitoba Mineral Resources corporation would have found some of these opportunities and then shared them with other major corporations like Hydro. I just wonder, Mr. Chairperson, how many other opportunities are out there that we are not exploiting because we are closing our eyes to the possibility and falling into traditional ruts. That is the thrust of my quest, it is not to admonish or to be critical, it is simply to encourage the administration to open their eyes to opportunities where Manitobans can all do well.

Mr. Neufeld: You mentioned silica sand and you mentioned Dow Corning, well, not specifically, you mentioned the use to which the silica sand may be put, but I should mention to you, Mr. Angus, that the Manitoba Energy Authority and the Department of Energy and Mines work in that area and do the very work in that area that Manitoba Mineral Resources do with the northern deposits.

I might say that in the case of silica sand, we know where the deposits are. In the case of gravel quarries, we know where most of them are. Manitoba Mineral Resources' first job, if you like, is to find deposits in as much as the silica sand deposits are known. We know where they are, there would not be much they could do even if they had the staff capabilities. The Government would have to enlarge their staff capabilities through additional resources before we could enter that field with Manitoba Mineral Resources.

Mr. Angus: Mr. Chairman, unfortunately, Mr. Neufeld confirms my beliefs that, and every accountant as professional as they are, as knowledgeable as they are, is much the same way and I respect your profession, Mr. Minister.

My very point is that the silica sand is there. If that had been gold, if all of that silica sand had been gold, you can bet your bippy that they would have been on to a gold mining company and trying to develop those resources.

I am suggesting to you, Sir, that we take the blinders off and say, look, we have got silica sand, what can we do with this? How can we develop it? How can we promote it? Who has an opportunity for this? They do the same thing with other minerals that we have in the Province of Manitoba looking for opportunities. I have no qualms at all about them turning it over to Hydro or turning it over to the Energy Authority that can develop it, that is their job and their responsibility, but simply to be able to sit back and say, yes, we have all of this silica sand, is it not neat? We know exactly where it is, and do nothing more about it, is not sufficient in my mind, Mr. Chairperson.

I use that silica sand as an example. I am pleased that we are developing that resource. I think that is a step in the right direction and all I want to do is convince and persuade you, Mr. Minister, that where there are other good corporations that are being run well in this manner that they be given the latitude and encouraged to make those types of explorations, and to look for

those types of opportunities and bring them back to the table so they can be developed, that is all.

Mr. Neufeld: Mr. Chairman, that is exactly what the Manitoba Energy Authority, together with the Manitoba Department of Energy and Mines and, partly, together with Manitoba Hydro are doing, and to bring somebody else in would be a duplication.

Mr. Chairman: Before I carry on with the questions, I would like to report to the committee that Hansard, or I should say transcripts of Hansard are not going to be ready until about four o'clock this afternoon.

With that, I would like to ask the wishes of the committee, what are your wishes? Mr. Taylor.

Mr. Taylor: Mr. Chairperson, thank you. It does put us in a bit of a quandary because I think it is much better that Members of committees generally have information from the preceding meetings, can refresh themselves with the exact answers that were brought about as a result of detailed questioning.

This problem that we have this morning is not unique. There was a very serious problem exactly the same as this, this past spring when there were numbers of committee meetings going on. The Meech Lake Hearings were under way, but the House was not in Session and, at that time there were repeated problems with getting transcripts, or Hansard in a timely fashion. In fact, it was often more than a week behind.

I guess, without getting into the details and the problems it gives us in dealing with this particular subject matter at this committee today, I wish to speak to the general problem. I think we should take the opportunity here, with this happening this morning, to make this an issue that must be dealt with, and the issue is timeliness of first transcripts and then, hopefully, final product, Hansard, for committees, because I for one feel that the committee operations are somewhat limited, inhibited, shackled, if you will, shackled by not being able to have the reports back of our deliberations.

So I am not certain if it is a case of somebody not prioritizing work of Hansard staff. My suspicion, quite frankly, is that is not the issue. My suspicion is that it is a resourcing problem, my suspicion is that there may not be sufficient resources in the sense of people, nor sufficient resources in the sense of budgeted extra hours, in other words, overtime hours, for staff to be able to carry out the work in as timely a fashion as necessary.

Therefore, I would suggest that there should be some form of report comment. I am not sure of the procedural way of dealing with this, Mr. Chairperson, but coming out of this report and being taken to the Clerk of the Assembly and to the Speaker, and maybe thereafter to LAMC, to deal with the issue. I do not want to get into a long debate about it, but suffice it to say we have a problem and it inhibits the working of a committee of the House.

I think others have mentioned it, others have grumbled about it over time. It should be that we get on with what we are doing here this morning and

working on these matters of the Annual Reports and I think there are probably quite a few other questions that have to be raised on that matter yet. I would not like this committee to rise without somehow taking with the issue of the matter of timely Hansard reports and I am hoping for comments from other Members of the committee as to how they think that might be handled in an expeditious fashion.

Mr. Neufeld: Mr. Chairman, inasmuch as Mr. Taylor's remarks have probably nothing to do with this committee, but has to do with the preparation of Hansard, and that is not within the jurisdiction of this committee, I say further to that, that aside from the questions asked by Mr. Angus this morning, none of the questions that were asked on Tuesday, to which this Hansard will refer, had anything to do with the reports. I would like to suggest, as Mr. Taylor has already suggested, that maybe we should review the report and conduct the business for which this committee was mandated.

Mr. Storie: Mr. Chairman, I presume that we are going to take the words of the Member for Wolseley (Mr. Taylor) under advisement. I tend to agree with him, it is somewhat unfair, although you will not catch me saying this very often, to suggest that this is somehow a problem with the Minister or the department, or Manitoba Mineral Resources. The Hansard is an organ of the Legislative Assembly and, as such, any problems that arise due to its operations should be dealt with through LAMC or some other committee of the Legislature. However, I have some questions, and perhaps the Minister will indulge me because I would like to start to try and understand some of the philosophy that is behind MMR's operations and the Minister's thinking when it comes to MMR. What I see from the annual reports for '87 and more particularly '88 is some disturbing trends, with respect to the use of Manitoba Mineral Resources as an element of Government policy, with respect to mining in the Province of Manitoba.

I would just like to go back and set the stage by trying to understand what the Minister sees as MMR's role, the role of mining, and its importance to the province. I asked the Minister, during our last meeting, to confirm that roughly some \$300 million has come to the Government through mining tax revenue in the last couple of years. Pardon me?

An Honourable Member: Has and will.

Mr. Storie: Has and will, yes. In the last couple of years the expectation is, with the continuance of relatively good base mineral prices, that flow of cash from the mining industry will continue. I would like to know if the Minister can tell us today what the status of the Mining Community Reserve Fund, is at this point?

Mr. Neufeld: Do you mean in terms of how many dollars are in it?

Mr. Storie: Yes.

Mr. Neufeld: Approximately \$9.6 million.

Mr. Storie: We have a fund that has accumulated to date, which would not account for any additional funds put into the fund from the '89 year. Is that correct? Would the \$9.6 million represent funds the Governments have transferred, based on up to the fiscal year '88-89?

Mr. Neufeld: I believe that is a current figure, but I am not certain about that, Mr. Chairman. I believe that is the last figure I have seen. I am not quite certain at what date that figure would be to.

Mr. Storie: So we have some \$10 million, if we were to round it off, in the Mining Community Reserve Fund at the present time, based on the level of transfers from the Minister of Finance to that fund, from mining tax revenue. The Minister knows there was a proposal. In fact it was part of the 1988 budget to increase that to 5 percent. I am wondering if the Minister can indicate why that—or perhaps he can give us his impression of why that was not implemented in the '88 budget that was introduced by his Government.

Mr. Neufeld: Mr. Chairman, we are going into the Estimates of the Energy and Mines Department; we are not discussing, at all, the Manitoba Mineral Resources Department.

An Honourable Member: When are we going into those Estimates?

Mr. Neufeld: I do not know. That is up to you, but this is a question that relates to the Estimates of the Department of Energy and Mines, and has absolutely nothing to do with the topic which we are to discuss here today.

Mr. Storie: Well, Mr. Chairperson, with all due respect, it does have something to do with what we are here about today. It has something to do—because Manitoba Mineral Resources is a Crown corporation that has been used to facilitate the development of mining in the Province of Manitoba, so is the Mining Community Reserve Fund. In fact these two entities have worked in co-operation with each other.

The Government has access to funds through the Mining Community Reserve Fund to support mining communities and mining related activities in the province. Likewise, they have another arm of Government, MMR, which does likewise to the extent that mining communities find themselves in difficulty. Either one of these can become part of Government policy in dealing with problems, threatened single industry towns, exploration, environmental rejuvenation, whatever.

There are two elements to the Government's treatment of mining exploration in the province. They are related to the extent there is no money in the Mining Community Reserve Fund. MMR may be required to pick up part of the role of supporting it. It also forms part of the Minister's thinking when it comes to mining. He is the Minister responsible for Energy and Mines and only one small part of his task is acting as the Minister responsible from MMR. We are trying to get

a look at the total picture in terms of this Minister's approach to mining in the province.

* (1110)

The Minister can say it is not part of the annual report of MMR and he is quite right, but we have always taken some latitude with respect to questions to the Minister, because we are trying to establish what policy directions this Government is undertaking. Where is this Government coming from?

The question that I ask is, I think, quite legitimate. Why was a decision made not to increase the contribution from mining taxes into the Mining Community Reserve Fund? What underlaid that decision?

Mr. Neufeld: I might ask the same question of Mr. Storie. What caused the decision to be made to put 5 percent in? We brought in a budget that did not include 5 percent. The Treasury Board, in its wisdom, decided that certain monies should be put into the mining community reserve, whether the reason for it now is a little blurred. There is probably no set reason for any—it is a series of reasons.

Mr. Storie knows full well inasmuch as he was a party to budget making at one point, and you come up with a decision. The community reserve fund has \$9.6 million in it. The use to which that money is put is not quite as broad as Mr. Storie suggests. It is for the help of single-industry towns. It is for the help of the northern communities in the event that they are threatened.

To say that it is going to be used in its entirety for exploration, I think would be incorrect.

Mr. Storie: No, the Minister misunderstood me. I was not anticipating that most of the money, or any of the money from the Mining Community Reserve Fund would be used for exploration. It is a possibility.

MMR has tended to be the vehicle that has been used by the province to encourage, activate exploration in the province. It is interesting. The Minister says the decision was made at Treasury Board. I understand the decision has been made. I am not trying to rehash the decision. What I am trying to get is some understanding from the Minister, or some understanding of the Minister's thinking with respect to the Mining Community Reserve Fund.

I can tell you that the rationale for increasing it was an understanding that we are continually faced with threatened single-industry towns, and the threat involves not only the company's viability, it involves a threat to the livelihood of thousands of Manitobans. It involves a threat to their families because their assets, their homes become worthless. They tend to lose their life savings.

There is a whole range of good reasons why you would not want a fund to support that. We see on a continual basis, over the years, companies coming to the Government looking for support in one way or another, communities coming and looking for support.

It made sense to develop a fund that was generated from the revenues that mining companies gained from

activity in Manitoba to cushion that blow, and not always look to MMR, which has a little different mandate, and not have the Government take funds from Social Services or Education or chop off a part of a budget out of another department to support that.

It makes sense to say this is a reserve fund that is contributed to, is developed by the mining communities in the province, and it is for their long-term stability that that fund is in place, so I think it was a rationale.

I am interested to know what the Minister's views of that were. He can say, well, Treasury Board made the decision, that would be unfortunate if the Minister did not have some input into the decision. It would indicate a lack of confidence on the part of his colleagues, on the Minister.

It is still important that the mining industry and mining communities know where this Minister stands with respect to that kind of vehicle being available to the Government.

Mr. Neufeld: Mr. Chairman, when money is placed into the mining community reserve, it comes from the same sources that Mr. Storie says it should not come from, other departments. Unless we are going to increase the deficit, it has to come from somewhere. The money that is collected from the mining tax is used by the province, by the provincial Treasury, in one way or another through its budget.

If some monies are placed into the mining reserve there is less available for the rest of the budget. It does come indeed from other departments—from Community Services, from Health, from Housing. It will come from somewhere. There is only so much money available. If we use some of the mining taxes for the reserve, we cannot use it for other purposes.

At the same time, if a mining community is threatened, the Government has in the past and will in the future do everything possible to assist that mining community whether or not it has a mining reserve fund. The Manitoba Government has substantial debt. To build up reserves at a time when it has substantial debt, reserves more than are needed at this time, may not be the best idea.

Mr. Storie: Mr. Chairperson, I recognize the money that is coming to the Government through mining tax revenue would normally be spent on some other service. The Mining Community Development Fund idea was initiated in 1988 because of the exceptional year, and potentially years, that the mining industry was having.

The Minister of Finance (Mr. Manness) has acknowledged that what we were talking about in the last two years is windfall revenue from mining tax, not the historical norm, but windfall revenue. The idea of taking some money from a windfall and setting it aside is no different than the Minister of Finance introducing a Fiscal Stabilization Act. No different whatsoever, except that it is there to support mining communities.

The Minister said it is easy, we will find the money in an emergency. That is right, the Minister will find the money, but he will then have to take it directly from

someplace else. I find it ironic that an accountant, someone who understands the need for reserve funds, whether it be in Government corporations or in others, would discredit the idea of a reserve fund for mining communities, when we know historically the requests and the need for assistance has been there.

What is wrong with setting up a reserve fund of significant proportions in the event of a collapse of one of our major communities, not an incomprehensible scenario? The fact is, that may occur at some point. The Minister then said we will go back to Cabinet and we will try to squeeze out some money. I thought the idea of a reserve fund, a rainy-day fund for mining communities, was a good idea. Given the windfall nature of revenues coming to the Government, it was good timing.

It is interesting. The Minister seems to want to have it both ways. He wants to talk about unfunded liabilities at the Compensation Board and with respect to pensions at Manitoba Hydro. He wants to build up, to make sure that there are funds available for those liabilities, and yet we know at some point there is going to be a liability here when it comes to a community going under or a mine going under.

We have chosen not to set up a significant fund. Is the Minister saying the idea of a significant reserve fund is not attractive to him?

Mr. Neufeld: Mr. Chairman, I am on record as being against unfunded liabilities, let us get that straight. I do not like unfunded liabilities at Manitoba Hydro or any other place. I think Mr. Storie and I both agree that a Mining Community Reserve Fund is a good idea. We simply disagree on the amount that should be in there. I think that is a matter of choice. I can choose to think a lesser amount is acceptable. If he wants to have a greater amount, so be it. I think it is a matter of disagreeing on the amounts, not the principle.

* (1120)

Mr. Storie: Mr. Chairperson, let us move off that for the time being. The president, Dr. Wright, indicated that he estimated the net income of MMR to be somewhere around \$7 million for the current fiscal year. My question I guess is: what metal prices is that based on and what is the likely scenario for metal prices, or is it possible to paint us a picture for the next 18 months?

Mr. Wright: That estimate of \$7 million which I gave you encompasses approximately nine months of the year. We have not formally yet made a nine-plus reprojected. We are in the midst of it. So that is a ball park number which I am reasonably comfortable with.

We have not yet made our budget for 1990. We have gone through the exercise of producing a three-year plan which covers 1990, 1991, 1992, using metal prices forecast by a highly regarded agency, and those particular prices, although I cannot—well, I could quote them to you—would indicate that things are not going to be as good in those 1990, 1991, 1992—anywhere near as good as what we have seen them in the past

two to three years. We will be going through the historical and traditional cycle of metal prices where you have a relatively short period of which you refer to as windfall revenues, and you have a long period where you are struggling to stay alive, and that mining companies really have to take the good with the bad and have to look at the averages rather than try to focus on individual years which may have been very good, and may have been very bad. That is what we have to plan for when we are thinking of a three-year plan. We have to look at these averages.

Mr. Storie: Perhaps Dr. Wright could give us the current prices for base metals and precious metals and—

Mr. Wright: Very roughly.

Mr. Storie: Roughly then.

Mr. Wright: Yes, very roughly, the price of copper is about \$1.28, \$1.30 U.S. per pound; the price of zinc is around 75 cents U.S. a pound; the price of gold is around \$365 U.S. an ounce, and the price of silver is around \$5.20 U.S. an ounce.—(interjection)—Nickel—I do not have that number. We do not produce it so I am not watching it. It is high. It is high.

An Honourable Member: \$5.00.

An Honourable Member: I think it is just under—is it 5 this morning?

Mr. Storie: So we have a current situation where the price of copper is at least 30 percent or 40 percent higher than it was, say, in 1987, or even more?

Mr. Wright: 1987.

Mr. Storie: It would have been somewhere around 80 cents U.S., something like that.

Mr. Wright: I can give it to you in '87—well, I have to make an assumption on the exchange rate. In '87 the price of copper was \$1.11 Canadian so you have to convert.

An Honourable Member: In '87, it was 80 cents, was it not?

Mr. Wright: Yes, about 80 cents, say 85 cents, 89 cents U.S.

Mr. Storie: That is right, and gold is up, Mr. Chairperson, so zinc is also in the neighbourhood of 40 percent higher. Gold is down considerably.

Mr. Wright: Zinc is considerably higher. Zinc in 1987 was about 40 cents a pound.

Mr. Storie: Nickel is 400 percent higher, 300 percent higher. As Dr. Wright has indicated, that is basically the apex of the mining cycle we have gone through and prices are trending lower. I recognize that we are asking Dr. Wright—who has been called this afternoon the whiz kid, Mr. Angus used that phrase, I am not sure

I have ever heard Dr. Wright describe himself in that way or anyone else, but it may be appropriate—to crystal-ball for us what prices might be in terms of pounds and ounces in 1990.

Mr. Wright: I make it a policy never to forecast prices. I will follow the forecasts of other people who are recognized experts in the field. I will give you some prices now which were forecast—

An Honourable Member: And I will read them back to you

Mr. Wright: Yes, I know you will. These prices were forecast about June of this year by an outfit called Research Strategies Institute. These are the metal prices they are forecasting for 1990: copper 73 and a half cents a pound U.S., zinc 64 cents a pound U.S., gold 400 an ounce U.S., silver 6. Those precious metal prices will have been revised downward since that forecast was made but I do not have them with me. The two that affect us the most are the copper and the zinc.

Mr. Storie: Recognizing that is best guess, I do not recall in 1987-88 anybody predicting that nickel was going to \$8 a pound or copper to almost two or whatever it ended up at the peak. I expect that Dr. Wright would agree that those tend to be fairly conservative projections, small "c" conservative projections in terms of estimates.

Mr. Wright: What has been my experience, and this is just without any detailed documentation, is that these professional forecasters tend to be too low when prices are going up and too high when prices are going down. In the volatility that we have seen in the past two years, I do not think—it has been both the metal price forecasters and the economists at large—what has happened has shown that their forecasts were basically out to lunch. For the past two years we have had the economists forecasting a downturn in the economy and yet we are still rolling along fairly healthily. The metal price forecasts have been equally out to lunch. Having said all of that, I do not have anything better to use.

Mr. Storie: Those last few comments of Dr. Wright gave us all a great deal of confidence for the future. Dr. Wright confirmed that MMR is likely to have net earnings of somewhere in the range of \$7 million in 1989. Perhaps Dr. Wright can indicate where the majority of those earnings come from.

Mr. Wright: The bulk of those earnings would be coming out of the Trout Lake operation.

Mr. Storie: The Government's share of Trout Lake is something like 27 percent.

Mr. Wright: That is correct.

Mr. Storie: Mr. Chairperson, Dr. Wright will recall quite vividly that in March of 1988 the provincial Government and MMR decided to invest in the Callinan Mine in Flon Flon and the province ended up owning 49 percent, I believe, of the Callinan Mine for an anticipated

investment of somewhere in the neighbourhood of 17 million total investment. Is that somewhere, is my memory serving me correctly there?

* (1130)

Mr. Chairperson, in the 1988 report there is a reference to the sale of Callinan Mine or the Government's, MMR's interest in Callinan Mine or HBM&S. It also references a condition on the sale with respect to some form of tax ruling from the Canadian Government. Can the Minister indicate, or Dr. Wright indicate what the nature of that tax ruling was?

Mr. Wright: It was inserted into the agreement really as a matter of housekeeping, wanted to be assured that the money which Manitoba Mineral had invested in producing a depreciable asset did indeed remain a depreciable asset when it was purchased by Hudson Bay. The favourable ruling has been received and the deal is consummated.

Mr. Storie: I just want to be clear on that. The ruling was basically to determine whether MMR would end up being taxed on—there was a question whether HBM&S would be taxed.

Mr. Neufeld: It was a question of whether or not HBM&S could write off the expenses incurred by Manitoba Mineral Resources.

Mr. Storie: The president indicated that the ruling was favourable, does that mean favourable for the people of Manitoba or favourable for HBM&S?

Mr. Neufeld: It was favourable for both the people of Manitoba and for HBM&S. The company will be permitted to write off the costs incurred by Manitoba Mineral Resources and the deal is done.

Mr. Storie: So, Mr. Chairperson, the Minister interprets allowing HBM&S to write off the full costs of MMR's investment essentially in Callinan from their income taxes at some point.

Mr. Wright: Hudson Bay's position in this respect would have been no different had it financed the thing 100 percent itself in the first place. Tax wise there is no change, that is all that they wanted to be assured of in seeking this ruling.

Mr. Storie: I appreciate that, but if they had purchased it from a private corporation it would have been treated in the same way. The fact of the matter is that MMR is not a private corporation and its shareholders have a different interest in perhaps that investment.

I go back to the Minister's comments that the deal is done and I guess related to other deals that appear to be being done by MMR at the current time.

I think it is obvious and the Minister may want to comment that MMR is being funded by virtue of a joint venture with a private company in Manitoba. The fact is that it has now the ability to finance its own operations. It is not required to go to the Government

to fund its exploration activities or other activities that it is involved in, solely because it is a partner in a joint venture which has proven to be very successful, some 15 million successful in the last three years.

This Minister has decided apparently to take the corporation in a different direction, that the cash cow that is funding MMR's activities is slowly being sold from under. The sale of the province's, MMR's share in Callinan Mine is just such an activity.

Mr. Chairperson, my question to the Minister is: is it the Government's intention to slowly evolve all of the assets that are with MMR to private corporations? Is that the Minister's intention?

Mr. Neufeld: Mr. Chairman, the ownership in Trout Lake and the ownership in Callinan Mines are two very, very different ownerships. With Trout Lake ownership, without any work on our part to this point, to speak of, is indeed a cash cow. The Callinan deposit had to be developed. When Hudson Bay offered to purchase the Manitoba Mineral Resources' interest in that deposit, the company had to weigh the risks against the possible revenues and decided that the choice should be to sell the property and take the money and use it elsewhere.

Mr. Storie: Well, we all know that is an option for the Government. I guess I certainly am getting much different information from those involved, and people who have been involved in mining for many, many years, who believe firmly, and some of them are involved as other partners in this venture, that this is going to be a very lucrative mine for HBM&S.

My question is, and I recognize that we make decisions, and this is not intended as a slight to anyone in MMR, but the fact of the matter is that HBM&S is also a partner in this and they believe, it seems to me, very strongly that this is going to be a very lucrative property.

What we have chosen to do is we have sold it basically for what we have put into it—I think that is the way I read this—obviously HBM&S is prepared to take a risk. My question is if they are prepared to do it, are they so poor, so short-sighted, so lacking in vision, that they do not believe this is going to be profitable?

Mr. Wright: Mr. Storie, I think you should realize that whenever Hudson Bay is in partnership with someone else in the Flin Flon area, whether it be Manitoba Mineral, Outokumpu, Granges, or anyone else, there are different sets of economics at work. You have a joint venture in a mine, you produce ore, and each party then takes that ore and does the best it can to dispose of it. Hudson Bay has a mill there, Hudson Bay has a smelter there and it can run their share of that ore through at strictly their operating costs. If you, as a venture partner with Hudson Bay, are going to deal with Hudson Bay, or you have to look at the alternative of taking that ore and shipping it somewhere else and getting it milled for you, or building your own mill, or taking that concentrate somewhere else and those costs.

So Hudson Bay, in a sense, will charge what the freight will bear, and what the freight will bear is what

are your alternatives to dealing with them. So Hudson Bay has the capability of operating at a lower cost and making money out of joint venture partners on the upstream end.

So Hudson Bay's economics are not our economics when it comes to looking at either at Callinan or at Trout Lake.

Mr. Storie: Mr. Chairperson, I realize that and that is one of the reasons why the province ends up owning 27 percent of Trout Lake, rather than 49 percent or whatever. I recognize HBM&S is in a good bargaining position. The fact of the matter is that the province is also in a good bargaining position. The fact of the matter is that HBM&S is looking to the province, the two levels of Government, for some support.

Mr. Wright is well aware of the fact that in 1987-88, when HBM&S was looking for a partner to join with them to develop Callinan, we were in some respects the partner of last resort. We certainly were not HBM&S' first choice necessarily.

* (1140)

I think that my concern is that we have backed out of this project without really receiving any return for the people of Manitoba. We have, in my opinion, abdicated the responsibility of the Minister and MMR as a Crown corporation to maintain its involvement in mining activity in the province, certainly in the joint venture capacity. No one was anticipating that MMR would be the operator of that mine, but I guess for the Minister I ask the question: did the Minister ever personally involve himself in this issue? Did he ever meet with HBM&S to explore their expectations with respect to the treatment of MMR's portion of the ore in that mine? Was there any discussion of trade-offs with respect to the treatment of that ore? Did the Minister push to have us maintain, as a significant partner in that mining venture, and if not, why not?

Mr. Neufeld: Mr. Chairman, as I said earlier, the risks were weighed and a decision was taken to take the money and use it elsewhere and only time will tell whether we will be able to use the monies that we receive from the Callinan sale better, or we would have received more money from staying in as a joint venture than not being able to use that money elsewhere. Now, I have to repeat again, at the time the decision was taken, the decision was that the risks outweighed the receipts for the sale and the decision was taken to sell the property.

Mr. Storie: Mr. Chairperson, I suppose that the same could be said for the risks and the way they were viewed back in 1979-80, when a decision was made to reduce the province's share in Trout Lake and go ahead with a joint venture. My question specifically though was, did the Minister get involved? I recognize that he received some opinion—as well respected as that opinion may be—did the Minister involve himself in these discussions? Did the Minister look at the options for the Province of Manitoba?

Mr. Neufeld: Mr. Chairman, I discussed the sale at some length with the president of the company, and

I am satisfied that the decision that was taken will indeed be the right one, as time proves the answer.

Mr. Storie: It is interesting, the Minister, again cannot have it both ways. The Minister said we looked at the options and we thought the risk was too great. The fact of the matter is that this Minister did not take his cash from the company. The fact is that what we have is a loan. We have converted our equity into a loan and it is being repaid back and I understand we have got \$200,000 back, and that the deal is that by 1990 we will be fully repaid. That tells me that the Minister—now, if I have got my facts wrong here then I apologize, the Minister can correct me and give me the appropriate time lines and benefits. The fact is that the Minister was prepared to wait some length of time until the end of 1990 for his payment, he must then, and certainly HBM&S must then, expect some return on their investment. They must expect to be able to make a payment.

So I mean the Minister is saying on the one hand it was risked, and on the other hand he maintained the risk. The risk is not significantly alleviated by the deal that he struck now. We still have to depend on HBM&S being successful.

Mr. Neufeld: I will give you the first part of the answer and then Dr. Wright will give you the balance of it. It should be noted, Mr. Chairman, that in order for us to stay in, we would have to invest a further \$15 million to develop the property.

Now, together with our former investment, or earlier investment, and this \$15 million, that is the risk that has to be weighed. The risk was obviously great when the deal was entered into, otherwise you would not have been the investor of last resort. So I repeat, Mr. Chairman, that the risks were weighed and the scales came down in the side of selling.

Mr. Wright: I would like to point out to Mr. Storie that the loan shown as being out to Hudson Bay does not depend upon the rise or fall of the Callinan deposit. It is not a project loan, it is a loan guaranteed by Hudson Bay as a corporate organization, and the way that the economics were shaping up as we viewed them, we would be getting our money out of anything that came out of Callinan before Hudson Bay did, under the terms of the loan repayment, and if the money did not come out of Callinan they are still bound to repay it.

Mr. Storie: I am interested in the last remarks of Dr. Wright. He said that there is something in the agreement that specifies that money from Callinan—

Mr. Wright: No, I said our calculations indicated that any money coming out of Callinan would first go to repay our loan before Hudson Bay got any, but the point that I was really trying to make was whatever happens to Callinan is not the issue. That loan is guaranteed by Hudson Bay as a corporation. If they lose money in Callinan we still get out money back.

Mr. Storie: I appreciate the difference. The loan, as Dr. Wright is saying, was not tied directly, or the

repayment of the loan was not tied directly to the profitability of the Callinan Mine specifically, so the general operations are still accountable to the Government for the full amount of that loan. I accept that. I understand how that works.

My question is, however, given HBM&S's continuing interest in that, given that the economics of that situation where—and again I am going by memory here, and I believe these were figures that were provided by MMR, that the investment in Callinan at the time in 1988 was marginal, that the return was marginal I should say, it seemed to me that we were talking about a return on investment in the range of 8 percent, 12 percent, 15 percent maximum. Subsequent to that of course the prices went crazy, and we all know they go up and down. I am wondering Dr. Wright can tell us what the life expectancy of Callinan Mine was, and what the reasonable expectation was that additional reserves would have been found on that deposit.

Mr. Wright: You are asking me to think back now in my memory two or three years to when we did the study. As I recall, the anticipated reserve life was in the order of magnitude of six or seven years. I think the bottom line of every study that we undertook, even after negotiating for the better part of a year with Hudson Bay to try to balance the economics between MMR and Hudson Bay, it was my recommendation that we not enter into the thing on a commercial basis in the first place. The basic Manitoba Mineral's involvement was based upon social reasons rather than what I regard as sound commercial reasons.

We certainly have had a blip in metal prices which neither I nor anyone else expected at the time. However, we have not had any production yet out of Callinan and, as the Minister has indicated, only time will tell.

If we look at the forecasts—and we did revise our estimates as the project was progressing and used metal price forecasts of other people, the bottom line was that when Hudson Bay was prepared to purchase our share on the basis which is spelled out in here, we felt we were better off to do that than to continue. We also looked at the social aspect of it and ensured ourselves that Hudson Bay would indeed keep the project going and complete it. They assured us they would and, as you know, they have done so.

I personally have the feeling, and time will only tell, that we have not lost anything in terms of dollars and that we have fulfilled our social purpose in getting this thing kick started at a time when it appeared that only our involvement would get it kick started.

Mr. Storie: I appreciate Dr. Wright's remarks. Certainly, I agree. I think MMR's involvement was critical, and I know the people of Flin Flon were extremely pleased that in the time when the future looked particularly bleak, there was a decision on the part of the Government, not always with MMR's concurrence, but perhaps the numbers looked a little better towards the end than at the beginning, but it is important. I guess only time will tell whether the decision that was made was in the best interests to the people of Manitoba.

* (1150)

Thursday, October 5, 1989

Certainly, and again I refer to people who have in fact an interest, a stake in the Callinan Mine, believe that this is going to be a very lucrative long-term deposit for HBM&S and would have been for the province, and that the six- or seven-year-life expectancy of the deposit is no different to the life expectancy of the original Flin Flon Mine deposit, that it is not unusual in mining ventures to have a fairly limited life expectancy and then to find additional ore for many, many, many years, and ore that also improves in quality in terms of mineralization. So we are going to have to wait and see.

The other side of the question though is whether we got a decent price for our investment. The fact of the matter is that the province, the people of Manitoba, put up some \$7.5 million capital which was subsequently sold, an interest that was sold with no return on investment per se. There was no doubling of our money which I think—certainly I would have expected and I am sure a lot of people in Flin Flon would have expected HBM&S use this as a very important part of their continuing operation. I think they view it as lucrative. Not only that, we then subsequently turned around and apparently, if we did not assist we stood idly by, while the taxpayers are going to, in effect, lose that \$7 million by having HBM&S write it off.

Mr. Neufeld: There is no such thing as the taxpayer losing \$7 million because HBM&S is going to pay that \$7 million so naturally they expect to write it off.

Mr. Storie: No, I recognize that, Mr. Chairperson, but the fact of the matter is if MMR had kept the investment, if the \$7 million would have remained with the province, there would have been no \$7 million write-off. The cost to the province is going to be whatever write-off HBM&S has is going to be determined on their taxable income at some point. In all likelihood that \$7 million will be written off by taxes payable to the Government of Canada, taxes which would have been shared with the Province of Manitoba.

Mr. Neufeld: Mr. Storie forgets that if MMR keeps the deposit and makes money on it, it does not pay any taxes, so in the end the taxes that are going to be paid are going to be the same whether HBM&S has the entire deposit or another company has the entire deposit, or if MMR makes money on it and HBM&S only have half of it, they only pay tax on half of it, so the tax is paid on the income and not on the cost. The tax is paid only on the income over and above the \$7 million cost that HBM&S will have and would be the same if we had it, only we would not pay tax. So in fact with HBM&S owning it, the taxpayer of Canada will benefit. They would pay more tax if MMR owned a part of it.

Of course, you will have to come to my office. I will have to give you a quick lesson.

Mr. Chairman: Mr. Storie, any more questions?

Mr. Storie: Mr. Chairperson, the Minister continues to say that the investment, if we would have maintained it, would have cost us the same as HBM&S getting it.

That is assuming that HBM&S pays taxes. That is assuming that they cannot write it off against taxable income. We would have never had to do that. MMR certainly was not going to.

Mr. Chairperson, the bottom line is that this Government, this Minister, seems prepared to support I guess the position that MMR should not be involved or will not be involved in joint ventures in terms of mining operations that we are budgeting now for \$3 million exploration, and that seems to be the long and short of the Government policy with respect to mining. Obviously, I am not going to get the Minister to admit that they have made a mistake on behalf of the province. Only time will tell perhaps the magnitude of that cost to the province.

I also notice in the annual report that we have also sold some options, and I am wondering if Dr. Wright or the Minister can explain what those options entailed and what—the options referred to a number of claims that were optioned off to companies, and I am trying to find it. It is in the '88 year.

Mr. Neufeld: Before you go on to that, perhaps I might make some comment on your comment on the selling off of properties. It is not the Government's intention to sell off properties. Each property will be evaluated on the basis of its own merit and the decision will be taken on the basis of its own merit. Whether or not that is a wise decision will be proven in time, just as your investment, the former Government's investment in Saudi Arabia. Time suggested that was not a very wise one, but undoubtedly at the time that you made it you thought it was.

At this point in time, we think we have made the right decision, and when the time comes that we are proven wrong, we will admit we were wrong. If we are proven right, we will be gracious about it.

Mr. Chairman: Mr. Storie, any more question?

Mr. Storie: Yes, I had asked about the agreements, the new agreements, the optioning off of claims to Home Stake Mineral Development Company and Minova.

Mr. Wright: If you have gone back through previous reports, Mr. Storie, you will note that this is not unusual to have options going either way. In certain instances, we have optioned property from private owners. In other cases, they have optioned it from us.

To address the two specific ones which were mentioned here, we optioned some claims in the Elbow Lake area to Home Stake Mineral Development Company. Home Stake had acquired some key ground in there and were looking to get peripheral ground for protection to the thrust of their main exploration, and ours was peripheral ground, so we optioned it to them.

In the terms of the Don Jon Explored Area Lease near Flin Flon which was optioned to Minova Inc., it was our view that the property did not warrant further exploration although, as you will note, with a 17 percent we did not have a controlling interest, but we were prepared to drop those grounds. That view was not

shared by Minova, so if they want to pay us some money to continue exploring it, fine and dandy.

Mr. Storie: Mr. Chairperson, the second case, the one to Don Jon, there was no major involvement of Don Jon before in this area?

Mr. Wright: I am not too sure.

Mr. Storie: Well, in the first—Mr. Chairperson, the first—

Mr. Wright: The Don Jon claim was part of a very much bigger exploration package that we were involved with previously.

Mr. Storie: Oh, you were involved.

Mr. Wright: Yes.

Mr. Storie: Did Don Jon have the claims, own the claims to that larger area?

Mr. Wright: No, these claims were owned between ourselves and Pine Bay Mines.

Mr. Storie: That is fine.

Mr. Wright: Don Jon is simply the name of the claim.

Mr. Storie: Going back to the first one, the claims near Elbow Lake, I gather those are copper, zinc claims.

Mr. Wright: No, that was a gold exploration.

Mr. Storie: One other question, and this is not directly related to MMR, but I am wondering if Dr. Wright can give us some indication of what has happened to the Hud Vam property, if he has any knowledge of what is going on, property near Puffy Lake Mine?

Mr. Wright: I am not right up to date on that one, you would have to go and ask Hudson Bay. The last I heard was that the project had been put on hold through lack of funding through, I believe, it was some joint venture partner they had. It was a junior mining company. It was raising flow-through money and they ran into trouble when the price of gold went down.

* (1200)

Mr. Storie: Mr. Chairperson, I am going to move to another line of questioning, so if my colleague for Seven Oaks wishes to have the floor for awhile he can.

Mr. Minenko: Perhaps, with the hour being 12 o'clock—

Mr. Chairman: What is the will of the committee?

Mr. Storie: Mr. Chairperson, on a point of order. The committee normally sits till 12:30, but the Minister is indicating he has some function that he has to attend. We are not going to finish today. Although I am prepared to let the annual report for 1987 pass, I have some other questions on the 1988 annual report. I am prepared to let the committee rise at this time.

Mr. Neufeld: I am prepared, if the Members wish to—

Mr. Chairman: Mr. Minister, if I may interrupt. The Member, Mr. Storie, that is not a point of order.

Some Honourable Members: Oh, oh!

Mr. Chairman: Mr. Storie, that is not a point of order, but it is the wishes of the committee. Now I would like to put it to the committee. Is it the wishes of the committee to rise? Is it the will of the committee to pass the 1987 Manitoba Mineral Resources Annual Report? The report is accordingly passed. So is it the will of the committee then to pass the 1988 annual report?

Some Honourable Members: No, it is not.

Mr. Chairman: No, it is not. Okay. So then what is the will of the committee, to rise? Committee rise.

Mr. Neufeld: I have no objection to staying if we are going to discuss the report, but if we are going to discuss Manitoba outside the report, then I will rise.

Mr. Chairman: The will of the committee is to rise. Committee rise.

COMMITTEE ROSE AT: 12:02 p.m.