



**Second Session - Thirty-Sixth Legislature**

**of the**

**Legislative Assembly of Manitoba**

**Standing Committee**

**on**

**Economic Development**

*Chairperson*

*Mr. Mike Radcliffe*

*Constituency of River Heights*



**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Sixth Legislature**

**Members, Constituencies and Political Affiliation**

<b>Name</b>	<b>Constituency</b>	<b>Party</b>
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BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
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DACQUAY, Louise, Hon.	Seine River	P.C.
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ENNS, Harry, Hon.	Lakeside	P.C.
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GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
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McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
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PITURA, Frank	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
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**LEGISLATIVE ASSEMBLY OF MANITOBA  
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**

**Friday, September 20, 1996**

**TIME – 10 a.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Mike Radcliffe (River Heights)**

**ATTENDANCE - 11 – QUORUM - 6**

*Members of the Committee present:*

Hon. Mr. Praznik

Messrs. Dewar, Dyck, Maloway, McAlpine, Ms. Mihychuk, Messrs. Newman, Radcliffe, Mrs. Render, Messrs. Robinson, Tweed

**APPEARING:**

Mr. James Clarke, Chairman of the Board,  
Manitoba Mineral Resources Ltd.  
Mr. Gary Kowalski, MLA for The Maples

**MATTERS UNDER DISCUSSION:**

Financial Statements for Manitoba Mineral Resources Ltd. for the year ending December 31, 1994

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**Mr. Chairperson:** Good morning, everybody. Would the Standing Committee on Economic Development please come to order.

We have before us the following report for consideration this morning, and that is the Financial Statements for the Manitoba Mineral Resources Ltd. for the year ending December 31, 1994.

If any members require a copy of the report, there are extra copies available, and the Page can provide you with one. Does everybody have a copy? It appears so.

At this point, I would just like to clarify the matter of what time the committee would like to sit. I believe the government House leader, in announcing the committee,

stated that the meeting would run from 10 until 12:30. Does the committee have any opinion on this? Shall we just proceed, open the committee and just proceed and see how long it takes and make that decision when we get to the appointed hour? [agreed]

I would like to invite the honourable Minister responsible for Manitoba Mineral Resources Ltd. to make his opening remarks.

**Hon. Darren Praznik (Minister responsible for Manitoba Mineral Resources Ltd.):** Mr. Chair, in the interests of brevity, I will try to make very short opening remarks. I do not think the MMR is a company that is an active one, as members know.

Just by a brief way of history, MMR, Manitoba Mineral Resources, was a Crown corporation established in 1971 under the authority of The Manitoba Natural Resources Development Act which was part of the then-government of Manitoba's initiative in the mining field which included back-in legislation where the Crown would have the right to take approximately 50 percent of a deposit should anything of value be discovered in this province. The proceeds, of course, would then be revenue for MMR.

Manitoba Mineral Resources, in its history over the next 20-some years, had virtually only one paying asset, and that was the interest that it received through the back-in legislation in the Trout Lake mine, which provided it with its regular operating stream. Over the years MMR invested its proceeds into a variety of exploration activity across the province. Several years ago it was the decision of this administration that the role of MMR had really come to an end, and most of the assets of the company in terms of the properties that it held in which it was doing work were sold.

The company, I understand, today—and we will get into further information and discussion in that shortly with staff present—has as its asset, continues to have its royalty stream from the Trout Lake mine. It also has, I think, a few remaining properties that have not been sold off, I understand, and for all intents and purposes, is not really a functioning company. It is in the process of being

wound down, and I think the annual report exit activity will indicate that.

I know that the decision to wind up MMR was one that our colleague, my critic in the New Democratic Party—it was opposed by her party, and one gets down to a question about how to tackle exploration in the province. We may get into that debate at some point, and I certainly accept that there are two views as to whether MMR should have had a role or not had a role in exploration. We have debated that on several occasions, and I accept that there is a difference of opinion. Ultimately, only time will tell even if that is the case because there are things such as mineral prices that also have a big effect on the success of exploration, which is a factor that one cannot control whether you have MMR or do not have it. So perhaps that is a debate that will require the long judgment of history to finally pass judgment or a conclusion on.

Today I hope we can deal with any specific issues or questions concerning the company in its current state, which is in a wind-up mode, and I am certainly prepared to have our staff available here to answer any questions that colleagues from either side may wish to present.

Thank you, Mr. Chair.

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

**Ms. MaryAnn Mihychuk (St. James):** Yes, I do. Thank you very much, Mr. Minister, Mr. Chairman.

Yes, it seems to me to be ironic that we are talking about the Manitoba Mineral Resources corporation in a committee called Economic Development, when we see the North being basically in a situation which is shutting down and has seen economic exploitation for numerous, numerous years. Manitoba Mineral Resources was one initiative that the NDP government did create to stimulate and be an active agent in the North. And why? Because the North provides the south with enormous resources. If we look at the mining taxes that we all benefit from—perhaps I can put a modifier: people in the south benefit from mining taxes directly through the revenues that we receive, hundreds of thousands, hundreds of millions of dollars. The minister knows full well that

now that we are seeing the recovery of mineral prices, we are very, very happy about those, and we use those monies to support all kinds of endeavours by the government.

Not much of those mining taxes goes back to the North, and that is very unfortunate. Forestry, large resources of timber that are available, that are exploited and used primarily for the south, hydro resources—and we have seen recently an accident which virtually shut down Manitoba's hydro sources, but that energy is generated from the North. So we have our energy sources, we have our forestry resources and we have our mineral resources residing in the North.

What is it that the people of the North receive from having all of that bounty? Very little. Unemployment rates on many reserves and many communities run between 80 and 90 percent unemployment—intense unemployment. There are jobs, some jobs in—right now Thompson is unfortunately in a labour dispute with the mining company which shut it down, but having worked and been involved with the North for many years, having seen the people of Snow Lake lose their homes, have to leave, and their families—virtually the town shut down. Leaf Rapids was in a similar position, and Mineral Resources was the active agent in a recovery program that saved that community. Unemployment for most northerners is intense, and we look at unemployment rates of over 80 percent. It is shameful.

**Services:** There are communities in the North that are neighbours to major hydro development that do not have hydro or services that are so poor that all you can operate is one electrical utility, appliance. If you are running your washing machine, you cannot cook. People in the south would not accept that. People in the south accept a comprehensive program of services, and we would not expect any less. Why is it that the North that has these resources and these riches has to do without for years and years and years?

I think that also we need to point out that many of the communities have no running water. Not too long ago, I had the opportunity to work in Cross Lake—and things may have changed now; I know there is some improvement, but having a glass of water cost me a dollar. Why is that? Because the water in Cross Lake was not usable and they had to truck in water. If that is

not incredible. The reason that that water was not drinkable at that time was because of the hydro development that we did that we now appreciate by turning on all of our electrical appliances.

When I was there, it was under a Tory government that had not compensated. I am not saying that it was right. Northern communities have been exploited for years, and the NDP government at least had active agents in there to try to compensate. Now we are seeing the shutting down of another Crown corporation, Manitoba Mineral Resources, and left to the whims of basically free enterprise. I am sorry, free enterprise is not thinking about the people who are living at Norway House or the people who live on the Cross Lake reserve or the people who live at Split Lake or the people who live at Brochet, and it is the responsibility of government, a government that has foresight, a government with heart and a government with balance. This government is not that. This government is looking for the short term, the selling-off of Manitoba Mineral Resources. Taking the \$22 million for the sale of this company and putting it into an election slush fund so that this government could claim that they have a balanced budget while using the North for these types of actions is not acceptable to me and is not acceptable to the people of Manitoba.

\* (1010)

Let us talk about services. When you go into local communities in the North, many of the other services we take for granted, and there is a challenge. Our education system, I would say, needs improvement in the south, in rural Manitoba and in the North, but when you go up to an isolated northern community the situation is more intense, and that is because there is a very high turnover of professionals. Teachers come and teachers go. Many times they will only stay for one year. They will only get to meet the families briefly to develop a comprehensive, meaningful education program. It is proven that to have a stable teaching community is a benefit. That is not the situation for many communities, and the minister knows that. Those are all parts of living in the North, parts of the challenge, and that is why we need to have a government that understands that additional resources have to go in to the education system in the North.

When you look at the hospitals, what we take for granted, and we have numerous physicians here in

Winnipeg, services that we are able to access. Rural Manitobans understand that there can be a doctor shortage. In the North, we are talking about a situation where many of these communities do not have a doctor. If you give birth to a child, you are flown out immediately to Winnipeg for many of these communities. You are forced to leave family at a time when family is critical. When you are ill is another time that many people are taken out of the North and brought into the south. These are resources that are not provided in the North that we take for granted.

What does it have to do with mining? Huge amounts of money this government is sucking out of the North and not providing for basic services for the northern people who live there. The mineral resources that Manitoba enjoys comes from northern Manitoba, and as a government, you have the responsibility to provide balance. That is why the privatization, the sell-off of MMR is not an action that we agree with. It is an active vehicle that governments can use to stimulate, to reinvest in the North. Twenty-two million dollars is a nice little pot to put into an election budget. The fact is that there are many agents in the North that the government can invest in. What it has done is deinvest in the North, deinvest in their very communities that they choose to exploit.

The situation in the North is one that requires investment and foresight, and at a time when we are talking about privatization, there is a philosophical, of course, difference between the government and our side. When you look at privatization—and let us look at some examples. For example, the Manitoba Mineral Resources corporation that we just talked about, you can let it go to the private sector, and I have to say that we are fortunate when the mining prices, the mineral prices go up, you see activity. When mineral prices are down, and the government should know that because it saw them bottom out, there was not much activity. It moves up and down with commodity prices, and it does not moderate, which is something that people that live there, and for a government that is caring, is the priority and important.

Looking at privatization, I do want to get into a little bit about the CN line and how it is possibly going to impact on Sherridon and on the northern communities, Leaf Rapids, Lynn Lake, and a prime example of why privatization is very shortsighted. The government, the

federal government in this case—and I have no problem disagreeing with them on the sale of CN—was looking at the bottom line. [interjection] Right. They want to get their little budget corrected, and they are going to take and sell off whatever they can so that they can bring it in and then go to an election, maybe this spring.

What does it mean to the people of northern Manitoba? What does it mean to the Minister of Energy and Mines (Mr. Praznik)? Very serious implications, possibly seriously affecting our major mining company in Manitoba because of the impact of the sale of CN Rail. The privatization of CN led to a very shortsighted vision.

**Mr. Chairperson:** I would like to remind the member at this point in time that, while it may well be very appropriate to discuss the philosophies of privatization versus public ownership, I would ask the member to confine her attention to the report that is before us today, which is the Manitoba Mineral Resources Ltd. If you could direct your address and the focus to this particular issue, while having in mind—and I certainly have no problem with giving the liberty of discussing the philosophy, but I would ask that it be focused on this particular issue which is before us for consideration today. Thank you.

**Ms. Mihychuk:** The privatization or the sell-off of Manitoba Mineral Resources is directly related to another example, which is CN Rail, and that is why I wanted to relate it. That is why I was talking about the shortsighted vision, that Manitoba Mineral Resources provided the government with the ability to be more balanced, to invest at a time of low economic stimulation in the North. This government instead chose to take a hands-off, noninterventionist approach, and we see that Manitoba Mineral Resources is basically gone. I mean, we are going to ask the minister shortly what the status is, but basically this is a corporation that was sold, is finished, and is not doing much. We are just in the concluding phases.

This government is also looking at the sell-off of another Crown corporation that is very important to northerners, and that is Manitoba Telephone System. The Manitoba Telephone System provides a service for the North which not only bridges communities but provides a subsidy to people that already have received some of the lowest incomes in Manitoba. That is why,

philosophically, you have moved away from an active, balanced approach to government, an active, balanced approach which provides fairness to the people of the North, which provides fairness to the very people—

**Mr. Chairperson:** I believe we have a point of order being raised by one of the members of the committee.

\* (1020)

#### Point of Order

**Mr. Mervin Tweed (Turtle Mountain):** I am not too sure whether we are here to discuss the MTS situation or Manitoba Mineral or if we are in a campaign here. I even have a question as to when the member opposite suggested—

**Mr. Chairperson:** Order, please. Colleagues, I am having trouble hearing Mr. Tweed, and I would ask for your consideration.

**Mr. Tweed:** I would suggest that the member stay on track with the reasons why we are here today, which is to discuss Manitoba Mineral Resources Ltd. I have checked through the documents, and I cannot see where it details or lists anything to do with the sale of MTS. I would ask that the member either stay on track or let someone else speak on behalf. Thank you.

**Mr. Chairperson:** Thank you, Mr. Tweed. I have your point of order. Ms. Mihychuk, would you care to respond to this point of order?

**Ms. Mihychuk:** Oh, yes. On this point of order, I believe that the member is sensitive because they do not want to hear about the impact of privatization and selling-off of Crown corporations like the MTS and Manitoba Mineral Resources, Mr. Chairman.

**Mr. Chairperson:** Mr. McAlpine, do you wish to speak to this point of order, not to the issue but to the point of order?

**Mr. Gerry McAlpine (Sturgeon Creek):** Mr. Chairman, we came here to this committee to deal with this in a business and a professional manner. This is a farce. I mean, the way the member here is carrying on, talking about everything in her philosophy, I do not

particularly care what her philosophy is because we are never going to agree on that.

Mr. Chairman, I would ask you to bring the member to order and to deal with the report that we have before us here this morning.

**Mr. Chairperson:** Thank you very much, colleagues.

**Mr. Gary Kowalski (The Maples):** On a point of order, Mr. Chairman, I think it is very important that we do not limit the debate. Quite often, when I speak, I use analogies. In the context of talking about the sell-off of Manitoba Mineral Resources, to use analogies of comparative selling-off of CN—although I may be more sensitive than others about that subject—or talking about the sell-off of MTS, it is useful to talk about these things. I would not like to see a committee of the Manitoba Legislative Assembly limited to that which is comfortable, that which some people want to hear and what others do not.

I think it is very important that members be allowed to—the member mentions relevance. I listened very carefully. I came in halfway through the meeting, and I thought I was Alice in Wonderland and I just had dropped in through the rabbit hole. I did not understand until the member who was speaking related it as an analogy to the sell-off of Manitoba Mineral Resources, the sell-off of MTS, so I think there is relevancy, and I think it has been proven.

So I would not like to see the debate limited to such narrow parameters by members here that we cannot have open debate.

**Mr. Chairperson:** I believe Mrs. Render is wishing to speak to this point of order as well.

**Mrs. Shirley Render (St. Vital):** I would like to remind members that on the very front cover of this report it says: Financial Statements 1994. Relevancy, I think, is the key point here. MTS, that is 1996 that the member opposite is going on about. I think we really have to stick to the financial report, the financial statements of 1994. That is what this report covers. It does not cover anything in 1996, and members opposite, all members opposite, will have great opportunity at other committee hearings to talk about MTS. So, again, I just ask the Chairman to say,

we are talking about a 1994 statement, not something that is happening in 1996. Thank you.

**Mr. Chairperson:** I believe that Mr. Tweed has a point of order, and I have been very generous, I believe, in allowing free range of discussion on the philosophy of the issue, but I must rule, at this point in time, that the discussion must pertain to and must be directed at Manitoba Mineral Resources Ltd., which is the financial report which is before this committee today. I would, therefore, ask the honourable member to continue, but I must rule and strongly urge, vigorously urge, that the remarks be directed and focused on Manitoba Mineral Resources Ltd.

There will be lots of time in the future to discuss the relative merits, or demerits, of Manitoba Telephone System, and in order to complete discussions today, if that is in fact the will of the committee, I would rule that the discussion must be focused on Manitoba Mineral Resources.

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**Mr. Chairperson:** Would you please continue, Ms. Mihychuk?

**Ms. Mihychuk:** The sale of the Manitoba Mineral Resources corporation, for which the government received \$22 million, is symbolic of this government's lack of will to take an interventionist-balanced approach, a government which has now lost touch with reality, which has lost touch with the people that it chooses to exploit. In fact, that is why Manitobans are calling for a time for change. They are seeing the effects of shortsighted economic approaches that sell off vehicles that meant a lot to the people of the North and, in fact, meant a great deal to the people of Manitoba, not only to an election-surplus budget to get elected and then cut all the resources available to the North so that they would fall to the whims of whatever economic pressures.

One of them, unfortunately, is the federal government's decision to cut off our Canadian National Railway system, which is going to impact on the mineral development and the potential for mineral development in the Leaf Rapids, Lynn Lake, Sherridon, Flin Flon area. Mineral Resources did work in that area extensively, was able to focus, at a time when we were in a serious

downturn, in an area that was a priority for the government. Now this government chooses not to have a vehicle like this. That is why it is critical to talk about the sale of MMR, and that is why the putting it into perspective today is important.

At the time when you sold MMR, things were looking good. Now we are looking at a time when we have a portion of Manitoba which is about to be cut off, and we do not have a government vehicle which can intercept and be an active agent. That is why privatization and the selling of Crown corporations may seem appealing in the short term, but in the long term is a very negative aspect to Manitobans, a negative aspect to the Manitoba economy. That is why Crown corporations are good for Manitobans and good for governments.

We are also seeing a government that is clearly exploitative. The North has provided resources for the south, and I cannot emphasize enough how that is taken for advantage. Unless you have lived in the North, unless you have appreciated the vast riches of the North, we take that for granted, and the people of Winnipeg and the people of Morris and the people of Morden need to be reminded that there are people there that give up and that sacrifice what they have as riches so that we can live a comfortable life in southern Manitoba, and what they get from this government is minimal.

What we are saying is, the Crown corporations provide the balance, provide the vision and provide a sense of fairness. This is a government that has lost touch with the people of Manitoba, lost touch with balance and lost touch with fairness, and that is why it is relevant to talk about the sale of Manitoba Mineral Resources, the fact that they got \$22 million from that sale and chose to put it into an election budget to again fool the people of Manitoba for another mandate.

So, when the minister talks about relevance, I have to say that Manitoba Mineral Resources was one agent that made the government a hands-on approach to the North which at times needs that balance.

Those are my opening comments. I would like to ask the minister a question.

\* (1030)

Can the minister explain why it was that we received the 1994 report for the Manitoba Mineral Resources corporation a year ago and here we are, coming to the conclusion of 1996? Talk about relevance and accountability, why is this report two years late?

**Mr. Chairperson:** I would like to thank the honourable member for her opening address, first of all, and the committee will now begin consideration of the report. I believe that your question is perhaps directed to the actual consideration of the report. I would like to remind all members that the business before this committee is the financial statements of the Manitoba Mineral Resources for the year ended December 31, 1994. I have already urged all members to keep their remarks and questions relevant to the business contained within the report.

**Mr. Minister,** would you like your staff to join us at the table.

**Mr. Praznik:** Yes, I would.

**Mr. Chair,** I would just like to clarify something for a moment. There seems to be a bit of confusion here, and I gather some of it comes because of the tabling. Members refer to the 1994 report that was tabled in the House, but the '95-96 report that came out this summer because the House was not sitting, we had delivered I believe to all of our critics and filed in the Clerk's Office, if I am not mistaken.

**Mr. Chairperson:** Mr. Minister, I have the 1994 report for consideration before me on the table. Perhaps you could share the 1995-96 report.

**Mr. Praznik:** Yes, absolutely, but my understanding was that this report, the '95-96, which is the most updated, was in fact filed because the House was—and I am looking to my staff now who indicated that it was filed because the House was not sitting. So if there is a willingness of the committee, if there is some error in the filing, I would ask members of the committee for their indulgence and we certainly can deal with both reports. The story is very much the same. This is, as we have discussed, a corporation that is being wound up.

If I perhaps could ask my staff to join me at the front,  
**Mr. Chair—**



**Mr. Chairperson:** That would be satisfactory.

**Mr. Praznik:** –and introduce them.

**Mr. Chairperson:** I would invite the minister's staff to come to the table at this time.

**Mr. Praznik:** I have with me today, Mr. Michael Fine, who is my deputy minister; Mr. Jim Clarke, who is chairman of the board of directors; Ms. Kate Thomas, who is our director of Marketing for the Department of Energy and Mines; and Mr. Craig Halwachs, who is manager of Financial Services.

Now, just to deal with this issue, Mr. Chair, my understanding is that because the House was not sitting when this report became available this July, the latest report, we did file it with the Clerk's Office to have it distributed. I would ask at least if this could not be added then to the '94 report if there is agreement to deal with that. It was filed.

**Mr. Chairperson:** There has been a request put to the Chair at this point in time. I would rule that there is no difficulty with the minister's staff circulating the report. However, the report has not been tabled in the House and so, therefore, we will be unable to pass that report until it has been tabled. However, I would certainly not limit discussion if the member wishes to discuss aspects out of the current report today, but, unfortunately, we will not be able to vote on that. [interjection]

No? Oh, I am sorry. I would further add, we are unable to make reference to the report if it has not been tabled in the House. We are here today to discuss only the 1994 financial statements. I apologize, Mr. Minister, if this has caused any inconvenience to your staff, but I think that we are constrained by the rules of the Assembly and the rules of this committee and so, therefore, that will be the way we will proceed today.

**Mr. Praznik:** Mr. Chair, I have always been under the understanding that if the House was not sitting and we had a report, by filing it with the Clerk's Office and distributing it and making it available to the members of the Legislature, that meant the same requirement as tabling it in the House. Quite frankly, if that was not the case and the Legislature was not sitting for a lengthy period of time, there would not be an ability to make

these financial reports and informations available to the public. So I ask, in all fairness, how can this in fact be?

In the past, there have been reports that have come out during periods when the House has not been sitting and we have proceeded to file them with the Clerk's Office and distribute them and to ensure that all members have access to them so that we could release them publicly without being in any breach of the privileges of members of the Legislative Assembly. Having said that, I have some trouble accepting this particular rule because this report was filed, to the best of my understanding, in July of this year when it became available so that we could make it public and it would be available to deal with by this committee. So I have some difficulty with that ruling and would seek some clarification.

If that in fact is the case, then I think we all should be notified as such by the Clerk's Office, because it has been a regular practice by many, where we have had the reports to do the filing in the Clerk's Office and the distribution, quite frankly, to ensure that members of the opposition and the public could have timelier access to reports rather than waiting for the Legislature to reconvene for tabling. So there has to be some mechanism to do that. Otherwise, reports could sit around for months and months or be released publicly with, in my opinion, the greater breach of the privileges of members of the Legislature to see the report first.

**Ms. Mihychuk:** Well, that was a memorable discussion on the reasons why we are discussing the 1994 financial statements. The Clerk's Office did not receive the copy. I do not think that we should start haranguing the Clerk's Office in the Legislative Assembly while we are trying to make excuses whether it was by accident—and I understand that somehow something was maybe submitted to whomever—but the reality is that the public is discussing the 1994 financial statements. We are not doing anything else. I am not prepared to discuss anything else. I need an opportunity to look at the '95-96 reports, and I expect to have another opportunity to discuss the very important issue of Manitoba Mineral Resources in the future with proper notice and through our legislative procedures which are fair and accountable.

So the minister, I would ask that he discuss a procedural administration of these reports by the department, and that is where the error apparently lies.

The Clerk's Office does not have the report, and I suggest we get on with some substance here.

**Mr. Chairperson:** Thank you, Ms. Mihychuk.

The issue before the committee today is the financial statement for 1994. This committee has the authority to deal with matters that are sent to it from the Legislative Assembly. The report has not been tabled for the 1995 report; therefore, we are constrained by our own rules that we can only deal with the 1994 report. Now that is the ruling of the Chair.

Ms. Mihychuk, do you wish to ask your questions?

**Ms. Mihychuk:** I have a question to the minister. Can the minister explain why the MMR sale, the revenue recorded was recorded for the '95-96 election budget and not for the '94-95 fiscal year?

**Mr. Chairperson:** The minister has indicated that he will defer that question to his staff. Which member of your staff, Mr. Minister?

**Ms. Mihychuk:** Why was it recorded in '95-96, not '94-95?

**Mr. Chairperson:** Yes, I would ask the members of the staff to pull the microphone over because these proceedings are being recorded and it is essential that they form part of the public record. I realize that there is some informality of conversations going on right now, but I would ask if you could address them so that they do appear on the record. Thank you.

\* (1040)

**Mr. James Clarke (Chairman of the Board, Manitoba Mineral Resources Ltd.):** In answer to when the sale was recorded: It was recorded in the corporation at the time the mine was sold in accordance with normal generally accepted accounting principles. The board then did their financial statements in accordance with those, and that was it. It was recorded at the time. Now, your question probably is outside of the corporation's mandate, but more in the fiscal accounts of the province.

**Ms. Mihychuk:** I appreciate that the minister is trying to get his staff to respond, but clearly this was a political

decision to record the revenues of the sale in the '95-96 election budget rather than the '94-95 fiscal year. Does the minister have a response?

**Mr. Clarke:** I could just add to that. Normally dividends are not declared until after the fiscal year-end, and the financial statements are prepared in that the transaction of the mine sale was in '94. It would not even get dealt with by the board until the financial statements were prepared several months after year-end and the final figures known, to be dealt with in any event by the board of directors and subsequently the government.

**Mr. Praznik:** Mr. Chair, despite the member for St. James (Ms. Mihychuk) trying to make this into a political issue of when the transfer, I think, as the Chair has indicated, this was done in a perfectly complete normal business transaction method.

The company made the sale in '94. It completed its financial information for the year, tendered it to its shareholder, and the board of directors then made a decision to transfer the money by way of dividend, which happened to be in the next fiscal year, as is normal practice for making such a decision. In fact, if anything, this was done I think in a perfectly correct and normal business procedure. So any indication that she would make that there was another motive or that this was done improperly, I think, has to be totally rejected.

**Ms. Mihychuk:** Can the minister tell us when the report from the board was given to the government?

**Mr. Clarke:** Are you asking the date that we filed the financial statements with the government? I am going to have to guess here; but, well, yes, the audit report was signed in April. So it is May or thereabouts, and there might have been some information in the April-May period.

**Ms. Mihychuk:** For clarification, it was filed April of '94 or April of '95?

**Mr. Clarke:** April of '95.

I am going to have to revise. I did not have the financial statement, but I can refer to it here now. The December 31, '94 financial statements, a provincial auditor signed his auditor's report on January 20 so it

could have been an early February or late January time frame, but likely February. It could have even been March, rather than the April, May that I said earlier.

**Ms. Mihychuk:** These questions are related to page 2 of the financial statements of the '94 Manitoba Mineral Resources report that we are looking at. It says in item 5, the Sale of the Trout Lake Mine: "The sale was effective March 31, 1994."

Those are the reasons for my questions. Government does have the ability to decide on when they table various things and how they report it. The question is legitimate. There are various reasons for recording financial assets at different times, as we have seen this government do in other situations like Lotteries revenue, for example. So the question is clearly relevant, and I appreciate the response by the minister's staff.

My question is: When the minister received the report, how long did the government hold on to that before reporting it?

**Mr. Praznik:** Mr. Chair, first of all, I was not the Minister of Energy and Mines when the sale transaction took place. I became the Minister of Energy and Mines on the 9th of May of 1995, so that question is more properly put to a previous minister who is no longer a member of this House, quite frankly. My responsibility for taking over this portfolio occurred later. So you asked when I received it. I was not the minister responsible in a position to receive it. What I would have received are the financial statements for the previous year after I assumed office.

**Ms. Mihychuk:** I appreciate that, and we will have an opportunity to look at some of these numbers at another venue. I would just like to see from the minister if he agrees that the decision to sell MMR is similar to the decision to sell CN; both leave the North vulnerable.

**Mr. Praznik:** Mr. Chair, I have been looking forward to such a broad-based question because there are many things that the member for St. James mentioned in her opening comments that I think have to be corrected on the record.

The member asks for comparisons between this and CN. If the member would take a little time and perhaps

speaking to some of the northern leadership—and I know some of her colleagues have, certainly her colleague the member for Flin Flon (Mr. Jennissen). I wish he was a member of this committee today because when I have travelled with him and we have discussed our Mines policy, he has actually been very supportive of it. So I do not know if there is a split in the NDP caucus or not, but the member for Flin Flon has been very supportive of what we are doing because his constituents have been reaping some very significant results.

Just to talk about that comparison with the railroad for a moment, I think if the member were to talk to a significant number of northern leaders, rather than give us a political speech here in the Assembly today from matters she knows very little about, she would come to the conclusion that northerners, quite frankly, are very happy to see CN generally leave the North, that it has not been providing northern Manitoba with any acceptable level of service. In fact, many northerners have made the argument that the railroad company has done everything possible to make the lines inefficient, poorly served, and to close them.

What northerners have been saying very loudly, including the former mayor of Churchill, the current council of Churchill, who have been very much involved in these discussions—and I think even she might want to talk to some of her colleagues from the North as well—is that when it comes to rail service in the North, they are looking for a new company to take over our northern rail network to ensure that there is a railroad that is profitable, that does not rely on subsidy and is efficient and oriented towards customer service, not the old CN in the way they have operated for the last 20 or 30 years.

Inefficient, subsidized rail lines are not what northerners are looking for. They believe that there is enough business that can be grown there and exist now to make a rail line work and be profitable.

Heaven forbid I should mention the word "profit" in front of the member for St. James (Ms. Mihychuk), but that is what northerners are saying, because they know that their only guarantee of long-term rail service is when that railroad is operated by someone who makes money on it and gets a return on their investment and can grow that railroad to one that is efficient and serves their communities and is financially strong and stable.

Quite frankly, when the member makes the comparison, there is no understanding on her part of these issues. I know there is a deep understanding on the part of some of her colleagues from northern Manitoba who have been involved in the discussions with CN. I tell the honourable member in all sincerity that on the rail line issue, which is very important to mining, yes, we know that if we lose that Sherridon line, we lose the Ruttan mine and there is no need for exploration in that part of the province by MMR or anybody else because there is no infrastructure to support it.

Quite frankly, through the efforts of myself and my colleagues in the northern communities that have taken place over the summer, we are pretty hopeful that we are going to see a resolution to this problem that is going to give northerners the kind of rail service that they want. From all indications that I have as of about three days ago, there is more than one interested party in taking over that rail line. There are a lot of negotiations to go on now; there are a lot of private negotiations that none of us will be privy to, but at the end of the day I think we are going to have a successful result, with no help whatsoever, I might add, from the member for St. James (Ms. Mihychuk). So I think we have to put it in that perspective.

With respect to some of her other comments and her general questions comparing MMR to CN in the North, we have sat here, my colleagues and I, and heard this long diatribe about the people of Cross Lake, flooding, poverty in the North and the rape and pillage of northern resources. Well, let us go back in history and let us put a little accuracy to her comments.

I seem to recall that the government that did most of that northern highway—a good portion of northern development, a good portion of that hydro development was a government led by a Premier called Edward Schreyer. The last time I checked my books—

\* (1050)

#### Point of Order

**Ms. Mihychuk:** Point of order. Mr. Chairman, I am enjoying the minister's diatribe as much as he probably enjoyed mine, but I would ask for order. I was called to task for perhaps straying from the financial statement of the Manitoba Mineral Resources or, specifically, how the

relationship between the sale of CN and Manitoba Minerals Resources relates, so I would ask the minister to stick to the topic, please.

**Mr. Chairperson:** Mr. Minister, to respond to the point of order, not to the issue but to the point of order.

**Mr. Praznik:** Yes, absolutely. I think we are seeing a very interesting position by our New Democrats. They love to make accusations, love to put things on the record, and then they love to deny everyone else the chance to respond. Maybe that is sort of typical of social democrats. They are really not democrats at all or not, but the fact of the matter, Mr. Chair, you gave in your ruling a rather broad scope to the member in making her comments. She has asked me a broad question dealing with a matter that she spoke on at some length in her opening statements, and I believe I have a right to respond to that.

The comparison, of course, is all of those elements being drawn or comparisons being drawn to the decision by this government to wind up the activities in Manitoba Mineral Resources. I am putting that into context in dealing with that. I believe I have a right to do that, given the latitude that was granted by the Chair to the member when she had the floor.

**Mr. Chairperson:** Thank you, Mr. Minister, for those comments.

I believe that the point of order raised by the honourable member was with regard to your response to the similarity between Manitoba Mineral Resources and the CNR. I would ask you to confine your remarks to that rather broad question. I certainly acknowledge the fact that that is a broad question, and I would rule that perhaps responding at this point in time to the honourable member's opening address is going beyond the parameters of that question. I would therefore ask you to confine your remarks to the question which the honourable member raised. Thank you.

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**Mr. Praznik:** Mr. Chair, I will confine myself to the comparison that the member draws between the sale of CN and the sale of Manitoba Mineral Resources. I believe the context in which that question has been

discussed in this table has to do about the need for government intervention to deal with problems in northern Manitoba. The member seems to have made the observation or the assumption that the privatization of CN is in itself a bad thing for northern Manitobans. It is only a bad thing, of course, if there is no rail service. It is still a bad thing to have CN with its current level of service serving northern Manitoba; it is not adequate for northern Manitoba. Manitoba Mineral Resources, by the same token, was totally inadequate for the people of northern Manitoba.

The member for St. James (Ms. Mihychuk) has never responded to the comments from this side about how many jobs did MMR create other than in its own office or field crews. The answer is virtually zero. There was not one mine brought into production by MMR in its over 25 years of existence, not one operating mine, and just like the comparison to CN, just because you have a vehicle that might have a nice-sounding purpose in somebody's view of world, if it does not produce, do you keep it around? Did MMR produce? No, what it did was it took a royalty that it had expropriated out of the Trout Lake mine, used that money year after—and, yes, it built up a database—but over 25 years, I do not think there is a private exploration company in the world which explores for 25 years and does not produce an operating mine and stays in business. Only, quite frankly, an incompetent group would continue to invest in that. Now maybe the New Democrats were admitting that they are an incompetent group—I think the electors will cast judgment on them—but, quite frankly, it did not produce.

So, Mr. Chair—

**Mr. Chairperson:** Is this a point of order, Ms. Mihychuk?

**Ms. Mihychuk:** It would be.

**Mr. Chairperson:** Ms. Mihychuk, the Chair will recognize you for a point of order.

#### Point of Order

**Ms. Mihychuk:** Mr. Chairman, I would ask that you call the minister to order. Ask him to respond to the question. He had an opportunity to put his comments on the record in the opening statement, and I did provide

him an opportunity of great latitude in my question. I am quite anxious to basically conclude the meeting. We have had an opportunity to move on.

**Mr. Chairperson:** Thank you, Ms. Mihychuk.

Mr. Minister, do you have a response?

**Mr. Praznik:** Mr. Chair, my only comment is that it seems when we put the facts and truth on the table, the New Democrats retreat quickly under a log somewhere. If the member is prepared to move on and pass the report, I am prepared to cede the floor. If she is prepared to ask a whole bunch of other questions, I would like to complete the answer to mine.

**Ms. Mihychuk:** No, I just have a short comment and a motion.

I would just completely categorically reject the minister's comments. They are misleading and in fact the only incompetence is this government's decision to sell MMR.

I move, seconded by the member for Rupertsland (Mr. Robinson),

THAT this legislative committee condemn the provincial government for unilaterally selling Manitoba Mineral Resources, using the proceeds which were derived from the North for a pre-election slush fund, leaving northern communities vulnerable at a time when federal government policies have placed rail lines such as Sherridon line and the bayline at risk.

**Mr. Chairperson:** Mr. Minister, I believe you had said that you were in mid-session of your response, so I would turn the floor over to you and recognize you for your response—[interjection]

I do not believe that the floor had been ceded because the minister said that if you were prepared to pass the report, he was prepared to withdraw his remarks. However, I believe at that point, Ms. Mihychuk, you said, well, I have a few remarks and I have a motion.

Therefore, I would ask that—I am not rejecting accepting your motion, of course, but I believe that the minister had not concluded his remarks. So I would

invite him to conclude his remarks; then we would proceed to consider your motion.

**Ms. Mihychuk:** A point of order, Mr. Chairman. I believe the minister concluded. You recognized me, and I clearly procedurally passed a motion. I believe it is time to deal with the motion.

**Mr. Chairperson:** Ms. Mihychuk, I would respond to that by saying that I do recall the minister saying, if you were prepared to pass the report, he would cease and desist with his comments. However, because you were not prepared to pass the report, my recollection—and we can, of course, inspect the record—is that the minister was then to proceed with concluding. I would invite him to conclude briefly his remarks to the previous discussion, and then we would move on to consider your motion. The Chair so rules.

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**Mr. Praznik:** Mr. Chair, again, just concluding my remarks on the analogy like having a railroad that does not want to be there and not producing for its customers and having to be heavily subsidized, MMR is exactly the same analogy, exactly the same situation. It did not produce the results for which it was intended; it continued to draw money; and, quite frankly, its time had long passed. So what do you replace it with? In the case of the CN, you replace it—we hope, as we negotiate and we see negotiations proceed—with a company that wants to be there, that wants to make money, that wants to put its dollars on the line, that wants to provide service.

Conversely, on the mining side, in getting rid of MMR, what did we replace it with? Probably one of the most aggressive mining and exploration strategies this province has ever had in its history. We have gone on the road in the last year, my deputy and I, and between us have visited with over a hundred companies. We have been in their board rooms. We fixed our taxation to make it one of the most competitive. We have one-window regulatory shopping. We provide that where you have one point of access. We have improved our efficiency. We have put \$10 million into a Mineral Exploration Incentive Program that has resulted in a very high year of exploration, and this year we expect somewhere between \$40 million and \$45 million. I understand that out of our visits across this country, we

have 17 new companies in the exploration field in Manitoba that have not been here before.

All of this work is happening without MMR, and it is happening because of a great deal of work by myself and my staff in the department who have been out beating the bushes for business and getting companies here because we are competitive, not because we are wasting good money in doing some research out there and never producing a mine. The member talked about Snow Lake. Three years ago there was no mining in Snow Lake. Last year we opened two new mines, and again, because of that strategy.

One last point I make, Mr. Chair, in concluding my remarks. The member wants to talk about the North and hope and action. This is the government that has settled Northern Flood. This is the government that has settled treaty land entitlement. This is the government that has launched aggressive mining strategy.

When I have travelled across this country, I have run into companies that are not here because 25 years ago Sid Green chased them out of this province and they have never been back. We have had to go to get them back.

So I reject totally the member's comments, and, yes, there is an analogy between CN and MMR. We want things that work, not things that do not. Thank you.

**Mr. Chairperson:** Ms. Mihychuk, I believe that it is your intention now to present a motion to the committee. Is that correct?

**Ms. Mihychuk:** It is.

**Mr. Chairperson:** All right. Would you please proceed.

\* (1100)

**Ms. Mihychuk:** I move, seconded by the member for Rupertsland (Mr. Robinson),

THAT this legislative committee condemn the provincial government for unilaterally selling Manitoba Mineral Resources, using the proceeds which were derived from the North for a pre-election slush fund, leaving northern communities vulnerable at a time when

federal government policies have placed rail lines such as the Sherridon line and the bayline at risk.

**Mr. Chairperson:** Thank you, Ms. Mihychuk. I have received a copy of the motion. The motion reads: That this Legislative Committee condemn the provincial government for unilaterally selling Manitoba Mineral Resources—is there a call for the question? I rule the motion in order. The question has been put.

*A COUNT-OUT VOTE was taken, the result being as follows: Yeas 4, Nays 6.*

**Mr. Chairperson:** The Clerk has indicated that there are six against. The Yeas are four, the Nays are six; the

motion is therefore defeated.

The next matter for consideration of this committee is shall the Financial Statements of Manitoba Mineral Resources Ltd. for December 31, 1994, pass? Pass.

**Mr. Chairperson:** This completes the business before this committee today. What is the will of the committee?

**An Honourable Member:** Committee rise.

**Mr. Chairperson:** The committee shall rise.

**COMMITTEE ROSE AT: 11:02 a.m.**