

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, October 12, 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 Ltd.

Mr. Paul Brockington, Chairperson, Manitoba
Mineral Resources Ltd.

MATTERS UNDER DISCUSSION:

Annual Report of Manitoba Mineral
Resources Ltd., 1988

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Mr. Chairman: I call the Standing Committee on Economic Development to order to consider the 1988 Annual Report for Manitoba Mineral Resources Ltd. Previously the committee had considered this report during meetings held on October 3 and October 5. I would just like to ask the Minister responsible if he has any brief comments that he would like to make at this time.

Hon. Harold Neufeld (Minister of Energy and Mines): Since this is the third meeting of this committee, I will only introduce Paul Brockington, the chairman of the Board of Manitoba Mineral Resources. He has not been here in the previous meetings.

HANSARD CORRECTION

Hon. Harold Neufeld (Minister of Energy and Mines): I will ask also Malcolm Wright to make a correction in Hansard and also bring some information that had been requested previously.

Mr. Malcolm Wright (President, Manitoba Mineral Resources Ltd.): In the Hansard covering the meeting of Tuesday, October 3, at 10 a.m., on page 27, on the right-hand side, it attributes to me a statement that "Manitoba Mineral sold its rights in debenture to Hudson Bay for \$47.5 million under a loan agreement provided for repayment at the end of next year." This is in reference to the sale of Callinan. It should read, "Manitoba Mineral sold its rights in the venture to Hudson Bay for \$7.5 million under a loan agreement," rather than the \$47.5 million, as is quoted in Hansard.

* (1005)

Mr. Chairman: Agreed to the change? Agreed.

Mr. Storie.

Mr. Jerry Storie (Flin Flon): Mr. Chairman, a point of order before we proceed too far. Is the Hansard available from our last meeting of the committee?

Mr. Chairman: It is out and it has been distributed, I understand.

Mr. Storie: Good, I have not seen it, but as long as it is available.

Mr. Chairman: The Official Opposition Critic, does he want to make any opening comments at this time? No. Dr. Wright.

Mr. Wright: I had not quite finished.

Mr. Chairman: My apologies, Dr. Wright.

Mr. Wright: The second matter was information that had been requested, by I believe it was Mr. Taylor, with regard to the costs of providing electricity at the Farley Lake site, and we undertook to return to the committee with some numbers. Those numbers are as follows: on a stand-alone basis at Farley Lake, if we bring power from Lynn Lake the capital cost of supplying power to the site is estimated at \$2 million; if we were required to bring power from Leaf Rapids to the site the capital cost is \$3.9 million, roughly a spread of \$1.9 million; and if the operation is done on a stand-alone basis utilizing the mill at Lynn Lake rather than building our own mill at Farley Lake, the capital cost of providing sufficient electricity for lighting and pumping of water from the pit is 100,000.00.

Mr. Chairman: We will now open the meeting to questions. Mr. Angus.

Mr. John Angus (St. Norbert): Mr. Chairperson, on a point of order, I suspect, a technicality, I understand that the administration had not prepared for a third meeting and the in-depth questioning that is going on by the combined Opposition and had previously made arrangements or engagements for committing them to 12 noon.

I would like to raise, at least on our behalf, if there can be consensus, that we will agree to rise at twelve o'clock if we are not indeed finished so that they can be accommodated. It is not our intention to offset any of their concerns.

So on the point of the order of the meeting, Mr. Chairperson, I would suggest that we are willing to rise at twelve o'clock.

Mr. Chairman: Okay, Mr. Angus, that is not a point of order, but if the committee agrees to that then it will be considered at twelve o'clock.

Questions from Members? Mr. Storie.

Mr. Storie: Yes, thank you, Mr. Chairperson. I would like to follow along the line of questioning that was followed on October 5, I guess it was, and that has to do with the current situation with respect to the Callinan mine and its importance, I guess, to HBM&S's operation.

I am wondering if Dr. Wright can tell us whether MMR has had any discussions with HBM&S about the potential for joint exploration of the area for new copper-zinc orebodies. Is MMR involved in joint explorations at this time? What are HBM&S's foreseeable needs in terms of reserves? What role has MMR been playing in establishing those reserves?

* (1010)

Mr. Wright: MMR, for more than 10 years, has been involved extensively with Hudson Bay Mining and Smelting in exploration joint ventures in the Flin Flon-Snow Lake area, and we continue to be involved. We have, in the past few months, discussed some possible new exploration ventures which are attractive to both sides. However, I think Hudson Bay has made it quite public that at the moment their exploration for copper-zinc is in a suspended mode.

Mr. Storie: Mr. Chairperson, perhaps Dr. Wright could elaborate on why HBM&S's exploration activities is in, as he puts it, a suspended mode?

Mr. Wright: They have currently suspended pending the resolution of the Flin Flon modernization plan.

Mr. Storie: If the Minister and his family were living in Flin Flon, Dr. Wright, you would be telling them to have some concern about the longevity of the operation in Flin Flon, given the suspended exploration mode.

Mr. Wright: Mr. Storie, I do not think I would be telling them that, because I think it is something they already know.

Mr. Storie: Mr. Chairperson, Dr. Wright leaves on the record, I guess, something that is rather ominous. HBM&S is awaiting word from this Government, and the federal Government, that the modernization will proceed under some mutually acceptable terms.

My recollection is, and Dr. Wright can correct me if I am wrong, HBM&S was talking about not having sufficient ores available by the end of 1992-93 in the event that additional exploration did not discover new sources of ore. Does that mean that the province and MMR is in effect sitting there waiting for this to happen?

Mr. Wright: With regard to the activities of MMR, we are not sitting there waiting for that to happen. We have certain wholly-owned ventures in the Flin Flon-Snow Lake area, which we are actively pursuing, although without participation as I mentioned with Hudson Bay.

Mr. Storie: It gets more interesting, because I would like to know what the Minister considers "actively pursuing." Is the Minister giving MMR any direction?

I understood Dr. Wright to say the other day, and perhaps the Minister confirmed that MMR was going to stick to a budget of about \$3 million for continuing exploration. My question to the Minister, does that sound to him like a real interest in the mining community of Flin Flon? Does that sound like he is protecting the interests of the 10,000 to 12,000 people in the area? Why is the Minister not encouraging, requesting MMR to double, to triple their exploration activity so that there will be sufficient reserves available should the modernization go ahead?

I guess a follow-up question to Dr. Wright—I will save that one, I want the Minister to answer first.

Mr. Neufeld: Mr. Chairman, I think it has to be recognized that MMR plans its exploration activities in advance. The fact that Hudson Bay may be cutting down today does not necessarily mean that we can or should increase our activity the day after. I think that Manitoba Mineral Resources and the Manitoba Government is well aware of what is going on in the North and have indeed spent an awful lot of money exploring in the areas where we think the communities are threatened. We have to, from time to time, make decisions as to which area we should explore in. At this point in time we are spending more of our time in the Lynn Lake area where the communities are more immediately threatened.

* (1015)

Mr. Wright: Yes, I agree with the Minister if he is just talking about exploration dollars, but I have a follow up to Mr. Storie's question. I would point out to him, I think, a fact which is known to him that MMR has been very instrumental in getting all the joint venture partners on the Trout Lake orebody to sink a shaft which is currently estimated at \$25 million to \$26 million. That took a lot of persuasion on our part and on Hudson Bay's part to get the out-of-province owners to agree to that and that particular project opens up a tremendous potential for increasing the oil reserves at Trout Lake.

Mr. Storie: The follow-up question is, can the Minister tell us what the latest projections coming from HBM&S are with respect to reserves, known reserves at this time. Can we talk about seven years' reserves as sort of the norm when it comes to known reserves for a mining company, or seven to 10? Are we now talking about two years of known reserves?

Mr. Wright: We are talking approximately now, I think the number is somewhere between six and eight, but there are reserves—and reserves—depending on metal prices and other events. One of those other events which affects the economics of mining of material which is in reserve is the modernization of that plant. Traditionally, Hudson Bay has not had on its books reserves of more than somewhere between seven and 10 years. This has been going on for—I do not know—20, 30 years approximately.

Mr. Storie: Mr. Chairperson, does the current estimate, or what we understand to be HBM&S's current estimate of known reserves, include the Leaf Rapids operation and what role does that play in the reserves and what is the reserve life expectancy in that operation?

Mr. Wright: I believe that does include the Leaf Rapids reserves but I am not 100 percent certain without going back on that point. The reserves at Leaf Rapids are now good for somewhere between two to three years, although there has been considerable encouragement encountered by Hudson Bay on an error in the mine which is referred to as the west anomaly area which is in the process of an intensive exploration program right now.

Mr. Storie: I am wondering whether MMR, has the board—perhaps Mr. Brockington can respond—whether the board has approached HBM&S with respect to a role in the modernization, becoming a partner in some other way than the exploration activities which have been historically partnered, if you will?

Mr. Paul Brockington (Chairperson, Manitoba Mineral Resources Ltd.): I think it is fair to say that at the moment the modernization and the discussion of the modernization are being dealt with by the Minister and his department at this point in time. As Malcolm said to you, the management of the company has ongoing discussions with Hudson Bay with regard to exploration, new ideas, new areas that may be worthwhile areas to explore and could, if we were successful, provide added ore reserves to feed the complex at Flin Flon.

Mr. Storie: So reading between the lines, there have been no formal discussions. I guess it is possible that it has been contemplated but there have been no formal discussions with respect to HBM&S?

Mr. Brockington: No discussions with respect to the smelter and plant modernization, per se.

* (1020)

Mr. Storie: Mr. Chairman, I would like to just change the focus a bit here for a minute and ask Dr. Wright what he sees as the ultimate mandate today of Manitoba Mineral Resources?

Mr. Wright: I think your basic mandate is to assist in the exploration and development of the province's mineral resources with emphasis on areas which are threatened with declining ore reserves.

Mr. Storie: Perhaps, just further elaboration. It had always been my impression that MMR had operated on a sound financial plan, that operations that they felt are potentially profitable were viewed as positive in terms of investment. Is that still an important part of the criteria of decision making?

Mr. Wright: I think you strike a balance between—when you are a Crown corporation with that kind of a mandate—the purely commercial decision and a social decision, and in that respect your expected return on

investment, when you take into account the social issues, may be somewhat less than if you had been purely commercial.

Mr. Storie: The reason I asked is because of the circumstances surrounding the sale of the provincial portion of the Callinan Mine to HBM&S. I am wondering whether MMR is getting involved in joint ventures exploration activities with HBM&S with a view to becoming again a partner in a mining venture, as with Trout Lake.

Mr. Wright: That is the intent of those exploration joint ventures, yes.

Mr. Storie: Then I guess what disturbs me is that we took a significant risk, and we have gone over this ground when the province joined HBM&S to develop the Callinan mine and yet we have seen no return. We basically sold our interest in the mine for our investment in it to date, I gather. I am wondering whether that is a change in policy. Is it now our role to go out and assist and take the risk, and yet not look at any return for MMR and the province?

Mr. Wright: I think that particular transaction fitted our policy, as I have stated it before, extremely well. As I have indicated before, I did not think that it was a commercial investment decision that Manitoba Mineral was involved in the first place. It was guided as much by social considerations as commercial. With the change in metal prices and the change in Hudson Bay's financial condition, and having fulfilled our social mandate, then it made commercial sense to discontinue our involvement in Callinan.

At the same time, we knew that having kick started the project as it were that it would be continued and therefore fulfill the social purpose.

Mr. Storie: I guess I am not in much of a position to dispute Dr. Wright's analysis of the decision, or the rationale for the decision other than to say my information and people equally as involved come to a different conclusion with respect to the viability, the financial success of that venture. I think it is unfortunate that what—and I guess only history and metal prices will determine whether there was some gain to be had on the part of the province from staying in the venture.

I think that it also sends a signal to the community which is not very positive. MMR is viewed in the provincial involvement in mining. MMR is perceived very positively in northern Manitoba. The fact that they have withdrawn now leaves a whole series of questions unanswered in the minds of those who are mining right now in the joint venture at Trout Lake with the province, and those who want the province to be involved. As Dr. Wright has stated, MMR's mandate goes beyond simply the bottom line, although that is an important consideration and was at the time that Callinan mine joint venture was begun, as well, although it was recognized that it was marginal.

* (1025)

My concern is that we may be backing away from our responsibility, or the province's responsibility as I

see it to look to the long term in mining. We cannot be a mining company and say let us high-grade, let us get what we can and if prices go down we can shut down the community, and we will come back in five years. We have a different responsibility and unless we are going to get involved we run the risk as a province of riding the cycle like a mining company, which is not what the original intention of MMR was to do.

I would like to hear from the Minister. He has sat rather quietly while Dr. Wright has expounded on the mandate. I would like to know from the Minister whether we can anticipate this Government's involvement through MMR in joint ventures with HBM&S, in terms of mines.

Mr. Neufeld: Mr. Chairman, those decisions will be taken with the information at hand at each and every venture. The Callinan venture which Mr. Storie has been zeroing in on was sold to HBM&S because, as Dr. Wright has indicated, our responsibility for entering the venture to start with was based more on social need than it was on the commercial success of the venture, or return on investment, if you like.

We can now use that money to look for other deposits or enter into other ventures. I think we are better off to turn the money more frequently and especially if it is a high-risk venture. We indicated last week, Mr. Chairman, that this is still a high-risk venture in our view. With Hudson Bay willing to take it over and with the knowledge that the mine will be developed, we sold to Hudson Bay for those reasons. We can now use those monies to enter into other undertakings. I think that is a responsible position to have taken.

Mr. Storie: I am not persuaded that it was the necessary route at this point. Certainly, given the difference between metal prices now and then, it certainly looks a lot more positive than it did at the time. I do not honestly know what the exploration and the development process has shown in terms of the potential, but perhaps Dr. Wright can indicate whether they have actually started to produce from the Callinan mine yet.

Mr. Neufeld: Mr. Chairman, I think we have to recognize that in the instance of the Callinan deposit we are assured of our money back plus interest. We can use that money regardless of whether or not monies are made by Hudson Bay on that deposit. We will get our money back and can use it in other areas.

Mr. Wright: In response to the more technical end of the question, we are not at the moment, as you know, intimately involved in Callinan. It is my understanding that the production is behind schedule and that there have been some cost overruns on that project, which have to be taken into account when one is comparing metal prices today and when these decisions were taken.

Mr. Storie: I guess moving back to the direction that is being taken, the management of HBM&S, when they presented the case to the provincial and federal Government on modernization, were telling us at the

time that they would not have sufficient reserves to operate HBM&S, and I believe that it was by 1992-93. Dr. Wright's figures would indicate that scenario was perhaps overly pessimistic. I am wondering whether anything that HBM&S is saying publicly at least is more consistent with Dr. Wright's expectation.

* (1030)

Mr. Wright: I think there perhaps is a misconception here. I think Hudson Bay was saying that if they did not get modernization they would have to go into a shut-down mode which was going to take till 1993-1994. That does not mean that all of the reserves on the books would have been mined at that point in time, it just meant that they would become economic without the plant modernization. If you have the plant modernization, the reserves are there for a period longer than that, but there are not sufficient reserves there to justify the capital investment in plant modernization, so you have to rely on the premise that you will find more to keep that modernized plant full or that you can survive on imported concentrates.

Mr. Storie: I guess that basically is what my understanding was. I understood that HBM&S would be shutting down by '92 because it would not be economic as well, although they are concerned about their reserves. Six years is not much beyond that. My question is: are we not playing a bit of a game of chicken here? HBM&S, according to Dr. Wright, has suspended its exploration program, certainly expended any major exploration program until such time as modernization is improved.

So we have a circumstance where the company is not doing the exploration, which it itself acknowledges is necessary to justify the modernization.

We as a province are apparently not involved, certainly not actively involved, in pursuing the modernization. The Minister has indicated that it is a wait and see, and if the federal Government comes forward we will join in.

Are we playing chicken here? Is the board in New York going to suddenly say, well, what are we doing here, we have no reserves and the province is not interested in what we are hoping for? Are we whistling past the graveyard or what?

Mr. Neufeld: Mr. Chairman, I have never suggested it is a wait and see. What I have suggested is that at a \$132 million to \$140 million modernization the Manitoba Government cannot put up two-thirds of the monies, and that is what is required as far as Hudson Bay's request is concerned. Somebody has to put up two-thirds of the monies. They can only put up one-third. The Manitoba Government, to put up \$88 million to \$95 million would be ridiculous. The federal Government has indicated that they are prepared to go some piece down the road but not to the extent that satisfies Hudson Bay.

We are putting pressure on the federal Government to get on with the negotiations, and they are getting on with the negotiations, but they are still somewhat

apart. As far as Hudson Bay Mining is concerned they want one level of Government or the other to put up two-thirds of the cost of the modernization.

It can also be said that some of the cost for the modernization is for environmental reasons. Another part of the cost of modernization is indeed to modernize the plant to make it more efficient. The federal Government has expressed some reservation about financing or offering grants for the modernization part of it, and that is where the discussions are.

We are indeed pushing the federal Government to get on with the negotiations, and they are discussing on a regular basis, with the company, the cost of the modernization and where the money is to come from.

I think you will have to admit, Mr. Storie, that \$140 million is not something you give easily. It is something that you have to consider. It is not that readily available.

Mr. Angus: Just for clarification, my understanding is that the company is looking for loan guarantees, not handouts. Is that your understanding, Mr. Minister?

Mr. Neufeld: Their first request was for loans, not loan guarantees, loans in which the repayment would be based on copper prices.

Mr. Storie: I guess I want it clarified from the Minister because there is a lot of confusion over this. The Minister says that HBM&S is seeking two-thirds of the money from other sources, from Government sources, the federal and provincial Government. Is the Minister prepared, or has the Minister been prepared or offered to contribute the province's share?

Mr. Neufeld: We have said that it would not be because of the Province of Manitoba if the deal did not go through. We are prepared to negotiate our part of it.

It is also true that we have been in touch with the Province of Saskatchewan, because they will be a beneficiary to this modernization, because one-quarter of the people roughly, or 10 percent of the people from Creighton, Saskatchewan work in the plant, and indeed the entire community would be as threatened as the community of Flin Flon. So we have talked to the Minister in Saskatchewan to see whether or not we can get some help from them.

We have talked to the federal Minister to see whether we could strike a deal that would be somewhat different than perhaps the federal Government would strike. We have to recognize that Manitoba has 1,000,000 people and they have to pay that shot. If we can strike a deal that is somewhat different from the federal Government, we could be assured of repayment quicker than the federal Government. That is why we are waiting for the federal Government to make its decision on the contribution it will make.

Mr. Storie: I appreciate the Minister's comments. I presume Saskatchewan will continue to stick their finger in this Government's eye at every opportunity, because frankly they can legitimately anticipate no response, no rebuttal, no public outcry, no strong position to be

taken. I have been asking this Minister and the Government for a long time to take a public position to say we are prepared to assist HBM&S in the modernization program to put some dollars on the table, and say it is now the federal Government's turn to ante-up. I do not care, frankly, and I am not advocating at the table that we make a proposal, a financial proposal of support to HBM&S without regard to the cost to the province or without regard, frankly, to our assessment of their need.

I am getting increasingly concerned, and the people in Flin Flon are increasingly concerned that the delay is going to result in a decision over which this Minister has no control, and that is a decision on the long-term future of HBM&S. I can tell the Minister from experience that once that horse is out of the barn it will be twice as expensive to round up that horse and get it back in the barn and twice as difficult to solve.

I want to ask the Minister what analysis he has done on the benefits to the province of the operations of HBM&S as they exist today, both in terms of the Flin Flon community, Snow Lake community, Leaf Rapids community and their exploration activity. Can the Minister put on the table what we get from HBM&S with respect to corporate income tax; what we get as a province; what we get from the personal income tax; from the people who work there; the spinoff benefits of the three-to-four-to-one ratio of jobs created in the community indirectly? What does Manitoba Hydro receive from HBM&S on an annual basis? What do we receive from HBM&S by way of sales tax from their activities? Have we done an economic analysis of the benefit of having HBM&S in the province? Just tallying in my head, I know that the return to the province of investing \$43 million is maybe a year and a half, certainly not more than two.

* (1040)

The Minister last year received more than \$150 million in mining tax revenue, a windfall. The Minister sits here and says, well, it is a lot of money. Yes, it is a lot of money, but the alternative is going to cost the province a heck of a lot more, not to mention the lives of 12,000 people, more than 12,000 people in the communities affected. Has the Minister done that analysis? Can we see that analysis? Can we use that analysis if it has been done to support our argument that the federal Government should be contributing?

Mr. Neufeld: First of all, the analyses have been prepared, and I do not know at what point they were—and how up-to-date they are, but they have been prepared, and the federal Government is aware of them. I think we have to recognize that closing the mine is not, to this Government, an alternative. The mine must continue to operate, and towards that end we are pursuing the negotiations.

Mr. Storie mentions \$150 million in mining tax, but that was not from Hudson Bay Mining and Smelting. Let him not leave that suggestion on the table. That was from International Nickel. We are committed to the Town of Flin Flon and the communities in the North. We are committed to the mining operations in Flin Flon

and they are pursuing, as I have indicated, a resolution of the financing of the modernization. It is foolhardy to think that the Manitoba Government is the sole player in this. We are not the only ones who will be making the decision. There are negotiations in a public forum such as this. You cannot gain anything by negotiating publicly.

Mr. Storie: I did not suggest necessarily that you have to negotiate publicly. Perhaps the Minister can confide in me outside of this committee that the Minister was not only taking an active interest but an aggressive interest in seeing this matter concluded. I am certainly not getting that feeling, nor is anybody in the Flin Flon area getting that feeling.

I will leave that matter. I only remind the Minister that the penalty, the cost, for not coming to some agreement in the very near future could be astronomical. If the Minister lets this get away, if the Minister does not close his hand when there is the possibility of a negotiated settlement, pulling the pieces back together is going to be nigh unto impossible without a lot more of the taxpayers' money being put at risk. I emphasize that it is only being put at risk because what we are talking about are loans at this point even though it may be tied to the price of copper and zinc.

I would like to go back to the question of exploration for a minute. Dr. Wright indicated that MMR is pursuing some exploration activities on a wholly-owned basis, and I would like to know perhaps if Dr. Wright can indicate where those explorations are occurring. Are they in areas near existing orebodies, the known reserves?

Mr. Neufeld: Before Dr. Wright answers the question, I think I should put to Mr. Storie that the Province of Manitoba cannot simply, and we would be criticized if we did, ante up whatever is requested by Hudson Bay. If it is a game of chicken, as he has indicated, we have to make certain that we do not ante up the people of Manitoba's money in amounts any more than we absolutely have to. We are negotiating to get the best possible deal for Manitoba and the continuance of the mining operations in the Flin Flon area.

Mr. Storie: I have one further question, Mr. Chairperson. I appreciate the sentiment. I asked the Minister whether he has tallied up the cost should this gambit fail. The Minister says, and he said categorically, we are not prepared to see the mining community of Flin Flon disappear, words to that effect, I paraphrase. If that is a factual statement, a statement of the Government's intent, my question is: has the Minister contemplated a scenario where inspiration says we are not prepared to do this?

Mr. Neufeld: That is a scenario we do not like to discuss, but, yes, of course we have considered it, and it is something that we do not expect ever to have to come to grips with. I have said earlier that we are committed to the communities of the North and the mining operations in Flin Flon. We will make certain that they continue. Having said that, we cannot simply pay them money in its entirety without negotiations.

We have to negotiate the best possible arrangement for the people of Manitoba and the people of the North, but we, as I said before, remain committed to the community of Flin Flon.

Mr. Storie: I am sorry, I cut Dr. Wright off. He was going to perhaps respond to the question about the exploration activity.

Mr. Wright: As I understand it, the question was are we exploring in the Flin Flon-Snow Lake area on wholly-owned ventures, and the answer is yes. We are exploring within a radius that we feel that anything which is found in the radius of that smelter will provide feed for that smelter.

Mr. Storie: Then the other question was: is HBM&S doing any exploration within a reasonable radius? I am not talking about Mingold, just HBM&S.

Mr. Wright: They had a very aggressive exploration program up to January 1 of this year, and that is when they suspended it. However, they did not totally suspend it in the sense that a certain amount of work has to be done to maintain the claims. It is my understanding that they are doing sufficient work to maintain the ground in good standing.- (inaudible)-

Mr. Angus: Mr. Chairperson, I would just like to continue for a moment or two, if I can, and ask some questions -(inaudible)- are suggesting that they want to modernize the plant to be more competitive and give themselves a more secure future.

So my question to the Minister is, there must be a point of no return to which the company will have to have made a go decision or not be able to implement to meet the guidelines that are being proposed.

Mr. Neufeld: Mr. Angus is right. There is the reduction of SO₂ emissions, but that cannot be done according to those who know more about this than I do. That cannot be done without building a new plant. If you are going to build a new plant, you may as well have a modern plant that is competitive. The negotiations to some degree hinge around what part of the cost is modernization and what part of the cost is SO₂ emissions. The federal Government has a program for the reduction in SO₂ emissions. To that extent, they have made an offer, and the company has not accepted that offer.

Mr. Angus: Mr. Chairperson, I guess the point I am getting at is that the clock is ticking. I am just wondering what deadlines have been put on.

Mr. Neufeld: The construction period will be between two and three years, and the deadline for the SO₂ emissions is 1994.

Mr. Angus: So the company then would have to start their work. I guess what I am saying is that I do not want to suddenly find that the decision is being made by HBM&S executive committee in a boardroom in New York that says, look, we have gone beyond the point

of no return. Now, even if we got the money, we would not be able to meet the deadlines. While we may be negotiating and recognizing the problem and trying to work something out, the clock may be ticking in another area. I am just wondering what point has been expressed to the Minister as a point of sort of final decision and/or we have to know by this time, and when do you run out of the last extension, if you like. How serious a decision is required?

* (1050)

Mr. Neufeld: The point of no return, as you call it, would be another year from now. However, let me say this, that we are concerned about the emissions today. We are concerned about the environmental difficulties the town is facing, or the city is facing today, and we are, for that reason, encouraging and indeed pressing the federal Government and the company to arrive at a conclusion in their negotiations.

Mr. Angus: Mr. Chairperson, I appreciate that anybody in a position of responsibility has concerns and responsibilities that go with those concerns and is attempting to address them. That is not in question. The line of questioning would be to obtain some degree of comfort that a concentrated and sincere effort is making headway, is being put in the right places. So my questions are not as much to chastise as to suggest alternatives.

As I understand it, just from listening to the conversation, the company has agreed to fund a third of it. You have with certain riders and conditions agreed to fund a third of it, and we are looking for one-third support in some way, shape or form from the federal Government. The federal Government has agreed to ante up, if you like, with certain conditions, a certain amount of that third, 50 percent or 60 percent of that third, but that is not sufficient, in spite of the fact that the federal Government gave almost an identical funding arrangement to a firm in Quebec who had almost an identical problem.

Armed with that information, it seems to me that you are a few percentage points apart on one-third of the federal contribution, and there might be more of an opportunity to move there than we recognize.

Do you want to just share with me what actions you are taking to try and get the Government to move, the federal Government?

Mr. Neufeld: First of all, Mr. Angus, while it has been said, and many times by the company, that it is a similar situation, it is indeed not. The Noranda case, the funding was a third, a third, a third. They built a sulphuric acid plant that was totally for environmental, for SO₂ emissions, and the sulphuric acid plant is not a profit contributor, it is a loss leader for the company, but it was built solely for environmental reasons. So it is not the same.

In this instance we have a reduction of SO₂ emissions by 25 percent which is a requirement by 1994 according to federal legislation, and we have a modernized plant which will hopefully increase the efficiency with which

the ore is processed in Flin Flon. So there are differences, and I think that has to be recognized. It is in this area that the negotiations are taking place.

Mr. Angus: I appreciate that there are subtle differences. Even in precedents there are subtle differences, and that is why you have decision makers that look at the facts. I wonder how much we are splitting hairs when I read in the paper or hear reports that garden vegetables are unsafe to eat out of the garden in the Flin area, because of pollution and SO₂ emissions. I see us making an effort to solve specific problems, never mind the horrendous social cost or the black eye on Manitoba, all of those things. It seems to me that there is an excellent case, and I fully appreciate the fact that the federal Government will do everything they can to avoid just doling out the money, unless a very strong case is taken.

Mr. Minister, I see an opportunity for a lead role to be taken to pull the private sector together that is desperately looking to solve that problem, as it appears on the local scene anyway. I would suggest to you, sir, that the people who make the decisions and the bottom lines in the boardrooms of New York will not have the same empathy as the people in Manitoba. So that if we are going to solve this problem, we have got two-thirds of the pie seemingly put together in a very positive fashion and that the strongest possible lobby should be put on to the people in Ottawa. The devastation of Flin Flon and northern Manitoba, and the negative spin-off effect, is going to overshadow even the VIA cuts in the Manitoba area. It would be a very significant negative impact and, as Mr. Storie has suggested, I guess I am looking for more leadership from you and your department in terms of solving this problem in a very constructive fashion. I do not get that sense of feeling.

Mr. Neufeld: I cannot repeat often enough that our commitment to the northern communities have not changed. They remain the same. We are committed to seeing the modernization completed. However, we are not alone in this. We are just one-third of the players. The federal Government's negotiators and the company negotiators do get together on a regular basis, and we are the catalyst. Manitoba Government negotiators have been the ones that have been instrumental in bringing the two parties together time and time again. I do not think a week goes by that we are not in touch with Ottawa. The Deputy Minister in our department has been there on numerous occasions, and he will be there again either later this week or early next week. So we are on a regular basis in touch with the federal negotiators.

I might say that one of the difficulties is that we have a Department of Mines who also would like to see the modernization completed, but they are not the ones with the money. So they have to find the money in another department. It becomes a bit of—for sake of a better word—a nightmare to find the right people to talk to, but we have the right to—

Mr. Angus: . . . \$200 million lying around somewhere.

Mr. Neufeld: Mr. Angus suggests that the Minister of Finance of Manitoba (Mr. Manness) has a stabilization

fund of \$200 million which could be used. I do not think that would be in the best interest of all Manitobans, Mr. Chairman, but we are, and I will continue to say, we are constantly—we have not ceased since we took office to push the federal Government and the Hudson Bay Mining and Smelting to reach an agreement on their differences.

Mr. Angus: Mr. Chairperson, obviously the Minister is privy to an awful lot more information in terms of financial resources and activities than I am. I can only hope that he is taking the best possible approach and working through to a successful conclusion. I know that he knows that he will suffer the wrath, certainly, of the House and the public if he fails in his mission.

I have a separate question, Mr. Chairperson, for the chairman of the board. During the committee that was attended by the Audit Department, the Auditor of the Province of Manitoba, he made reference to the fact that it becomes difficult to evaluate the success of departments based on the published information here which oftentimes lacks specific admission statements, and specific goals and objectives, and methods of measuring how goals and objectives are obtained. Perhaps I could just ask from the board of directors, as opposed to the administration, if they want to share their thoughts on—where would we be without the administration—that management tool that the Auditor was indicating would be desirable in all departments, not this department specifically but in a number of different departments.

Mr. Brockington: First of all, I would like to say that in dealing with the auditor of this corporation it is the provincial Auditor, and I am also a member of the audit committee, and I can say that we have had I think very successful, satisfactory meetings with the Auditor. I think that you can see that the Auditor's statement appended to our financial statements give us a clear one, and I can tell you that as of the last audit that there are no issues of any substance outstanding and no major questions pertaining to the corporation.

Going on further to the specific issues that you have addressed with regard to the goals of the corporation and where this corporation basically may be headed over time, I would like to advise you that this corporation also has a planning committee composed of members of management and the board. This planning committee has drawn up a strategic plan for the corporation that I have here in front of me going out to the year 1992. I think within that document it adequately deals with the goals, the objectives and also details the projected financial results and the capital requirements, if there are any, for the corporation over the ensuing three years. This is a plan that will be updated on a regular basis and is also presented to the board. The planning committee initially prepares this report. It is subsequently made available to all the directors and this is a plan that is passed upon by the board of the corporation.

Mr. Angus: Is it in fact shared with the Auditor as to what your objectives are and how closely you have come to your objectives?

Mr. Brockington: We are prepared to share any information with the Auditor that he might so desire. Every year we have a budget that is prepared prior to the commencement of the ensuing fiscal year, and all this information is readily available if the Auditor so desires. We carry out variance analyses from quarter to quarter. All this information is gone over by the board in detail and all this is readily available to the Auditor if he so desires.

* (1100)

Mr. Angus: Mr. Chairperson, does the board of directors have an audit committee that is a separate department on the board, made up generally of board members that have familiarity with audit procedures?

Mr. Brockington: There is an audit committee, there is one member of staff who attends and that is the comptroller, Mr. Cyril Vickers, who is behind us today. In addition to Mr. Vickers, there are two members of the board. One of them is a chartered accountant, the other one is myself, a chartered financial analyst, so I would say that we have two chartered accountants, one CFA. I would say that we have a board that is comprised of professional people with knowledge.

Mr. Angus: Mr. Chairperson, when did you last do an operational audit?

Mr. Brockington: I am not exactly sure what the question is aimed at. Maybe you would like to say.

Mr. Angus: Mr. Chairperson, as a former chairman of the board, and president of a large publicly-owned non-profit corporation in Winnipeg, we established an audit committee and, as well as doing the things that were suggested with the comptroller, and reviewing the accurate bookkeeping requirements, this committee was charged with looking at improving the efficiency of the corporation in various areas. We termed these, and reasonably common management terminology, to review operations within the departments to ensure that they are being done in the most cost-effective and efficient manner and that they are practices that are consistent with the overall goals and objectives of the corporation. As was suggested, that you are as familiar with audit committee responsibilities as you were, I simply sort of left a whole series of questions out and went right to, when did you last do your operational audit, and it is leading to, are you satisfied? I do not have any dirt here that I am trying to unearth.

Mr. Brockington: The last audit committee meeting was in March of this year. We will shortly be reconvening the audit committee prior to the end of this calendar year again, and if there is any business that comes up. We have dealt with a number of issues at this audit committee. Similarly, though, I would say that we do not only pass these responsibilities on to the audit committee, I would say that these issues that you have raised are ones that are dealt with at the regular board meetings in terms of reviewing the quarterly reports. As I have said, we present very detailed analysis and comparative analysis and variance analyses to

determine that everything is in line. If it is not in line, why is it out of line, if that be the question, so that we can spot any potential problems, should there be problem areas or costs which appear to be out of line.

Mr. Angus: Mr. Chairman—

Mr. Chairman: Oh, pardon me, Mr. Angus. The Minister would like to make a comment.

Mr. Neufeld: I would just like to add, Mr. Angus, that the value-for-money audit that I think you referred to, or it used to be referred to zero budget accounting used to be a term used. We have to remember that we have, in this company, eight field people, and they are out in the field; we have a secretary-comptroller; office manager; a president and a vice-president. Now we think that the reviews are ongoing, not a project is undertaken without the people responsible for the operations of the company being involved in those decisions. So apart from any operational audit that the board of directors may undertake, the officers of the company are continually auditing the procedures and the operations of the company.

Mr. Angus: Mr. Chairperson, I recognize that it is a small company and the value-for-money audits I suspect are being done by the Auditor General of the Province of Manitoba to ensure that the taxpayers' money is being well invested and things of that nature, and I appreciate that. Zero-based budgeting is a management tool that boards can decide to use or not use.

All I want to suggest to the chairman of the board and through him to the corporation, is that they do not blind themselves to familiarity and to the continued methods of always doing things the same way, and assume that is the best and/or most efficient method of accomplishing an end result. The value, I have found, the real value of outside boards of directors is that they bring new insight, new objectives and new methods of doing things, and that if the board were to, without suggesting to any member of the corporation that they are doing anything wrong, simply looked at the method that they are doing things with a view to either increasing the information that they receive to give them more decision-making powers, if they looked at increasing the efficiency, speeding up the process, reducing the redundancy, any of those things, they may in fact find things.

I agree that the board, on a quarterly basis, will deal with items that do come to its attention. The audit committee's responsibility—and one of them being the efficiency of the operation—is simply an opportunity that should not be overlooked by effective boards. So without asking them to respond any further, as long as they are satisfied that they are doing that job, then I am satisfied. Thank you.

Mr. Neufeld: I am satisfied.

Mr. Brockington: If the Minister is satisfied, I am satisfied. One point I would add is that the audit committee, for example, has gone through changes in the last year. We do have new faces on the board. we

have had new directors over the last year and the last few months. Unfortunately, we lost one of our directors who passed away, Paddy Lane. We have a new director in Jim Clarke who is the new one on the board who is a CA as well. So we have new blood coming to the board that I think always injects those new ideas and gives you that. We do not become stale.

Mr. Angus: Mr. Chairperson, it might be as simple as automating your bookkeeping methods in a different format or things of that nature. It is not a major thing, it is just something that the board should be vigilant at looking for better, less expensive, more effective ways of meeting their goals and objective and their mandate, so I am reasonably satisfied, not that the Minister is satisfied, but I am reasonably satisfied that the professional administrators are comfortable, and I thank you.

Mr. Mark Minenko (Seven Oaks): I just have a short question with respect to this annual report and the previous ones we just passed looking perhaps at the future. Is MMR involved in any litigation at the present time?

Mr. Wright: No, we are not.

Mr. Minenko: Does MMR expect to be involved in any litigation?

Mr. Wright: No, we do not.

* (1110)

Mr. Minenko: Are there any situations in the last period of time that MMR has settled?

Mr. Wright: No. In the entire company history going back to 1971, we have had no instances of litigation.

Mr. Minenko: There are none anticipated from any situations arising from any working or operation of the corporation?

Mr. Wright: No, and any time we see potential problems these instances of litigation that you talk about are fairly common in the mining industry between joint venture partners. We are involved in a lot of joint ventures and we try to head off any of these things by getting them out on the table and settled before they become mountains out of molehills.

Mr. Minenko: Have there been any recently then that have been kept at molehill level?

Mr. Wright: I am involved in one right now.

Mr. Minenko: Are you at liberty to discuss that matter?

Mr. Wright: No, I am not. These are normal frictions which develop between joint venture partners, such as develop in marriages at home. You try to accommodate them and solve them in the same way.

Mr. Minenko: Is the Minister advised of these matters as they arise?

Mr. Neufeld: I am advised when they arise, I think. You would have to ask Dr. Wright whether he advised me of every one that he is aware of, and I do believe he does.

Mr. Wright: There are different size molehills, and until it becomes a significant molehill, I do not advise the Minister, no.

Mr. Minenko: The reason for the line of questioning is, ultimately, we are still responsible to the taxpayers of Manitoba. I would certainly want to ensure that someone that is ultimately responsible to the taxpayers, for example, the Minister through his Government is kept abreast of these things. Have any in the past or the one that you are dealing with now will have any potential liability resulting in a deficit position or increased costs to the operation of the company?

Mr. Wright: No, not even the one I am dealing with right now has any potential of doing that.

Mr. Minenko: I would ask the Minister then to perhaps express his opinion on some of the matters that have been brought to his attention. Is it the Minister's opinion that any of the issues raised through his office or before his office have potential problems resulting in additional costs to the taxpayers of Manitoba?

Mr. Neufeld: There is from time to time—Mr. Wright and I discuss operational, if you like, difficulties, but none of the ones that we have discussed will in my opinion result in any losses to Manitoba Mineral Resources.

Mr. Chairman: Any more questions? Mr. Cowan.

Mr. Jay Cowan (Churchill): At the October 3rd meeting the Minister indicated that he expected the final report from Strathcona Engineering Limited by the end of the week, that was a Tuesday. I would ask him if he has now received the report, it being well over a week later?

Mr. Neufeld: We have not received the final final report. We have received a second preliminary report, if you like, but we have not received the final final report. As we receive more information, nothing substantially different has been reported and was as reported in the original preliminary report. I think Mr. Wright wanted to add something.

Mr. Wright: We were talking with Strathcona this morning and they still are making some fine tuning to their financial runs which will affect the wordage and some of the numbers in the preliminary report, which I understand you have a copy of, but the basic thrust of the report will be same.

Mr. Cowan: I have had a copy for quite some time, and I just want to indicate that even with that copy the negotiations have not been jeopardized at least as a result of that copy being readily available to a number of people. So I think one of the arguments that the Minister was using previously with respect to not allowing the release of that document. The argument

specifically being that it would jeopardize the negotiations is a specious one at best and does not hold water in any event. I just make that point as an aside because I do not think it is going to do anything to convince the Minister to change his mind with respect to releasing the other documentation, but I hope in the future he will learn something from the fact that sometimes these documents are readily available and they are treated in a very responsible way by parties who wish to work together towards a common objective.

The Minister indicates that they have not received the final, final report, but a second report was received that did not dramatically, or significantly, alter the conclusions in the first report. Is that the case?

Mr. Neufeld: Yes, that is true. I should mention, as well, that we had a meeting with the vice-president of the parent company on Tuesday of this week, in which we discussed, person-to-person, the preliminary report on which we came to some conclusions on how we might proceed. It was because of not wanting to preempt this particular meeting that I did not want to release the preliminary report, but I have no objection at this point in time, inasmuch as it is public knowledge anyway to releasing the preliminary report, nor will I have any objection to the final report being released. That, of course, would be subject to LynnGold's concurrence, because they after all are the owners of the deposits that are affected by this review.

Mr. Cowan: We were told earlier in the month that the initial report was not a very optimistic report, and based on the data contained in it there was not any optimism on the part of MMR or the Minister that there was a long-term solution to this problem readily at hand.

I do not think I am misquoting them, or misinterpreting them. They seemed rather pessimistic at that point in time, and the Hansards, of course, are available to either confirm or reject that impression.

Is it anticipated the final, final report will offer any more promising overview and optimistic response from the Government?

Mr. Neufeld: The information we are getting from Strathcona, since the preliminary report was issued, is less favourable than the preliminary report. The net cash flow was projected at \$15.5 million in Strathcona's original report. I believe the latest one we have is \$13.4 million.

I indicated earlier there are no substantial differences, and we do not consider that a substantial difference, but it is nevertheless less favourable than the original.

Mr. Cowan: Can the Minister indicate if any negotiations have resulted in any offers between the parties with respect to the continuation of the LynnGold operation?

Mr. Neufeld: We always had as a precondition that the operations must be ongoing. One of the preconditions for making it ongoing, or for permitting it to be ongoing, was that the liabilities be cleaned up, that liabilities that LynnGold had, we did not want to

advance monies and have it used to pay off existing debt.

The company has, to a very large extent, agreed to look after the debt of LynnGold, not entirely, but to a very large degree, and we are still negotiating.

Mr. Cowan: One would gather from that information more optimistic scenario though, that negotiations are continuing at this point in time, and they seem to be making progress. I will not go any deeper into the details of the negotiations at this time, if that is the case.

Mr. Neufeld: They are continuing and we expect to be in touch with the vice-president of Dynamic Capital Corporation within hours of receiving the final report, and I have agreed with the president of the Steelworkers Union that they will be brought into the negotiations at that point.

Mr. Cowan: The union has indicated to the Minister that they are very concerned about pressure being brought to bear on the work force at LynnGold to accept concessions in order to continue the operation. Can the Minister indicate if he has given any assurance to them that concessions will not be a part of the final package?

* (1120)

Mr. Neufeld: I have told the president of the union as long ago as a week ago that the Strathcona Report indicated that the salary-related expenses for an operation of this size were too high and that the union should be prepared to make concessions.

Mr. Cowan: In other words, it is the Minister's opinion then that concessions may well have to be a part of the final package.

Mr. Neufeld: It is for that reason that I have told Dr. Wright that he would be brought into the negotiations, that the final package may well and will be one that will, if indeed we can come to a conclusion that continues the operation of the mine, be to the benefit of everyone. We should all be involved in those finalizations.

Mr. Cowan: It is a delicate area. I am trying to tread lightly given the fact that there are some serious negotiations ongoing now. I do want to clarify the one point. The Minister has indicated that the steelworkers will be brought into the negotiations. Is that for the purpose of determining what concessions they may have to make in order to make this a viable deal or is it a mechanism to allow them to help shape a better deal without being forced to succumb to concessions on their part?

Mr. Neufeld: When I expect to come out of the discussions we will have, the union has other concerns, specifically they have a concern about possible downsizing, they have a concern about if the Farley deposit is mined, how it will be mined, as well as concessions. I understand that the company has asked

them to make investments for some of the money that is owing to them now. All those are now the concern of the people working at the mine and the union leadership. It is for this reason, Mr. Cowan, that we expect and we have told the union, given our commitment, that they will be brought into the negotiations.

Mr. Cowan: The Minister is not necessarily opposed to concessions and believes that they may in fact have to be a part of the final package. I am trying to clarify what he has indicated without in any way upsetting negotiations. If he feels that this line of questioning may do, so let him please indicate and we will discontinue it.

Mr. Neufeld: I have no objection to the line of questioning, Mr. Chairman. Concessions could well be part of the final solution.

Mr. Cowan: Given that the negotiations are at a sensitive stage and hopefully they will be successful negotiations, it would probably be somewhat dangerous to continue on with a detailed line of questioning at this particular time.

What I would ask is that, given that we are very close to the adjournment hour of this committee in any event, that we not close off the committee hearings at this stage hoping that within the next days or at the latest within the next week or so, there is an agreement reached that can then be brought back to this table for more detailed discussion at that time. I think that would probably be the most appropriate way to proceed. We will want to discuss the details of the agreement. We believe it is an agreement that will fall within the mandate of the committee's general deliberations but I think to continue too much further along this line at this time could jeopardize some sensitive negotiations and we would not want to be a party to that. If we could reach that sort of an agreement now, I think we could agree—

Mr. Neufeld: If we could finalize the report, with the exception of the agreement at LynnGold, we would appreciate it, and we would be prepared to come back and put all our agreements and the reasons for arriving at the agreements on the table at that time.

Mr. Minenko: I just have some follow-up questions to some of my questions just a little earlier. With respect to reaching these arrangements with various partners or joint venture, and so on, what is the process by which the corporation uses to arrive at its final position on the matter?

Mr. Wright: I have difficulty in answering a general question like that when each of these ventures is different with different circumstances and different players. I guess the only answer I could really give you is that we try to do the best for our side of the deal.

Mr. Minenko: Does the corporation receive legal opinions with respect to its contracts or whatnot that might be in dispute, and from whom does the corporation receive these opinions?

Mr. Wright: I can think of only one instance in the terms of a contract under dispute in which we have had to receive legal opinion but it was resolved without litigation, as I have indicated to you before. We have legal counsel to assist us in the drafting of all of these letters of intent and agreements which we enter into. If I knew just where your line of questioning was trying to lead, perhaps I could help you better, but I just do not know where you are going, Mr. Minenko.

Mr. Minenko: Well, I do not want to sound as if I am cross examining the Minister or the staff of the corporation, but I just want to be able to understand a little bit better the process which you use. The counsel that you use to draft up these Letters of Intent and agreements and provide any assistance, are they Crown counsel or does the corporation hire private law firms?

Mr. Wright: Those are private law firms.

Mr. Minenko: Are they from Winnipeg or from up north?

Mr. Wright: No. With one exception they are Winnipeg based. The one exception was a Toronto-based one.

Mr. Minenko: The Winnipeg-based one, does the corporation use the same counsel over its history or has there been a change, and if there was a change, when was the change?

Mr. Wright: We have had a number of changes over the history and we do not always use the same legal counsel. Sometimes we are looking for expertise in one area rather than another. Basically we have dealt with the firms of Thompson Dorfman Sweatman; Buchwald Asper Henteleff; and Pitblado Hoskins.

Mr. Minenko: So it is the policy of the corporation to hire counsel, depending on the needs of the corporation, is that correct then?

Mr. Chairman: Would you repeat the question, please?

Mr. Minenko: Is it then the policy of the Minister to whom the corporation reports to hire counsel depending on the situation and the expertise required?

Mr. Wright: That is correct.

Mr. Minenko: You seemed to suggest then in your earlier response that, in some of the situations or the hot spots the co-operation has found themselves in, in the vast majority of situations or except in one situation, there was no legal counsel required to assist the corporation in arriving at a settlement with the people on the other side of the table? Is that correct?

Mr. Wright: That is correct.

* (1130)

Mr. Minenko: Why were counsel not sought then in those situations? It would seem to me that if the money centred over some sort Letters of Intent or contract, it would be prudent to seek legal counsel.

Mr. Wright: I am getting a little bit confused here. In the instances where you are in negotiation and you are drafting letters of intent and are preparing agreements, we have always had legal counsel. That is opposed to whether you need legal counsel after that fact to then subsequently resolve a contractual issue which has already been written. It has been my experience in dealing with matters like this that if you can solve those problems between the parties without resorting to legal counsel, you are a lot better off in general than if you bring legal counsel in very early in the game, because when you bring legal counsel in, the other side brings legal counsel in, and the first thing you know you have a confrontational attitude.

Mr. Minenko: I can appreciate what you are saying and in fact oftentimes it is, but certainly between private persons and persons in that situation would also be defined as corporations, that oftentimes in situations it is better as you suggest, but in a situation where the ultimate responsibility is the taxpayers of Manitoba, I am just wondering whether it would not be more prudent of you to have counsel provide what the position of the corporation should be and the parameters of any discussions that the corporation would have with the people on the other side of the table. I would like to ask the Minister or staff to perhaps direct themselves to answer that charge.

Mr. Neufeld: Thank you, Mr. Chairman. The ultimate decision in any difference of opinion will be that of the corporation or the people representing it, probably the president. The lawyers will take their instruction from the president in that instance, so if the president and someone from the other side can resolve their differences without the attendance of lawyers, I do not think that the decision will be any worse. It could well be better.

Mr. Minenko: No, I appreciate that counsel only take instructions and work within the parameters of their instructions. If indeed the terms of a contract or Letters of Intent or any sort of agreement were indeed clearly set out, then there really would not be any disputes. I am just wondering then perhaps if the Minister or the members from the corporation could advise as to what are some of the subject matters of some of these disputes?

Mr. Neufeld: First of all, if you bring the solicitor in, you are no longer discussing the intent that you had when you entered into an agreement, you are discussing the legal document that was written to cover the intent of that agreement. If the people on either side who entered into an agreement to start with know what their intent was, it should be recognized that they are in the best position to resolve the differences that they have, and not the lawyers who will resolve the differences on the basis of the words that were written into the agreement for the intent. The lawyers will argue words rather than intent.

Mr. Bob Rose (St. Vital): Mr. Chairman, I am not happy with the last two answers that I have heard. First of all we have heard that—we are not dealing with

personalities, we are dealing with a corporation that can change from time to time in dealing with different personnel, but if we had gone to the trouble to bring in (inaudible) some dispute about those contracts, could be small disputes or could be big disputes between the two parties involved in the joint agreement.

Then it would seem to me, contrary to what we have heard, the first thing that the corporation should do is bring in the lawyer who drafted that agreement to interpret it for management. I do not know, this answer that was backed up by the Minister, that indeed if we bring in a lawyer they will bring in a lawyer. Well, how did the other side even know that we had brought our own lawyer in? So that is a ridiculous argument, that it escalates a dispute. If we have trouble with a contract that we have had drafted by a lawyer, it seems common sense that we bring in that same lawyer or that same firm to interpret any differences that may arise. Listen, almost any contract has—some disputes would arise in the future.

I am wondering myself, as is my colleague, when there is a dispute in the interpretation of a contract drawn up by a lawyer, why that lawyer is not brought in to clarify the differences between the two parties in the joint venture.

Mr. Neufeld: First of all, Mr. Chairman, the difference is not in the written agreement. The difference in opinion is in what the intent was, and if a lawyer is brought in he will not argue what the intent was, he will argue what the agreement said. If the two parties can agree on their initial intent when the agreement was entered into, if they can agree on that, there is no need to bring in a lawyer. It is only when they cannot agree on what the initial intent was that a lawyer will be brought in, and I think that is as it should be.

Mr. Rose: I think common business practice would say it would be prudent upon management—as well as having their own opinion, even if it is intent, which is a fine line between intent and what is written in the agreement—that it would be prudent business and rather inexpensive to also bring the attorneys who drew that document up to get their opinions whether it be the legalities of it or the intent.

Mr. Neufeld: I think Dr. Wright had something to add to my comments last time so I will let him answer first.

Mr. Wright: I am trying to struggle back in my mind to think of the number of times where we have had differences of opinion as to what the agreement said. Usually these differences arise out of things which are not covered by the agreement. Some of these agreements are 10 or 15 years old, circumstances change. Most of these things which come up are items which are not covered by the agreement, so then we get down and we sit down and say, well, what was the intent? In not one instance thus far have we had great differences on that intent and have ended up amending the agreement, bringing the lawyers in to say, well, look, we think the agreement ought to be amended this way, and then the lawyers do it. There is the odd occasion when we have consulted legal counsel before

having an informal meeting with the other side to see what our legal position was, but we have not brought—

There was one instance many, many years ago that we actually brought legal counsel to one of these meetings to try and sort it out. In that instance, where we did bring legal counsel to that meeting, it got into a dogfight. I took the president of the other company out and we went down to the bathroom and we solved the problem.

Mr. Rose: It sounds like the Meech Lake Accord.

By the way, I have some problems with this. Usually when these disputes arise—and incidentally before I get into that, I might say that my colleague and I are no way ever suggesting that we bring legal counsel to the table. We have not said that we would bring them to the table to escalate it. We said to get the advice of legal counsel drafted, the original agreement.

I can understand your problems. When you bring a lawyer, they want to bring a lawyer, and then you bring two, and they bring three. I can understand that.

Let me say that the words I heard were that usually these arise because of something that is not in the agreement and that they do not know the intent. In that point would it not make good business sense for the future and different management and difference board of directors that may come along, for them to bring in legal counsel at that point. You have alluded to the fact that you have redrawn one agreement, but when you have these disputes, should not they all have that clause added to clarify the document of those things that had been missed in the original document?

* (1140)

Mr. Wright: Any agreement can be amended provided both the parties agree to amend it and that is basically what we try to do and we negotiate terms of the amendment and have legal counsel draft up the amendment.

Mr. Rose: One more question. If in these disputes between the parties to the joint agreement there is a disagreement that is resolved between the other company and MMR, is that a single person decision or would normally that decision go to the board of directors for clarification? Would it be in the minutes of the board of directors that there was some sort of a disagreement in the original contract and that it had been resolved in such and such a manner and get the approval of the board for that resolution of the problem?

Mr. Wright: This would depend upon the magnitude of the change and whether or not this is the kind of an agreement that the board in the past has approved or dealt with. I cannot even put numbers on the dozens of agreements within the period of year, not all of which go before the board of directors. The major ones do, but we do not take a line cutting contract for example before our board of directors.

Mr. Rose: Thank you very much for that answer.

Mr. Harold Taylor (Wolseley): Mr. Chairperson, I would like to move a motion at this point. I know the committee

is getting set to rise for the morning and obviously there is some other things that will have to be dealt with again before this committee before we can pass the report. With that understanding around the table, I make the following motion:

I move that the Chairman of the Economic Development Committee be requested to report to the House that problems were encountered by Members of the committee because neither transcripts nor Hansards were available from the preceding meetings before the holding of subsequent meetings of this committee.

In advance of this report being made to the House, the Chairperson of the committee is requested to transmit the attached communication to the Honourable Speaker of the House. I will sign it.

What I refer to here, Mr. Chairperson, is chronic problems that we have had on this and other committees as well, where it is just impossible from the view of practical considerations to have either the transcripts or the Hansards ready.

I think in discussions between yourself and myself and other Members of the committee, there has been acknowledgment that there is a problem there. The policy is being followed, the policy does not permit the resources necessary to do the job properly. Therefore, I move that with the attached letter, and I will pass the letter out to my colleagues on the committee. I should say also, the Speaker is aware of this issue and is expecting this communication.

Mr. Chairman: Please bring forward the motion. Thank you, Mr. Taylor. I will read out the motion. Dispense.

Mr. Angus: On the motion, I think it is a formal method of indicating to the Speaker that there is some difficulty in an overworked Hansard staff in responding in an effective method so we can all do our jobs more effectively. In no way do I want it to be misconstrued as a slap in the face of the Hansard staff which does an excellent job in interpreting at very quick notice.

It was a set of coincidences, a Tuesday meeting and a Thursday meeting and things of that nature. At the same time because of the procedures of the House, I think it is necessary to highlight to the Speaker in a formal motion by the committee that we have some procedural difficulties and if he can take that under advisement and rectify that problem, that is what we are most sincerely interested in.

Mr. Neufeld: That is up to another committee, that is up to them and we should not belabour it in this committee. I would like to have the committee's agreement that the only item left to discuss by this committee, with respect to the Manitoba Mineral Resources Report, is the LynnGold situation, so that we do not have to have all staff report the next time. That is a Government policy matter. If you have more questions, let us deal with them and let us get them out of the way.

Mr. Chairman: Well, Mr. Minister, I think there has been a motion put forward, and I think this committee

will have to deal with this motion. I was going to read out the motion and then Members indicated to dispense the motion.

An Honourable Member: No, we want it read, we would like to hear it.

Mr. Edward Helwer (Gimli): Mr. Chairman, we would like the motion read, I believe, once more.

Mr. Chairman: Okay, I will read the motion:

I move that the Chairman of the Economic Development Committee be requested to report to the House that problems were encountered by Members of the committee because neither transcripts nor Hansard were available from the preceding meetings before the holding of subsequent meetings of this committee.

In advance of this report being made to the House, the Chairperson of the committee is requested to transmit the attached communication to the Honourable Speaker of the House. Moved by Mr. Taylor.

Mr. Helwer.

Mr. Helwer: I believe the motion should be out of order because we are here to deal with the Manitoba Mineral Resources Report. I do not think we are here to deal with items that are really housekeeping items that should be dealt with at a different meeting, or at a different time. That is an item that the House Leaders, together with the Speaker, should resolve. I believe it is out of order, Mr. Chairman.

Mr. Chairman: Mr. Taylor, speaking to the motion.

Mr. Taylor: Mr. Chairperson, speaking to the comment by the Member for Gimli, and to the motion, the issue is the capability of this committee to function effectively. Therefore, it affects any matter that comes before it, whether it is Manitoba Mineral Resources or any other subject matter that is deemed by the House is appropriate for the deliberations of this committee. The fact is that when meetings are scheduled back to back, i.e., Tuesdays and Thursday following, there is insufficient time for Hansard staff, as now resourced, to be able to produce either a transcript—which would be acceptable—or preferably a Hansard, and therefore it is essential, if this committee and others are to work properly, that we properly resource the Hansard unit, one; and in the interim the Government House Leader be required to not call meetings back to back until that situation is corrected. It may be housekeeping, but it is to do with the basic functioning of the committee, and I do not want the functioning of this committee, quite frankly, to become a rubber stamp, to become a mockery. It is only in the efforts to make this work properly that the motion is put forward in all sincerity, and that there has been discussions with the Government side and with the Speaker about the motion. I thought all the Government Members were onside on it.

Mr. Chairman: Mr. Helwer, I would just like to indicate to you that it has been drawn to my attention that the

business of dealing with these committees, and this would pertain to that, so that this would basically be in order.

Mr. Neufeld: I was just going to suggest to Mr. Helwer that while I may agree with what he has just said, and I think it is a waste of time, but I can count and I think we should dispense with it with a conversation and we should put it to a vote. All those in favour of the motion before us, so indicate? All those in favour of the motion say, yea. All those against the motion say, nay. I believe the yeas have it. The motion has passed, so with that—Mr. Taylor.

Mr. Taylor: Mr. Chairperson, on a point of order. I am really taken aback that Government Members here would prefer to see this committee shackled in a way because it does not have the capability of reporting properly its previous proceedings, and I think that is abominable. I hope they will reconsider before this report comes before the House.

Mr. Chairman: A dispute over the facts is not a point of order. Mr. Taylor, I would want to get one clarification. This motion reads that the letter accompanied will be then forwarded to the Speaker of the House.

Mr. Helwer, did you want to make a comment?

* (1150)

Mr. Helwer: Mr. Chairman, just in answer to the Honourable Member from the Opposition here, I think we have done everything possible here and our Minister has been very accommodating with the answers, and the reports have been printed. If the Opposition cannot read the report and cannot remember what questions they asked last Tuesday or Thursday, then I am afraid they should -(interjection)-.

Mr. Neufeld: I think we should remember what we are here for and see—I asked the question earlier—whether we could decide that all questions with respect to the annual report—really the reason that we are here—have been answered, and the only outstanding item left is the issue at Lynn Lake. In that way I do not have to bring back four staff people who have other things to do. We are short staffed in Manitoba Mineral Resources.

Mr. Taylor: Yes, Mr. Chairperson, I am wondering if the Member for Gimli (Mr. Helwer) would entertain a question as to whether he feels that sort of thinking on Hansard reports for this committee also would be an appropriate attitude towards Hansard reports for the deliberation of the House as a whole?

Mr. Chairman: Is it the will of the committee that the 1988 Annual Report of Manitoba Mineral Resources be passed?

An Honourable Member: No. On a point of order.

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

Mr. Angus: Thank you. Does the passing of the report that you have indicated close off the functions of the committee?

An Honourable Member: Yes.

Mr. Angus: Well, then we cannot pass that based on what the Minister has said. It must be left open and so the motion would be the committee rise.

Mr. Chairman: That is not a point of order. My question to the committee is whether it is the will of the committee to pass the 1988 Annual Report of Mineral Resources?

Some Honourable Members: No.

Mr. Chairman: So the report then is not passed today.

Mr. Neufeld: I have a question to the committee. Am I expected to bring staff back or am I expected to answer questions with respect only to the Lynn Lake negotiations?

Mr. Angus: Mr. Chairperson, the question is consistent with how long is a piece of string? Unfortunately, we really do not know. I would suggest that once the Minister has some form of an agreement that he feels comfortable with to bring back, then he will be in a place to make the judgments as to whether a member of the staff should be accompanying him to assist him in that. Dr. Wright should probably be there I would think.

Mr. Neufeld: The decision will be a Government one and not a Manitoba Mineral Resources one. It will be policy and not technical. For the purpose of discussing any agreement the Government comes to with respect to the Lynn Lake mine, it will not affect Manitoba Mineral Resources, and I would feel quite comfortable in not bringing staff back for that reason. It was for reasons other than Lynn Lake that I asked, would I be required to answer questions which might be of a technical nature with respect to this report, and I cannot see why it should be.

Mr. Angus: Mr. Chairperson, again as the LynnGold-Farley Lake material flows from this document there may in fact be some technical questions that relate back to the efforts of the corporations. I think that the Minister has a lot of confidence in himself, but he might be well advised to suggest that at least a senior staff member accompany him in case there are questions.

Mr. Chairman: The time now being 11:55, is it the will of the committee to rise?

Some Honourable Members: Rise.

Mr. Chairman: The committee rise.

COMMITTEE ROSE AT: 11:55 a.m.