



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

Standing Committee
on
Economic Development

Chairperson
Mr. Mike Radcliffe
Constituency of River Heights



Vol. XLV No. 7 - 10 a.m., Tuesday, October 24, 1995

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Sixth Legislature

Members, Constituencies and Political Affiliation

<u>Name</u>	<u>Constituency</u>	<u>Party</u>
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
CUMMINGS, Glen, Hon.	Ste. Rose	P.C.
DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
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DOER, Gary	Concordia	N.D.P.
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DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
ERNST, Jim, Hon.	Charleswood	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
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.
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McALPINE, Gerry	Sturgeon Creek	P.C.
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McGIFFORD, Diane	Osborne	N.D.P.
McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David	Riel	P.C.
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PENNER, Jack	Emerson	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike	River Heights	P.C.
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REIMER, Jack, Hon.	Niakwa	P.C.
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TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.

**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**

Tuesday, October 24, 1995

TIME – 10 a.m.

Consolidated Financial Statements for A.E. McKenzie Co. Ltd. for the year ending October 31, 1994

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Mike Radcliffe (River Heights)

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ATTENDANCE - 11 – QUORUM - 6

Mr. Chairperson: Good morning. The Standing Committee on Economic Development will please come to order.

Members of the Committee present:

Committee Substitutions

Hon. Mr. Praznik

Messrs. Ashton, Dyck, Evans (Brandon East), Evans (Interlake), Laurendeau, Ms. Mihychuk, Mr. Newman, Mr. Radcliffe, Mrs. Render, Mr. Rocan

Mr. Marcel Laurendeau (St. Norbert): Mr. Chairman, I move that the honourable member for Emerson (Mr. Penner) replace the honourable member for Pembina (Mr. Dyck) as the member for the Standing Committee on Economic Development effective October 24, with the understanding that same substitution will be moved in the House to be properly recorded in the official records of the House, with leave.

Substitutions:

Mr. Penner for Mr. Dyck at 10:05 a.m.

Mr. Chairperson: Is there leave of the committee for this motion? [agreed]

APPEARING:

Hon. Mr. Harold Gilleshammer, Minister responsible for A.E. McKenzie Co. Ltd.

Mr. Kevin Lamoureux, MLA for Inkster

Motion agreed to.

Mr. Gerry Offet, General Manager, Communities Economic Development Fund

Mr. Gord Wakeling, Director of Fisheries, Communities Economic Development Fund

Mr. Chairperson: Good morning, everybody. We have before us for consideration the Annual Report for the Communities Economic Development Fund for the year ending March 31, 1994; the Annual Report for the Communities Economic Development Fund for the year ending March 31, 1995; the Annual Report for Mineral Resources Ltd. for the year ending December 31, 1993; the Annual Report for A.E. McKenzie Co. Ltd. ending October 31, 1993, and the Consolidated Financial Statements for A.E. McKenzie Co. Ltd. for the year ending October 31, 1994. Do all members have the reports?

MATTERS UNDER DISCUSSION:

Annual Report of the Communities Economic Development Fund for March 31, 1994

Annual Report of the Communities Economic Development Fund for March 31, 1995

Annual Report for Manitoba Mineral Resources Ltd. for the year ending December 31, 1993

An Honourable Member: We have.

Annual Report of A.E. McKenzie Co. Ltd. for the year ending October 31, 1993

Mr. Chairperson: You have. We have Mr. Gilleshammer who is primed and ready to roll. I would invite the committee to entertain the reports for A.E.

McKenzie Co. Ltd., that is the Annual Report for A.E. McKenzie Co. Ltd. for the year ending October 31, 1993, and the Consolidated Financial Statements for A.E. McKenzie Co. Ltd. for the year ending October 31, 1994.

Hon. Harold Gilleshammer (Minister responsible for A.E. McKenzie Co. Ltd.): Thank you, Mr. Chairman. One year ago, McKenzie Seeds was sold to Regal Greetings & Gifts. We have two outstanding annual reports and I would submit to the committee that we pass these reports and clear them off the books.

Mr. Leonard Evans (Brandon East): We have two reports before us. I have a couple of questions I would like to ask the minister pertaining to the reports and to the agreement that was entered into by the government or by McKenzie and the government with Regal Greetings, MBC. I wanted to ask the minister if he could tell the committee how the government intends to ensure the level of employment will be maintained in Brandon. There is reference to the government holding preferred shares for a period of seven years, for a period which is the longer of seven years or the time by which Regal has invested an additional \$4 million through a combination of capital expenditures at McKenzie and job creation in the Brandon area. I wonder if the minister could tell—

Mr. Chairperson: Excuse me for a second, Mr. Evans. Mr. Laurendeau, do have a point of order on this matter?

Point of Order

Mr. Laurendeau: Just on a matter of clarification, Mr. Chairperson. We have not come to the agreement yet on whether we were going to deal with them individually or both at one time. I do believe it would be much more effective if we dealt each on their turn, and the 1993 does come before the 1994. Seeing as the agreement was done in 1994, that question would fall under the second part of questioning after we have passed the '93 report

Mr. Chairperson: What is the will of the committee on this matter? The Annual Report for A.E. McKenzie

for the year ending October 31, 1993, shall that report pass?

An Honourable Member: Pass.

Mr. Chairperson: Pass and so ordered.

So we are now considering the Consolidated Financial Statements for A.E. McKenzie for the year ending October 31, 1994. Is that correct?

An Honourable Member: Correct

* * *

Mr. Chairperson: Sorry for the interruption.

Mr. Leonard Evans: I asked the question. I could repeat it if you like.

Mr. Chairperson: I think the minister has the question.

Mr. Gilleshammer: Yes, the sale of McKenzie by the government to Regal Greetings & Gifts was concluded a year ago with guarantees within there that will be met by the new corporation.

Mr. Leonard Evans: The point is, what I would like to know is how. How can the government ensure that the job level will be maintained?

* (1010)

Mr. Gilleshammer: Part of the purchase was that the government retain some preferred shares, the golden share, and that the new corporation has made certain guarantees as part of the sale, and the government is comfortable with the manner in which that sale was structured, that Regal Greetings & Gifts will live up to their obligations.

Mr. Leonard Evans: Well, I appreciate the minister has a lot of confidence in the company, but what I would like to know is how can the government ensure legally that MBC Regal Greetings will live up to the agreement?

Mr. Gilleshammer: There were arrangements within that agreement through what we call the golden share that the government would reacquire the company if these obligations were not met.

Mr. Leonard Evans: In the manner of holding preferred shares, is this what gives the government the right to appoint a member or members to the board? I wonder if the minister could elaborate on that.

Mr. Gilleshammer: The board composition was part of the agreement.

Mr. Leonard Evans: Would the minister tell us how many members can be on the board representing the government?

Mr. Gilleshammer: There are no members on the board representing the government. The government's ultimate ability to see that the agreement is lived up to, as part of that agreement, was the ability to reacquire the company through the holding of the preferred shares if the company did not live up to the details of that agreement.

Mr. Leonard Evans: How can the government be assured that the company is living up to the details of the agreement if it does not have a member on the board?

Mr. Gilleshammer: There is a board looking after McKenzie Seeds. There are benchmarks that the company has to live up to. If that is not the case, then the government has the ability, through the preferred shares, to reacquire the company.

These were discussions that took place a year ago with the sale of the company. At that time, the member for Brandon East (Mr. Leonard Evans) said that we did not have the mandate to complete the sale. Since that sale, we have had an election. I might point out that this issue was never brought up during the election.

The sale has been completed, the documents have been signed and we are here today, as I understand the discussions with the House leaders, simply to pass these reports and have them taken off the books at this time.

Mr. Leonard Evans: Mr. Chairman, I believe I, and other members of the committee and the Legislature, have a responsibility to ensure that the people's interest, the government's interest is protected. I am simply asking the minister a very simple question. How do you get the details? How do you get the data to ensure that the conditions of the agreement are being lived up to?

Mr. Gilleshammer: Part of the agreement was that the purchasers, Regal Greetings & Gifts, had to meet certain commitments. If those commitments are not met, the government has the ability to reacquire the company.

The economic development board will be able to review how the new company is meeting those targets through the fact that the government holds the preferred shares. If they are not being met, ultimately, the government has the opportunity to reacquire the company.

Mr. Leonard Evans: Which economic development board is the minister talking about?

Mr. Gilleshammer: The Economic Development Board of Cabinet, ultimately through the Minister of Finance (Mr. Stefanson).

Mr. Leonard Evans: What is the process by which the economic development board gets the data on the operations of the company in order to assess whether or not Regal MBC is living up to the agreement?

Mr. Gilleshammer: The economic development board, through the Minister of Finance, will review that from time to time to see that what the company has agreed to within the contract is being lived up to. Ultimately, if they are not doing so, then the government has the opportunity, through the holding of the golden share, to reacquire the company.

Mr. Leonard Evans: Well, does the government's economic development board get a monthly or a quarterly statement from the company regarding matters of operation so that it can monitor this commitment?

Mr. Gilleshammer: This will be done on an annual basis.

Mr. Leonard Evans: Oh, an annual basis. Can the minister tell us what is the level of employment that is guaranteed in the agreement? I mean a lot of the argument revolved, as the minister would appreciate, around keeping jobs in Manitoba, maintaining the workforce here, et cetera, to the extent that that was practical and reasonable. I was just wondering if he could advise just what is in the agreement regarding that level of employment, and what are we guaranteeing? Again, I was wondering how you assure that level is being kept up.

Mr. Gilleshammer: Well, the level of employment was that level of employment that existed on the date of the sale. I do not have any staff with me today, but my memory is that that level of employment was around 160 full-time equivalents that was committed by the new company.

Mr. Leonard Evans: Well, the 160—does that include an estimate for the seasonal staff as well?

Mr. Gilleshammer: It was full-time equivalents. The member is fully aware that there is a seasonal component to the operation of McKenzie Seeds.

Mr. Leonard Evans: In that figure of 160, that is the regular full-time, year-round staff plus a full-time equivalent estimate for the balance that are hired on a seasonal basis so that you get to the bottom number, which is 160?

Mr. Gilleshammer: Well, I am going from memory, but I think the member for Brandon East has that correct.

Mr. Leonard Evans: Can the minister tell us, have they had a report as to how many? Are we still at the 160 full-time equivalents today? It is a year since.

Mr. Gilleshammer: I do not have that information with me today.

Mr. Leonard Evans: Well, how are the people in Manitoba who are concerned about this, going to

ensure that the company does live up to the agreement. How are we going to know? Is the government prepared to release a statement every year, or is the minister prepared to provide information to the public that they are satisfied that the level of employment is being retained?

Mr. Gilleshammer: I will raise that issue with the Minister of Finance (Mr. Stefanson) to see what reporting we can put in place for the member for Brandon East and the people that he represents there.

Mr. Leonard Evans: Mr. Chairman, again I have not seen the agreement. What if the company, for whatever reason, falls below the 160 level? There can be various reasons for that, a change in technology, for example, where you have more equipment and you need fewer people. I mean that does happen. Is there any provision in there for that sort of change?

Mr. Gilleshammer: There was a detailed agreement struck dealing with the commitment of Regal to put in a certain number of dollars for modernization of the plant, for technology upgrade, for maintaining staff. We have every confidence that those targets will be met by the corporation.

I have indicated that I would ask the Minister of Finance (Mr. Stefanson) to bring forward a report to give the member the comfort he is looking for.

Mr. Leonard Evans: What is the value of the preferred shares that the government is holding?

Mr. Gilleshammer: I do not have that information here today.

Mr. Leonard Evans: Would the minister undertake to provide the committee with that information?

Mr. Gilleshammer: I will do so.

Mr. Leonard Evans: The minister is not in a position to indicate whether the company has invested any money yet throughout the past year, by way of capital expenditure, in the company.

Mr. Gilleshammer: They have not yet completed their first full year as owners of the company, but I

have indicated that I would, through the Minister of Finance, get a report for the member for Brandon East.

Mr. Leonard Evans: Mr. Chairperson, I am not clear how the government envisages this would work. Let us say in the event that there was some kind of a situation where the company, MBC Regal, decided that they wanted to make a major structural change and move X number of jobs out of Manitoba, out of Brandon. Just how does the procedure work? What happens? I am not clear, because again I have not seen the agreement. How does the government exercise its legal right to say we are acquiring the company—you referred to the golden share, I think the term was that you used. How does this work?

* (1020)

Mr. Gilleshammer: The member wants to revive the discussions that took place two years ago, a year and a half ago, one year ago, when the company was sold. Our legal advice is that the government has the ability to reacquire the company if the commitments made by Regal Greetings & Gifts are not met.

Mr. Leonard Evans: Mr. Chairman, we all know that, but my question is, like how? What is the mechanism? What is the procedure for this to happen?

Mr. Gilleshammer: The government at the current time holds the preferred shares. Those preferred shares will be held by the government for a period of years in which time the Regal Greetings & Gifts had certain benchmarks that they were to achieve. If they were not achieved the government, through the agreement that was struck, had the ability to reacquire the company.

I say to the member for Brandon East, when we made the sale we indicated that we had every confidence that the company was going to live up to its commitments. Nothing has happened over the last 11 months—plus that would make us feel any different. From any reports that I have had, they are on target to meet those commitments, and I have every confidence that the sale of McKenzie Seeds to Regal Greetings & Gifts is going to be good for Manitoba, good for the company and that they are on their way to meeting those commitments.

Mr. Leonard Evans: To ask a little more detailed question, I assume the agreement says they must maintain the equivalent of 160 FTEs, full-time equivalents. I am assuming that from what the minister has previously said.

What if, for whatever reason, it dropped to 150 from 160? Is that sufficient for the government to trigger reacquisition of the company?

Mr. Gilleshammer: The Regal Greetings & Gifts made commitments to the government to maintain staffing levels. The member for Brandon East wants to play "what if." I have indicated to him, to the committee, that the agreement that lawyers for the company, for the government, looked over in some detail give us as government, give the people of Manitoba, the comfort that Regal will meet those commitments.

There are parts of that contract which would allow the government to reacquire the company if those targets were not being met. If the member has any concerns about the operation of the company within the last year, I would like him to place it before the committee.

I have indicated that we are comfortable that they are on track to do the things that they contracted to do.

Mr. Leonard Evans: Then could I ask the minister this question? What would trigger a move by the government to reacquire the company?

Mr. Gilleshammer: I have indicated that government will analyze the performance of the company. If there are any aspects of the operation which raise any concerns with government, we have the ability to act by the covenants that were struck during the sale of this company.

Mr. Leonard Evans: Mr. Chairman, then I would like to ask the minister—there is a precedent. The government sold Manitoba Data Services corporation to the private sector. At my request, subsequently, Mr. Manness, then-Minister of Finance, after the negotiations were concluded—we requested it, and he was courteous enough to give us a copy of the

agreement between the Manitoba government, MDS and the acquiring company. I believe it was ISM.

So I ask the minister, now that the negotiations are concluded, is the minister and the government prepared to make a copy of the agreement available to this Legislature?

Mr. Gilleshammer: My understanding is, the member for Brandon East made that request to the Minister of Finance (Mr. Stefanson) in committee here last week and that, subject to third-party confidential issues, the Minister of Finance had made a commitment to seek a way of providing as much information to the member as he possibly could. I believe he is now looking into that.

Mr. Leonard Evans: Mr. Chairman, my understanding was that he was going to discuss it with the present minister to see whether the present minister was agreeable. Now, I may have misheard, but is the minister saying they are contemplating making parts of the agreement available but not the whole agreement? Is this what the minister is saying that they are looking into?

Mr. Gilleshammer: My preliminary discussions with the Minister of Finance are that we would make whatever did not violate the third-party confidential issues available to the member.

Mr. Leonard Evans: Could he give me an example of that? What would violate third-party confidentiality, for example?

Mr. Gilleshammer: Well, the member for Brandon East knows very well that this is a competitive business environment. We would make available to the member whatever did not violate the third-party confidentiality. The Minister of Finance (Mr. Stefanson) did have an initial meeting with me, and we are working on that. We would make available that information which all parties to the agreement felt were not in violation of the confidentiality issues.

Mr. Leonard Evans: Well, I really fail to understand the reluctance of the minister and the government in this respect because this is a matter of privatization, and

they are in a very competitive business too. I do not frankly see it. I am just a little leery that the government is holding back on some information that they may feel they may be embarrassed about. That is the impression one gets. What are you afraid of?

An Honourable Member: We are open government.

Mr. Leonard Evans: Open government—well, then give us the copy of the report. We did it with MDS. Give it to us now.

Mr. Chairperson: Order, please. Mr. Evans, do you have a question?

Mr. Leonard Evans: My question is, what is there to cover up? What are you afraid of releasing to the public? In the interest of—

Mr. Gilleshammer: Mr. Chairman, the Minister of Finance (Mr. Stefanson) made a commitment last week in committee. He did raise the issue with me. We will make every effort to provide information on the agreement to the committee in the near future.

Point of Order

Mr. Laurendeau: On a point of order, Mr. Chairperson, I do believe the honourable member for Brandon East is imputing motive. He is saying that this government is a cover-up. I do believe that is imputing motive, and I would ask you to ask the honourable member to retract that statement.

Mr. Chairperson: Mr. Evans, would you be responsive to that comment?

* (1030)

Mr. Leonard Evans: Mr. Chairman, what I am doing is stating an impression one gets. I know the minister is a very honourable man and a very generous man, a very good man. It has nothing to do with his personality.

Let me put it this way. There has been information given by way of one or two press releases, and what we are talking about is the entire report. When one is

afraid to give out the report, then one naturally comes to the conclusion, well, you are trying to cover something up or you are trying to prevent something from being made available. In fact, the minister himself said he does not want to make it all available to the public.

Mr. Chairperson: Mr. Evans, could I conclude from your remarks that you are speaking of your own reactions and conclusions that you have drawn and that you are not impugning any motive to the current minister? Is that correct?

Mr. Leonard Evans: That is right.

Mr. Chairperson: On that basis then, I would find that there is no point of order.

* * *

Mr. Gilleshammer: To hopefully conclude this, the Minister of Finance (Mr. Stefanson) made a commitment in committee last week to raise this issue with me. He has done so. I have indicated to the member that we would hope in the very near future to be able to provide him with as much information as we can about the agreement.

Mr. Leonard Evans: Mr. Chairman, I just assume that from the information the minister provided this morning that from time to time in the future we can ask not him, but the Minister of Finance for sort of an interim report or a progress report of what is happening to this agreement in the Legislature, let us say a year from now.

The minister looks rather relieved we do not have to ask him but ask the Minister of Finance (Mr. Stefanson) for benchmark data as to what extent this privatized company is living up to the agreement with the government.

Mr. Gilleshammer: I think there are lots of opportunities to ask the government about the relationship with McKenzie Seeds through the Crown Corporations Council meetings, through other opportunities.

It was not a look of relief that the member for Brandon East saw on my face. It was a look of surprise

that after going through an election where the member for Brandon East did not raise this publicly, where the company has made a wonderful start in Brandon and opened up the retail store that they committed to do—they are working with Brandon University on the scholarships that they promised. They are working with the city on the McKenzie gardens. There is every indication when I talk to the mayor of Brandon, to the people in the Chamber of Commerce, the citizens of Brandon and to the staff of McKenzie Seeds, that they are completely happy with the transition that has taken place, as McKenzie was bought by Regal Greetings & Gifts.

The member for Brandon East, who has been around the Legislature longer than almost everybody, knows that there are plenty of opportunities to ask about the progress that the company is making.

I have made a commitment. The Minister of Finance (Mr. Stefanson) has made a commitment, and we will certainly live up to that.

Mr. Leonard Evans: Mr. Chairperson, the suggestion that the Crown Council is an avenue, I do not accept, because the Crown Council will not have it as a Crown corporation. They will not have any information.

Mr. Gilleshammer: Well, you can ask in Public Accounts. You can ask in Question Period. There are lots of avenues for the member for Brandon East to get that information that the Minister of Finance has committed to.

Mr. Leonard Evans: Mr. Chairman, I just want to make this point. It was not my intention to enter into debate with the minister over the history of the company and what happened or what did not happen in the last election. That was not my point.

The point is I believe that we have responsibility to ensure that the agreement is lived up to, and as one who represents many people who work in the company and do have some concerns—there are some employees who do have some concerns about the long-term future—I am going to continue to ask the government to give us data, if they have it, and I would assume that they have it as long as they hold these preferred shares.

Assuming they have some guarantees in the agreement which we have not seen, on behalf of the people I represent, I am going to continue to ask these questions. Even though some people may not like it, I feel that I have that responsibility.

Mr. Chairperson: Does anybody else have any further questions on this report? Hearing none, shall this report pass—pass.

Thank you, Mr. Minister. Good morning.

As this completes consideration of the Annual Reports for A.E. McKenzie Co. Ltd., I would seek the guidance from the committee as to which report or reports that they would wish to consider next.

The ones next for consideration are Communities Economic Development Fund and the Communities Economic Development Fund for the year 1995—the prior one was for 1994—and the Annual Report for Manitoba Mineral Resources Ltd. for the year ending March 31, 1993.

An Honourable Member: Pass.

Mr. Chairperson: You are passing on the question. Perhaps we will wait for the minister here to—[interjection] Wonderful. All right, Mr. Praznik is now with us, who is the minister in charge.

What is the will of the committee for consideration of the reports?

Mr. Steve Ashton (Thompson): I would suggest we deal with both of them concurrently. Some of the questions will be back and forth.

Mr. Chairperson: All right, this is for Economic Development Fund and Mineral Resources?

Mr. Ashton, there are three reports that we have for consideration today: '94-95 for Economic Development Fund and '93 for Mineral Resources.

Mr. Ashton: I am sorry. I was referencing the CEDF ones.

Mr. Jack Penner (Emerson): Mr. Chairman, I would propose that we deal with the Manitoba Mineral

Resources and the Economic Development Fund in a different manner, that we deal with one first and the other.

It does not matter to me which one we deal with first. If it is the will of the committee, let us deal with the Manitoba Mineral Resources first and then move on.

Mr. Ashton: I would actually suggest we deal with CEDF since we have staff here.

Mr. Chairperson: I am sorry—

Mr. Ashton: I suggest we deal with CEDF first. I appreciate what the member is saying, but staff have travelled in, in two cases, from Thompson, so I want to make sure we finish CEDF today if we can.

I think MMR is going to be fairly straightforward as well.

Mr. Chairperson: So it is the will of the committee to proceed firstly with CEDF for 1994. Is that the will of the committee? [agreed]

Mr. Minister, do you have an opening statement?

Hon. Darren Praznik (Minister charged with the administration of The Communities Economic Development Fund Act): Yes, thank you very much, Mr. Chair.

I am pleased to present the 23rd and the 24th Annual Reports of the Communities Economic Development Fund for the years ending March 31, 1994 and 1995.

Officials in attendance include Mr. Harold Westdal, who is Chairman of the Board of Directors; Mr. Gerald Offet, who is the General Manager and Chief Executive Officer; and Mr. Gordon Wakeling, who is our Treasurer.

The 1994 report shows that loan approvals were down significantly from 1993, reflecting the slump in forestry and mining activity in that particular period. Despite this, 21 loans totalling \$1.4 million were approved. In the last quarter of the year, enquiries and applications increased significantly and are reflected in the 1995 report.

Nineteen ninety-five was a record year in all respects for the fund. Loan approvals, jobs created and contributions to the economy of Manitoba were all above historical levels. The steps taken by government, management and the board of directors to restructure and revitalize this Crown corporation have been very successful.

In the past 24 years, the fund had been directly responsible for the creation of close to 2,800 jobs, most of these in northern Manitoba. By providing financial assistance to first-time entrepreneurs in small communities throughout the North, CEDF helps in providing goods and services that might not otherwise be available or may not be supplied by northerners. As the lender that steps in when commercial loans are not available, CEDF assumes more risks than banks or credit unions. The risk is reduced somewhat by the time that is spent with clients in developing their business plans and the hands-on approach in account management.

In the year under review, provisions for bad debts represented 5 percent of portfolio, down from previous years.

CEDF is responsible for the delivery of the Fisherman's Loan Program under Part III of The Fisheries Act and provides a vital source of capital to over 1,300 clients, mostly in northern Manitoba. The management and staff are dedicated professionals and work closely with the board of directors who provide the corporation with advice and counsel from the business community. Head office is located in Thompson, and the fund has branch offices in The Pas, Swan River, Gimli and Winnipeg. We are prepared to accept any questions at this time, Mr. Chair.

Mr. Chairperson: Thank you, Mr. Minister. Mr. Ashton, do you have an opening statement?

Mr. Ashton: Yes, I do, Mr. Chairperson. Just briefly, we are in a unique situation here because of our revised schedule of dealing with the two annual reports, neither of which have come before the committee before, but what is, I think, appropriate to note is the fact that we are dealing, not only with the '93-94 annual report but also the '94-95 annual report, which gives us an

opportunity to assess more accurately where CEDF is currently today.

* (1040)

I would note—I hope to get into some questions—that the minister is correct certainly in terms of the '95 year. There has been a significant recovery both in terms of the number of loan applications, loan approvals and the amount of money approved, which is certainly encouraging, and there has been a lot of work done, I know, by CEDF in northern Manitoba in promoting and marketing the services of the fund itself.

So I will be asking some questions both about the '93-94 year, which was not as successful as the minister I think is aware in terms of that side of the equation, but certainly also asking questions about '94-95, which I think probably more accurately reflects the results of some of the marketing efforts that CEDF has been involved in.

I would note, just in concluding my opening remarks, the diversity of loans. I will be asking some questions on that as well. But certainly one element that has impacted on CEDF has been the significant number of loans in the forestry sector, given some of the developments with Repap. I will be asking some further questions in terms of that detail, because that is becoming an increasingly significant part of CEDF's loan portfolio.

Mr. Chairperson: Mr. Ashton, would you please then proceed with the line of questioning? No, I am sorry.

Mr. Praznik: May I ask my staff to join us at the table, Mr. Chair?

Mr. Chairperson: Certainly. Could you introduce your staff again, Mr. Minister?

Mr. Praznik: Yes, we have with us today Mr. Harold Westdal, who is Chairman of the Board of Directors, who is standing; Mr. Gerald Offet, who is closest to me here, who is General Manager and CEO; and Mr. Gordon Wakeling, who is our Treasurer.

Mr. Chairperson: Mr. Ashton, would you then proceed with the line of questioning?

Mr. Ashton: Yes, I wanted to start, and I reference the fact that in 1995 there has been significant recovery. I am just wondering if we could get some explanation of why there was a fairly significant fallback from 1992, where there was \$1.1 million in loan approvals, one of the lowest years in terms of loan approvals, to 1993, where there was a fairly significant number of loan approvals, why it then fell back in 1994 to \$1.4 million and has now recovered to the \$4.8-million level. I just wondered if there is some explanation for this particular pattern.

Mr. Chairperson: Mr. Ashton, when you are referring to the annual reports, if you could for the sake of clarity and the ease of the other members around the committee indicate the page or line to which you refer.

Mr. Ashton: This is on page 9 of both documents, actually. Page 9 of the current year 1994-95 gives the 1995 year. So it is the more complete year.

Mr. Praznik: I could refer to ask our CEO to address the question.

Mr. Gerry Offet (General Manager and Chief Executive Officer, Communities Economic Development Fund): The questioner was correct when he said that 1992-93 was a high year insofar as loan approvals and disbursements. Then we did go into a trough in '93-94.

Our analysis of this leads us to the conclusion that there were basically three factors. The first factor was that the pent-up demand for capital in the forest sector, which was spurred by Repap's decision to mechanize the harvesting in the Churchill forest district, was met in fiscal '92-93, and Repap and the contractors were assessing how well it was working in '93-94, with the result that there were very few requests for financing for new equipment.

The other factor was the fact that Lynn Lake had not yet started to experience some of the resurgence that came with the reopening of the gold mine in Lynn Lake, and that was not experienced until late in the year. Snow Lake was still in the bottom of its trough, which had been caused by the closing of both of its mines.

The result was that, not only in those sectors but in the service sectors that fed them, there was a definite downturn and in periods of downturn there are few businesses expanding and few start-up businesses.

In point of fact, we only had 47 applications in '93-94 as compared to 121 applications in '94-95.

Mr. Ashton: I just wanted to focus in on the application side, and I thank Mr. Offet for the explanation of that.

What is the percentage of approval of applications at the current point in time? I am trying to get some sense of how many applications are filed and what the acceptance rate is.

Mr. Offet: Mr. Chairman, the approval rate is, approximately 40 percent of the applications are eventually approved, sometimes not in their original form. About 50 percent of them are turned down for credit reasons and about 10 percent fall by the wayside when the entrepreneur realizes the depth of the water that he or she proposes to get into.

Mr. Ashton: Has that remained relatively constant in the last several years?

Mr. Offet: The approval rate has increased in the last two years. In '92-93, the approval rate was closer to 30 percent than 40 percent. We are getting a better quality of application because certainly our credit granting standards have not gone down at all.

Mr. Ashton: Would that be because of the increased number of applications coming from Repap-related work, where, presumably, the guarantee of the contract itself is fairly significant in the application, or is it because of a shift in the overall loan portfolio?

Mr. Offet: I would venture to say that it probably reflects more an improvement in the economy, a generally better prepared entrepreneur who is coming forward but certainly in the resource sector the fact that there are very secure and quite lucrative contracts available from Pine Falls and Repap and now Louisiana-Pacific, and this improves the chances of success in those sectors significantly.

Mr. Ashton: I just want to ask some further questions in terms of the loan portfolios. It is an issue I have raised in the past, and the bottom line, of course, is if one looks at the breakdown of communities, there is a fairly consistent pattern that has developed in recent years as to which communities are putting applications and which are not. For example, Wabowden is obviously putting in a significant number of applications, mostly from Repap.

Generally, in looking at the communities, they tend to be urban communities in northern Manitoba or Northern Affairs communities, and I realize there are different dynamics in First Nations communities, and I know that Mr. Offet and the CEDF have been attempting to expand CEDF's roles into First Nations communities.

I am just wondering if we could get an update in terms of what has been happening in terms of attempting to broaden CEDF's, not its mandate, I mean, the mandate does include First Nations communities, but broaden its activities to include additional loans in First Nations communities. I am not saying there are not some. Just looking through the list, there are a few, but the predominance is in urban and Northern Affairs communities.

Mr. Offet: The basic premise of the question is correct, that if you look at the relative populations of the industrial communities, the Northern Affairs communities and the First Nations communities, and then you look at the approvals, one could, just based on that, come to the conclusion that for some reason, the First Nations are not getting "their share."

* (1050)

The fact is that despite our attempts to make known the nature of our services, we do not get a lot of applications, and certainly we do not get a lot of quality applications out of the First Nations communities.

I would advise the committee, however, that during the current fiscal year, as a result of a number of factors, there have been more applications and better applications out of some of the First Nations communities, and we have approved six loans in the past six months to First Nations communities. With

land claim settlements, Northern Flood Agreements and native self-government, I can see more opportunities for entrepreneurs and more opportunities for us to participate.

I would caution the committee, however, that we use commercial standards. The provisions of the Indian Act, respecting the granting of security, create an obstacle for us just as they create an obstacle for the chartered banks and the credit unions.

Mr. Ashton: I thank Mr. Offet for the update, and I recognize some of the difficulties and the concern expressed by First Nations communities themselves. I do know, for example, the commercial banking sector now is attempting, in its own way, to deal with that. We have seen far more involvement from the commercial banking sector in First Nations communities.

I am encouraged by the fact that there are additional applications coming because my feeling is, with, particularly, Northern Flood settlements in a number of communities, that there will be a far greater ability from people in those communities to be able to lever additional sources of financing by the simple fact that there will be sources available within the community, whether it be Northern Flood or any other source, which will give them some degree of equity.

There is certainly no shortage of potential in most First Nations communities in northern Manitoba. Most First Nations communities that I travel into have, even in the last number of years, seen a fairly significant increase in the service sector, sometimes internally generated and sometimes by outside businesses, that are discovering there is a great deal of untapped potential. I would certainly encourage CEDF to continue to move in that direction.

I would like to ask the minister, in fact, if the minister has had any discussions with First Nations communities on some of these issues, some of them which would, obviously, impact with CEDF, but, more generally, which impact on the ability of First Nations communities to access funds, given the difficulties, as have been pointed out, with the ability to provide assets under the Indian Act.

Mr. Praznik: Mr. Chair, the member for Thompson (Mr. Ashton) has probably hit upon one of the fundamental problems facing individual members of First Nations who attempt to raise capital, and that is the inability to provide security for that capital. That is an issue that I think the Assembly of Manitoba Chiefs, as they advance through the self-government process, are going to have to come to grips with because, ultimately, if people do have property, finding a mechanism to allow for security to be put in place becomes fundamental for any kind of economic development, the raising of capital that is required for it.

One of the other points—I am just following up with what Mr. Offet has pointed out—the corporation, in the last while, has made a greater attempt to make people in First Nations communities aware of the fund. One of the good things about the development, certainly the expansion of the logging industry and the forestry industry, in northern Manitoba has been, of course, that the security needed for purchases of much of that equipment is the equipment itself, chattel mortgages as opposed to property mortgages. So that has made it somewhat easier, I believe, for people to access that particular fund.

But, as in all things, there is a learning curve, a learning process, and we hope discussions I have had with Grand Chief Fontaine, just general discussions, about where things are going—I think he fully recognizes the need to be able to create some mechanisms or have some mechanisms that will allow for proper security for the raising of capital for purchases. Do we know there is problem? Yes. Are we aware and had some discussions? Yes. Do we have a solution today for it? Not quite. But I appreciate the concern of the member for Thompson (Mr. Ashton). It is something we keep in mind as we go through, I think, a very important evolutionary process for First Nations.

Mr. Ashton: Mr. Chairperson, I want to ask some additional questions, too. At the last committee hearing, the CEDF indicated at the time that it is moving into the area of loan circles. I know, certainly from Thompson, there is one in place currently, and it is an interesting concept because it has been fairly

extensively used in other jurisdictions. I know in Saskatchewan, it has been quite successful. There are, I believe, several hundred loan circles in place and there are various different models that have been used. For example, the Calmeadow model is often, you know, most recognized by individuals, has received international acceptance as the proper route for implementation of this.

I would just like to ask if Mr. Offet could give an update or the minister in terms of certainly the one loan circle that has been established and whether there are any plans to extend CEDF's role in establishing additional loan circles.

Mr. Offet: Mr. Chairperson, as part of the pilot project initiative, we approved a lending circle that was sponsored by the Thompson YWCA. It has only met with very modest success. It granted one small loan that we funded. That loan was paid back within six weeks of it having been granted. It was sort of bridge financing.

The organization appears to be caught up in a dispute, maybe not a dispute, a disagreement between its board of directors and the board of directors of the Y proper, and we are working with them trying to work that out.

We also approved another lending circle for the Trappers' Association in Ilford. They were most anxious to access some capital for equipping their trappers for the trapping season last winter. After we had granted the approval, the executive of the association decided that they were not prepared to accept the responsibility for taking applications from their members and approving loans, so our offer was never taken up.

At the current time, we have decided that we will see how the new community works program that was announced by Rural Development yesterday works in the industrial communities who will certainly be eligible in northern Manitoba. If that works, it would be our view that we would try to tie into that in some way to get some of the Northern Affairs communities and the First Nations communities involved in that, because we are still committed to the concept of

lending circles. The experience in other jurisdictions and in other countries has been very positive.

* (1100)

Mr. Ashton: I think too one of the difficulties is the whole question of the legal responsibility of sponsoring organizations. I think that is probably the case certainly with the Y, certainly from my knowledge of what has happened. It has been one of the reasons why it has been proceeding more slowly, although I do know that it is proceeding now to market, the fact that it is in existence. I believe a brochure has been distributed. I have certainly seen a copy of it so there may be some significant increase in the viability of that organization.

I know there is reference made to the recent announcement by Rural Development, in fact it was announced in the House yesterday, but of course it has more limited application in northern Manitoba, given the requirements for the community to be able to raise the capital initially.

Obviously many Northern Affairs communities do not have that ability. Many First Nations communities do not have that ability to put up the I believe it is \$25,000 seed money that is involved.

In fact, I would like to ask the minister if the minister has been involved in any way, shape or form in the discussions over the development of this new initiative from Rural Development, specifically aimed at ensuring it does not end up like the REDI program, which worked for certain communities in southern Manitoba but did not work in northern Manitoba and has been the subject of a fair amount of criticism by northern communities. I am talking here about urban communities as well as Northern Affairs and First Nations communities as being the kind of program that just does not fit in with the reality of northern Manitoba.

I am wondering if the minister has been involved with any discussions on this latest announcement to ensure that there is at least some accounting for the unique circumstances in northern Manitoba, if the program itself does not fit the needs of northern

Manitoba that perhaps there be a separate program through the Department of Northern Affairs—if the minister is wondering if that is a suggestion, it is—and perhaps operate it in conjunction with CEDF, because the Department of Northern Affairs and CEDF have a much better sense of the needs of northern Manitoba than the Department of Rural Development.

So maybe I will ask that as the second question. If there have been no discussions, will the minister consider setting up, it does not have to be a separate program, but perhaps even a parallel program that has different circumstances reflected in its criteria?

Mr. Praznik: Mr. Chair, the member is no stranger to Mr. Offet's abilities and talents and understanding of these issues. He has been involved with the Department of Rural Development in advising them with input into development of their new program.

I think one of the things that came out of our conference last year in northern Manitoba when some of these specific concerns were raised about the REDI program was Mr. Offet, we had some discussions, and Rural Development was very interested in ensuring that he was worked into the process to reflect those concerns of the North. Of all the people who serve the people of Manitoba in the provincial government, Mr. Offet is probably the most experienced and knowledgeable, I would suggest, on loan programs, working with them every day, and with businesses in northern Manitoba. So he obviously was the right person to do that, and he has been involved with Rural Development. So the member's point is well taken, and I am pleased to say that we have made that kind of contact.

Mr. Ashton: I appreciate, you know, the input Mr. Offet has had. I guess I am going one step further, because the experience of the REDI program is that you can have a program and you can have people say, well, just put in more applications. If the program does not fit the needs of a particular region of this province, you are just not going to get the applications.

That is what happened with REDI. It has been soundly criticized by not only elected representatives in the North, but I have had some fairly extensive

discussions with economic development officers who have said that this is the classic case, that it may fit the needs of certain committees in southern Manitoba but it does not fit in with the reality of northern Manitoba and its economy.

An Honourable Member: That is not true, Steven, you know that.

Mr. Ashton: Well, the members says it is not true. Maybe he should talk to people who know far better than he does, which are the municipal officials and the economic development officers and the fact that the REDI program I think had one application approved.

There may have been some in the last little while, and I am not criticizing this as a program, I am just saying what is good for southern Manitoba is not necessarily good for northern Manitoba. [interjection] Well, if the member thinks it has nothing to do with south and north, he is highly mistaken, because the fact is, his communities that he represents are somewhat different from the communities that I represent. I think it is fairly obvious.

One of the reasons we have CEDF is because of that difference, and it has always been focused on northern Manitoba.

I want to ask the minister again whether he will consider setting up a parallel program in conjunction with CEDF to the one that has been announced by rural economic development to ensure that northern communities can access this program. I said in the House yesterday I do not think it is sufficient, but it is a start. The bottom line, Mr. Chairperson, is that we need to look at having a parallel program.

Mr. Praznik: First of all, the kind of input that the member is suggesting, I would say to him that the conduit is certainly there. Mr. Offet has made a number of suggestions from his experience to deal with the kind of concerns that the member has suggested.

But I would say this to the member for Thompson, the fact that we are here today considering the Annual Report of the Communities Economic Development Fund, whose mandate in existence is solely for northern

Manitoba, recognizes the fact that governments, including this one—in fact, I would even argue that this administration, in reforming CEDF and strengthening its role as a lending institution does recognize very firmly the differences in the economies of northern Manitoba and other parts of the province.

In fact, if you look at the loan portfolio of CEDF, you will find that one of the large growth areas has been to accommodate the increased opportunities in the forest industry which, of course, are very much unique to northern Manitoba, and that has become a major part of this portfolio.

In fact, the fund has worked very closely with people in the communities that have wanted to get in and take advantage of the opportunities that have come because this government had sold Manfor and seen a fair growth in what was actually a money-losing company for the people of Manitoba. Drain on health care and education is now turned into a taxpayer contributing to those areas.

The fund took it upon itself to be a catalyst and a conduit for ensuring that as many northerners as possible that were interested could take advantage of those cutting opportunities to purchase the very large equipment that is needed now to be able to participate in that industry.

I look to Mr. Offet, but I think our portfolio has been a very good one. I do not think we have lost on any loan in that particular area or have difficulties in very, very few. So this government, as governments before us, has recognized that there is a special need in northern Manitoba and that we are in fact pursuing that with CEDF.

We recognize the points that the member makes, that there were weaknesses in the REDI program as it applied to northern Manitoba, and we are addressing those in this new program, some of them. I will make this comment to him, as well. None of us at this table are certainly perfect. Circumstances change, and if we, under this new program—I understand, if Rural Development does get a sense, that some further refinement of that program is needed for northern Manitoba. I understand that they are prepared to

address that. So I do not think, in any stretch of the imagination, that northern Manitoba has been ignored in terms of the needs of its business.

I know the member recognizes those differences as do I, and we attempt to address them. The fact that we are here today considering the Annual Report of the Communities Economic Development Fund whose mandate is only for northern Manitoba, I think it stands as recognition, as I have said before, that governments of Manitoba have recognized special needs in the North, a very different economy, and this is one of the vehicles that is available to address that.

* (1110)

Mr. Ashton: Well, I certainly appreciate that. I mean, it was one of the major initiatives of the Schreyer government in 1972, when it was established. Quite frankly, it is something that fits a need in northern Manitoba because the record of commercial lenders has not been a good one in many northern communities. Many banks just will not touch loans into certain communities, and the bottom line is, that is why CEDF was established. Quite frankly, I have been the CEDF critic for a number of years. One of the reasons I ask questions and I have always been interested, whether as critic or MLA, is to ensure that happened.

There were some tough times for CEDF, particularly in the early stage, when this government came into power, '88-89, when CEDF virtually collapsed under some of the reorganizations that were going on at the time. The record speaks for itself in terms of what happened in terms of loan applications, and the bottom line is that I am pleased to see some of the directions that have been taken in the last number years. In fact, I even stated so in this committee. In fact, because some of the positive things I have said, the local newspaper in Thompson refused to even publish that. [interjection]

Well, for the member for St. Norbert (Mr. Laurendeau), they refused to publish a press release I put out because they said it sounded too much like a commercial for CEDF. I guess that is an interesting comment on politics when one cannot say positive things without having them ignored by the press.

CEDF is important. I have said before, I am pleased to see some of the work that has been done in attempting to further market CEDF, particularly in the last number of years, and I give CEDF credit for that.

I think it is important to note too that despite the fact, obviously, that boards change given the political nature of the government, I give the current board—while we may not agree politically, I know quite a few of the people on the board fairly well personally; it is an understatement to say we do not agree politically because of the political process. Yes, a good number of them are strong Conservatives. The bottom line is, we share the same outlook on CEDF, and I think that is important. I think the minister, in his comments, is recognizing that.

It appears that some of the MLAs at this table do not recognize, sometimes in northern Manitoba there is clear consensus that crosses party lines, one of which is that REDI did not work, period, and I know the minister has heard that. I thank him for acknowledging that. The second is that if you let us have an input on what is going to happen—and this, by the way, was probably the fundamental conclusion of the Northern Manitoba Economic Development Commission work was, let northerners have a greater say in how things are operated, and you know what, we will do a heck of a lot better job, because we understand the circumstances.

I raised this as an opportunity to, in the context of CEDF, which is now not only a northern focused entity but it is northern based, because I quite frankly feel the Department of Northern Affairs and CEDF, and it is not a criticism of Rural Development and its mandate elsewhere in the province, I think though that both those organizations could do a heck of a lot better job in setting up economic development programs in northern Manitoba than a department that has to look at circumstances that are different in other areas of the province.

So I appreciate the minister's acknowledgement of this and that there may have been some consultation thus far. Quite frankly, this is not strictly a criticism either. I will be more than happy to sit down with the minister, and I have met with people from CEDF as

well. I am always willing in this area, because, you know, this is part of my background. I believe in community economic development. I am always willing to come up with suggestions, ideas. This is not simply a matter of criticism.

But I can tell you, when I saw the announcement yesterday of yet another program coming from Rural Development that I do not believe will necessarily fit into the situation in northern Manitoba, I just wonder how many more times we are going to go without learning the lesson that if you involve northerners directly, not only in the planning but also in the operation of those programs, you get a much better result. I do not know how much longer we have to go to learn that lesson.

I have some further questions on the financial statements. I have a couple other questions too, and I know some other members of the committee do. I just want to focus in on a couple of items on page 20, the schedule of operating expenditures. I just want to focus on some of the trends that have developed the last number of years.

I note that travel has increased from \$38,000 in 1993 to \$79,247 in 1995. I am wondering if I can get some indication as to why it has been increasing to that level. Is that related to the relocation, is that the cost of travelling to Winnipeg, is there additional travelling in the communities, is it staff travel, is it board travel? I wonder if I could get some breakdown in terms of that?

Mr. Offet: Mr. Chair, it is not board travel, it is staff travel. It primarily relates to the addition of another loans consultant and a strategy to spend more time in the communities that we serve.

In particular, a lot of those communities are scattered throughout the North, and in order to travel to them—it is rather strange that if I or one of my staff want to service the area on the east side of Lake Winnipeg in our lending area, we first of all have to either fly or drive to Winnipeg and then go back up the other side. There are no routes from our head office, no roads, certainly no roads, and no airways. I think it is purely and simply a recognition of the fact that if we are going

to be effective, we have to be there. We have, accordingly, beefed up our travel significantly.

Mr. Ashton: I certainly have no difficulty with that, and I can understand the difficulties too of getting to communities. I was just somewhat surprised I found the relocation, there was the large increase, because I would have thought on the other side of it there would have been some reduction.

Certainly it always struck me as rather strange that we have an organization dealing with northern Manitoba based in Winnipeg, and I constantly see people from CEDF on the plane travelling to Thompson just to start their travel into the North. I assume there must have been some reduction on the Winnipeg—apart from the east side of Lake Winnipeg, you are quite right there. I assume that there has been at least some reduction from the relocation on that side of it.

Mr. Offet: Yes, certainly there has been. There is, however, a significant amount of work that we have to do in Winnipeg. I firmly believe that a northern lending institution should be headquartered in the area that it serves, but as the questioner knows, there is no such thing as bargain air fares in northern Manitoba. We pay more to travel from Thompson to Winnipeg than you would pay to travel from Winnipeg to Frankfurt or London.

Mr. Ashton: You can apparently go for \$400 to London, England, and good luck trying to get a similar fare going to northern Manitoba. So I appreciate the update on that.

I have some other questions too. The financial statement, I notice the collections cost has decreased from 1994 and is still down from 1993 as well, which was somewhat lower than 1994. I am just wondering, is this because there has been a policy decision not to access an outside collection agency, or is CEDF doing more collections within house? Is this because of a lower number of, not in terms of percentage of funds, but lower number of loans that are running into difficulty of payment? I just wanted some explanation for that decrease.

Mr. Offet: The primary reason is that it would appear that the worst is over. The difficult ones were dealt with in 1993 or most of the difficult ones, and that with the additions to our staff and the changes of some of their responsibilities were able to do more things in house and do not have to hire receivers or bailiffs to the same extent.

Mr. Ashton: I am encouraged to hear that. Just a further question and I realize this is an area that obviously is subject to quite a significant amount of change, but there has been quite a fluctuation in the last number of years in terms of legal costs. I know the CEDF was involved with some fairly significant legal costs in 1993, \$72,000. It decreased to \$13,000 in 1994 and now it is up to about \$30,000. I am just wondering if we could get some explanation of the source of those legal fees. Were these involving specific matters related to collections, and if so what is the explanation for the fairly significant fluctuation?

Mr. Gord Wakeling (Director of Fisheries, Communities Economic Development Fund): I refer Mr. Ashton to the increase in activity in 1995. A lot of our legal costs are related to the papers processed in processing loans of course.

Mr. Ashton: I would just like to focus on the area of defaults and I know one of the areas that has been constant with CEDF is the fairly consistent percentage of loan defaults which is perhaps somewhat higher than the commercial banking sector but not significantly out of line, and given the loan portfolio, has been remarkably low. I am just wondering, and I know there are some references in the report, if I can get an update on what the current percentage of defaults are, either in terms of the dollar amount or the number of applications; if I could get some update on how many loans are currently in default, and some explanation on the current loan portfolio.

Mr. Wakeling: I was hoping I could provide you with the number of loans in default. It is not a number I have with me. Our loan default rate has declined in recent years and at one point hit a low of 3.76 percent of loans disbursed, which as the member noted is in keeping with other financial institutions, especially given the additional risk taken by the fund.

Mr. Ashton: How many loans are currently in default, and if possible get a list of the type of loans that have gone into default?

* (1120)

Mr. Offet: There would be about 20. It could be as low as 19, it could be 21 or 22 loans that are technically in default on the business loan side out of a portfolio of about 145 loans. Five of those accounts are in serious default and are in some stage of collection, be it foreclosure, pending seizure, legal action, and, again, that is out of a portfolio of 145 or 146 loans. That is a distinct improvement from prior years.

Mr. Ashton: I am encouraged to see that because, once again, that is well within the range, and it is quite remarkable given the portfolio that CEDF undertakes.

A number of years ago I did raise some questions related to some concerns that have been expressed about board procedures, and I would like to ask the minister if there is any indication of what action was taken subsequently and what guidelines are in place in terms of conflict of interest involving the board vis-à-vis CEDF's activities?

Mr. Praznik: I think I know of what the member speaks. I just remind him that within the legislation there are conflict-of-interest rules. The board has also passed a set of by-laws related to conflict of interest and procedures. I would ask if Mr. Offet could provide you with a copy of those. I think they will address the concerns that you have raised.

Mr. Ashton: I would appreciate that. I am not being overly critical here, but there was a lot of concern expressed at the time it was dealt with in that particular incident.

There have been some other concerns expressed to me about potential conflicts of individuals and information that might become aware—might be made available to other individuals that they have relations to, that they might be used for business purposes. I am not going to get into specific names here, and I do not think it is a major concern. But, quite frankly, a number of people were surprised when they were

receiving offers of certain business services based on their loan application from someone that is related to somebody on the board.

That may or may not be considered a conflict. Normally, I think that such information, up until the point at which it appears in this report, would be considered fairly confidential. I will raise that privately afterwards. The only reason I am asking that was in the general sense of conflict of interest.

I just want to conclude, there are some other questions I want to ask, but I will ask those directly of CEDF. I will not be asking any questions on the Fisherman's Loan Program, because I know the member for Interlake (Mr. Clif Evans) will be asking a number of questions on that.

But I just want to indicate, in conclusion, that as the CEDF critic, and I have said this before, I strongly support CEDF, and I appreciate the efforts of the staff and the board. I am pleased to see that there has been some very significant recovery in terms of loans this year.

These comments may never appear in my local paper, because they are not critical enough, I guess, for the editorial policy, but if they were to cover it—and I will send them a copy of it again. The reason I say that is because, even as opposition and even though our role to a certain extent is to provide constructive criticism, I think it is also important we acknowledge when positive steps are being made.

I think CEDF is headed in the right direction. I want to say that on the record and give credit to Mr. Offet, Mr. Wakeling and the rest of the staff and the board for the efforts they are putting in, because I think they are being quite successful. There is always room for improvement. I am not saying, I am not going to make any suggestions, but I think that should be noted on the record.

Mr. Clif Evans (Interlake): I just want to make a few comments and ask a few questions, but getting back to the Loans Approved side of '94-95.

Mr. Chairperson: Are you referring to page 9?

Mr. Clif Evans: Let me put my glasses on, and I will tell you, page 8. I see on page 8, for '94-95—as compared to perhaps the same page number, 8, on '93-94—I noticed that three hotels are listed here under Loans Approved, and a lodge. We are looking at approximately \$600,000 in loan approvals for hotels and lodges. Is this a trend that CEDF is going to get into as far as loan approvals for hotels, knowing the situation personally how hard it is to deal with the commercial institutions when it comes to hotels, restaurants, et cetera? So, if I may get some response on that, is CEDF going to get into the loaning business to hotels on a larger scale, or are they just maintaining a certain percentage level?

Mr. Offet: Mr. Chairman, I think that our market share in the hospitality industry, in particular the hotel industry, has not increased in the last few years. We are a lender of last resort, and if the banks—and there are no credit unions in most of our areas—and the other lenders are not prepared to assist businesses in that industry that are viable or have the potential to be viable, we consider those facilities, particularly the restaurants and the accommodation, as essential services in these communities, when in the particular ones that we are looking at in the two years in question, they were in our view well within our lending criteria, and the risk was not onerous.

As a portfolio manager I certainly would not want to have half of my portfolio in hotels.

Mr. Clif Evans: Mr. Chairman, of the four specific loans for '94-95, could the minister tell us whether—or the board tell us—are these loans for specific purchases of these properties, or are they for expansion? Are they for improvement?

Mr. Offet: Just starting with page 8 in '93-94, a loan to Lynn Inn was for improvements to that facility. We had had a previous loan that facilitated a change of ownership that kept that hotel open when the mine closed. If we had not bellied up to the bar, so to speak, that community would have been without the facility. When things turned around when the mine reopened the owner felt the need to effect some improvements, and we were supportive.

* (1130)

The loan to Northern Inn & Steakhouse, that restaurant and hotel is in Thompson and it is owned by the Ma-Mow-We-Tak Friendship Centre. Ma-Mow-We-Tak required funds to fund some losses that they had incurred and to effect some very necessary renovations to the facility. They agreed to provide us other security, and they are now in the process of selling that facility. That loan might even be categorized in the nature of a protective disbursement in keeping that organization intact. It was still, from a security point of view, a good loan.

The next one, the Inglis Hotel in Inglis, Manitoba, that loan facilitated a change of ownership from an estate that was very anxious to wind up. Normally we would not finance a static change of ownership, but in the case where it is an estate and you have a widow that needs funds in order to sustain herself, we would vary policy, and it also funded some improvements. A very good track record with that hotel.

The other one I think was the RDR Developments in Churchill. If you have ever been to Churchill or if you have ever stayed in Churchill, you know that the existing accommodation is somewhat out of the '50s. This is higher-end accommodation that appeals to the foreign tourists that come there. It is loft sleeping and full living room, and it really had a good market. Again, because it was Churchill, no conventional lender was going to lend there. We considered it a very valuable addition to the industry in Churchill, and it has been highly successful. It has done extremely well since it opened this summer. We had our board meeting there a week ago today and viewed the premises. We did not even get to see any—
[interjection]

Diamond Willow Inn were an existing client who had a loan from us when Snow Lake was a thriving mining community. When Snow Lake collapsed, our clients did not collapse. They kept their noses to the grindstone and maintained their account and waited the downturn out. When the upturn occurred, there was a great demand for accommodation and food services, and they came to us for another round of financing.

Mr. Clif Evans: The reason I do ask these questions, whether you are aware, I just got out of the hotel

industry myself, so it is very interesting to me to see that the availability is there for hotel owners and proprietors. At times, no matter where we are, in certain areas, times are tough. I am pleased to see that the loans that were approved for these specific properties were to advance their properties to a point that could viable. I am sure they are and I am pleased to hear that.

If I may then just ask a few questions on the fishing side of things. If I could just get a bit of a breakdown on the fishing loan portion in this statement, just general, on the Fisherman's Loan Program, just a breakdown of what has occurred and how the program has been developing and what is the future.

Mr. Wakeling: As you may be aware, the fishing industry has gone through quite a shake-up this year with the review of Freshwater Fish Marketing. The development fund has been involved in assessing what the impact of those changes could be.

During that period, however, we increased the level of support to the fishing industry with disbursements of approximately \$2.6 million and continue to be, in our opinion, successful in the management of a very tricky portfolio in that it is \$10 million disbursed across the province of Manitoba, a large amount of it on reserve, of course, and in northern Manitoba.

Mr. Clif Evans: Yes, as indicated, you have offices in Swan River, Gimli and Winnipeg?

Mr. Wakeling: In addition to head office, which services the northeast sector, we have offices as mentioned.

Mr. Clif Evans: Can Mr. Wakeling tell us the percentage of loans lost through write-offs in the past couple of years?

Mr. Wakeling: In the past couple of years we have undergone a fairly aggressive write-off policy for some of our nonproductive loans and have written off at this stage approximately \$360,000. That represents roughly—in terms of portfolio, that is approximately 3.6 percent of portfolio value.

Mr. Clif Evans: Mr. Wakeling had indicated the nature of the fishing industry and what was occurring last year with the Freshwater Fish situation federally that we all were a part of as far as looking to see just where Freshwater was going and how the federal government was going to handle it. Had that affected the Fisherman's Loan Program with the uncertainty that we had last year as compared to this year?

Mr. Wakeling: Is the question, did that affect the Fisherman's Loan Program? No, the Fisherman's Loan Program continued to offer its services to fishermen in abeyance of the final decision of the standing committee.

Mr. Clif Evans: The Fisherman's Loan Program, the criteria, does the program provide loans for not only capital but for operating? Is it a straight loan out for specifics, or is it a loan to deal with the upcoming year?

Mr. Wakeling: Provision for operating capital in the Fisherman's Loan Program, it is a capital lending program providing new equipment and repairs to existing equipment.

Mr. Clif Evans: Mr. Chairman, in 1992, April 1, '92, the Fisherman's Loan Program was, of course, put over to CEDF totally as a whole under this portfolio. It has operated, I guess, successfully. Is there a chance of this portfolio, this amount of money provided to a Fisherman's Loan Program—is there a chance of this being administered by anyone else other than CEDF?

Mr. Wakeling: We currently have no plans to do so, that is, this development fund.

Mr. Clif Evans: So you are saying that no organization, no individual is attempting to be able to take over or administer this \$10 million that is provided?

Mr. Praznik: Yes, Mr. Chair. That, I understand, would be a decision of cabinet. I am advised that the administration of that part of the loans fund is determined by regulation, so in order for that to happen, if we were to find another administrative arm for that particular program, it would require changing the regulation by cabinet.

There are no plans to do that at the current time, nor are they on the plate being discussed. But one would never want to prohibit entirely that possibility at some point in the future if there was a better and more efficient means to administer that particular fund. I do not think any member of this Legislature would object to that if it delivered service in a better way, but I can assure the member at this time—and I am not trying to start any rumours or thoughts to that effect—it is not something that is on our plans today to make that change. But, if it were to happen at some point, it would require new regulation.

* (1140)

Mr. Clif Evans: Mr. Chairman, I thank the minister for that comment. I basically just want to say that I feel very strongly that the Fisherman's Loan Program be a success and be there to provide for the fishermen, the commercial fishermen, the industry itself, the availability of funds to maintain a decent level of commercial fishing in this province. We know that with prices, times, things change, incomes change, and certainly I hope that the board of CEDF takes into account on the year-to-year problems that we may incur with the fishing industry or may not incur, and, hopefully, that both sides will work together in this portfolio and be a success, and I say a success again, both on the CEDF side and the fishermen's side.

As we all know, there are times that the fishing industry has created some problems for certain fishermen, some problems with paybacks on their loans, some problems with being able to have the proper assets to obtain the loans, but, hopefully, with the assistance and with the understanding of the board, when looking at the loans for commercial fishermen, that there be co-operation and understanding of the situations that the fishermen may be in.

I certainly encourage CEDF and the Fisherman's Loan Program to provide the best possible, viable opportunities for commercial fishermen and others in the fishing industry who come to the CEDF board for financial assistance as in other operations. So I have had the opportunity in the last couple of years as previous—since '90, I have had very, very few, if you want to call it, complaints about CEDF and the

Fisherman's Loan Program. I want to say that I just want to thank the board for working with me in settling the issues that did come to my attention. I thank them for that.

This year, so far, has been nonproductive as far as the phone ringing in my office about the Fisherman's Loan Program or about CEDF, but I thank Mr. Wakeling for that and the board for their co-operation.

Mr. Kevin Lamoureux (Inkster): I have a number of questions that I would like to be able to ask.

Looking on page 9 of the annual report, the board provides totals in terms of loans that have been approved. Can the board give some sort of indication as to the total of monies that have not been repaid?

Mr. Chairperson: To which report are you making reference, Mr. Lamoureux?

Mr. Lamoureux: The blue one. The most recent report.

Mr. Chairperson: The '94-95.

Mr. Lamoureux: Mr. Chairman, '94-95, page 9. The total it shows is \$45,115,000. Those are amounts that have been approved to date since the program's inception. I take it, it would be the inception of 1972. I am not sure. [interjection] 1972, yes. I am wondering if we could get some sort of indication in terms of, out of that \$45,115,000, how much of that actually has the board written off?

Mr. Offet: Unfortunately, Mr. Chairman, we do not have that information right at hand. We would have to accumulate it from the records. If you look at the 1995 report, on page 17, there is a write-off in 1995 of \$613,000. That is an accumulation of write-offs for about three years. So what we would have to do is look back through our records and pick up the other times that we went to cabinet to get those accounts written off.

Mr. Lamoureux: Mr. Chairperson, I would appreciate—I do not need the response now—if it is not too cumbersome, actually, to get something in the mail

in the not too distant future just indicating how much has been paid back.

Mr. Praznik: Yes, I will give that undertaking to the member for Inkster.

Mr. Lamoureux: The other thing is, on the last page, page 20, the operating expenses, that is the actual expense, if you will, of administering the program? Correct?

Mr. Offet: Yes, that is correct.

Mr. Lamoureux: I know, in previous years, that you have actually given out not as much as you did in the last couple of years. I am looking at 1989 in particular. There is \$725,000 that was actually approved. When I look at the operational cost, it does seem that it is fairly expensive to administer this particular program. Is that a fairly stable cost of administering the program?

Mr. Offet: That cost has been relatively stable since the first year the fund was decentralized to Thompson. If you would look at the 1994 annual report, the graph on page 10 shows the historical operating costs from 1990 to 1994 as compared to portfolio total, and it gives you a pretty accurate picture of where operating costs are compared to portfolio.

Mr. Lamoureux: Actually, we had the Crown Corporations Council that was in the other day, and one of the discussions was about this particular entity. It seems that we cannot expect, nor would it be reasonable for us to expect, that this organization, CEDF, is going to be making money for the province of Manitoba. I think that its mandate and its objectives are very admirable.

The only thing that comes to mind, and I do not want to claim to know very much about the background of this particular organization, but what comes to my mind is just the cost effectiveness of administering the relatively small amounts of loans that are being approved, and if in fact there might be better ways of administering a program of this nature.

Again, I would ask if it is possible that I could get—and I appreciate that you have a graph here that goes to

1990—the year that I would be most interested in—and maybe you might even have that here—is the 1989 operational cost. Would you have that figure here?

Mr. Offet: No.

Mr. Praznik: We will undertake to get that to him. I should just point out to the member for Inkster that, yes, CEDF is not large enough to carry itself on its own portfolio, and it is subsidized by the taxpayer of Manitoba.

I have had the same question about whether or not there is a better way to deliver it, but there is a service that is offered by CEDF that goes beyond conventional lenders in that they spend a great deal of time with their clients working on business plans and providing the expertise that otherwise really is not available, and they are very effective in that. So the subsidy, in essence, is buying the service of business support in northern Manitoba, as opposed to just being a regular lender who would have their cost of administration.

I think that is probably a much more efficient way of providing that kind of support than dealing through other organizations, because when you are dealing with CEDF you are dealing with people who understand a balance sheet, are able to work with you, and are ultimately, maybe, your lender.

Mr. Lamoureux: I appreciate the response from the minister. Again, if that is possible, to get that listing much in the same way in which you have this listed on page 9, with 1972, Amount Approved. If there was another line in there, just putting operational cost. I think there is a lot of merit to an argument that came forward, as the minister has just pointed out, if there are other benefits that are derived as a result of the CDC being involved, such as preparation of a business plan.

I am interested in knowing, in particular, how successful you might have been in terms of participating with local business entrepreneurs in getting them financed possibly through regular meetings, different banks, trust companies, other organizations that might be out there for them to tap into. Do you participate in this and if so, what sort of success could you actually comment on?

Mr. Offet: The answer is that we do participate in this. We stopped short of doing business plans for people. Our strongly held view is that you cannot make a credit decision on a business plan that you have prepared. It is a conflict of interest. We do assist clients in preparing their own business plans. In the last six months, we have incorporated into our suite of offices other services of other Economic Development agencies in northern Manitoba that can provide more of those soft services.

* (1150)

The Norman Regional Development Inc., the Department of Rural Development has their Economic Development officer in our offices. Recently, Western Diversification established a Women's Enterprise Centre, and they operate out of our offices.

We provide significant services at the front end, but probably the biggest difference between us and a bank or a credit union is our ongoing account management. A significant number of our clients are very unsophisticated, and we help them establish, in many cases, a rudimentary bookkeeping system and then on, at least a quarterly basis, more often, we will sit down with them and go over their figures and help them bring it up to date, give them advice concerning the management of the business and, generally speaking, offer a mentorship service.

This is on the business loan side. On the fish loan side, we have over 1,300 clients. If you tried to apply a commercial test to our operating costs, I would suggest that the operating costs to administer 1,300 loans totalling \$10 million, a significant amount, would stand the commercial test. It is an awesome job. To say that a lot of our clients in this program are unsophisticated would be a kindness.

Mr. Lamoureux: Mr. Chairperson, I think that there would be some benefit in terms of future reports where we do see more of an expanded, outside of just the loans that go forward, that are being put forward, but more of a scope in terms of exactly what it is, how the business community, if you like, and entrepreneurs benefit in addition to just the money that is being handed out. I just say that for what it is worth.

On page 8 of the '94-95 report, a couple of things come to mind. First, I look at it, and there is quite a fluctuation in terms of interest rate. I am looking at the one for Jonasson, Jonas; it is \$41,000 at 10.3 percent interest and for a 36-month period of time. Then, if you go a bit further down, you have two 36-month periods of time at 13 percent interest rate. One is for \$10,000, and the other one is for \$8,000. Is this just because of the time in which they applied, the Bank of Canada rate was set at a specific time, or is there—I am wondering in terms of what criteria are used for establishing interest rate. It is not to be tricky or anything of that nature, because I also note on a few of them you actually have P, standing for prime, I would assume, prime plus 2. I am wondering if there is something that could maybe be a bit more consistent or just open it up for your comment.

Mr. Wakeling: The member is correct. The principal reason for the difference in interest rates is timing. Our interest rates are set monthly based on the effective rates at that date. In addition to that, the development fund has a floating interest rate policy; therefore, the ones which are marked P+2, correct, those are prime plus 2. Those rates are floating as opposed to the fixed rates on the other loans.

Mr. Lamoureux: The floating rate, is that then made available for anyone that would like to participate, or are they obligated to lock in and under special circumstances they can have the floating rate?

Mr. Wakeling: No, we offer our clients that flexibility.

Mr. Chairperson: Are there any other questions? Is it the will of the committee that the report for the Communities Economic Development Fund for the year ending March 31, 1994 shall pass?

Some Honourable Members: Pass.

Mr. Chairperson: Agreed and so ordered. It is passed accordingly.

Is it the will of the committee that the Annual Report for the Communities Economic Development Fund for the year ended March 31, 1995 shall pass?

Some Honourable Members: Pass.

Mr. Chairperson: It is passed accordingly.

The next report is Manitoba Mineral Resources Ltd. Annual Report 1993.

Mr. Minister, do you have an opening statement?

Mr. Praznik: Yes, I will be very, very brief. As the members of the committee know, Manitoba Mineral Resources, most of the assets of that corporation have been sold, and it really exists today as an unoperating corporation. It still remains as a legal entity on our books with a board of directors and has some remaining assets, very few in fact, but, for all intents and purposes, is a nonoperating company. So I will not defer any other statement, and take questions from members of the committee.

Ms. MaryAnn Mihychuk (St. James): Just a brief comment and a couple of brief questions. Manitoba Mineral Resources was a Crown corporation that actively explored many regions in Manitoba, and its mission was to enhance Manitoba's wealth. We on our side clearly disagree with the government's agenda of selling off MMR, and I just wanted to put that on the record.

Can the minister inform us as to what is the status of MMR? Are we to see a '94 annual report? Are we going to continue having reports annually?

Mr. Praznik: Yes, first of all, Mr. Chair, just to introduce staff very briefly. We have Mr. Ed Warkentin, who is a member of the Board of Directors of the Manitoba Mineral Resources, the existing board; Mr. Garry Barnes, who is our Director of Administration of the Energy and Mines branch that is responsible for administering this corporation currently; Mr. Craig Halwachs, who is the Manager of Financial Services, Department of Energy and Mines.

I know the member and her party and myself and my party have a very fundamental difference of opinion over whether or not the provincial government should, in fact, have a Crown corporation directing mineral exploration in the province. We can get into a very

lengthy debate about that. I do not know if today we want to. I just want to put on the record that comment. I know we have that disagreement, and I know her party is very much opposed to this.

I think just one fact that is important to look at, virtually the sole source of revenue for MMR was the dollars obtained through its interest in the Trout Lake deposit, which was an expropriated interest under Mr. Green's, former Schreyer cabinet minister's, proposal back in legislation. That has been virtually the most significant source of revenue to the corporation over its years. Despite doing, in its 23-year, 24-year history, a very significant amount of exploration in the province, they had not, during their tenure, brought into production one additional mine in the province of Manitoba.

I think it is important—although some deposits were marginal that they did discover, Farley Lake being one, which was a property that has been sold off, and I understand Granduc now is bringing that into production. The fact of the matter is the record of success of MMR in actually creating wealth for the province is one that I certainly would argue should be the criteria by which the success of this corporation is judged.

Currently, just to answer the specific questions of the member with respect to annual reports. As long as this corporation continues to exist as a corporate entity, there will be an annual report that we will bring forward to committee of the Legislature. There are, I understand, currently some assets, 10 or 11 properties that were not purchased in the original arrangements. Ten of them may not be saleable at all; there may not be a particular interest in them. There are some other financial assets that exist in the corporation that we have not quite yet determined what we are going to do with for a host of reasons.

It would be the intention of the government, though, to wind up this corporation when it is the most commercially viable time to do so, in which case there would no longer be reports to the member, but until that time, it will continue. There is a board of directors that is in place now. The corporation still exists as a

legal entity, but is not a functioning one in essence of day-to-day operations.

So, until that windup is completed, we will still be bringing forward annual reports.

* (1200)

Ms. Mihychuk: Thank you very much. I think that the success of a corporation like Manitoba Minerals should be determined by the number of jobs and their proactive stand in saving communities during downtimes. We have seen the benefit in Leaf Rapids and Trout Lake for MMR's participation in those areas.

Obviously, we have a difference of opinion. The mining industry in general is out to obviously give the best shares they can for their stockholders. MMR's mandate was, in fact, to the people of Manitoba. So its success was also, I think, a function of the province's commitment to that corporation.

I am prepared to pass the annual report, and I just wanted those few comments on the record. Thank you.

Mr. Chairperson: Thank you very much. Is it the will of the committee that the report shall pass?

Oh, excuse me, I am sorry, Mr. Lamoureux.

Mr. Lamoureux: Something more so out of curiosity than anything else. I know that there were discussions or talks or maybe it is just rumours or whatever it might be with respect to diamonds being found in the Northwest Territories. Has there been anything that you could comment on regarding diamonds in northern Manitoba or the diamond industry?

Mr. Praznik: Yes, Mr. Chair, although very much unrelated to the work of this corporation, there has been a great interest in diamond exploration work in various parts of Canada, including Manitoba. There was a very large and very significant staking of ground across Manitoba or the acquiring of mineral rights to ground in particularly the southeast part of the province and various areas in the North. There is a lot of activity and interest in diamonds.

In the last two months I have had opportunity to visit nearly 45 mining companies across Canada, recruiting them to come to Manitoba, and several of them have been diamond exploration companies. Looking for diamonds is probably worse than looking for a needle in a very large haystack. It is a very intensive process. It is not one that technology lends itself to as easily as metallic minerals and other things.

Searching for kimberlite, as I have learned, boils down to someone looking at about two milligrams of sand or material under a microscope to find kimberlite materials and diamonds in order to trace the location of a kimberlite, so it is very, very unique and expensive exploration. It is going on.

We understand that some commercial deposits, commercially viable deposits, have been found, one in particular in the Northwest Territories. The problem that is happening there, of course, is the environmental licensing process in the Territories is very long, and, as a consequence, that mine will probably not receive approval for at least another year.

Once we have some happen, I am sure we will have even more exploration going on. Is there a diamond

mine in Manitoba? I am sure many will spend millions trying to find one if there is, and as long as they spend it in Manitoba, we have encouraged it. That is why I have been travelling the country in the last few months.

I would like to thank the member and his party for allowing me the pair to do that. That was most kind and useful. He has allowed me and his party the pair opportunities in order to visit those 45 companies, and I want to thank him for that.

I know his party has indicated quite an interest in seeing us promote mining activity in Manitoba. I want to thank the member for St. James (Ms. Mihychuk) for a speedy passage. I know we can debate MMR for hours and I do not intend to do that, but I am sure we will get opportunities to do that on other occasions. Thank you.

Mr. Chairperson: The Manitoba Mineral Resources Ltd. Annual Report 1993—pass.

Committee rise.

COMMITTEE ROSE AT: 12:05 p.m.