



Legislative Assembly of Manitoba

**HEARING OF THE STANDING COMMITTEE
ON
ECONOMIC DEVELOPMENT**

Chairman

**Mr. D. James Walding
Constituency of St. Vital**



THURSDAY, May 19, 1977, 8:00 p.m.

**Economic Development
Thursday, May 19, 1977**

ME: 8:00 p.m. CHAIRMAN: Mr. D. James Walding.

MR. CHAIRMAN: Order please. We have a quorum, gentlemen. The Committee will come to order. The first item on the agenda for this evening is consideration of the Annual Report of the Communities Economic Development Fund. When we adjourned on Monday, the Chairman had issued his report and there were questions from members. Mr. Spivak.

MR. SPIVAK: Dr. Loxley, with reference to your statement. I would like to understand the language so that there will be a consistency with respect to comparisons for previous years.

When you refer to approvals, as an example, on Page 4 of the statement itself, in the first paragraph, second last line, it says, "So in total 114 loans and guarantees amounting to \$3.2 million or over 71 percent of total approvals can be said to have been repaid or likely to be repaid." Now, are we talking about commitments or those loans which have in fact been approved and taken up by the client?

DR. LOXLEY: Mr. Chairman, these are loans approved and taken up by clients.

MR. SPIVAK: So we go back up to the top of the page. We have 175 loans and guarantees creating 8 jobs. Okay, those are loans approved and taken out by clients. Can you give me, for the comparative period, the number of loan commitments that were made? The way in which, as an example, Mr. Jones presented it some time ago, in 1975.

DR. LOXLEY: You mean these would include commitments which were not subsequently taken up?

MR. SPIVAK: What I would like to do is make some comparison if I can and I don't suggest that there's anything . . . there's a consistency, if this is the way you refer to it, then I'll come back to it. But would like to be able to make a comparison, to deal with the number of loans that have in fact been approved, the difference being the ones that were not taken out.

DR. LOXLEY: I could give you that figure almost immediately for the last year, but I think that if you want it for the whole . . .

MR. SPIVAK: Yes, you said there were, I think, something like 16 additional ones if I'm correct, or at may have been the previous year, I'm not sure. No' the previous year was 16.

DR. LOXLEY: I think, Mr. Chairman, I would have to take this question on notice, it would involve going back through the files for all the years of the Fund's existence.

MR. SPIVAK: Well, Mr. Jones appears to be looking it up and it may be that he would have it available, I don't know. Maybe we can deal with another question while that's happening.

I want to understand clearly, in the year 1975-76 there were 17 board meetings ' I think that's on the back of the statement itself or somewhere in the statement — in the statement of Mr. Jones on page 8. The reference is there were 17 board meetings for approximately 11 loans approved, and in return, for a number of loans committed and then approved and another series of loans committed and approved but not taken up. So actually that's talking 32.

Looking at the nature of the loans themselves, one for \$1,000, one for \$4,500, one for \$5,000, one for \$7,000, can you indicate to me why it was necessary for 17 board meetings to be held to deal with the relatively small number of loans, small amounts, where in the normal course of a bank manager's activities, he would be normally dealing with this by himself without a loan committee *per se* and I understand approval has to be given finally, but in terms of the actual dealing with the specific loan applicant. There seems to be in this something that has to be explained and something would have to be justified, notwithstanding the fact that it's the north and it's the land of last resort and all the other things that may come automatic as answers. It would seem to me that there has to be some other detailed explanation.

DR. LOXLEY: I think, Mr. Chairman, I should stress that the Fund operates no differently from a bank in terms of the way in which lending decisions are made, that is that the general manager and the chairman of the Fund have certain limited discretion. Some of these loans would not, therefore, have been approved by the Board; they would have been ratified by the Board, which simply makes our question more relevant.

The Board spent, and still spends most of its time — and this is what I tried to emphasize in my introductory remarks — reviewing accounts. When we review an account the review we get is almost so detailed, and in many cases more detailed, than the original submission. What we asked for in 1975 was a review of all accounts, which is a long, lengthy process. The documentation is fairly detailed. The Board reviewed each of these, problem accounts we review with more frequency. The Board also deals with items which are not connected directly with loans — the budget, staffing matters and so on.

So the agendas are always rather full and mainly concerned with reviews, but they are also concerned with loans that are rejected, and we had a number of these and I documented these in my introductory remarks. So that again the figure for loans approved is no more accurate as an indicator of the workload for the board as it is for the workload for the management.

MR. SPIVAK: So the Board in itself then is the loan committee; that's really what you are saying.

DR. LOXLEY: That is correct, on normal loans. We do have a committee for the wild fur loans, but

for normal loans the Board handles all applications which are in excess of \$10,000 and which pressing.

MR. SPIVAK: And it then also really is the collection committee; realistically that's what you saying as well.

DR. LOXLEY: No, the Board has a clear responsibility to monitor accounts. Collection responsibility of the management.

MR. SPIVAK: Well, I think in that respect I can get involved in an argument as to whether collection or monitoring, you know, but we'll come back to that in a moment. That's not my purpose. I'm really trying to understand what is really happening, because you see, one of the essential problems here, I think, and the position that was obvious from the analysis of this report, and with additional information now given on this last year's statement and the wording of the statement itself that, in effect, really what we went — there was a period of consolidation and now you refer to it as a period of expansion. But the period before that was really a period of failure, I mean I think. Not a failure, and I want to make this point . . .

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, are we going to have a debate or are we going to have a series of questions? If we are going to talk about arguing the report, that's another matter. I deny that there has been a period of failure. Failure is relative to what you are attempting to do and if we are going to have that kind of discussion, it's going to be a debate rather than eliciting questions from the Chairman.

MR. SPIVAK: Well, I know, but unfortunately, Mr. Chairman, the terminology of consolidation and expansion are used, and I would have to indicate that there is an implicit in this that something has gone wrong. My words of failure may be my own; they may not be one that Dr. Loxley would be prepared to accept. But the thing that strikes me at this point is that in the statement there is the direct indication of the need to establish financial independence from the Fund, but really, as I understand it, the Fund was somehow offering its services and was participating in the sense of at least monitoring the way in which the structure of the CEDF was set up and its operation. Obviously there was a failure in that respect because you wouldn't have had a consolidation necessary if that did take place.

MR. GREEN: Mr. Chairman, there was a debate on this question in the Legislative Assembly. That was not done by the Committee. There was a debate in the Legislative Assembly severing the two administrations and at that time it was explained that the administrations were operating separately and that it was not appropriate to have the one organization linked with the other on the same administration which was operating as a unit separately, and that it was wrong to have the Development Corporation either accepting some responsibility for an agency which it no longer was really involved in, and it was further inappropriate to have the CEDF involved with an agency which really didn't have any serious involvement in its activities.

Now, that was debated and an Act was passed by the Legislature. Are we now to question the decision of the Legislature in this connection, which I don't really believe was opposed by anybody?

MR. CHAIRMAN: The Chairman would remind members that this portion of the meeting is for the purpose of asking questions of the Chairman. If the members wish to discuss it, it might be better to do so under the motion to adopt the report. Mr. Spivak.

MR. SPIVAK: Well, on Page 6 of your report, Dr. Loxley, you state that the Provincial Auditor made mention of our reporting system and I quote him. I noted that positive steps have been taken in that regard resulting in the monitoring of the borrowers' accounts by the Development officers now being satisfactorily carried out.

From April 1, 1976, the Fund also became completely independent of MDC with regard to financing and accounting. The books of the Fund are now kept in the Fund, and this, too, has assisted in improving the management control of the Fund's activities. This now is a period of consolidation where it would appear the Board felt it necessary that it become the monitoring body of the accounts that had previously been approved and moneys advanced. The point being, Mr. Chairman, I think that it really is an unusual feature for a board to take that responsibility. I think that the word "consolidation" is possibly misleading us to what really is taking place. I really would like to hear Dr. Loxley's comments on that.

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: I am not entirely sure, Mr. Chairman, what the problem here is. We were organized in one particular way before we changed the Act. We are now organized in a different way. The Board of the Fund has exactly the same responsibilities now as it had previously, but we feel we are not fully in control of the staff who are working for the Fund and we feel that we can more directly order the time of the staff working on Fund business.

MR. SPIVAK: Was the Board previously monitoring accounts? Did the Board always monitor accounts right from the beginning?

DR. LOXLEY: Yes, Mr. Chairman, accounts have always been monitored.

MR. SPIVAK: How many Board meetings were held in the year 1974-1975?

DR. LOXLEY: I would have to take that on notice; that was the year before I was appointed to the
ard.

MR. SPIVAK: I wonder if you can tell me how many Board meetings were held in the year 1976-
17.

DR. LOXLEY: Again, Mr. Chairman, I'd have to take that on notice. They were about of the same
ler of magnitude as the previous year.

MR. SPIVAK: Over one a month?

DR. LOXLEY: Over one a month, yes.

MR. SPIVAK: It's your position, I take it, that at this point, the administrative costs with respect to
; handling of the loans, that is the full costs related to the work — is it out of line or not out of line?
; you believe that this is consistent with what is a figure to be a target figure to be reached annually
are there improvements that could be made or are there substantial improvements that can could
made?

DR. LOXLEY: I think, Mr. Chairman, that our expenses now are very tight indeed. I did indicate
at it would be unreasonable to expect further absolute declines in our operating cost. We've had, in
; last two years, an absolute decline, quite a dramatic decline last year. In the previous year, we had
; very small rate of growth, around three percent, in the order of three percent. This cannot continue,
; have relatively few staff, eight professional staff, fully qualified professional staff, and for the
orkload that I have outlined, again — again, I outlined that in introductory remarks — I think we're
obably pretty close to the limit of what it is reasonable to expect those staff to do in terms of
orkload.

MR. SPIVAK: Dr. Loxley, in your statement you say that there are 175 loans and guarantees
talling \$4.5 million helping to create or sustain 628 jobs. That would include those loans that are
ow classified either as bad debts or in receivership, and some of those jobs have in fact been lost.
hat was is the net number of jobs you now would attribute to the loans?

DR. LOXLEY: I haven't made a calculation using this approach. What I have done is, I used a
fferent approach to calculate the cost of jobs created and I could perhaps run through this. This is a
raightforward calculation dividing the amount of loans and guarantees by the number of jobs
eated. I thought that the members might also be interested in a different approach which would be
take our administrative costs, our interest costs and our bad debts, and divide that by the number
jobs created. What that does is, if we ignore the jobs that have disappeared, that would give us a
ost of \$5,570 per job. If we then look at that portion of finance which has disappeared in bad debts
id assume that the ratio of jobs to finance is constant, then we are left with 490 jobs sustained for a
ost of \$7,100 per job. So it comes out to roughly the same figure but using a different approach.

MR. SPIVAK: Let me understand something, you are saying that there are only 470 jobs sustained.

DR. LOXLEY: No, I am saying that if there is a constant proportion between finance and jobs, if the
verage is the same for those companies which have disappeared as it is for those that are sustained,
en it would be approximately 490 jobs surviving.

MR. SPIVAK: So that in effect, the equation of the number of jobs realistically is not based on the
umber of jobs per undertaking or development. That's not a judgment made on the basis of the
umber of employees *per se* but rather it's based on the calculations and the total moneys invested.

In other words, have you made an actual survey of the loans and related the number of jobs per
an to this figure that you've now equated or is it based on the calculations that you have just
ferred to?

DR. LOXLEY: The figure I gave you now is a calculation. If you wish us to do a survey, we could
gain take that on notice, and then we would do that.

MR. SPIVAK: But of the 175 loans approved, how many of them really were loans to individuals for
eir own undertakings, with really their own self-employment as being the basis of the loan?

DR. LOXLEY: Again, Mr. Chairman, we'd have to go through each individual case.

MR. SPIVAK: Well, I think in general, though, would you say that it's a reasonable percentage of
re loans? We can't tell from the names of the people who received the loans whether that loan was
or themselves *per se* in their own undertaking, or whether in fact there was additional employment.
; in some cases obviously, and generally in some, but I can't identify all of them and not just this year
ut previous years.

DR. LOXLEY: Mr. Chairman, of the accounts approved last year, approximately a half would be
mploying more than the applicant himself. That's in last year's loan activity.

MR. SPIVAK: So that approximately six or seven would be just for themselves, the other six or
even could be more for more than one person.

DR. LOXLEY: No, I'm sorry, I am referring to 1976-1977.

MR. SPIVAK: Oh you are referring to 1976-1977 where we had how many loans?

DR. LOXLEY: Approximately 38 loans.

MR. SPIVAK: Thirty-eight loans, so 18 or 19 would be for themselves and the other 18 or 19 could

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be for more than one employee. And if we go back to 1976, would it be the same proportion?

DR. LOXLEY: I think, Mr. Chairman, that the proportion in 1975-1976 would be higher. Majority of the 1975-1976 accounts employed more than one person.

MR. SPIVAK: Well, you see, one of the problems I have in relating to the figure of 628 is something like this, in calculating it a little differently than you have. The loans from last year and this year represent approximately more or less between 22 to 25 percent of the total loans that you have. The number one. You have 175 loans and there is approximately, I believe, 33 or 36 and 13 is 39, that's that's approximately 22 to 25 percent.

In terms of number of employees, if you had 18 that have more than whatever net figure we going to come up with and you have 13 and, say, forsake of argument you have five and say you have eight with more employees, that's 23, and you have 36 that have more employees, that's 59. In order to arrive at 628, you have to arrive more or less with about 150 jobs which would mean that the average of the ones over one over self employment realistically at this point, becomes 4 to 5 and I wonder if that really has been the case in the developments that you've been financing? In real terms I wonder whether 628 jobs really were the jobs that were created.

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: Mr. Chairman, I didn't follow the calculations, but I think the figures for Job Creation are given in front of you. Last year we created 100 jobs, or helped to sustain or create 100 jobs; the previous year it was 74.

MR. SPIVAK: There were 74 jobs for 13 loans.

DR. LOXLEY: No, it's not 13 loans, it's 18 loans and guarantees.

MR. SPIVAK: So for the 18 you say 73?

DR. LOXLEY: 74.

MR. SPIVAK: 74, and for this year of — how much? 33?

DR. LOXLEY: This year was 100 jobs. 38 loans.

MR. SPIVAK: In some cases the loans are for either extension of other loans or the receive themselves. As an examples, I don't want to get involved.

DR. LOXLEY: I'm not counting receivership loans at all. Counting them in numbers but not terms of jobs.

MR. SPIVAK: Not in terms of jobs itself. Okay. The Fund is now in court in connection with how many loans?

DR. LOXLEY: So when you say in court, what exactly do you mean by . . .

MR. SPIVAK: Well, we'll start first with the Fund's proceedings in court in connection with defaults and guarantees.

DR. LOXLEY: We have what we term illegal accounts. These are in different stages of litigation. Some of them may not be in court at all. The majority probably aren't at this time. We have 16 — this at the end of March — 16 regular loans and 4 receiverships.

MR. SPIVAK: That would be 20. That would be more than 10 percent, based on 175 approved. That correct?

DR. LOXLEY: That's more than 10 percent of 175.

MR. SPIVAK: What would they represent in dollars?

DR. LOXLEY: The dollar value of the regular loans is \$250,000 approximately; of the receiverships, \$406,000 approximately.

MR. SPIVAK: So that would mean \$710,000 at this point in question.

DR. LOXLEY: No. It would mean \$656,000 approximately.

MR. SPIVAK: I'm sorry. Did you say 250 and 460?

DR. LOXLEY: Four zero six.

MR. SPIVAK: Oh, I'm sorry. Okay. Are there counter-claims now against the Fund by some of those whom you have legal claims or in which you have legal action?

DR. LOXLEY: Yes, Mr. Chairman. I believe there is one counter-claim. This is coming to the . . . the Annual Report, and we are advised by our lawyer that this counter-claim has no merits.

MR. SPIVAK: Can you tell me the amount of the counter-claim?

DR. LOXLEY: Mr. Chairman, the counter-claim is for an unspecified amount.

MR. SPIVAK: Can you tell us where the proceedings are and where those proceedings stand at this time?

DR. LOXLEY: At the present time, Mr. Chairman, they seem to be in limbo and have been for the last twelve months or more.

MR. SPIVAK: Those are the actions of the counter-claimants or the action of the Fund?

DR. LOXLEY: Those are the actions of the counter-claims.

MR. SPIVAK: So in the case of the counter-claims against the Fund for an unspecified amount you're suggesting that the action is in limbo as a result of the action of the counter-claimant not the action of the Fund?

DR. LOXLEY: To the best of my knowledge, that's the case.

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MR. SPIVAK: Is the Fund intending to proceed or is the Fund going to leave it in limbo.

DR. LOXLEY: The Fund has no intention of proceeding at this time.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I'm not certain, but I believe there was a receivership in that particular thing and the Fund has received its assets and is required to follow through on the receivership but it's not projecting, I gather, that it will have to establish any further claim in court. The counter-claimant would be the one that is trying to establish something. I'm not certain of that, but if I can piece together, when the Fund goes to court it generally goes to get a receivership order. It gets its receivership and then is required to behave accordingly and if there was a counter-claim it's on the basis of somebody claiming something from us.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Well, I just want to establish here for the record that insofar as the Fund is concerned, there is no action required by them or no delay that has taken place with respect to the curing of the assets and in the claims of those who may be responsible for any guarantees.

MR. GREEN: Mr. Chairman, I mean, these are legal matters and I would assume that the Fund is advised by its lawyers. But when you have a receivership, you are also required to behave in certain ways and I would hope that the Fund is being properly advised as to the steps it should take. But as to getting more out of the case, it seems to me that that's the counter-claimant who is trying to get money out of the case.

MR. SPIVAK: Let me put it this way, then. The Fund has not given the lawyers any instructions in this particular case, the one with the counter-claim, not to proceed or not to do what is required with respect to realizing on any security that it may have.

DR. LOXLEY: Mr. Chairman, the receiver has recovered all of the available assets with the exception of one amount. The Board has given instructions to the receiver as to how to proceed with regard to that amount.

MR. SPIVAK: And the Fund has no intention of going against any guarantors, is that correct?

DR. LOXLEY: It's my understanding that that is correct.

MR. SPIVAK: That's fine.

MR. CHAIRMAN: Are there any further questions? Mr. McGill. Mr. Green.

MR. GREEN: Mr. Chairman, just so that there be no misunderstanding about this, Mr. Loxley gave me as his understanding. If there are guarantors against whom more assets can be claimed, that is something that they will have to take under advisement but I don't want this statement at a meeting to be a commitment that some guarantor could rely on that he is not being pursued.

MR. CHAIRMAN: Mr. Spivak.

MR. GREEN: And that is not the case, Mr. Speaker. The legal rights are not going to be determined by this committee.

MR. SPIVAK: No, I assumed the legal rights would not be determined at this committee but the question really posed to Dr. Loxley as the Chairman of the Board is to find out whether any instructions have been given by the Board and whether in fact any action has been taken. My understanding from what he said is that the matter is in limbo and if it's in limbo, my assumption is that the Board has decided not to take any action.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, we're going to be asked to approve this statement for year ending March 31st, 1976 so I would like to just confine my questions to that report and ask Dr. Loxley about this matter of the number of loans that were approved in that year. The statement says 14 loans for \$298,470.00. There's a staff of about eight, is it?

DR. LOXLEY: Eight professional staff, that's right.

MR. MCGILL: So that's a little more than one loan per member of the staff during the whole year. You made those loans at an expense of \$394,781 so you actually put in the hands of your customers \$298,470 and the expenses incurred were \$394,781.00. That means that for every dollar that you approved in the form of a loan, there was an administrative expense of \$1.32.

DR. LOXLEY: Mr. Chairman, I really don't know how far I can go in trying to get this message across to you. I explained this last year and I went to some considerable length in my introductory remarks, which obviously people were not listening to, to explain that this is not an accurate way of depicting our expenses. The Fund's staff are not there simply to make — you cannot judge our administrative expenses by the new loans approved. I made, in my introductory remarks, a list of items which you would have to consider and you would have to consider these for any financial institution, be it a bank or a credit union or a high purchase if you were to assess the the operations of that company accurately.

My precise remarks were that loans approved are indeed one factor justifying and explaining our costs. But secondly there were also guarantees which were approved. They involve us in just as much work. Thirdly, loans and guarantees rejected or not taken up, which are not included in that figure. Fourth, there are inquiries which don't materialize into full submissions but which involve the staff in

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considerable amounts of work. These numbered 125 in the year under review and 107 last year. For there's the administration and control of the loans and guarantees which have been approved in previous years. This has been an item in the committee before: How were we looking after monies which were outstanding and how are we monitoring these? These involve the staff in a good deal of work, eight staff for a hundred-and-odd loans. They have to visit these claims; they have to go through them regularly; they have to draw up financial statements; they have to go through the books; they have to advise on how the client is operating. I covered that as a sixth item, advice to clients on all aspects of their operations and assistance in bookkeeping and marketing, recruiting and finding alternative and complementary sources of finance. All of this is time consuming. Seventh, there is the administration of legal accounts. This presents special time-consuming problems and we've dealt with most of those accounts for the period under review. We've reduced those accounts considerably from what was last reported to you. This involves the staff in a lot of work.

Finally, and I did try to emphasize this in the report and I certainly emphasized this when we were last time, that the normal loan activities of the Fund are increasing. These are significant and they involve the staff in considerable amounts of time.

So I think it's rather unfair on both the Board and the staff to make the simple calculation of loans divided into administrative costs. It really is unfair, you know, given the amount of work that we are doing.

MR. MCGILL: Mr. Chairman, I don't know why Dr. Loxley should think it's unfair to deal with a balance sheet and the figures that are presented to us in that form. I'm attempting to relate this kind of an operation with a lending institution which presumably would have a great deal of the kind of research to do that you are doing. You may have some special kinds of investigations to do but nevertheless it's . . . I think this statement is so much different from the statement which you have given us in unaudited form for the latest year's operations that I'm trying to figure out what really you were doing during this previous year to account for the fact that it cost \$2.00 in expense for every dollar that you loaned out. I wonder how any lending institution of any kind could ever survive in this kind of a situation.

You have obtained two grants, one from the Manitoba Development Corporation for \$394,781 and \$193,000 from the Manitoba Government, for a total of \$588,664 which effectively is what the operation cost. The results are 14 loans, \$298,000.00. I just think it's very very difficult to understand what took up all the time of this staff for this amount of result during that year.

DR. LOXLEY: I would like to emphasize just a couple of points. Well, what I tried to do earlier was to explain that, particularly during 1975-76, a large amount of business was conducted which did give rise to new loans. A lot of this will have to be done again and much of it may be. We are operating now much more efficiently than we were; there's no question about that. But I'm not about to claim, I would do if I accepted your figures uncritically, I'm not about to claim that our productivity has more than doubled in twelve months because I could claim that. I could claim that the amount of loans approved has doubled while our expenses have gone down. I think that would be an unfair claim. I think that our productivity has improved but not to that degree.

Secondly, I think it might be of interest to point out that at certain times of the economic cycle charter banks in Canada experience declines in their loans outstanding and this is quite a common phenomenon. But we don't conclude from that that somehow they're not efficient or that they should be closed down.

The activities of the Fund in 1975-76 were concentrated primarily on items which are not reflected in the figure for loans actually approved and I think there is good reason for that.

MR. MCGILL: Mr. Chairman, some of the loans approved, I think, had to do with contractors Channel Area Loggers. Is that correct, Dr. Loxley?

DR. LOXLEY: In the period 1975-76, there was one such loan.

MR. MCGILL: Then in the succeeding year for which you have given us the general statement

DR. LOXLEY: In the succeeding year there were loans, I believe there were three of them and I just check that out — yes, there were three such loans.

MR. MCGILL: How much money was involved?

DR. LOXLEY: In 1975-76 the amount was \$8,500; in 1976-77 the amount was — I'll just add this to — gross amount was \$49,400.00. There will be significant recoveries from Special ARDA on those amounts.

MR. MCGILL: Mr. Chairman, you took over Dr. Loxley as Chairman of the Board of Channel Area Loggers in, when October or November?

DR. LOXLEY: My first Board meeting was January 1977.

MR. MCGILL: I see. Do you feel that it is going to present some difficulty for you as being head of this CEDF organization, granting loans to operators from Channel Area Loggers and other organizations which you head up. Is there a conflict there that you might find difficult to maintain an impartial position on?

DR. LOXLEY: I should add, Mr. Chairman, that on the loans which were approved by CEDF I

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77, I did not vote for that reason, on the Board of CEDF.

MR. MCGILL: What are you going to do in the future?

DR. LOXLEY: I would abstain from voting in the future if we were approached by people with that kind of request.

MR. MCGILL: Thank you.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Dr. Loxley, I think there is some need to clear up some of the relationships between us and a chartered bank or a lending institution. Of the fourteen loans that you granted in 1977, how many of them would have been advanced by a chartered bank in your opinion?

DR. LOXLEY: None.

MR. GREEN: Of the 178 loans that you have granted other than those that have been guaranteed by the Province of Manitoba, how many of them would have been advanced by a chartered bank?

DR. LOXLEY: None.

MR. GREEN: Then I gather that you are not dealing with the type of people that a chartered bank deals with.

DR. LOXLEY: That is correct.

MR. GREEN: A chartered bank could make fifty such loans in a day with a staff half as big, fifty of their loans in a day with a staff half as big. I gather that you are dealing with citizens in Northern Manitoba who have hitherto played no entrepreneurial role in their communities and whom this Fund supposed to give an opportunity to realize their potential in this respect. Is that correct?

DR. LOXLEY: That is correct.

MR. GREEN: I gather that when these 178 loans are out that even if you didn't make one single loan this year, your eight staff would be, from time to time, or for a good part of their time, involved in assisting these people in Northern Manitoba in operating a taxicab, running a grocery store, operating a recreational billiard parlour or things of that nature.

DR. LOXLEY: Absolutely.

MR. GREEN: Are you aware of any chartered bank that has their staff doing that type of thing?

DR. LOXLEY: No, I am not, Mr. Green.

MR. GREEN: Are you aware whether a chartered bank could do that type of thing with the small staff that you have?

DR. LOXLEY: I think they would find it very difficult, Mr. Green.

MR. GREEN: So any resemblance between the kind of activity which your staff is engaged in and another lending institution is completely coincidental. I mean is there a relationship between what your staff do, other than talking about the possibility of a viable enterprise being created, other than considering that as the viability of the loan, is there anything else that they do that is similar to what a chartered bank does?

DR. LOXLEY: I think for the most part the activities are quite different in terms of supportive work carried out.

MR. GREEN: Dr. Loxley, up until 1975 the Fund operated in a rather aggressive way in dealing with setting up institutions in Northern Manitoba of this nature. Would that not be your observation when you first came to the Fund?

DR. LOXLEY: That is correct.

MR. GREEN: I gather that the first years that you were there were spent in consolidating existing operations rather than pushing out more money.

DR. LOXLEY: That is also correct.

MR. GREEN: I gather that if you were pushing out a lot more money you would be getting a lot more difficult questions than you are now receiving from members of the Opposition.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. Through you to the Chairman, we see a number of the loans, of the fourteen loans and the four guarantees that were dealt with in the 1975-76 report, a number of those loans such as Lorne W. Wood are loans that you must be I guess — what were they? Refinancing of loans from previous clients?

MR. CHAIRMAN: Dr. Loxley.

DR. LOXLEY: No, Mr. Chairman, that was a new loan.

MR. BANMAN: In your report, for instance, in the year before, that same name comes up. Yes, the year before you've got Lorne W. Wood loan, interest 13 percent, two-year term, \$5,000, and now you've got a Lorne W. Wood loan, \$7,300.00.

DR. LOXLEY: Yes, Mr. Chairman. I'd like to ask the General Manager to explain what the first loan was for.

MR. CHAIRMAN: Give your name for the record and proceed.

MR. HUGH JONES: Yes, Hugh Jones. We did make a loan of \$5,000 in the previous year, the 1975 fiscal year for a school bus. This gentleman had a school bus contract. That loan was repaid and we

processed another one in the year you are now considering, 1976. There were two separate loans

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: How about Moak Lodge?

DR. LOXLEY: Mr. Chairman, Moak Lodge, this was an additional loan to an existing borrow that is correct.

MR. BANMAN: What would the total amount of loan be to that particular company now? I not two years ago there was also a guarantee of 2 percent annual fee, eleven month term for \$44,000. Has that guarantee been looked after?

DR. LOXLEY: Mr. Chairman, the total amount outstanding at the present time to Moak Lodge \$55,000.00.

MR. BANMAN: Lorne W. Wood, would that be a relative or wife, Myrna Wood?

DR. LOXLEY: I am informed, Mr. Chairman, that Myrna Wood is the mother of Lorne Wood

MR. BANMAN: There's a Mr. Whiteway — is that an additional loan to a previous loan?

DR. LOXLEY: Mr. Chairman, the loan to Gordon Whiteway was an entirely new loan.

MR. BANMAN: That isn't the same family as Carl Whiteway from the year before?

DR. LOXLEY: No, Mr. Chairman. Well I am not sure of any family ties. The communities are certainly quite different. Carl Whiteway is Berens River. Gordon Whiteway is Oxford House.

MR. BANMAN: There were also several advances, I guess, like the one to Ilford Northern Construction Ltd. That is not a new loan, is it?

DR. LOXLEY: Mr. Chairman, this was a completely new loan and has since been repaid.

MR. BANMAN: You have been dealing with that particular company then I notice in the 1976 report — Ilford Northern Construction there was a loan of \$10,000.00. Has that one been repaid?

DR. LOXLEY: Yes, Mr. Chairman. These loans are annual loans for haulage on winter roads.

MR. BANMAN: Well, that one wouldn't take very much time as far as the administration of a loan like that, eh?

DR. LOXLEY: Mr. Chairman, it would take as much time as any other. We would have to review the accounts each year, which in many cases means helping set them up.

MR. BANMAN: What I am driving at is the continual going back doing financial statements of that type of thing that you were.

DR. LOXLEY: It is certainly easier to deal with people about whom you have some background information.

MR. BANMAN: I guess the thing that many of us have trouble reconciling and I know the Minister of Mines just mentioned that it is a little different type of lending institution not dealing with normal type loans, but you know it becomes awfully hard. I just got a statement here from my local Credit Union. They made over 5,000 loans last year, they've got \$50 million assets. The total amount of loans were about \$25 million and their salaries for administering that type of thing was \$192,000.00. Ours for this one here is \$233,000.00. So it is pretty hard. They are providing a good service to the community too, but it is pretty hard to reconcile these figures when you are looking at somebody putting out over 5,000 loans for \$25 million and spending less on administration than this particular Fund is.

How many of these fourteen loans and guarantees, I have just mentioned a few here, would loans that were made to people who have that previous contact or been updated with . . .

DR. LOXLEY: Could I before that simply respond to the point about the Credit Union? I did attempt to do that last year. If the Credit Unions were operating in Northern Manitoba as they should then perhaps there wouldn't be a need for this kind of institution. Credit Unions — their kind of business is really quite standardized, very personalized and if we were doing that kind of business we could probably put out that kind of money for that kind of cost. My own experience with Credit Unions is that two of us present were rejected for housing loans when our combined salaries were more than the price of the house. If you are dealing at that level, this is quite a different type of credit from the credit that we are dealing with. As to your second point — how many had previous loans? I think that there are only two of them. To the best of my knowledge, only two in 1975-76 which would be Ilford Northern and Lorne Wood, with the exception of Moak Lodge which I dealt with previously.

MR. BANMAN: And of course there is Higgins and Company Limited?

DR. LOXLEY: That's correct.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: There was some information I requested before. I think you were in the process of getting it and I wonder if that is available now?

DR. LOXLEY: The number of board meetings held in 1974-75, these numbered 18; number of board meetings 1976-77 numbered 11, which is less than one a month. The commitments made but not taken up, i.e. cancelled or withdrawn were for the whole period 1974-77 for a total value of \$1.55 million.

MR. SPIVAK: That would mean that you essentially dealt with 239 loan applications?

DR. LOXLEY: I beg your pardon?

MR. SPIVAK: That would mean 239 loan applications. That doesn't take into consideration

one who may make an enquiry but you're talking now specifically about the loan application that is considered and approved . . .

DR. LOXLEY: Approved applications. This would exclude rejections.

MR. SPIVAK: It would exclude rejections. Oh, I see, that's right. You don't have the number of rejections at all?

DR. LOXLEY: Well, we have the number of rejections for 1975-76 and 1976-77. In 1975-76 we rejected 13 applications valued at \$660,000.00. In 1976-77, 16, for a total of \$902,000.00.

MR. SPIVAK: Can I ask, how many employees were there last year and the year before that?

DR. LOXLEY: Effective April 1, 1975 there were ten professional officers and three clerical staff. April 1, 1976, there were nine professional staff and four clerical staff. April 1, 1977, I gave you those figures.

MR. SPIVAK: There were eight, I believe, and two trainees. But realistically, what you are basically saying, Dr. Loxley, is that the nature of the function of the loan officers and yourself, and even the function of the Board, has changed to a certain extent and as a matter of fact has been expanded in the sense that you are dealing with other matters and other things. At the same time, realistically, you are either at the same level you were two years ago or possibly even less in terms of numbers.

Would you not conclude therefore that there was really an under-utilization a few years ago of the personnel that you had and that brings into play the whole question of whether the cost ratio of the cost of servicing as against the loans that in fact were processed and approved, was not really too high?

DR. LOXLEY: I would say, Mr. Chairman, that the problems at that time were somewhat different and that the approach was somewhat different.

MR. SPIVAK: Dr. Loxley, I want to go back to what the Minister of Mines and Natural Resources stated with respect to the bank. I think it's accepted and understood that what CEDF is carrying out is not the same as a bank or as a credit union but has some similar functions. It also has some similar functions to that of any commercial institution that is in the loaning business. Now, I wonder, are you familiar with the basic rule of thumb in terms of costs and numbers of accounts that are handled by a loan officer for a finance institution, those who would be financing commercial undertakings and would have to travel as well. What would the ratio be? How many accounts normally would be processed per individual loan officer?

DR. LOXLEY: I have no direct experience with what is expected of a loan officer in Canada. I have spent two years training bank managers elsewhere. My experience there is that what is required depends very much upon the seniority of the person involved, the area in which he is located, and the volume of business. What normally tends to happen is that the individual managers have very little discretion in fact and that they forward most of their larger applications and even renewals to either regional or head offices for appraising.

MR. SPIVAK: If I was to indicate to you that a loan officer is considered to be capable of processing a million dollars of requests for approval of commercial loans and with travel it is allowed down to one, would for \$200,000 you consider that as a reasonable basis?

DR. LOXLEY: I really have no idea, Mr. Chairman.

MR. SPIVAK: Well, my understanding with respect to this business is that is the basis. And notwithstanding the fact that the function of performing is a function of the lender of last resort and that you're in the north and there are other requirements, I think that one would have to say that the very glaring thing that comes out of, and the statement which you are obviously not prepared to accept, is that the costs appear to be very high for the number of loans processed. That doesn't mean that the loans themselves should not be given, nor does it mean that they shouldn't be available for approval, but one has to question at this point whether the costs are really correct and the question that has been put to you, has been answered by you — I'm not suggesting you've skirted it but it would seem to me that there has to be some comparison that you yourself and the board should be undertaking to see whether in fact the productivity is really there among the people who are in fact processing, including the productivity of the Board itself. Because it would seem to me that 18 meetings to approve 38 loans or 33 loans that were finally approved is really a very high number of meetings. Certainly if the finance industry's position is one for \$200,000 as far as commercial loans where there is travelling to inspect, notwithstanding the problems of the north it would seem to me that we're way out of line there.

The other thing is, have you ever made a comparison with the ratio or input that the Manitoba Development Corporation had with respect to its loans in terms of its loan officers as to its costs and the amount of time to see whether in fact you're operating efficiently. Because the thing that has to be said and the question that really is put is simply this, notwithstanding the justification that's placed on his Committee, surely there must be a concern in your mind that the costs of administration are really fairly excessive for the results that have been produced and that in effect, if there is further opportunity for expansion as you have indicated, that that would only justify the conclusion that there was underutilization and the administration was too large for what it was handling.

DR. LOXLEY: Mr. Chairman, it seems to me I'm going to be hanged if I do and hanged if I don't would conclude from what Mr. Spivak said that he believes that our efficiency has doubled in the twelve months. Because you're dealing with the 1975-76 statement and if we were to apply y argument to 1976-77 that our productivity has more than doubled — must be unique in Canada almost any kind of institution. I am not prepared to make that claim.

What I am prepared to say is that we have reduced our operating costs in absolute dollar terms dollar terms to the Fund as I pointed out in my introductory remarks, those costs have gone down more than 25 percent. In terms of our own budget which is what we use, we were I believe 15 perc below budget. We are judging, we're setting our own standards relative to the work performed by own staff because we feel our business is unique, quite unique. In terms of our own standards, all can see, positive indicators we can see, this absolute reduction in operating costs and we can se doubling in loans approved. I don't put too much significance to that. I wouldn't attach the sa significance that you attach to it and I'm not prepared to argue that we've doubled our efficienc would argue that we are more efficient. We've changed our style of management. We've changed style of operating and for all the activities performed by the fund, the province is paying fewer doll this year than it's ever paid before.

MR. CHAIRMAN: Order please, the Chair is attempting to give members as much latitude possible, but the questions are beginning to get a little argumentative and if there is to be argumen should be between members of the Committee, not between the Chairman of the Corporation a members of the Committee.

MR. SPIVAK: Mr. Chairman, I'll leave the comment until we deal with the Building Report .

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Dr. Loxley, you came here from Tanzania I believe.

DR. LOXLEY: That's correct, Mr. Chairman.

MR. GEN: And at your first Committee meeting — and this is recollection only — you told us th you have had experience in underdeveloped countries relative to attempts to create viability in th type of situation. . .

DR. LOXLEY: That's correct too.

MR. GREEN: . . . comparable situation. And you told us that looking at the fund as it then wa and this is again recollection, you found that the amount spent and the results achieved were wt could be expected in this type of organization.

DR. LOXLEY: That's correct. I said that.

MR. GEN: We are not discussing a bank. We are not discussing a Credit Union. Are you aware any other financial institution in Canada that has a comparable objective or administration ?

DR. LOXLEY: I'm aware of a similar kind of organization in northern Saskatchewan and I've talk to some of the officers there, and I'm aware of an attempt to establish a similar operation Newfoundland.

DR. LOXLEY: So that you are aware of one in Saskatchewan and an attempt in Newfoundland. I you are aware of one comparable organization in the Country. Have you had an opportunity comparing your performance to that particular operation?

DR. LOXLEY: I've had, Mr. Chairman, general discussions with the staff of those tv organizations. I haven't compared actual performance. The impression that I'm left with is that th were quite impressed with our organization and our way of doing things.

MR. GREEN: Now, Dr. Loxley, you're also Chairman of the Resource and Economic Developme Committee Secretariat and you are aware of attempts to create viable job opportunities in things li channel area loggers, Moose Lake loggers, Churchill Prefab, Minago Contractors. You've done wo in those areas in terms of creating meaningful employment for people in northern Manitoba. connection with the cost of operation for results achieved, can you indicate how this compares wi those other organizations ?

DR. LOXLEY: Well, Mr. Chairman, that's a difficult question given the variability of the institutio concerned. I would argue that the figure that I read out earlier of approximately \$7,000 per job comparable. But this varies so much from one to the other. Seven thousand dollars per job is relatively low amount. In the south it would certainly cost much more than that.

MR. GREEN: Would this be a fair comparison, that is the attempt to do what no financial institutio would ever attempt, to compare costs there rather than comparing with a financial institution which will not lend money unless it's certain to have perfect security and have its money returned.

DR. LOXLEY: Yes, Mr. Chairman, we are a lender of last resort. I think that that is a fa comparison.

MR. SPIVAK: Dr. Loxley you say that if you're a lender of last resort and you deal in the north in unique situation that there is a requirement that you not be efficient in your operation.

DR. LOXLEY: I think, Mr. Chairman, I've already indicated to the members that we are concerne with efficiency and that we believe that we have demonstrated that efficiency.

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MR. SPIVAK: In terms of a test of efficiency recognizing — (Interjection) — Well, maybe, I'll put it to Loxley; I don't think the Minister of Mines . . .

MR. GREEN: I'd like to see the bank's efficiency on this philosophy.

MR. SPIVAK: Mr. Chairman, I think that we have to at least try and apply some test of efficiency to respect to what's happened. I don't want to get involved in the argument I think we will get in as we have the report stage of the report and I would rather leave that to the Minister of Mines and Natural Resources and myself — but, Dr. Loxley, do you believe at this point that you've reached the most efficient position that you can within your organization?

DR. LOXLEY: I wouldn't say that, Mr. Chairman. We are always looking out for ways of improving efficiency. What I am saying is that at the present time, with the staff that we have, we are putting a fairly large burden on each of them.

MR. SPIVAK: But surely, Dr. Loxley, you acknowledge that the real problem you have had is to try clean up the mess you inherited?

DR. LOXLEY: I think, Mr. Chairman, that as Chairman of the Communities Economic Development Fund, I have had a number of problems and pursuit of bad debt has been one of these but by no means the only one and certainly by no means the most difficult.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I move that the Report of the Chairman be received. I'm not asking it to be approved; I'm asking it be received. If there is no debate on it.

MR. SPIVAK: On a point of order, Mr. Chairman, there is an established procedure that we follow in this Committee which simply meant that each page was approved and the Chairman put that. I think, Mr. Chairman, that that's what we should do.

MR. CHAIRMAN: Is the Committee prepared to go page by page through the report? Mr. Dillen.

MR. DILLEN: There are a couple of questions and I must admit that I have not been here at the start and perhaps the questions that I'm about to ask have been asked and have already been answered for the record. But while we're dealing with this thing on the basis of the report and the opening remarks by the Fund's chairman, Dr. Loxley, I'm rather intrigued by the number of directors and officers of this Fund and the names that are on Page 3. I would like to have, if I may, and for the record if it hasn't already been asked, sort of a breakdown of the people who are involved with the Fund. Do you have that kind of information available, starting with yourself, Dr. Loxley?

MR. GREEN: Mr. Chairman, for the most part, other than some of the members who have been named by the Metis Federation and the Manitoba Indian Brotherhood, I have made these appointments and I would be very happy to supply to the members of this Committee a short history of the people who are giving public service to the Province of Manitoba for virtually no remuneration on the basis that they believe that they can help.

The first one is Alex B. Starikoff. He is a Winnipeg businessman, has been a businessman in Winnipeg for many years. He is the effective operator of Northern Iron and Metal. I think that he has been a resident and respected businessman in this community for many many years. I have known him personally for at least 30 years.

Mr. Clifford Kurbis is a man who started with virtually nothing and worked himself up to be one of the co-owners and operators of one of the largest catering establishments, food establishments in Winnipeg, Ritz Foods Limited. He is a busy entrepreneur in this city who is giving his time to this Fund on the basis that he wishes to be of public service.

Mr. Robert Mayer is a lawyer in northern Manitoba who has a very busy law office in Thompson. He is a resident of Manitoba, born, I believe, in Transcona and is a practising solicitor in the community which the honourable member knows.

The other members, Mr. Chairman, are Mr. William Bennett who is from Matheson Island, again, a life-long resident of Manitoba and an outstanding member of the community in Matheson Island; Mr. Edward Head, I believe is appointed by the Manitoba Metis Federation and his appointment has been accepted; and Mr. A.J. Mousseau by the Manitoba Indian Brotherhood and their recommendation as been accepted.

All of these people, as indicated by the chairman, meet many times to discuss not only loans but how things are going with loans that they have previously granted, and have an intimate knowledge either of small business in the Province of Manitoba or of the communities from which they come and small business in those communities, or an intimate knowledge of the people themselves who have never had a chance to be entrepreneurial in their communities and which this Fund is giving the opportunity to.

MR. CHAIRMAN: Do you have another question, Mr. Dillen?

MR. DILLEN: Yes, I want to know how much of the Fund's time is taken up in providing direct advice and assistance to people who have had their loans approved as a follow-up to ensure that whatever kind of business that they have entered into is in fact going to succeed or at least show a potential for success?

DR. LOXLEY: Mr. Chairman, I'm informed that the approximate workload is divided 60 percent on

monitoring and advising and assisting existing clients; 40 percent on new enquiries.

MR. DILLEN: Is that a common practice in other financial institutions to provide that kind follow-up assistance to clients who have received loans from existing financial institutions other than CEDF?

DR. LOXLEY: Mr. Chairman, normally in businesses dealing with commercial loans there is very little monitoring. It is usually at standard times on the basis of standard accounts and provided payments are received regularly that's quite sufficient for most purposes.

MR. DILLEN: You know, I could go on. Is it common practice for financial institutions to make periodic visits to remote or semi-remote communities in northern Manitoba at the request of prospective client to come into the community to assist them in the acquisition of a loan or other advice and assistance, to determine the project that they anticipate getting into, to determine economic viability.

DR. LOXLEY: No, Mr. Chairman, for all intents and purposes charter banks do not operate in more remote communities.

MR. DILLEN: What you're really telling this Committee then, is that there is no way that you can measure the cost of operation of this organization, this Fund, compared to any other financial institution in the province, because no other financial institution in the province operates in the same manner in providing assistance to people in remote or semi-remote areas?

DR. LOXLEY: I think that is correct, Mr. Chairman. The only effective way of monitoring our costs and our efficiency I would argue, is by internal review, staff workloads, internal review of travel schedules, and we do this. We do this on a monthly basis.

MR. DILLEN: There was some mention in either the remarks of Mr. Green or yourself, that you have spent some time in one of the countries in Africa, Tanzania, I believe you said it was, and there was some mention of the word "under-development." Is it possible for you to give us some kind of assessment of the conditions which create the form of under-development that you witnessed both in Tanzania and in Northern Manitoba and perhaps you can expand on the possibility of determining if there is a comparison between the two?

DR. LOXLEY: Well, Mr. Chairman, I think there are similarities in the sense that there are large areas of the world and large areas of Canada which have got left behind, which in many ways have been neglected. Opportunities are not the same as they are elsewhere. Problems tend to compound themselves. Poor economic possibilities generally carry with them poor social conditions, and these interact to make economic conditions even worse. I think that there are a lot of similarities between that state in certain parts of the world like Africa and in Northern Manitoba.

MR. DILLEN: Was not in Tanzania the first step towards developing independence, trying to get . . . was a first attempt at getting control of the economy through the control of the financial institutions?

DR. LOXLEY: Yes, Mr. Chairman. This took place shortly after independence.

MR. DILLEN: Would I be right in assuming that the Fund is a means of putting capital back into the hands of the people in the formation of loans, that would not otherwise be made available through existing financial institutions?

DR. LOXLEY: Yes, Mr. Chairman, there is no doubt that there is very acute capital shortage in the remote and isolated areas in which we deal, and this again, tends to compound itself. If there is a capital shortage, then conventional financial institutions will not find the kind of security they require, in order to make loans. The result is that most conventional financial institutions avoid the remote and isolated areas.

MR. CHAIRMAN: Page 1—pass; Page 2—pass; Page 3—pass; Page 4—pass; Page 5—pass; Page 6—pass; Page 7—pass; Page 8—pass; Page 9—pass; Page 10—pass; Page 11—pass; Page 12—pass; Page 13—pass; Page 14—pass; Page 15—pass; Page 16—pass. Report be adopted? Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I would like to make one remark and I say this because this is probably — I am not sure whether there will be another occasion in which Dr. Loxley will be here in front of us this year. He appears here with respect to the CEDF operation. I indicated when we discussed Channel Loggers that there was a certain thread that was throughout all of the various undertakings that have been presented before this Committee and the Minister of Mines and Natural Resources referred to them and named them. And that thread indicated that there were really substantial start-up problems in organizing and administering the functions that had to be carried out. In this case, the CEDF fund, I think there were problem areas. That in effect he has had to come here to try and clean up what I would consider could be referred to as a mess in many respects. The mess being not just the administrative problems involved but the actual losses that occurred and the problems of the financing that were involved at the time. I think to a certain extent he has to be given a degree of congratulations by this Committee for the effort he has put forward, because I believe that in many respects there is a consolidation that has taken place and improvement. But I think there are still many serious questions that have to be asked about the organization, not about the intent, but about the organization and the administration and I think that notwithstanding the fact that

consolidation has taken place and improvement has occurred, it does not in any way discharge the responsibilities of accountability that must be taken by those who were in fact responsible.

Now start-up costs and administrative problems initially in any undertaking, in this kind of a undertaking, can be considered to be severe, but there appear to be in the initial years little understanding of what was happening and really a failure to learn from the experience as the operations commenced. The result is that much of the expectation of what could have happened was not achieved, and some of the failure, I think, in human terms were very very serious and you know I am prepared to debate them. I am familiar with some of them. I think that to that extent, notwithstanding all the good intentions, these are marks of failures on the part of the government.

Now one can only hope that the improvement will take place and the criticism that is being offered here is criticism which will press on the Board and on the Chairman and on the Government the necessity of becoming efficient in the handling of public money. It doesn't take away from the purpose or the aim or the credit that has to be given for the purpose and aim. But in realistic terms it simply means that the purpose of this Committee is served if in fact we can by our actions improve the situation that has taken place and provide through the accountability that we now have within the committee an ability to be able to develop the efficiency that is required. But at the same time it does not take away' Mr. Chairman, notwithstanding anything I have said, from what I consider have been some of the failures in the past that I think Dr. Loxley has inherited and which in a proper manner he could not acknowledge. I don't expect him to even though the question was put to him. But the fact is there is still much room for improvement. I think the case is proved, Mr. Chairman, because of the fact that implicit in the statement that Dr. Loxley released, he indicated the new function that the staff was undertaking, the expanded activities, and one then would say that that meant that there had been an under-utilization which would mean that it may have been for the work that was done that the costs were too high and the criticisms were justified. I think that that to a certain extent supports the position that I have taken.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I am going to try desperately not to provoke a long debate on this question. I deny that there has been any failures proved. I deny that there has been a mess. When we talk about people coming to clean up a mess that could be more properly reflected in other areas — and other people, that's right.

I know, Mr. Chairman, that when this Fund was established after the involvement of members of all parties in the Task Force, we spoke with a group of pretty unsophisticated people and we said to them that we are going to give you the opportunity of doing something, but we are also going to give you the opportunity of making mistakes, Mr. Chairman, because our sophisticated people have made mistakes. We are not going to hold you to any greater problems, in other words we are going to deal with you equally to the way in which we deal with other people. And that was said, Mr. Chairman, by all members of the Northern Task Force. We said that these people who are going to be appointed in large part from northern communities were going to be given an opportunity to do things, and which involved making some mistakes.

Mr. Chairman, we treated those people discriminately, differently than we have treated people or making mistakes which were one hundred times the amount. We would never treat John MacAuley, we would never treat Morris Neaman, we would never treat Rod McIsaac, who were in charge of the Manitoba Development Corporation when they made the deal with Alex Kasser, the way we treated Mr. Thompson, Mr. McIvor and the other people who were involved in this community's Economic Development Fund. There was, Mr. Chairman, the most vicious kind of discrimination with regard to the treatment of these individuals.

There then took place, Mr. Chairman, a witch hunt that lasted over a year and a half, which saw people like Eric Starikoff investigated and taped by the R.C.M.P. and by other people on the basis of services that he was performing to the community in good faith at almost no remuneration and with absolutely no foundation, on the basis of unfounded charges such as are now being made tonight about a mess and failures.

Dr. Loxley came here and made his observation at the first meeting. He said he has seen this kind of activity in other places. There is no comparable financial institution with which one could compare it, that the manner of the procedures and the resultant activities were much the same as what one would expect in starting an organization of this kind. That doesn't mean to say that one doesn't try to consolidate, one doesn't try to say that a certain amount of loans are going out, now we have to deal with the people who have got them, and we have got to get ourselves on an operating basis, which he has done and I am glad the Member for River Heights is at least congratulating him for it. But I suggest to you, Mr. Chairman, that to resurrect and to talk about messes and failures is merely to try to cover up one's own mess and one's own failure.

MR. CHAIRMAN: Mr. Dillen.

MR. DILLEN: Mr. Chairman, I couldn't help but feel that we are getting into . . . I don't want to become argumentative either, but it seems to me there is only one person in the Conservative Party in

this past year who believes that there isn't a mess of the Conservative Party. I am sure that the pres Leader of the Conservative Party would feel that he has inherited a mess from the previous Leac And that seems to be borne out by all of the other members except one, that there was a mess there well.

I believe that we are dealing with a people who never had the opportunity from any other kind financial institution in Northern Manitoba for the opportunity to get their hands on some money be able to borrow. It's not a gift, it's to be able to borrow money' to try to improve their social & economic condition by the use of money just like many other people have done in the past. Throu this fund we are able to provide that kind of assistance. But what are the alternatives, and what woi the cost be of doing what the Conservative Party had done for the previous ten years. Prior to 19 there was no mess so far as the operation of financial institutions are concerned because there was any. There was no way that the people in the lower end of the economic and social scale in Northe Manitoba could gain access to any money with which to make a mistake if there was any mistakes be made. You know as if only the Native people of Northern Manitoba were capable of maki financial mistakes that create a hardship for the lending institutions. There are a lot of other people Manitoba of all backgrounds —(Interjection)— and in southern Manitoba and who are not nat people who have difficulty or who create messes for the traditional financial institutions that ha been in the business of distributing funds for many many years and they still get into financ hardships. I believe that there was even a bank that went broke in the last year. You know, we a dealing with people who after hundreds of years of neglect are finally getting the opportunity improve upon their social and economic condition. And when you look at the cost of doing nothir the social costs of continuing to do nothing far exceed the small cost of operating this financ institution. When you are dealing with people you must remember that when you continue to nothing over a period of time and people tend to become idle as a result of it, there comes a time wh there sets in a psychological addiction to the continuation of doing nothing and a continuation of t dependency of the welfare system.

If we are ever going to break that cycle and to create the kind of economic conditions whi creates employment opportunities, both through the private enterprise sector and the public sect then it's going to cost money. It isn't going to come cheap. And, you know, when you look back on th history of Northern Manitoba if it was not for the amounts of public money that goes into oth institutions in Northern Manitoba, nothing would be done. You know, one only has to examine place like Thompson or Lynn Lake or Leaf Rapids or Snow Lake where major development h occurred. When you start to examine the fact that the public paid the cost of building the airstrips; tl public paid the cost of providing the terminal, tarmac, the roads, sewer, the water, all of the oth infrastructure that is necessary for an enterprise to continue, nobody mentions that as beir anything other than what it should be; there are costs involved and there is money out of the publ purse that goes into it and nobody complains about it. That's the way it should be. In the minds most people, that's the way things should be.

But it is a public cost just as much as the amount of cost associated with the operation of tl Communities Economic Development Fund and the distribution of funds to people who never befo had access to any kind of funds for the purpose of developing private or public enterprises northern and remote communities.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I want to say one point. I mentioned it the other night at the Chann Loggers debate and it's the same one to be said here again. The loss that has occurred and the cos that we're dealing with are not the result of the people who are the beneficiaries of the loans. No or has ever suggested that the people who are being helped, whether it be in the co-ops, whether it be CEDF, whether it be in the other activities, are the ones responsible. What has been said and what h been proved pretty conclusively is that those who are responsible for its administration have n been sufficient for the task and in many cases have applied their talents in a way that they ha guided the people who required assistance badly. It's very obvious that the accounting procedur right from the very beginning for those who had to account to the Fund who did not have a degree o sophistication to be able to account properly and who relied on the judgment and the experience an the talent of the people in the Fund, that those people were put in jeopardy and some of the problerr come directly as a result of that. And our losses that we have talked about come from that.

So the failure is not the intent nor is it those who have been the borrowers or the ones who are i jeopardy, just as it wasn't the fishermen who were responsible for the loss of the money in the co-op: It was the government-appointed administrators who were responsible for that because they ha control of the money and the books and the records, and they made the decisions and the choices fo the people, albeit for them that they were bad choices and bad decisions.

This is the problem we are going to have to face. I do not expect the Minister of Mines and Natur Resources to in any way acknowledge this, but I want to say that if one thing has become clear as

result of the reports of the CEDF over the last few years, that an improvement has occurred — the Provincial Auditor entered into this, that in effect he has reported that changes have had to take place and in effect that much of what happened has happened as a result of the survey of this Committee. So to that extent I think this Committee can take credit, regardless of what the Minister of Mines and Natural Resources will say in rebuttal.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I have nothing to say, Mr. Chairman.

MR. CHAIRMAN: Shall the report be adopted. Agreed. Mr. Adam.

MR. ADAM: Yes, I am just going to make a few short comments because it so happens that I have been exposed to conditions in the north for most of my life, and the concept that we have dealt with tonight is the vehicle that has been used to try to change the things that have been happening in the north over the past hundreds of years and is completely foreign. It's completely foreign to the business psychological environment that we in the south have been exposed to and that we are accustomed to and, you know, it's almost like the words "progressive" and "conservative" which are in complete conflict with one another. The word progressive means to advance, to try to do something, to change, to reform; and the word conservative means to do nothing, stop, don't do anything. Now, you can look in the dictionary and find that out. You don't have to take my word for it. Just look in the Webster and you'll find that out.

This type of vehicle is exactly the same thing. It's completely foreign to our psychology here in the south. The thing is that you make a dollar, you spend a dollar and you've got to make \$1.10 or \$1.25 to pay your costs and that is the philosophy of the Opposition and it's the philosophy of most of the people living in southern Manitoba.

The economic base in northern Manitoba disappeared two or three hundred years ago and that is why the Winnipeg settlers were brought in to the Red River Valley, because the economic base in the north had already disappeared by that time and the Hudson's Bay and others realized that they had exploited the north for all it was worth; there was nothing left.

This carried on for the next century and it was a *laissez-faire* attitude. I don't blame the Opposition or any other government because that was the psychology of the time and let the people fend for themselves. There was still a pittance of trapping and people lived off the land. They ate rabbits and they ate deer and they ate fish and that's how they survived.

But when you come into a high-cost economy and you start investing dollars to try to bring back — if there's any benchmark to use with the operation of this thing, it's the benchmark of having done nothing before. That's the only thing you can compare this with and I say to you, Dr. Loxley, you have a big undertaking on your hands and it's going to cost a helluva lot more money than you've spent now.

MR. CHAIRMAN: Shall the report be adopted? Pass. There is one further report for the Committee this evening and while those members are moving into committee, the Committee will recess for two minutes.

Order please. Mr. Green, would you introduce the next report, please.

MR. GREEN: Mr. Chairman, I believe that most of the Members of the Committee are familiar with Mr. Koffman who is the President of the Manitoba Mineral Resources Limited. I think that Mr. Koffman has a special place in the hearts of my Conservative friends because he really wasn't and isn't government oriented. He's doing a job and I'm sure that he will provide the Committee with an interesting evening again, as he has done in the past.

A MEMBER: He's a rough . . . northern Sidney Silverman.

MR. GREEN: No, there's a big difference.

MR. CHAIRMAN: Mr. Koffman.

MR. KOFFMAN: Gentlemen of the Resources Committee, I was watching TV the other day and there was some woman artist on there and she said, "Man plans and God laughs." And all our planning we do here is sometimes to naught.

About 46 years ago I wrote my last examination. At that age of 21, I vowed never to write an exam again or be examined. However, such was not the case. As we all know, we all have examinations on a daily basis instead of at the end of the year. So herewith is my examination which I'm going to pass for you for the year, but I hope that the difference here is that the examinee knows more about the case than the examiners. I hope so.

Now, what we have to do, we have to finish this quite early today because the other day you were up to ten to one and I don't want to make this too long. Incidentally, by the way, there's a law just passed — I just talked to my friends in Sweden yesterday — there's a law in Sweden that has been passed now, for your information, that all you fellows would be fined or put in jail because you can't work any more than eight hours a day; that's the new law. Anybody who works more than that, an official of the company, they pay a fine or go to jail. So I don't want you fellows to go to jail.

Now, let's go on to the report. I don't know if you want me to read this financial report; I think everybody has read it but probably I should give you a summary of the exploration activities. Maybe

that would be the best. You've read it and I'll just point out to you where these things are. Maybe that's the easiest thing to do. It's on the front page — I don't think you can read it, but a summary of exploration activities you have the map anyway.

We were working roughly, as I recall, — I think I had it summarized over here to make it a little easier — on 13 projects this year. There are 13 projects we are working on this year, seven with the private sector and six in partnership with the Provincial Government.

Now here are the projects. I have to take you back to the one-year report. I'll miss some out at the point now but we're working in the Seal River area with Selco Corporation and Home Oil. That's correct up there. We are looking for base metals.

We're looking at another project here. We're in joint venture with the Crown on Seal River-Epp at the present time. This is last year's. We're working with Granges in the area around Lynn Lake correct to some ground that is not explored in that area and we went in there with Granges.

We're working in an area now on Mitishto-Eye with Granges in the Snow Lake area; and Farewell Lake with the Province; Dyce Lake with the Province; McClarty Lake with the Province where we have a joint venture at that time with Hudson's Bay and Hudson's Bay dropped out and the Province took over; we're working in the Hayes River area jointly with Granges; Knife Lake jointly with Grange Bigstone we're working with the Province. The other ones are all now completed.

That just gives you an idea where we're working and in what part of the province. In other words we're working quite a large part of the province.

Just to go on through this report. We do have some oil and gas exploration funded by the Crown and we've drilled with CDC and Berry Petroleum. We've dug two wells as of this report. We have a total of five producing wells jointly with them. We completed the Bralorne two-well program which ended up with nothing and we are working with Great Northern Oil and Gas and with CDC Oil and Gas and there's more to be done in the future.

That just gives you a general . . . and what we are really doing.

I don't know what else I can tell you. Probably the best way is for you to ask me any questions you want. I'm perfectly glad to answer them. Go ahead.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: I'll wait until Mr. Koffman is finished. I just wanted to get my name on the list.

MR. KOFFMAN: I don't know if you want to go into detail on what we've done on this report for 1974-75-76; or I could bring you up to date now. I don't want to mix apples and oranges. If you want a question me on this — or I could bring you up to date on the 1975-76, bring you up to 1976-77 and then you could ask me on the whole thing, whatever you wish. Any objection?

MR. CHAIRMAN: Would you continue with your presentation and then they can ask questions?

MR. KOFFMAN: Okay, good enough. Now, what I'm going to do is bring you up to date. This is in the report, but I thought I would bring you up to date. We are exploring in the area around McClarty Lake, in the area around Dyce Lake five miles from the Dyce Lake station on the CNR. In drilling there we have located a massive sulfide zone which is about 1,200 feet long and a certain number of feet wide. I have here a press release which I want to give to the various Members of the Committee together with anybody else. I'll just read this press release: "Manitoba Mineral Resources Limited has located copper-zinc mineralization 15 miles south of Highway 391 connecting Cranberry Portage with Snow Lake. The deposit is in the vicinity of Dyce Siding on the CNR rail line between The Pines and Thompson. As at March 31, 1977 . . ." I'm bringing you up to date as close as I can. "The interests in the property were: Manitoba Mineral 40 percent; Department of Mines, Resources and Environmental Management 36.6 percent; Hudson Bay Exploration and Development 26.36 percent. The mineralized zone is overlain by 225 feet of limestone. In other words, what I'm saying is that we have found this deposit under a surface of 225 feet of limestone cover. All I'm really saying is, in that day and age there is the ability of exploration people to find deposits under that great a depth, and a little greater. The zone has been traced by nine widely spaced drill holes for a length of 1,800 feet. So we have 1,800 feet now from here to here but we know we're drilling here now presently and it might be longer than that. But there is only one problem with it. The zone has been traced for a vertical interval of 600 feet below the limestone capping. In other words, we have explored from here to there, roughly 600 feet according to this map, from 200 feet to 800 feet, roughly 600 feet. The extremities of the mineralization have not yet been delineated by the diamond drilling.

Preliminary estimates show that nine holes have outlined a zone containing 1,250,000 tons of 1.1 percent copper and 1.64 percent zinc with minor gold and silver values. This tonnage is composed of a low-grade northern zone and a contiguous higher-grade southern zone. The low-grade northern zone averaged 16 feet wide — that's this one here — has about a million-odd tons in it and the grade is 0.79 percent copper and 1.86 percent zinc. The southern zone is 6.6 feet wide — this piece here. It has a length of 600 feet and contains 150,000 tons of 3.39 percent copper with some copper and zinc values. As I say, these things happen.

The tonnage and grade as presently known is not economic. Additional diamond drilling is required to further delineate the zone before an assessment of its economic significance can be made.

ade. Drilling is presently in progress. So that's the zone that we're working on now.

We have another joint venture agreement. Also one of the joint ventures, we're working in the Lynn Lake area and I'll just pass this on also. I'll keep one for myself. And this is a map of this area in the vicinity of three miles south-west of Lynn Lake.

This is another press release. Manitoba Mineral Resources and Granges have located a copper-nickel mineralization on the west side of Frances Lake, three miles southwest of Lynn Lake. Everybody probably knows where that is now. The companies have been conducting an exploration program in the area since 1975 — that's ourself and Granges — under a joint-venture agreement whereby Granges has a 51 percent interest and Manitoba has a 49 percent interest in the property.

The mineralization we traced over a length of 400 feet. We have now found it over this length, from here to here. Just over a length of 400 feet to a depth of 250 feet by five drill holes. The average width of the zone is only 5.3 feet and the average grade is 1.32 percent copper and 5.35 zinc with minor gold and silver values. Additional drilling is required to further delineate the zone before an assessment of its economic significance can be made.

These are the two zones we have found in joint-ventures with our partners and ourselves and we've spent the money. That's it. So I don't know what else we can tell you. What do you want to know. I'll tell you how much we have spent. We have spent in 1976-77 all our allocation of \$579,000; and \$525,000 in 1975-76, plus what we got from other people in these joint-ventures. We have spent the money. We have found those two things, whether they are going to be viable or not. There is a lot of drilling to do on this one. Whether it will become viable or not, you can see the feet. The southern part of this, the grade is better. Maybe the grade is going to change, I don't know. Nobody knows. So we'll put it up there and you know if these guys are going to tell us to drill holes that's the only way to do it. —(Interjection)— You've got to tell him, yes.

MR. CHAIRMAN: Order please.

MR. KOFFMAN: Any questions, gentlemen, I'll be glad to answer them. Any questions?

MR. CHAIRMAN: Are you finished your presentation?

MR. KOFFMAN: I think that's about all I can give the gentlemen.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, first I want to advise Mr. Koffman we had an opportunity to have a drink together not too long ago and I assure you, Mr. Koffman, that when I question you like I have in other years that I'm not attacking you, personally. Any debate that I have on philosophy will be saved for the House tomorrow when we deal with the Honourable Minister's Estimates.

I would like to know, though, if we can You sort of perused this year's exploration and also brief comments on last year's operations. My first question, Mr. Koffman, is do you still have the contract with the government with regards to your 2 ½ percent of the company's share of any discovery, not to exceed \$400,000, and you and the chief geologist would receive 20 percent of that?

MR. KOFFMAN: Yes, that's still in. Whether I'll ever get it, I don't know.

MR. MINAKER: Can I ask you, Mr. Koffman, is it like Anders Hedberg, no-cut contract?

MR. KOFFMAN: Who's this? You mean the hockey player?

MR. MINAKER: Yes.

MR. KOFFMAN: Oh, he has a helluva lot more money than we do.

MR. MINAKER: So I could ask you, is it a no-cut contract? It's as long as you are in the employment of the government that that is a clause of your contract?

MR. KOFFMAN: I have no contract.

MR. CHAIRMAN: Mr. Green.

MR. GEN: Mr. Chairman, can I try to be helpful? The contract is between Manitoba Mineral Resources Limited and its staff, I gather.

MR. KOFFMAN: That's right.

MR. GREEN: The contract is between Manitoba Mineral Resources Limited and its staff, of which Mr. Koffman is one. It's not a contract with the government. Therefore, if Mr. Koffman is not a member of the staff he would not Although I don't know how they work it as to whether he would be entitled to something as a result of initial work. That's something that they would have to work out between themselves. But if he wasn't a member of the Manitoba Mineral Resources Limited staff, he would not be able to share in that contract. I just want to make clear it's not with the government. The Manitoba Mineral Resources made that with their staff.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, then I wonder if Mr. Koffman could help me then in understanding. Who has the final say with regard to setting the budgets and Estimates for the Manitoba Mineral Resources Limited? Would it be the government?

MR. KOFFMAN: We put a request in of budget on a three-year forward basis. Incidentally, we were cut down to a two-year forward basis.

MR. MINAKER: Would it be the Provincial Government that approves these budgets?

MR. KOFFMAN: Yes.

MR. MINAKER: Was it the Provincial Government that originally approved this type of contract this type of criteria that the Manitoba Mineral Resources could offer to people like yourself?

MR. KOFFMAN: It was approved by the board. It was approved by the board of directors of company.

MR. MINAKER: Now, would that become part of the expected expenditures and budget of operation of the company? In other words, if we were to discover a find — which I hope we do, and I honestly hope that we can't continue to just spend this type of money and not find something — when that find occurs, would that become part of the operating budget of the company?

MR. KOFFMAN: Well, according to the terms

MR. MINAKER: And thusly be approved by the Government of Manitoba.

MR. KOFFMAN: And be fully approved by the Board of Directors.

MR. MINAKER: But the final approval would come from the Government of Manitoba?

MR. KOFFMAN: Not necessarily. The board approves it.

MR. MINAKER: You're saying now that this company does not operate under the guidance and the approval of the Government of Manitoba with regards to expenditures of budgeting?

MR. KOFFMAN: As to budget, yes, and how we spend the money.

MR. MINAKER: Mr. Chairman, would this not then be part of the budget of expenditure if they discovered a find and they had to pay the employees 2 ½ percent, not to exceed \$400,000? Would that have to have final approval of the Government of Manitoba, the Cabinet?

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, again I'd like to try to be helpful. If they discover a find it would have been valued and they would get a 2 ½ percent riding interest in what that thing produces. It would not be a budget of expenditure of Manitoba Mineral Resources; it would be a part of what was owed through its shareholders by the new development. It would not be an expenditure of the Crown; it would be an expenditure of the development.

MR. MINAKER: Mr. Chairman, I wonder, through you to Mr. Koffman, can you now go on tomorrow or next year and spend \$200,000 without the approval of the Province of Manitoba, prior to the budget being approved?

MR. KOFFMAN: No, we have a forward budget and every year we go through the meeting There is an Order-in-Council. Every year we get an Order-in-Council approving X number of dollars for us to spend but the two years forward has been approved now and we go to them and we need approval

MR. MINAKER: But any spending by the company is first approved by the Government of Manitoba or the budget Order-in-Council?

MR. KOFFMAN: The full budget is approved.

MR. MINAKER: Fine.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I don't want there to be misunderstanding. We approve a global budget. The board of the fund decides how that budget is going to be spent.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: I think I've got the answer I want, Mr. Chairman. My next question is, do you feel that you, as a potential recipient of this 2 ½ percent, or 20 percent of \$400,000 per find, and the chief geologist and your staff, do you find that as an incentive, an encouragement to work pretty hard and be interested in seeing this thing go?

MR. KOFFMAN: I'll answer that question to you The board of directors of Eldorado Nuclear Corporation have just now approved on this basis to all the employees of Eldorado Nuclear Explorations. Will that answer your question?

MR. MINAKER: I'm sorry, I didn't hear you.

MR. KOFFMAN: Eldorado Nuclear has now approved the participation for all their employees on the same type of deal as we have. In other words, it's not uncommon.

MR. MINAKER: No, that's not what I asked, Mr. Chairman. I'm asking Mr. Koffman is that do you find that this gives you initiative and an interest in making sure that Manitoba Mineral Resources becomes successful?

MR. KOFFMAN: I think it gives me some other initiative. In other words, I have to answer the question the same as I answered last year to you. The answer is the job originally should be paid for this type of job it should be about \$45,000.00 and I'm not going to argue about it. I took the job at that time for \$25,000.00. I've been in it now for five years. So five years times ten is how much? It's \$50,000.00. I've already given you fellows \$50,000.00. What do you want from me? It's a good deal for you guys.

MR. CHAIRMAN: Order, please.

MR. KOFFMAN: It's a helluva good deal for you guys; I'm gambling with you and I took less money.

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MR. MINAKER: Mr. Chairman, I'm not again arguing with Mr. Koffman on any deals he has made. That's your privilege and I admire you for it. All I'm asking you is, do you feel that it has created initiative and an interest for you to stay with the company in hoping that you'll find something for us, and has that same feeling been sort of exalified through the people that work for Manitoba Mineral Resources?

MR. KOFFN: Yes, I'll tell you why. We had a staff of ten roughly, nine or ten. Now I don't know where you can go and find that your same staff of nine or ten are still with you five years down the road. They are trained and they're there. So for every man that is there and I don't have to train, he is going to save me at least \$15,000 or \$20,000 a year just in drilling. He's worth it to me so he's looking for He's not putting the money down the drain. He's watching it.

MR. MINAKER: So this sort of pot at the end of the rainbow has been an initiative to the company?

MR. KOFFMAN: Oh, it has; it has to the people working for it.

MR. MINAKER: Mr. Chairman, I wonder if I can ask Mr. Koffman with regards to the report. I want to make sure that I'm on the right one. In dealing with, I guess it would be Page 2, where you indicate a general financial summary that you had entered into seven joint ventures, I believe, with regards to exploration for the year that we are dealing with.

MR. KOFFMAN: Seven, yes, that's right.

MR. MINAKER: I was wondering why there is no mention of any of the major companies as such in that summary of the first paragraph. I don't see Hudson Bay Mining, or INCO, or Falconbridge, or these type of companies.

MR. KOFFMAN: I can answer that question for you. We entered into . . . Home Oil is a pretty large company, Selco is a pretty large company and Hudson Bay — we were with Hudson Bay originally and they ran out of money, quite frankly, when they backed here last year. As you know, they didn't make any money. And what is really happening now with a lot of the companies, and you are going to bring that point up, of why we haven't gone into partnership with more of the companies. What has really happened in the industry is money has not been plentiful. The companies had their own staff so they say, "Now, wait a minute. What's the use of going to Koffman and give him the money to spend. We are now going to have our own people do our work because we haven't got very much money." And besides that, they said in the last two years, they said, "Wait a minute. We haven't got very much money but boy we can go into joint-venture with the Crown and we don't have to go with Koffman. He hasn't got any money. He's in joint-venture with the Crown and we're going to get 50 percent funding from the Crown." This is really what has happened. They go into joint-venture with the Crown because where can you get a silent partner right now or tomorrow. It's pretty tough. — (Interjection)— I'm just saying what has happened and I'm not saying it's right or it's wrong but these are the facts of life.

MR. MINAKER: Mr. Chairman, Mr. Koffman, what you're saying is that the mines have run out of money at the present time with regards to exploration?

MR. KOFFMAN: They are not making any money. Now maybe I should point out to you, two of the large companies that we have joint-venture with, Granges of Sweden, lost this year \$25 million before depreciation and \$40 million after depreciation in Sweden. Hudson Bay, if you look at the reports lost I think on mineral exploration — just mineral exploration — \$9 million. So the exploration dollars aren't there. Maybe you would wonder why but I have to point out to you why and I'm not blaming anybody but it's the world situation. The price of reducing copper today Here is a large company, a very large company in the States, Twin Buttes, .7361 cents a pound and copper is selling for 70 or There's no money in it, really. The exploration of uranium and nickel is not bad, but copper Zinc is not bad. But I'm just saying what's happening to the copper companies. They're not making money.

MR. MINAKER: Mr. Chairman, Mr. Koffman, you have worked for many years for private industry in mining companies, and so on, and you've gone through the rise and the fall of the world market price for copper and the base metals, and so forth. Is it a common thing in the past few years, or in the previous years of your experience, where the mining people do sort of pull back and didn't bother to put money into exploration?

MR. KOFFM: It was worse than that. I'll tell you what we used to do, and I was involved in it, quite frankly, in the American companies. When the price of copper fell below a price where you couldn't make any money, do you know what everybody did? They closed the place right down and put everybody out of work. But in today's society, you can't do it. You would get clobbered. So that you have to keep going, you know. Whether they like it or not, they've got to keep going, hopeful that the price is going to rise.

The other thing I want to bring out to you, I watched on television the other night the Law of the Sea they were talking about. They were talking about the shortage of copper. That's a lot of crap. There is no shortage of copper in the world and will not be for the foreseeable future. That's crap, utter crap. Why is the price so low? There's lots and lots of it.

But normally what companies will do, every company will say, "We're not making any money; we'll

shut the bloody place down and wait until we can make money.” But they can’t do it anymore

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Koffman. In the old days when things like that occurred did the small-time prospector just stop too or did he keep going out and was he still able to get the grubstake to go out and look for that pot at the end of the rainbow.

MR. CHAIRMAN: Mr. Koffman.

MR. KOFFMAN: No, he got a bit of a grubstake. The grubstake he needed in those days was \$250.00 for the season, that’s all he needed. Today if a prospector can’t have \$10,000 or \$12,000 or \$15,000 he may as well sit at home, it’s no use. You’ve got to have at least . . . we’re in different environments, different times.

MR. MINAKER: So that the exploration was still going on but in that case it was by the small-time prospector looking for that pot at the end of the rainbow type of thing.

MR. KOFFMAN: Yes. But today you can’t do that anymore. The small prospector, he virtually hardly exists in the industry, he hardly exists. I’m not saying it’s right or wrong, I’m just saying it’s a fact of life.

MR. MINAKER: Mr. Chairman, through you to Mr. Koffman. I also notice in the year’s activity exploration that the Department of Mines contributed something like \$646,000 plus a few dollars and the company did some 775,000—so many dollars. Between the two of them, which are basically government financed companies, it represented something like 84.8 percent of your overall exploration activities last year with only some 15.1 percent by private companies in the joint venture. Has that continued in this present year? You’ve found that this seems to be the same proportion of activity with regard to the private enterprise participation?

MR. KOFFMAN: I know what you’re driving at. What you’re driving at is, you’re asking the question is . . .

MR. MINAKER: Yes, I’m trying to find out why the private doesn’t want to come into the action type of thing.

MR. KOFFMAN: Well they are coming in, they are coming in today but they’re now finally making a go of it with the department. When the company was originally formed Manitoba Minerals were the vehicle at that time in the government’s thinking. Two years ago the government decided that they were going to joint venture in all lands in the province. At that point the private companies said why go with Manitoba Mineral, we can go with the province and get the cost plus 10 percent and lower their total overhead. If you’re doing a million dollars worth of exploration and all of a sudden you’ve got two million dollars your rate is half on your own. The 10 percent that they give them offsets the cost. So they say, well why not? I’d do the same thing. We now, that’s what we’re going to do. So we now are saying we have X number of dollars and we’re a company, the same as anybody else, so we’re saying okay, if we can’t get a private . . . we’re going to go to the Crown the same as the companies are doing. We’re entitled — the companies are doing the same thing.

MR. MINAKER: Mr. Koffman, you’ve got a couple of press releases here that you gave out tonight. There is no normal I guess considered percentage grade of copper that would become economical or I guess it depends on the cover whether there’s swamp there or whatever, but is there a general rule or a thumb of what you expect to find . . .

MR. KOFFMAN: I think the grade is graded too low right now, it’s too low right now. But I think you would have to have today about 3.5 percent copper to be viable.

MR. MINAKER: That high, eh?

MR. KOFFMAN: Yes.

MR. MINAKER: If there was a change in, say, the taxing policies, would that help to lower the percentage at all do you figure?

MR. KOFFMAN: You mean generally in Canada, say?

MR. MINAKER: Yes.

MR. KOFFMAN: Well I’m sure it would help a little, the federal tax position. Now if you look at the situation which I have read to you last year, what the tax position was in Manitoba, Saskatchewan . . . really it’s relatively the same although on the upper limit, on the plus 35 of the scheme, maybe he’s a little out of line, maybe he should lower it a little bit. You know from 25, maybe he should go into 35 in the higher limit, maybe he should go a little lower. —(Interjection)— I haven’t paid any, that’s what I’m saying. What I’m really saying is — and I’ve said it at many consultative meetings and all the companies were there — I don’t give a damn what the tax position is provided it is percentage of net profit. As long as there is nothing on the top. In other words I’m sure if there was a tax on the top today companies like Hudson Bay and Sherritt are going to be right down the drain. So any tax on net profits I’m not going to argue about. You can argue about the amounts but that is the best form of tax.

MR. MINAKER: Mr. Koffman, you don’t have to answer if you don’t want to but in your thinking wouldn’t the averaging of what losses and profits are over a period of time come into consideration the way you’re describing the profit right off the top? What I’m saying is right now I think we have a three-year average.

MR. KOFFMAN: That's right.

MR. MINAKER: You can only carry a three-year average on bases of loss and profit and so on. When we get into these swing cycles, when we're dealing with net profits, do you think that that might encourage more consideration by the private industry say to look at developing mines where they saw the swing of the world market price might last over a period of three, four, five years and they would run into this position which we're in right now where they are losing money, but once they start making money again all of a sudden they get banged with that heavy tax. But you know they didn't give any consideration in those three or four years where they maybe lost money.

MR. KOFFMAN: I'll answer that question and the question is astounding, it's rough. The question — and I asked the question at the Canadian Institute of Management three weeks ago. There was a speaker there and I'll tell you who the speaker was. He was the Chairman of Hudson Bay Mining and Smelting Company. Mr. Sterling Lyon was there at the meeting and so was Mr. — well you were there. The question was at that time: Why is it in this day the mining companies don't do what we did before? They counted as the return of say 18 percent on invested capital on the limited drilling we would do. In other words, ten years ago, twelve years ago what would happen is you would find a mine, a pod, that's too low grade, but you would find something that you could get your money back, the companies that gamble. Right away you say, "Well okay, we'll put down a shaft, we'll get our money back then we'll do . . . then we'll go and look at what we got." As long as we get our money back. Today all the mining companies are run by financial people, accountants. No geology engineer can say, "Look, I'm pretty sure it's there; I'm pretty sure we're going to find it down there." But they don't do it. In other words the answer to your question is, they just won't do it unless they look at the ore and there's going to be 18 percent return a month and do you know what they say? "Hell we can go and invest in bonds, we can go and invest in newspaper companies for the return." And they're not gambling anymore. The mining companies today are not run by engineers as we used to be; they're run by accountants and financial people. Does that answer your question?

MR. MINAKER: No. I wonder, Mr. Chairman, why aren't they gambling anymore?

MR. KOFFMAN: This is a question you should know. It's easy. If you look at the returns of any company, Noranda, Cominco, Sherritt, Hudson Bay, would you buy their bloody stock? You wouldn't buy it because they're not making any money. So therefore they don't want to gamble either.

MR. MINAKER: Yet, Mr. Chairman, we might buy Loto Canada or the sweepstake tickets.

MR. KOFFMAN: Oh yes.

MR. MINAKER: Then does that not say, Mr. Koffman, that it's sort of a long range type of thing. We have to maybe look at the complete situation that we're faced with in the mining industry nowadays to see where we can correct the situation that now exists. I don't think it's completely necessarily the world market price as much as say the instability both politically and with regard to what and how long a mine might have a future in the hands of a private company say.

MR. KOFFMAN: I'm going to answer that question too. If you talk to multi-national companies today, whether we like it or not, they don't think Canada is a good place to invest and make dough. Not just because it's not stable but there's too many costs and they say that they can't make any money, we'll gamble someplace else, and they're putting their money in the States. Now don't blame the provinces, I'm saying blame federal government and federal taxation.

MR. MINAKER: The provinces have some share in that.

MR. KOFFMAN: Oh I agree with you. All the provinces. But I'm not going to argue about that. But there's something in that. But really there's no money in it at this point in time with copper at 70 cents.

MR. MINAKER: Mr. Koffman, that's not your problem, that's the problem of these people around here able to change that situation.

MR. KOFFMAN: Yes, that's right.

MR. MINAKER: Mr. Chairman, you indicate that we have three wells in the Pierson area as part of a program and two of the wells were completed and placed in production. Are these new discoveries or are they vacated wells by former companies?

MR. KOFFMAN: Originally when they started them, Berry Petroleum came to us and there was one old well that was vacated by Imperial Oil and they said they wanted to make a deal with us and we said, "Fine, we'll make a deal with you." Now the deal was that you can either drill a new well or reopen his one and the same deal holds. The deal was a 20-80 deal. In other words the Crown put up the land through us, we didn't put a nickle in it and Berry Petroleum put all the money up so we really didn't gamble at all. They have sunk them, they have five wells. Does that answer your question?

MR. MINAKER: And this was the first well we discovered, was it?

MR. KOFFMAN: Jointly, yes.

MR. MINAKER: And is this where we got the money from?

MR. KOFFMAN: Say again. We're getting about \$12,000 a year in royalties.

MR. MINAKER: This first producing well was actually an old abandoned well that . . .

MR. KOFFMAN: That's right. That's right.

MR. MINAKER: And was discovered by American money.

MR. KOFFMAN: The fellows were originally in Canada but they are in the United States now. They were originally Canadians.

MR. MINAKER: I see. Now I wonder, can you advise me, in the well that is producing, that we own ownership in, do we pay incremental taxes on it?

MR. KOFFMAN: We pay incremental tax, yes. Because we are in partnership we pay an incremental tax.

MR. MINAKER: You also mentioned the company managed — we are on Page, well, it is under and gas exploration — company managed a two-well oil exploration program in the vicinity Waskada; the targets were selected by the department. What were the targets and what were the criteria that were set in regard to . . .

MR. KOFFMAN: The geologists with the Department of Mines and Resources decided that there were two locations that were worthwhile locations to drill. We have no oil people on our staff and they supplied us with the expertise and they said, "Okay, you do it for us." And we did it for them at a fee we looked after the drilling and the contracts and everything else.

MR. MINAKER: Mr. Chairman, I was just wondering who paid for that. I was trying to find it here.

MR. KOFFMAN: The Department of Mines paid for it.

MR. MINAKER: Mr. Chairman, I have many more questions but maybe I had better turn it over to you, I don't know whether you want me to keep . . .

MR. CHAIRMAN: Five more names on the list wishing to ask questions.

MR. MINAKER: Yeah, well I can turn over. We're sort of at a point where we go into mineral exploration. I'll turn it over to the other people.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: Thank you, Mr. Chairman, I won't take up the time of the Committee very long. I just wanted to — I have very little knowledge about geology here. I was just wondering when Mr. Koffman . . .

MR. KOFFMAN: Go ahead, Mr. Adams.

MR. ADAM: Yes, when you mention 1.10 percent copper and 1.64 percent zinc and further down .79 percent copper and then the higher grade 3.9 — how does this compare, what is a good thing?

MR. KOFFMAN: What is a good thing?

MR. ADAM: Yeah, what is a good percentage?

MR. KOFFMAN: Well, that's the question I answered Mr. Minaker. If he can get 3 ½ percent or you can get stuff like this . . . if you can get what we have at this far end, if you get 3.39, if this thing keeps going down at that grade and we could get a million tons of that, we would have it made.

MR. ADAM: How does this compare with say other . . . mines there now, like as far as grade is concerned.

MR. KOFFMAN: Oh, I see what you mean.

MR. ADAM: I'm just trying to figure out, you know. I don't know, it's just knowledge I'm looking for.

MR. KOFFMAN: Oh, I see. Well usually, this is the first time you've been in the Committee . . .

MR. ADAM: No I've been here before.

MR. KOFFMAN: Before, eh. Well, all you have to do is look at 1 percent copper is 20 pounds, you know, 1 percent copper is 20 pounds. . . That right?

MR. ADAM: 20 pounds of what?

MR. KOFFMAN: 20 pounds. 1 percent two tons. So if you get 3 percent copper you'll have 60 pounds. 60 pounds at say 70 cents is \$42.00 material.

MR. ADAM: Is this a ton?

MR. KOFFMAN: A ton yes. So at \$42.00 material you can make a profit. Follow me? But to say a \$30.00, depending what costs are, and underground you can lose your shirt. Now on \$30.00 an open pit, if there's a large open pit you can make money. Does that answer your question? It all depends on the grade of the material whether you can make money. This, I'm telling you now, is too low a grade to make any money.

MR. ADAM: That's okay. I just wanted to know about that procedure.

MR. CHAIRMAN: Mr. Barrow.

MR. BARROW: Yes, Mr. Koffman. There's a rumour of a big find on Trout Lake 4 ½ miles from Flin Flon and it's pretty strong talk there. Do you know anything about that?

MR. KOFFMAN: Well, let me put it this way. The people that have found that are Granges Exploration in joint venture with the Crown.

A MEMBER: Half and half.

MR. KOFFMAN: Now you were going to tell me, "Why didn't you go in on it?" We went in every project with Granges but at the end of the game you can only go to bed with so many women in every year otherwise you run out of money. This time we ran out of money and we couldn't go to bed with them so they're going to bed with the Crown. Is that the answer? Yes, I think they are going to have a sizeable ore body there.

MR. BARROW: You're talking about low content value of ore where it isn't profitable. Are you going to stock pile that?

MR. KOFFMAN: Pardon.

MR. BARROW: Can it be stock piled?

MR. KOFFMAN: No, no, no, no, no. If you stock pile a lot of that material, if it's oxide it becomes oxidized, and if it's . . . it will start burning. If you were at Anderson Lake, you know it got burnt and a whole thing wasn't any good. Do you know that?

MR. BARROW: Well, isn't there some way of mixing this with a higher grade and make a profit?

MR. KOFFMAN: Well, let me answer that question to you. If I have ten tons of high grade material of a grade where we're going to make a profit, and I have ten tons of waste, it's no use mixing the two together and getting a lower grade and putting more tons through the mill because I'm still going to make less profit. Do you follow me? It's like putting up waste, it's the same thing. So you do the best you can economically. Do you follow me?

MR. BARROW: Well, one more question Mr. Koffman. I have a friend at Sherridon, his name is Walter Small,

MR. KOFFMAN: Oh, I know Walter Small.

MR. BARROW: He knows right where the ore is. Would you kindly go up there and drill a couple of holes for him?

MR. KOFFMAN: No, I won't drill any holes because I know where the holes were drilled before and he's been up bothering me for years. As a matter of fact he's come to see me for your information.

MR. CHAIRMAN: Mr. Dillen. Mr. Green.

MR. GREEN: Mr. Koffman, you have given us two mineralized zones and you have indicated that one has to be tested further for viability, one is not now economically viable. Is there any possibilities in these two mineralized zones that you have given us?

MR. KOFFMAN: There are possibilities but I don't know what they are, you know. It might turn out to be quite good at depth or it might be low, I don't know.

MR. GREEN: I understand that. The point is that both of those mineralized zones are zones which any reasonable mining company would have to explore further because there is something there.

MR. KOFFMAN: That's right.

MR. GREEN: And the other feature of a mineralized zone is that if it is not economic today, you get what is called — or any company would get — what is called an explored area lease. And if, in the future, one and a half percent copper becomes viable, because of price, then a mineralized zone, I gather, becomes something that is looked at again.

MR. KOFFMAN: That's right.

MR. GREEN: So, you wouldn't regard these mineralized zones, although you don't raise any false hopes about them, you regard them as being significant for your purposes.

MR. KOFFMAN: That's right.

MR. GREEN: There's only one more point, Mr. Chairman. One of the members of the House said that the people who are working for us don't know any more about finding a mine than a mole does. And I gather that you have been involved in this business for some time — (Interjection) — No, it wasn't that fellow over there. It wasn't anybody at this table. But I gather that you have been involved in the province of Manitoba and have found some mines.

MR. KOFFMAN: Well, I am going to tell you, I'll answer that question for you. I worked for a company and I talked to the new Chairman of the Board of that company, and they are going to have a 50th anniversary on July 1st, and I asked him if he was going to invite me to this anniversary, I said, because if I hadn't found that mine you would be dead now. He said he was going to give me an invitation because the ore reserves there now are the same as it was when I started there in 1934, 18 million tons.

MR. GREEN: So, do you consider you and . . . Well, let's forget yourself because we won't make you immodest. Do you consider your staff as capable of finding mines as moles are?

MR. KOFFMAN: I think a point I should bring out now so we'll all . . . Let's not fool ourselves, mine finding is not a science, it is an art. I think it is an art and after a certain length of time you get the gut feeling. Malcolm Wright and our staff, they are trained . . . I am going to show you now, just to give you an idea — have you got time, have you got ten minutes? I am not going to keep you too long because you'd pay a lot of overtime here.

Here is an area we decided to pick because it's under the limestone, it's in the right trend and this is the big area here. See it here, this is the two zones we found it, one here and one here and it is along this. Normally looking at maps, you say, "Why the hell are you going there"? Well, we decided this is the limestone, it is a good area. The first thing we did then, is we flew the areas. Here is another map. We flew the areas. Now, when we flew the areas, we ended up with getting all these little pinpoint — if you want to call them rat tracks, I don't care what you want to — we've got all these . . . This is an airborne survey we've done and we found this underzone here; but we found all these various conductors. These conductors are pyrite — pyrite is iron sulphide — graphite; but they are all

conductors, nobody knows what they are. Really, if we knew what they were from doing this, know, we would have so many bloody mines and nobody would have a job. So nobody wants to find a big mine, otherwise they would be out of a job. It is very unfortunate you know. You don't want to find a big mine fast. So anyway, you have these rat tracks and these are there because of the airbc surveys and there are some here and there are some there.

The next thing we do, we do a term survey. We try and bring it down to something we can handle on. Now, we did a term survey and one of these areas here. We have a term survey of all the rat tracks that you saw on the map there, the little pinpoint, and we ended up . . . This was a term survey. Now it says it could be there, it could be there — we don't know where it is. We finally pick, some drilling . . . We did some drilling there. Malcolm Wright here is pretty good at interpreting the things and we found, he said, "Well, this area looks fairly good, let's take a good look at this area." So we took a good look at this area and we ended up . . . Here's the other map, the last map here — here we say that here is an area — all these rat tracks — and here you see this red stuff and they say, you know, this is an area that really we think there may be something here. This is what we drilled, drilled this area. This looks quite strong here but this is not very good, here is a lot weaker type anomaly, that this is the massive sulphite zone that I showed you here, that is now under 225 feet limestone about 1,800 feet long.

I am just giving you an idea of how this is done, so I am saying this is an art, it is not really a science. You know, you get a gut feeling of where are good places to work.

MR. GREEN: Well, why would you go to the weaker area rather than the stronger area?

MR. KOFFMAN: Well, we drilled the stronger area and we did put a lot of holes in the stronger area and we found they were graphites that are no good. There is a lot of graphite there. So we figure we . . . Next we did . . . This type of survey is just a new technique, it just came out two years ago. What we have to do now, since we found those two sulphide deposits, what we have to do now — we have another map here. What we have to do now is go over this old area again and say now that we may have missed quite a few, we don't know, but here, we have to do this again. This is how you find mines, you just don't — hold this up, thank you — Here we have this area that were drilled and found. Now we have the other area that we found last year, it's up here somewhere. So now we know that we have to go, all this area that is coloured in yellow, we have to resurvey all that area by this new Airbc equipment that we have, that's the next stage. We know we can probably separate the specific zones maybe. We hope we can, these other zones.

So, we now have to spend much more money this way. We found two sulphide deposits and maybe there's a good one laying in there, nobody knows. So, does that help you out? I just thought you would pass this information on to you. It is getting very sophisticated but most of the money as you will see, is not spent on administration — we were 'talking about administration — most of the money, as you can see from my report, is spent on diamond drilling, about 60 percent of the money. And if you don't spend the money on diamond drilling, you may as well quit the job and walk away and have a good time with it.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I am interested in some of the comments that Mr. Koffman made about the changing nature of the mining business and what it holds out for future prospects in the province for mining exploration and development. As I understand you to say, there are a number of changes going on in the industry from the point of view of not only is there a higher degree of sophistication which adds to your cost, but the way in which mining companies conduct their own business is changing. And therefore that you just need increasingly richer concentrations of ore to justify any further development. Now based upon that, do you foresee that the potential for major areas of mineral development in the province receding if that threshold of costs keeps rising up? In other words, do you find mines that might have been productive, profitable to develop twenty or thirty years ago are no longer in that range simply because the costs have risen beyond the threshold where it is useful to contemplate going any further with them?

MR. KOFFMAN: That's a tough question, Dr. Axworthy. That's a tough question, it's a hell of a question. But really what is happening is that in all of Canada they are finding out that the cost of finding mines — and I talked here last year, I said about \$25 million and I think that that is still a pretty good figure of costing of finding mines. Now, it has to be larger grade, it has to be better grade. If you could find an open pit or something like that where you get one percent, fine, . . . There are some open pits in Manitoba. But the costs are going up and when copper becomes \$1.50 a pound, a lot of these will be viable.

MR. AXWORTHY: Just continuing on that, in terms of the knowledge of the geological formation in northern Manitoba where our mining takes place, in that Precambrian field and so on, and without asking you to divine if there are any rich ore lodes sitting up there that no one has discovered, in general, is the kind of mineral formations that they have in the Precambrian field in northern Manitoba such that would justify those kind of higher cost operations? In other words, again, is there a continuing prospect for good mine development in the province or is the type of ore that we

erally mine in Manitoba such that they can't bear that increased escalation in costs and increased sophistication of equipment and, I suppose, increased complexity of corporate development that is going on?

MR. KOFFMAN: I am going to answer that question, actually, with another one.

MR. AXWORTHY: Okay.

MR. KOFFMAN: At a meeting of . . . University of Manitoba, studies on mines and northern mines — I forget the fellow's name, he was in your department at the University of Manitoba, mines, is there a Simmons or something like that?

MR. AXWORTHY: Oh yes, I know who you mean, Lloyd Simmons.

MR. KOFFMAN: That's right. At this meeting, he was a speaker at the CM&M, and he gave this talk and he criticized the fact that Flin Flon was located on a rocky town and a rocky ledge and really the mine should not have been located there. And he then said that really the town was located there because the people who gave the estimated ore reserves were not answering and not truthful. Well, I stood up and told him I was the s.o.b., the reserves, and he was not going to call me no bloody liar. Because, nobody can foretell what the grade of that reserve is going to be, it might start out quite low, might end up quite high or vice versa.

Some of the mines in the Snow Lake area started out at the lower grade, the lower . . . there's all grades of 4 and 5 percent copper. So, nobody can tell. That fellow up there, you know, he didn't tell us where it was and we are finding it hard to find. But really, your question, when we come around to it, I think exploration will continue but increasingly, the mining companies will not be able to bear the cost of exploration in Canada. That was another question I asked at one time: What do you think of it, will the mining companies be able to bear the cost? And they said, "No, the governments of the provinces and the Federal Government have to go in and assist and be partners in the exploration of the resources, otherwise there is not enough money in the private sector." There is not enough money left over. Now you say, "Why isn't there enough money left over?" I am not talking about the nickel business but I was talking about the copper business. And the grades of copper that you can get in the Zambians, there in Chile and Peru and those countries, in large open pits that are already there, you don't have to look for them, and the reserve is there so the company say, "Well, we may go for an ore on that, what is known as political ore, as look anywhere else." That is what they are really doing in a sense.

But there is increasingly, the Federal Government is increasingly, and the Provincial Government, is increasingly saying, "Well, if there is not enough money, we have to go and assist in exploration."

MR. AXWORTHY: Well Mr. Chairman, I think that that answers my question. What you are saying is part is that the competition in this area is not just a national one, it is an international one.

MR. KOFFMAN: That's right.

MR. AXWORTHY: And that the nature of ore finds in other places would naturally provide more of an incentive to go there because their other problems are not nearly as heavy, without condoning the other problems that are there. That leads me to the next question really where a company like yours fits into that particular arrangement, that if, in fact, the big multi-nationals, Hudson Bay, Sherritt and all the rest of them, increasingly are finding it less enticing to come into mines in Manitoba or elsewhere — how do you see your own operation as being different from theirs? Do you have a different cost structure? Do you have a different arrangement that makes your type of activity some way not subject to the same constraints that they have?

MR. KOFFMAN: In doing exploration you figure the cost of exploration per target. Now, if you are a company with a very small overhead like ours and no fancy cars and no nothing, then — no airplanes, no jets — our cost per target or exploration is much less than the multi-national corporations.

MR. AXWORTHY: So, Mr. Chairman, I gather then . . . You think, Mr. Koffman, the way your company operates, you can afford to find ore bodies which don't have to be as rich or as extravagant in order to justify development?

MR. KOFFMAN: I say, that in the finding of these, the cost of finding these ore bodies per target. In other words, the finding of these things here, what it cost us and what it cost a large multi-national; their cost and their overhead is much higher. If you look at our costs, you can see our overhead is nilch. Do you follow me?

MR. AXWORTHY: Yes.

MR. KOFFMAN: In other words, there are no accountants around and there are no coffee girls around. There is a group of working people, that's all, and everybody is working. And, Mr. Axworthy, if you want to come around I will show you. I am operating the same way as I did years ago. I am back to the same norm, operating the same as we did years ago. But the corporations are as bad as governments now.

MR. AXWORTHY: Amen to that. I am glad to see, Mr. Chairman, that Mr. Koffman perceives that the corporate world has now become as bad as the government.

MR. KOFFMAN: I said that.

MR. AXWORTHY: That leads me to the next question, actually, Mr. Koffman, because I'm interested in the comment that you made that, since the development of the regulations two years ago, which gave the Department of Mines and Natural Resources the right to go into joint venture share in developments with private companies, you seemed to indicate that this altered substantially the way in which you proceeded or were able to form up partnerships or joint ventures with the private companies.

MR. KOFFMAN: It was more difficult and I told the Minister at the time and he said, "Well, that's the name of the game." This year we have formed a joint venture with Placer Development, Eldorado and Imperial Oil. We have three joint ventures subsequently; last year and this year we have formed three joint ventures with the private sector. We are running the jobs, you see, and they're saying "Well, your costs are not very high and we'll let you run the jobs because you know the area and it's a lot cheaper for you to do it than if we do it ourselves."

MR. AXWORTHY: But you say it is now considered to be more attractive from the private companies' point of view to get into one of these ventures with the government because they offer a better deal than with you. Is that . . . ?

MR. KOFFMAN: Well, they offered them a deal and then the cost was for ten percent, so the fellow says, "Look, I've a million dollars to spend. I can go another million bucks with the government. I have my same overhead and I haven't got too much money, I may as well go the government route. I'll take my cost plus my overhead, I'll go . . . by the amount I get from the government." So they say "Why not?" You have a ready partner. . . Whether it is right or wrong, I'm not going to argue.

MR. No, AXWORTHY: that's what I'm saying because it follows up . . . you mentioned something else, that you were also now entering into a number of partnerships with the government, joint venture explorations, so in a sense it's one Crown agency working with another Crown agency, which almost leads to a kind of a double jeopardy arrangement, and I am kind of curious about how we are getting into these sorts of double-trouble arrangements.

MR. KOFFMAN: I'll answer that. The answer to the question is here. We are a working exploration company. We are a working exploration company. The Department of Mines, when they put up the money, they are just a financing company, theoretically, at this point in time. You follow me?

MR. AXWORTHY: Yes, yes.

MR. KOFFMAN: So we are the real operating company in the field. We don't want to be financed. Does that answer your question, sir?

MR. if I AXWORTHY: Yes. Mr. Chairman, might ask Mr. Koffman a question again

MR. KOFFMAN: Sure, go ahead.

MR. AXWORTHY: I think he indicated, I'm not sure whether it was you — in terms of general description, he indicated that there are potentials for uranium mines in northern Manitoba. Is that correct? Has there been more exploration? Are you involved in any of that kind of development?

MR. KOFFMAN: . . . the Crown through the area, and we just took one joint venture with Eldorado, Nuclear, and Placer, so we just took a joint venture with uranium exploration in the vicinity of Churchill. It's on this map here. Here it is here, right here. Nuclear, Eldorado, Placer in this area here. The last one we took up one, we were the operators.

MR. AXWORTHY: I just would like to get if I might, Mr. Chairman, an opinion from Mr. Koffman concerning the development of uranium mining. There has been a lot of concern expressed down east about the dangers associated with uranium mines and the hazards that go with it. I think there was a television program that was aired here about a month or so ago which indicated that there was no such thing as a safe uranium mine, and any miner that goes into it in fact becomes . . . that the life expectancy is shortened remarkably. Is that a fair statement? You've been in the mining business a long time. What's the reading in the racket about that kind of position?

MR. KOFFMAN: If we don't go to uranium mining and the environmentalists don't want us to mine their coal, we're going to freeze our ass off. What are you going to do? We've got to do one or the other. We've got to either mine coal, which the environmentalists don't let us do in British Columbia or we've got to mine uranium to get some heat, because there's none So what are you going to do? You know we're caught between the devil and the deep. What do you do? I say you take a little of each. I say take a little of each.

A MEMBER: We don't want high water; we don't want low water.

MR. CHAIRMAN: Order please.

MR. KOFFMAN: Have I answered your question when I say . . . ?

MR. AXWORTHY: not totally, because I think it leads to some other questions. I am interested in the development of uranium mining. Again, if that's going to become a major area of activity in the province in terms of whatever safeguards might be required to go along with it, I was trying to determine from you your own sense of the hazards that are associated with it.

MR. KOFFMAN: Well, maybe I should put you in context. In Saskatchewan, as you know, the

and quite a number of uranium mines.

MR. AXWORTHY: Yes.

MR. KOFFMAN: After they find uranium mines, then they looked at the environmental impact and what's going to happen. And I think this is what will fair thing happen here. That was a to do. Couldn't you think that's a fair thing to do?

MR. AXWORTHY: Yes, I would.

MR. KOFFMAN: It's no use saying, "Let's not work them; let's not find them in case they're going to hurt us." Let's find them and we will see after.

MR. AXWORTHY: Just one other line of questioning, Mr. Chairman, about the use of the aerial surveys that are going on at the present time. Is the present state of the art that is now being utilized or I think that there were a number of geographical surveys . . . has it been superceded? Is there other work in these areas that can be done, or have we reached really kind of a limit to that particular form that you were talking about?

MR. KOFFMAN: No, I don't think we have reached the limits of the art, but I can tell you that surveys are being done today, . . . for base metals especially — any base metal — the art is pretty damn good now. But after you find these conductors from the air as I pointed out to you, it takes a lot of money to go in the ground and find them. But the art is very, very good and it is progressing little by little. But the art is very good now.

MR. AXWORTHY: Just in that respect, you were talking earlier about the demise of the small, independent guy. Is that because a lot of this kind of heavy technology is not available to them and they simply can't afford it? I presume that your company is not in the business of involving those kinds of romantic figures called the old prospectors, but I have talked to several of them along the way who indicate that one of the problems is they have just never been able to get access to that kind of information and data that is produced by these, and therefore aren't able to compete, but that if they were working through a company like yours or whatever, then they might be able to provide a more useful exploration activity.

MR. KOFFMAN: What has happened with all those people, the companies who they worked for, they trained them. Maybe they were prospectors that were staking claims. They trained them to do certain types of work. They trained them to do line cutting. They trained them to do geophysical work. They employed them. In other words if they were around, the companies used them and trained them to do the technical work. But your question, I think, is saying: What is the chance for the small prospector? I said last year and I say it again this year: I think days in the Precambrian — in the Precambrian — is doomed and has been doomed. But in British Columbia where you still got to put your feet up and down and climb up those mountains like the goats, there's a lot of room for prospectors in that area because their technology isn't good enough, except certain water sampling techniques, but there is room for prospectors in there and in the Yukon. But in the Precambrian *per se*, I don't think he has a goddamn chance. He hasn't. And I am not saying it is right or wrong, but this is the facts of life.

MR. AXWORTHY: Thank you.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, before we leave that subject, there was a question asked about the uranium prospects in northern Manitoba. I'd like to ask Mr. Koffman what he thinks the probability is of a significant uranium strike in that area that is now under review.

MR. KOFFMAN: The answer to that is I don't know. I have to say I don't know. I wasn't up in the areas and I just don't know.

MR. MCGILL: Are the areas similar in formation to those of northern Saskatchewan where they have some discovery?

MR. KOFFMAN: There may be certain belts that are similar to Saskatchewan, but much of that areas has a lot of over . . . on it as you know. And all a fellow has to do is find one large outcrop of that particular formation. There may have been . . . I don't know. All I do know is that certain companies are in the business, they are in there working ' whether they are to find or not, I don't know. But the aerial survey that is being done, I think it's an excellent idea. I think the best way the provinces of Canada, really, can help mining is by doing this aerial electromagnetic surveys and putting the targets in for them. I am not saying one side is right but what I do know, in areas flown and there are some targets, everybody go and stakes like hell. Everybody did that in the Sherridon area, whether we find anything or not, but everybody was flying in we flew to the Sherridon area, and ourselves. People went out and explored. To me, that is the best way I know of of helping the industry in finding mines, that is the best way.

MR. MCGILL: Was that find that was mentioned just a few minutes ago, just west of Flin Flon, was that picked up by an airborne geophysical survey?

MR. KOFFMAN: The one that you are talking about, I know that the Minister didn't mention anything in the House, I thought he was going to mention something about the find but I can speak on it, Mr. Minister, because the people that have found it used to work for me in at Flin Flon. people said,

"Why . . . I said, I could only go to bed with so many good-looking women and I ran out of money I had to . . . But that was found by airborne geophysicists. But the people, it is important, that the people who are looking know their business and these people that are looking from Granges know their business. Not that I have trained them, but I say that they do know the business.

MR. MCGILL: When you were with HBMS did you do any drilling in that area?

MR. KOFFMAN: In that particular area, no. We build an it on area on around the periphery of the outside but not the inside because it is a water reservoir — what do you call it, water reservoir a nobody in the company said, "Well, I don't think you should work in that area you're disturbing the water." It was one of the areas in the centre which we didn't work, and the water is quite deep. So there will be ironed out problems but I think these problems can be and I think they will break the mine.

MR. MCGILL: It must be a little disappointing to have a piece of property like that that you probably could sit in your office chair and look out the window and turn up in the hands of a company that you weren't able to participate with.

MR. KOFFMAN: Well, this is the name of the game, Mr. McGill. As far as I am concerned, through my life's span, I think I have satisfied myself in that I have found enough. Let the younger fellows . . . and I love to see them . . .

MR. MCGILL: That's a generous point of view.

MR. KOFFMAN: Well, that's the only way.

MR. MCGILL: Tell me, this new property, how does it relate to Consolidated Callinon in Flin Flon?

MR. KOFFMAN: It's not in the area.

MR. MCGILL: Not in that area.

MR. KOFFMAN: It's not in the area at all.

MR. MCGILL: Callinon are close to the Flin Flon . . .

MR. KOFFMAN: That's right.

MR. MCGILL: But on another side.

I just wanted to ask a couple of questions about these two announcements you've made here. The one at Snow Lake, when did you start your exploration there in this particular property? How long ago?

MR. KOFFMAN: 1972. That was an area we had taken out a permit to fly in 1972 and we've been working on different parts of the area since.

MR. MCGILL: Did you drill during this past year?

MR. KOFFMAN: No. The area was so large, we took pieces and did some drilling. We did some drilling this year and some drilling . . . you only have so much money so you spread it around during the years.

MR. MCGILL: The nine drill holes you mentioned were done this . . .

MR. KOFFMAN: The nine drills were done within the last two months.

MR. MCGILL: How many more drills do you expect to put down before you make a decision?

MR. KOFFMAN: Well, we figure we are going to put down a series of holes to the 1500 foot level and see what happens to the grade, a series of probably four to five holes to see what happens down there . . . and hope that this may open up, we don't know. We just don't know. But that is the grade where there is a higher grade material but we have figured in putting three holes down momentarily depending on budgets, three holes, deep holes now and see what happens and then we will see what we will do from then on.

MR. MCGILL: So probably, there will be some determination during the next six months as to whether or not you've got something worth spending more money on. What about the Lynn Lake one?

MR. KOFFMAN: Our partners, I talked to them, the Granges partners, I talked to them, and we are also going to do that this summer. We have a large amount of ground in that area in partnership with Granges; we have a large block there and we have about six or seven blocks of ground that we have to do. As a matter of fact, we have one adjacent to the Sherridon find; we are going to work on that this summer also.

MR. MCGILL: You've got a better grade there but you haven't got the kind of tonnages . . .

MR. KOFFMAN: Yes, we haven't got the width. But everybody hopes; this is the name of the game.

MR. MCGILL: Mr. Koffman, you spent up-to-date around \$3 million?

MR. KOFFMAN: That's right.

MR. MCGILL: What is the break-up value of your company at the moment?

MR. KOFFMAN: Today?

MR. MCGILL: Yes.

MR. KOFFMAN: I'll tell you it's zero bucks because there is nothing economic. But that's the name of the game!

But what we've done for \$3 million, I mean, I think nobody can ever say we haven't done a good job, nobody can ever say we haven't spent the money intelligently. Any company that I show the books to say, "Well, you did a good job for what you've got."

MR. MCGILL: Do you have any idea what that works out to per foot of diamond drilling?

MR. KOFFMAN: Oh, I see what you mean. This \$3 million, I haven't got the figures but I can supply you; I can surely supply it to you. But I can say this. About 60 percent of our money is spent in drilling. As a matter of fact, I think this following year, if you look at our diamond drilling costs that are the sheets here, you can see that the total money spent in diamond drilling in joint venture partnerships — Page 1, Exhibit B, at 60 percent roughly of the total cost, the total cost if you look at it you'll see it's \$1,050,212 was spent on diamond drilling. Do you see it there?

MR. MCGILL: Yes, I guess all we need is the total footage.

MR. KOFFMAN: Yes, I don't know what it is. I could go through the various reports and I could add the footage . . .

MR. GREEN: I wonder if you could get it for me and I could give it to them.

MR. KOFFMAN: Yes, I can get the total footage to date that we have done on all the drillings. Yes, ay, we'll get it.

MR. MINAKER: What do you feel it will cost to develop a new mine nowadays?

MR. KOFFMAN: For the production?

MR. MINAKER: In terms of, say, this Granges find. That if it proves to be a mine, what kind of moneys are we talking about, what kind of time lag before it is into production?

MR. KOFFMAN: Well it depends. If we've got to build a mill, it's about \$18 million for 2,000 tons a year. You go up to \$18 million for about 2,000 or 2,500 tons a day. If you have to go underground, \$12 million. But they are in a pretty fairly good position there because they wouldn't have to build the mill because Hudson Bay has excess capacity, I know that right now so you can make a pretty good deal.

MR. MINAKER: What happens if we found or anybody finds a mine where they have to develop the mine site. What kind of moneys are we looking at then? Are we looking in the \$100 million, \$200 million range?

MR. KOFFMAN: It depends on the size of the . . .

MR. MINAKER: But it is not out of sight, that could be a realistic. . .

MR. KOFFMAN: Oh, yes, it could be. It depends. If it's a large mine I wouldn't mind putting up a 30 million bucks if I found a large mine. Heck if we found this thing and this thing here was 2,000 feet long and 40 feet wide and went down, there would be no trouble getting the money then.

MR. MINAKER: What would you say it would cost to do another Thompson type of set up?

MR. KOFFMAN: About three times what it cost now, what they paid, whatever they paid, multiplied by three.

MR. MINAKER: Was it about \$600 million or . . .

MR. KOFFMAN: Two-fifty times three at the very minimum.

MR. MINAKER: Mr. Chairman, I wonder with regards to the press releases, Mr. Koffman, are they really, sort of like feeling the dice are warm in your hand, but you could maybe still crap out, or you could maybe throw . . .

MR. KOFFMAN: I could crap out if the dice were warm but I think, — I have to report to somebody, to some committee on spending the money. I've got to tell somebody about it. Now I just can't go and throw that to the newspapers what we're doing. You fellows would clobber me, so I have to give the release somewhere along the line and I think this place is the best way.

MR. MINAKER: What does it mean?

MR. KOFFMAN: It means that we've spent X number of dollars. We've found something that's not economic but the average individual looking at it would say, "Well those fellows are spending the money, at least they're doing a good job whether it is economic or not." That's just too bloody bad. That's the name of the game.

MR. MINAKER: But there's no firm indication that there's any mines here at this present time.

MR. KOFFMAN: There's no firm indication at this point.

MR. MINAKER: The dice might be warm but . . .

MR. KOFFMAN: Yes, the dice might be warm.

MR. MINAKER: Mr. Koffman, are you familiar with exploration activities in other provinces at the present time?

MR. KOFFMAN: To a reasonable amount, a reasonable extent.

MR. MINAKER: Has the exploration in British Columbia increased in the last year?

MR. KOFFMAN: Let's put it this way. True, the government changed but government may change but the people are still waiting to see if they get re-elected again before they really go into it. People are not going to — it's changed but not that much, not that much.

MR. MINAKER: You're saying that the amount of exploration in this past year hasn't changed that drastically in British Columbia in terms of private interest and the private expending of money.

MR. KOFFMAN: Not that much, not yet. You know, people just don't know where they're going yet. As a matter of fact, in Canada, Phelps Dodge (?) the large exploration company, they just closed up their offices in Toronto day before yesterday.

MR. MINAKER: You're pretty firm on that are you?

MR. KOFFMAN: Which?

MR. MINAKER: You're fairly knowledgeable on that in British Columbia?

MR. KOFFMAN: It's increasing. Well, I'll tell you why I'm knowledgeable. I'm the Managing Director of a small silver mine in B.C. yet, so it's starting to increase but the grade of the copper, that's the problem. The grade of the copper in all those large, prosperous mines that were found in B.C. about .44 - .47 with the grade of the copper in South America and those open pits it's 1.25, so it's a matter of price, world price. You can't go anywhere yet. Valley Copper which has what — 350 million tons? — 350 million tons controlled by Cominco, and Bethlehem Copper, has large interests, can't go. If copper goes to 85 cents, we'll talk to you. It's just a matter of price.

MR. MINAKER: No, I was just wondering how familiar you were because I have had the opportunity to talk with people in the industry in B.C. and, in fact, one individual who is in an arrangement for financing of grub stakes and so on and he indicated to me that a particular company had been involved in arranging financing far in excess of any amounts that we have expended on exploration in Manitoba at the present time — the one company had done this. And that's why I was wondering if there's a general increase in exploration in B.C. It seems that this one particular company had indicated that they'd themselves arranged financing far in excess of what we're spending on exploration here in . . .

MR. KOFFMAN: I think maybe I can answer that question for you. I think there's a little difference here. Mining generally in Manitoba and Saskatchewan has never been a speculative thing. I mean there's never been any of these speculative mines. If you look through the Vancouver stock exchange papers you see fifty or sixty mines list their mine prospects. — (Interjection) — okay. All right. But the thing is, again, it comes back to the point I talked about. In British Columbia prospectors can still go out and he can find a showing here and he can find a showing here and he brings it into large companies and he gets a grub stake and he puts it on the exchange. They find him and they say, well, give so many shares of John Doe Mines Limited and pretty soon they get it rolling. This is how I did. I was involved in that, I know. I was involved in the growth of four or five of those companies.

MR. MINAKER: I recognize the press release.

MR. KOFFMAN: No, but you have to do. . . If you don't do that how can you. . . You have a list. . . What do you do?

MR. MINAKER: Well, the reason that I raise the question, Mr. Chairman to Mr. Koffman, you know why there all of a sudden seems to be activity in B.C. which I understood there had been in the last year, when in fact there doesn't seem to be that interest by the private corporation here. Mr. Koffman indicated it was because the price of the copper was so low. Yet there seems to be activity in B.C. the last year and I would think that they would experience the same fact that copper is . . .

MR. KOFFMAN: I know what you want me to tell you, Mr. Minaker.

MR. MINAKER: I just want to know why there is in one province and there isn't . . .

MR. KOFFMAN: I would rather leave that little thing alone. I don't want to get involved in it. But can you tell me why B.C. has always been an area where there's many many mines and prospects in B.C. Whether they make a mine eventually, I don't know.

MR. MINAKER: I think that's all the questions I have right now, Mr. Chairman, thanks.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: I just have one question here. The officers of the company, are they all entitled to the bonus arrangement that Mr. Minaker spoke of before?

MR. KOFFMAN: The officers of the company. No, just the Director. — (Interjection) — No. (Interjection) — The officers yes, there are only two of the officers happen to be working officers. Mr. MacKay is not a working officer of the company. He's Secretary-Treasurer of the company really name only because we do all the work for him. But in a company actually you have to have a President, Vice President and a Secretary.

MR. BANMAN: So Mr. MacKay wouldn't be entitled to the bonus arrangement.

MR. KOFFMAN: No.

MR. BANMAN: What kind of remuneration would Mr. MacKay get for being Secretary and for sitting on the Board of Directors?

MR. KOFFMAN: He didn't get a hell of a lot of money. I'll tell you what he gets. He gets a \$150 meeting; four meetings a year.

MR. BANMAN: That's for the Board of Directors.

MR. KOFFMAN: Yes. . . . He gets bugger all for being an officer. We don't pay nothing.

MR. BANMAN: For Secretary you don't pay him anything.

MR. KOFFMAN: Nothing. Our Secretary does the work just signs the notes so why should we pay him.

MR. BANMAN: I agree with that.

A MEMBER: I'd talk to the Labour Board about that one.

MR. GREEN: Mr. Koffman, just so that there's no misunderstanding arising from some of the

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estions. You have indicated that there has been a problem, or at least there has been a difference between, before the Department was involved and now and you indicated to me that was the case several years ago. And we said, yes now you will, if you don't find anybody you spend your own budget but you don't say that there has been a diminution of private spending. You say, private spending with you has diminished.

MR. KOFFMAN: Yes.

MR. GREEN: And the private firms have gone with the government.

MR. KOFFMAN: That's right.

MR. GREEN: I don't know whether you know, are you aware of whether there is more or less private exploration in the Province of Manitoba now than there was before?

MR. KOFFMAN: Well all I do know, Sherritt-Gordon at one time they said they're not going to explore anymore and all of a sudden they're back, because money's hard to get so you've got silent partner that's got the money. So, what the hell, I may as well go. . . You get a silent partner that doesn't bother you, this is the good part of it. He's not up your track and telling you what you're doing, you know what I mean.

MR. GREEN: Well, Mr. Koffman, the fact is that the manner of participation of the Province of Manitoba with the private sector, if we can ignore the ideological point that it is the government, is not a form of participation which is undesirable. I'll take out my negatives. . . try to get. . . that the kind of participation that the province makes with the private companies is the kind of participation that companies often are looking for.

MR. KOFFMAN: That's right. That's right.

MR. GREEN: And the Province of Manitoba, as distinct from British Columbia, never instituted a volumetric tax.

MR. KOFFMAN: A tax on the top you're talking about.

MR. GREEN: We're talking about tax on volume as distinct from a tax on profits.

MR. KOFFMAN: Yes. Any tax as a base for net profits, I don't think companies are going to holler provided it's there. A net profit. If you make no net profit, nobody gets any tax.

MR. GREEN: But British Columbia did have a volumetric tax?

MR. KOFFMAN: They had a rough tax that was no bloody good; it was tough.

MR. GREEN: So, there's no comparison of the British Columbia situation with the Manitoba situation.

MR. KOFFMAN: No

MR. GREEN: Mr. Koffman, you sit at the meetings of the consultative committee that the government has with industry for the past seven years that have met four times a year.

MR. KOFFMAN: That's right. Whenever it was meeting.

MR. GREEN: At those meetings, sometimes you are the most critical of the companies that are here of government policy.

MR. KOFFMAN: And government. I'm critical of both.

MR. GREEN: That's right but you are well aware that the regulations with regard to government participation, the option up to 50 percent were discussed fully with the industry and would it be correct to say from your participation at those meetings that although they didn't agree with the philosophy that we go in at all, that they were generally agreeable that if we are to go in, putting up our share and participating in that way, was a reasonable form of doing it.

MR. KOFFMAN: That's fine but one thing that happened that came up in various press releases and various things that came out at the management committee that you were at and Mr. Fraser said that the government goes into only the ones they want to and I got up at the meeting and told Mr. Fraser that that was not true, that they went into every project but I have to correct that a little bit, only went into every project if there wasn't somebody else and it was a mixed up deal.

MR. GREEN: That's right.

MR. KOFFMAN: That they went into the clean projects and I corrected that at this meeting with. . .

MR. GREEN: Well, we do have the option of selecting and our policy has been to go in unless it was very complicated. . .

MR. KOFFMAN: That's right.

MR. GREEN: . . . as you have indicated, so that it was very difficult to determine the interest but one of the regulations is to the effect that if we do not go in on the initial project. . .

MR. KOFFMAN: You don't go at all.

MR. GREEN: . . . we can't go in and hop in after they've found something.

MR. KOFFMAN: This was a misunderstanding with the papers and the press and this is the thing that's. . . but that's cleared up pretty well now. Whether it's good or bad, I am not going to make a point of it.

MR. GREEN: That's up to me to say.

MR. KOFFMAN: Yes, that's what I say.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, in the report, Mr. Koffman, in the Review and Outlook, you said in the third paragraph, "The company in its second objective of attracting risk capital into the province through developing and entering into the joint ventures with the private sector has not been successful. With the change in government policy whereby the province itself through the Department of Mines, Resources and Environmental Management enters into the joint ventures with the private sector, it is apparent that the company may have to change its present policy to more adequately reach its second objective." I wonder if you might want to expand on how you feel the company may have to change its policy.

MR. KOFFMAN: Yes, well we're going to change our policy. As I told you, I am going to go. . . can't get the private sector to go with me, I'm going to go to the government and say I'm another company and I'm going to go with you because you've taken them so I'm going to do the same thing. We're going to change our objective in that position.

MR. MINAKER: But you are not going to change any objective of trying to go into development with the private sectors.

MR. KOFFMAN: Oh, we're going to try but if the private sector . . . the private sector today with a limited amount of money, they want to manage the exploration project so they get the cost plus ten. So, I don't want to be a lending agency; I want to do the work. Do you follow me? Now, let the lending agency be the Crown, fine and dandy, so we're going to change and we're saying, if we can't go, we want to run it.

MR. MINAKER: So the private company is sort of looking upon you and afraid of you as a competitor?

MR. KOFFMAN: No, they are treating us absolutely as a competitor. Well, as a matter of fact, the people just went in with us on this project here as I showed you after they . . . this project here with uranium, Eldorado and . . . We went with one other one didn't we? Oh yes. We went another one with the Great Island with Imperial Oil and Eldorado. But we found nothing; it's gone now; we've dumped it.

MR. MINAKER: Why are they afraid of you as a competitor?

MR. KOFFMAN: They're not afraid of me; they're not really afraid of me. They are saying, "We should we go in and do the work; you do the work for us, when we can go to the Crown and get the same money as you can from the Crown and then run the job and get the cost plus ten." Lower their various overheads. Do you follow me? This is all it is.

MR. MINAKER: That's all. Thank you very much, Mr. Chairman.

MR. CHAIRMAN: Any further questions of Mr. Koffman?

MR. GREEN: I move the report be received.

MR. CHAIRMAN: Move the Committee be received? Is it agreed? (Agreed) Agreed and ordered. Thank you, Mr. Koffman. Committee rise and report. Committee rise.