

LAW AMENDMENTS COMMITTEE  
8:00 o'clock, Wednesday, June 12, 1974

CHAIRMAN: Mr. D. James Walding.

MR. CHAIRMAN: Order please. There being a quorum, the committee will come to order. Is it the wish of the committee to continue consideration of Bill 71, clause by clause, we're part way through, before we go to representations.

A MEMBER: Yes.

MR. CHAIRMAN: Proceed? Mr. Jorgenson, use the microphone please.

MR. JORGENSEN: My understanding was that the meeting tonight was going to be called to hear representations, this was specifically stated by the House Leader, and I think that we should hear those representations because the people are here, we can consider those bills tomorrow.

A MEMBER: I would agree with that.

MR. CHAIRMAN: Is that the wish of the committee? (Agreed)

The bills before the committee this evening are as follows:

No. 24 - The Mount Carmel Clinic Act.

No. 41 - An Act to amend an Act to incorporate the Sinking Fund Trustee of the Winnipeg School Division No. 1.

No. 56 - An Act to incorporate The United Health Services Corporation.

No. 64 - The Treasury Branches Act.

No. 68 - An Act to amend the Law Society Act (2).

No. 74 - The Manitoba Trading Corporation Act.

No. 75 - The Northern Affairs Act.

No. 83 - An Act to amend The Automobile Insurance Act.

No. 93 - An Act respecting the family of Cyril George John Orchard Deceased.

No. 94 - An Act to amend an Act respecting the Agricultural Community District of Newdale.

I have a Mr. Karlowsky and Mr. Thompson wishing to make representation. If there are any other members of the public, would you come up to the microphone. Would you give me your name and the bill you wish to speak to, and whether you are from out of town please?

MR. TRITES: Mr. Chairman, my name is Trites, T-R-I-T-E-S, T. C., I'm with the Wawanesa Mutual Insurance Company, and I'd like to speak on Bill 83, and I'm from the City of Winnipeg.

MR. CHAIRMAN: Thank you.

MR. WIEBE: Mr. Chairman, my name is Henry Wiebe, I'm First Vice-President of the Co-operative Credit Society of Manitoba. I'd like to speak on behalf of Bill 64.

MR. CHAIRMAN: And that's spelled W-I-E or . . .

MR. WIEBE: W-I-E-B-E.

MR. CHAIRMAN: Thank you.

MR. HECHTER: My name is Gerald Hechter, I live in Winnipeg, and I'd like to speak on the Bill 24.

MR. CHAIRMAN: Thank you.

MR. McDOWELL: Bob McDowell of Winnipeg, and I'd like to speak on Bill 83 on behalf of the Insurance Agents Association of Manitoba.

MR. CHAIRMAN: Initial again.

MR. McDOWELL: Robert - R. M.

MR. KARLOWSKY: I'm Earl Karlowsky . . .

MR. CHAIRMAN: Before you start, Mr. Karlowsky, is there anyone else wishing to make representation to the Committee this evening?

MR. BROWN: I am Earl Brown of the Portage la Prairie Mutual Insurance Company, and I wish to speak on behalf of Bill 83. I am from Portage la Prairie.

MR. CHAIRMAN: Thank you.

MR. COULTER: Art Coulter to speak on 56.

MR. CHAIRMAN: Thank you.

MR. COULTER: And I have with me Dr. Corne.

DR. CORNE: Dr. Corne from Winnipeg wanting to speak on Bill 56.

MR. CHAIRMAN: Thank you. Is there anyone else wishing to address the committee this evening?

(MR. CHAIRMAN cont'd)

Hearing none, Mr. Karlowsky, would you come forward please?

BILL 86

MR. KARLOWSKY: Thank you very much, Mr. Chairman, and members of the House here tonight. I'm only going to take a few minutes to speak on Bill 86. Last year I was President of the Winnipeg Cycling Club or Association, and tonight I am here on behalf of the Winnipeg Bicycling Club, and I'd like to get this straight between bicycling and motorcycles because there's quite a difference, and we have seemed to run into problems with this in the past. However in Bill 86, there are a couple of clause changes which I think should be held over till such time as a national committee, who has been involved with cycling in general - and now I'm talking of bicycling, not as racing only but as touring, pleasure riding, and tourists coming through the province back and forth.

The Winnipeg Cycling Club as some of you may know is the largest bicycling club in all of Canada, and this is something to say for Winnipeg. We have well over a hundred, and some touring members alone, besides racing members and pleasure riders, and we generally and mostly abide by all the rules as set down.

However before any decision is made on the proposed changes in Bill 86 to eliminate bicycle riders from riding on certain highways at certain times, and I was only able to get a copy of Bill 86 tonight, which is partly my fault - as I said, I was president last year, now I'm chairman of road racing and bicycling in general, and I would like to form a committee between our club and other groups, which is the Manitoba CCA representatives, but as a whole, as I mentioned we are the largest club, and I'd just like to give you a little brief outline - I'm only going to take a few minutes - of what we have tried to do. We have tried to stimulate the sport of cycling, not only as racing but for touring and pleasure riders; we have had safety clinics that have not been in our safety clinic in the school, they have been a day or two days or two nights and sometimes two weeks. And I feel we have done a lot to promote cycling in general for everybody concerned in the Province of Manitoba.

Now in subsection 38 it says, in 136 (1), "Except as otherwise provided in this section, every person operating a bicycle upon a highway has the same rights and duties as the driver of a motor vehicle and shall obey and observe all signs, traffic control devices, and directions of peace officers." We abide by these signs at all times - I mean we can't control the bulk, but we try to control 99 percent.

Now briefly as far as racing goes, we do have our own car with a speaker on it if we have a road race. Before we have a road race we contact the police on this and make arrangements. The same as at Birds Hill we co-operate with the Birds Hill Parks and Recreation to the point that we start our races at 8:30 and 9:00 o'clock, that we're off the fairway there at at least 11:00 o'clock in the morning where all the people from the city come to.

While on that subject I'd like to just say briefly that the speed limit going out of the city to Birds Hill Park should be reduced from 60 and 70 miles an hour to a reasonable speed of 40 miles per hour, because if you have ever done a survey like I've done on a Sunday and count the number of people riding out there on bicycles, they are just taking their life in their own hands at 70 miles an hour. And when the speed limit says 70, there is some doing 80.

And now in clause 136 (2) (b) it says the following: "He shall ride as closely as practicable to the right hand edge or curb of the roadway and, except to pass or overtake another vehicle or bicycle, shall ride in a single line with any other persons riding bicycles." This is fine and most times they adhere to this. However in a road race this is not possible because they're competing just like 7 or 13 horses going down a track, they're competing to win, and this is a challenge like in any other sport, so at this point I think the motorist has to give a lot, or a little bit, because we give warning, we have a car with flashing lights on it and so forth.

But now we go into the bigger section which is ten times what the racers are, and that's your touring and pleasure riders. They mostly ride in a single or double file, they don't ride at any particular speed, and they don't ride in great big bunches. And then we have the touring groups coming in from other provinces and through the States, and we get this because we have a phone directory number, we get inquiries and phone calls are made to people asking for a tour, how do they go through Manitoba, we give them all this information, it comes out of our own budget. We don't have any money, raise our own money, we don't ask for any money from anybody - we'd like the roads to be a little better in some instances though, but this is not why I'm here. But I'm very very concerned along with the rest of the Winnipeg Cycling Club

(MR. KARLOWSKY cont'd) . . . . Committee group, which is now nearly 200 members, and these are what I call active members, to see that there is no proposed change made in stopping people from riding a bicycle on a main highway between a certain hour from 3 to 7 at night, etc. , and we would meet with them at any time and get a committee and discuss this in detail, in every phase that it can be. I've had a lot of experience - I'm not a racer or anything - I've had a lot of experience in cycling and running, promotion of cycling and touring; I ride a bicycle myself, I enjoy it. I think we have to give consideration here and this is why I brought this up because I just heard about this bill, and if it's passed I mean anything can be done, and a cyclist can't even be on a highway, something to say well he can't ride down the perimeter, he can't ride on Highway 3 to Oak Bluff. You've got one of the best highways in town with no black top on the shoulders though, which would be a Godsend for cycling on a lot of our highways.

Now you also say, "No person shall operate a bicycle upon a highway" - this your new proposal, 141 (4) - "No person shall operate a bicycle upon a highway or portion thereof, or cause or permit a bicycle to be operated." You can make all these changes; or in (a) "on a highway or part thereof at a time when the operation of bicycles on that highway or that part thereof is prohibited under the regulations; or (b) on a highway or part thereof on which the operation of bicycles is prohibited under the regulations."

Now if you make a lot of these changes, I mean if this bill goes through, anybody can come along and continue passing this where nobody will be on the highway and be able to ride a bicycle, and I'm talking of school kids all the way up to grandfathers and grandmothers who ride bicycles. I think in all due respect to everybody concerned, this is a tremendously growing, not athletic sport as much as a bodily physically fit type of sport to create fellowship between people. I think an example of this, if you go out to Wellington Crescent when they close the street off and see the number of people that ride back and forth and there's no hazard of traffic.

Well in speaking on this greater group, I think we shouldn't curtail the fact that they can't ride on the highway at a certain time because they have to have a license - sure they don't pay gas but they have the bicycle license.

In regards to racing, a road race, we always contact somebody ahead of time, the police, or Department of Parks, to get permission to use a certain roadway, and we have as many people out, plus warning lights and a loudspeaker car . . .

I certainly hope that you do not make a decision on making a change in this ruling till such time as you ask us - we can get a group of 12 or 15 people, cross-section of the whole part of bicycling in Winnipeg and Manitoba and discuss this with you.

I wish to thank you very much, Mr. Chairman, for the time you've allowed me. Thank you.

MR. CHAIRMAN: Thank you, Mr. Karlowky. Are there any questions for Mr. Karlowky? Mr. Axworthy.

MR. AXWORTHY: Yes, Sir, Mr. Karlowky when this issue was raised in the House the Minister answered the question by saying that this rule would only be applied in circumstances where alternative routes or alternative bikeways would be provided. Is that, in your opinion, a feasible operation, is that something that's acceptable to your organization if that . . .

MR. KARLOWSKY: Not if you close No. 1 Highway because that's the only way for a person coming from Ontario to go to Saskatchewan really. We can detour them around as long as there is signs, but I can tell you, being President of the Winnipeg Cycling Club last year, that I had a total of about 28 phone calls, and maybe 30 or 40 letters, from people asking where they could stop, you know, and see people, and discuss and get information on cycling and camping. We do all that out of our own money that we raise ourself. We don't ask anybody for any money.

MR. AXWORTHY: Well, let me ask a further question. Again when this particular item was being debated in the House the response of the Minister was that in certain high speed highways, I would suspect mainly 4-lane, 70 mile an hour speed-limit highways, that it's dangerous to have bicycles travelling in the same roadway as high speed cars. Now do you have information, or any statistics, or any evidence, to either support or contradict that particular position?

MR. KARLOWSKY: Well in the nine years that I've been mixed up in the various phases

(MR. KARLOWSKY cont'd) . . . . of cycling I have never seen any accident outside of a spill because of a blow-up on a bicycle's tire; never anything involved with a car, or anything else, and this has been on some of your major highways here. Mind you, we control this pretty religiously ourselves, and have done for a race. We have no real control over--if you and I just went out for a ride, for example, and you wandered over to that side of the road too far and I went, you know, too close to you, we can't control that. But if we run an event we control it to our best ability with the help we got, and the help of the police, which have been good for us.

MR. AXWORTHY: Well, can you give us any idea though as to what the condition is in terms of general bicyclists, and how they match up with high speed cars on high speed highways. Is this really a problem - presumably this is what this clause 141 (4) is designed to deal with.

MR. KARLOWSKY: I can answer that the same as --if everybody drove a car within the same speed limit - and I drive a car - and the same laws that you are supposed to abide by and the rules as a driver to get your license, if a bicycle rider operates a bike the same way, then you won't have a problem. I incidentally--we have four bicycles which are licensed in our home, plus two cars, and I have had no problem but I mean there's always the in-betweens on one side and the other side, and I don't know if you'll ever eliminate that, because just a seven-year old kid in the city the other night ran into a car on a bicycle, and there's no way you can eliminate that part. I know that big trucks are a problem, but generally if there's only one person involved riding down the highway, and if he's touring he's normally going to ride on the curb anyway. He's riding on curb tires which aren't the same, or what we call touring tires, the same as a racing tire, very expensive, and this is no problem. He's never on the road that long; the most the average tour rider will ride in a day, if he's a real aggressive fellow, is a hundred miles, the average one, 40 to 50. And then some days he'll stop and he won't ride for five or six days. Does this answer your question?

MR. AXWORTHY: Just one final question, Mr. Chairman. Could you repeat - I think you said in your statement, but perhaps you could just repeat what the numbers of interprovincial tours would be using bicycles. I mean are we talking about a hundred people, or are we talking about a thousand, who would now be using say major interprovincial high-speed highways such as Highway 1 or 75 or 59; what kind of bicycle traffic or touring traffic does that really cover now?

MR. KARLOWSKY: The only answer I could give you there is on a weekend, one day or one afternoon. Could I give it to you that way?

MR. AXWORTHY: Sure.

MR. KARLOWSKY: All right. We had a race out at West Hawk a couple of years ago and during that period of a race - our whole group had took out their own lunch, and everything, and we had like a great big picnic, because we had a road race all the way out to Brereton and back, which is a long stretch, about four hours, and during that period we had about 25 touring people ride through and talk and visit, and we even fixed some of their bicycles for them and gave them some parts. Some of them stopped and stayed in the city for three or four days, in fact I kept one at my house for three days, but he was a good worker, he cut my grass. But there is a tremendous, and as you can tell if you ever get a registration of cycling bikes - I'm not talking of 10 speed racers, there are five speed and three speed, and touring bikes generally, I think if - and maybe I didn't make this clear - if you know that the main highway traffic is bad from 4 to 6 and you have a sign up there, I think every rider will obey that sign, and if there's a shoulder that is blacktopped and he can ride on it, then he must ride on it. Is there any other questions?

MR. AXWORTHY: No, thank you very much.

MR. CHAIRMAN: Mr. Cherniack. If there are no further questions of Mr. KarloWSky, thank you. Mr. Cherniack.

MR. CHERNIACK: I received the definite impression that you were going to take the briefs, the presentations in the order in which they gave their names, and I point out that they gave their names without regard to the order of the bills. It seems to me that now that we know who is here to speak to the Committee, we have one person on Bill 24, we have one plus an attachment on Bill 56 - I say that because Mr. Coulter said that Dr. Corne is with him, and I didn't know whether Dr. Corne was going to speak. Then we have two on 64, and three on 83. I'd like to suggest that for an orderly hearing we should take them in order of the bills rather than in order of the way they came to the podium, so that we would have a continuity; and since it so happens by coincidence that the larger number is towards the end, it would relieve some

(MR. CHERNIACK cont'd) . . . . people who may want to make their presentation and go, and make it less of a burden on them. So I don't know if there would be any objection to that. I'd like to suggest that that's a logical proposal.

MR. CHAIRMAN: Does the Committee agree? (Agreed) I would then call on Mr. Hechter please on Bill 24.

BILL 24

MR. HECHTER: Gentleman, my name is Gerald Hechter. I'm Past President of the Mount Carmel Clinic. As such I have a working knowledge of their operation. My uncle before me is also a Past President of the Mount Carmel Clinic, and members of my family have been involved with the clinic almost since its inception.

I think in fairness to you gentlemen that I should possibly review with you the Clinic, the reason for the Act of incorporation of the Mount Carmel Clinic back in 1926. I have with me here tonight Mr. Kliffer who is now 87 years of age, and came out here tonight specifically for this hearing. He was one of the original people whose name is listed on the original bill back in 1926. I might add that there are four people living of the original people who were involved in the bill. One is living in England now, and the other two, on the very short notice that we were given this evening, were unable to attend and they regret that they weren't able to be here. And I talk of Mr. Max Isaacs, the layer here in town and Dr. Guttman, Alex Guttman.

When the Mount Carmel Clinic was incorporated it was incorporated for a very specific purpose. Some of these facts that I am going to give you, you can have verified with Mr. Kliffer should you so desire later on in the program. The Mount Carmel Clinic was formed by the Jewish people of this city, and one of the reasons that it was formed, during that time Jewish doctors were on a quota being able to go to medical college, and some of them who did go to medical college and were fortunate enough to get in had problems of getting interning in a city hospital here. I think if you go back, I think the uncle of the Leader of the Opposition, Dr. Peikoff, had to go to Edmonton to intern in order to be able to practice medicine in the Province of Manitoba. There were times in this area when Jewish doctors could not admit patients to hospitals here. Some of the patients could only speak Jewish, and the result of it was they decided to build their own hospital. Hence the starting and the funding of the Mount Carmel Clinic.

The Jewish people, they used to go out and amongst themselves collect dollars; they used to buy a brick for a dollar to build the clinic. If some of the gentlemen would look at the people who are involved in the original membership list, who formed the Mount Carmel Clinic, their sons today are very prominent citizens in our area. The result of all the hardship that existed at that time caused the formation and the building of the clinic. The purpose of it, as stated here in the letters of incorporation, was for health benefits immaterial of race, colour or creed. In the original letters of incorporation it states in here who can and cannot be a board member. It also states in here what doctors could be board members. It states in here that there was different Jewish organizations such as the synagogues, free loan organizations, the sisterhoods of various places, had the right, the right given to them by this letter of incorporation to be able to put people on that board.

The idea of the board at that time, and as stated here, was to have a meeting every January. I have subsequently learned that there was an amendment to the bill back in 1930, and the amendment stated very clearly that these organizations may appoint members to sit on the Board of the Mount Carmel Clinic. That right was given to any organization to withhold or to take and appoint board members to this board of the Mount Carmel Clinic without being voted on, or anything at all. These organizations had that right, as is stated in these letters of incorporation. I might add that the organizations are listed here, are spelled out. I know that the Honourable Mr. Cherniack, and probably the Honourable Mr. Spivak is familiar with a number of these organizations. I believe their parents belong to some of them. They were all Jewish organizations like the Bnay Abraham Synagogue. It's still here in the north end. The Hebrew Sick. I mean that a number of all these various Jewish organizations had the right to put people on the board.

As time went on the need to have a place for doctors to intern diminished. The quota system was eliminated; doctors were given privileges in hospitals. At the Mount Carmel Clinic at one time we used to have an operating room there where surgery was performed. Today it would be very crude, of course, with the modern equipment that we have, but nevertheless at that time it served a purpose.

(MR. HECHTER cont'd)

As I stated when I first started to speak anybody, immaterial of race, colour, or creed, could attend the clinic at all times and the services were rendered free. Doctor Guttman, who unfortunately couldn't be here tonight, was one of the doctors who gave his services free. There were a number of doctors in the Greater Winnipeg area who gave their services free to the clinic to assist people who were sick, and what have you.

As time went on the complex of the clinic has changed. With some of these changes that took place I couldn't understand them, and I complained bitterly about some of these changes. The Star of David was removed from the building. The memorial plaques to the people who donated money to help build the building were taken off the walls, and never replaced. Max Isaacs, who was one of the founding members, went to the clinic with me one night and asked where they were. He was told they were at some exhibit at Man and Nature of the Jewish history of Western Canada. I went there; they were never there. He was told they were going to be replaced; they never were replaced. It was in the by-laws, there was minutes passed that the Star of David should be put back on the walls and on the doors; we're not ashamed of ourselves or what we've done in this community.

To go further, and I read a letter, and I want to read you part of this letter from a nominating committee, which says, "The consenses of the nominating committee were that all you board members should acquaint themselves with the aims, philosophies, and principles, of the clinic, and be prepared to support the present program. Anyone disagreeing with any part of the program is free to discuss this with the committee, or with the executive director, and if they are not able to agree with the clinic program it is advisable that such persons should not undertake to sit on the board." Now they've put a restriction in there. So at the next meeting I asked the question, and I'll read to you the questions that I asked, and the answers that I got. And it says here in the minutes, "Mr. Hechter wanted to know why a notice had been issued by the nominating committee saying that prospective board members would have to agree with the programs and philosophies of the clinic." In other words why take a person who is a free-thinking individual, can think for himself, and confine his thoughts? The answer I received was this: "Dr. Blouw explained that the nominating committee had thought this necessary in view of the fact that some of the board members had resigned because they could not accept the clinic's policy on birth control and abortion referrals." Now here, this is the thing that surprises me. They were talking here of birth control, and I will suggest to you that we were one of the first people in the City of Winnipeg who brought out birth control, and one of the first people in the City of Winnipeg who referred people for abortions, and we have a bill such as this, No. 24, brought up by Father Malinowski, who I think is dead against abortions. What are you seeking? To change the Act now to get bigger and better abortions. Is that what you're trying to accomplish?

MR. PAULLEY: Oh come now, come now. That's not proper I would suggest, Mr. Chairman, to accuse motives against the person that introduced the bill, and I would suggest to Mr. Hechter that he restrain himself.

MR. HECHTER: I'm sorry if I have offended him. I just merely felt that way and I expressed my opinion . . .

MR. PAULLEY: I accept your apology, Mr. Hechter, but I suggest that it is improper.

MR. HECHTER: All right.

Then it goes on and states that in the original by-law that the function of the clinic was for medical purposes, which is quite all right. But then again another member of the board, Mr. Pullan, he added that if any board member is against family planning, he should not be a board member. In the past unhappy board members have left for this reason and he would like not to see it happen again.

Gentlemen, these things here are things that I am very very much opposed to, and that is this. I have no objection to birth control; I have no objection to abortion. As a matter of fact it was during my term of presidency that the birth control thing really came in big, I consulted the Deputy Attorney-General at that time to see whether we were doing things that were legal. I was assured that we were within the law.

The thing that bothers me is the identification of that location, the identification of that building. We have one Star of David there that is in concrete. That's been covered by a sign. I might add, as a past president, I cannot attend a meeting at that building anymore. I have been barred from coming there because I wanted the Jewish identification replaced on that building. I still want that Jewish identification replaced on that building so we can have it. I

(MR. HECHTER cont'd) . . . . want those memorial tablets put back up there for the Jews that gave dollars, and hard dollars at that time, to have their sons and daughters and their mothers' names put up there as a memorial. I want those things replaced on the wall. We in the Jewish faith have that sort of a type of tradition. I think that possibly the Honourable Minister of Finance can agree with me, and possibly the Honourable Leader of the Opposition, that any Jewish place where funds are gathered we have memorial plaques that we can buy in the way of a contribution to the place that is collecting money, and you find them in synagogues, you find them in the Jewish Old Folks Home, you find them wherever the Jews collect to be able to raise funds, we do it in that manner. I would like to see them replaced.

I have checked with a number of these organizations, I have checked with Mr. Kliffer, I have checked with Dr. Guttman, I have checked with Mr. Isaacs, and asked them if Father Malinowski, or anybody else, had contacted them and referred, or asked about Bill 24. All of them denied any knowledge of Bill 24 coming up. They are sorry that they won't be here tonight. I asked some of the organizations, who have the right to appoint members to the board, if they know anything about it. They know nothing about it.

Gentlemen, the thing that I object to, and I object to strenuously is what's happening here in the Province of Manitoba. I am also a past member of the board - I sat on the board of the Jewish Old Folks Home, now known as the Sharon Home. In checking with some of the board members - the president to be exact - he informs me that they no longer have the right of admission into the Old Folks Home anymore. And I said, "What do you mean?" He said, "A person makes an application to come into that home," he said, "we have to send it up to Empress Street. They send a social worker, they send a nurse to see these people. Some of them don't speak English too well. They try to stutter their way through to find out where they can go to a home." I'm talking of Jewish kosher people who are religious. At the Old Folks Home we have kosher kitchens; we have a synagogue in the building for the old people, so they don't have to go outdoors during the cold months. Now they tell me at the Old Folks Home that they have been told of the Human Rights Bill, and that the government today can place whoever they want to in that building be they Jew or non-Jew. Whether our identification will come down from that building or not, I don't know. But that is the situation at the Sharon Home today.

I feel gentlemen that we as Jews in this community do have some rights, and I appeal to you as human beings to allow us the privilege of having those rights, and having our own identification, and our own place of recognition. There are a number of us who want to do things in our community. I think if you check through the charitable organizations here on various boards, you will find people of the Jewish faith sitting on them and doing their part in the community. I feel that we have the right, we should have the right to be recognized in this community. And I feel that to take this away from us by this bill, and throw an insult at us by specifying specifically in the bill, we have the right to appoint two persons to a board of 25 by the Jewish Community Council. I showed this to a Ukrainian man today and he says, "Well what's the matter with the Ukrainian people in the north end?" He says, "There's more of us than there are Jews." He says, "Why aren't we represented on the Board?" Gentlemen I think this thing here is a fiasco, it's a farce, and an insult, and I ask you to let us reside here in this city as free people, people who can have our own rights, have our own religion, and be able to do our part in the community without taking it away from us by the passage of this bill.

I would be prepared to answer any questions for you, gentlemen, if you care to give them.

MR. CHAIRMAN: Thank you. Are there any questions for Mr. Hechter? Mr. McKenzie.

MR. MCKENZIE: Mr. Hechter, can you give us any idea who took those plaques off the building?

MR. HECHTER: Yes I can. Our executive director that we have there is Mrs. Anne Ross. She is the wife of William Ross, who is possibly known as the Leader of the Communist Party here, and she had those plaques removed, she has covered up the Star of David on the front of the building; she is the one that we've passed by-laws on and ordered her to take and put a Star of David back on the door; it's never been replaced, and all those things are not there today.

Talking about that philosophy, I can appreciate that philosophy that she has. I can recall on two or three occasions her going on vacation with her husband behind the Iron Curtain to Russia and places of that nature, and she told us how she was entertained by people in high positions of the Communist Countries, and as you people know, and it's common knowledge, the chances that a Jew has in Russia today with their own identification. We haven't even got a synagogue there, never mind anything else, any place behind the Iron Curtain.

MR. CHAIRMAN: Any further questions? Mr. Sherman.

MR. SHERMAN: I would like to ask Mr. Hechter one question, Mr. Chairman, and that is in the section of the bill having to do with the make-up of the Board. It's true that it provides for the appointment of two persons by the Jewish Community Council, Mr. Hechter, but you're not suggesting that that would necessarily limit the Jewish representation on that board to those two persons, or are you?

MR. HECHTER: Mr. Sherman, why should we even wonder or question that? When we go back to the original Act of Incorporation, all those are covered in the Act if you'd care to see it.

MR. SHERMAN: Well I have had a chance to look at it, Mr. Hechter. I appreciate having it again, but I just - what I was trying to determine from your presentation was whether or not you felt that this was a camouflaged discrimination.

MR. HECHTER: Correct, that's all it is.

MR. SHERMAN: Okay, thank you, Mr. Hechter.

MR. CHAIRMAN: Thank you, Mr. Hechter. Mr. Cherniack.

MR. CHERNIACK: I was just approached by two of the people present who have not indicated that they wished to speak. I don't know whether the Committee would want to hear them. Mrs. Ross feels that she has a right to say something since she heard, she was just talking about her own name being attacked, and I'm not speaking on her behalf, I'm just telling you; and Mr. McNairney who is a member of the Board, the present Board of Directors, and one of the applicants, also told me that he was waiting for their president who hasn't come yet and he wants to speak.

MR. CHAIRMAN: What is the wish of the Committee?

MR. PAULLEY: Mr. Chairman, just if I may on this, we don't want to get into a hassle of charges and countercharges before this Committee. We are here to consider the contents of the bill, and I think that is the only consideration that we should be giving. I can appreciate that sometimes people want to express their individual opinions of other people, but we're only here to consider the contents of the bill, and I would suggest in all due respect to you, Mr. Chairman, and to the members of the Committee, this is all that we should be concerned with.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSEN: Mr. Cherniack has changed the rules once, and he now seeks to change them again.

MR. CHERNIACK: No, I didn't . . .

MR. JORGENSEN: . . . and I think we should go along. We agreed in the first instance to go along according to the number of the bills, and if you're going to continue to bring people in - some of the people that are here tonight are from out of town, and they won't get an opportunity to be heard tonight if we continue in this practice suggested by Mr. Cherniack. I suggest that we proceed now to the next witness, who is Mr. Coulter, and his associate, who are going to speak on Bill 56.

MR. CHAIRMAN: What is the will of the Committee?

MR. CHERNIACK: Mr. Chairman, I want to make it clear I am not suggesting that they be heard. I thought the committee was entitled to know what I learned as I was walking in the back of the room.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSEN: Well, Mr. Chairman, if there is time after we have heard the witnesses who have indicated, and who were here in time to make their presentations, we would be glad to hear them.

MR. CHERNIACK: Well, that's fine.

MR. CHAIRMAN: If that is the will of the committee, I'll call on Mr. Coulter please.

#### BILL NO. 56

MR. COULTER: Mr. Chairman, I am representing United Health Insurance Corporation as the Chairman of the Board, and one of the petitioners for this bill. We are in support of the drafted bill, and don't expect to deliberate on it at all. I think you people have had it, you've had some debate in the House, I presume, or you've looked at it. We will be prepared to answer any questions, if there are questions to be asked. We don't see that there's anybody else wanting to speak on the bill so probably the quickest way to deal with this thing is to leave it to questions, and we'll take it from there.

MR. CHAIRMAN: Thank you, Mr. Coulter, are there any questions? Mr. Cherniack.

MR. CHERNIACK: I indicated to Mr. Coulter before we came in that I had a couple of thoughts in relation to the method of appointment of directors, and also to remuneration paid to directors. This is a non-profit organization which is now representative of the broad community, and I have made suggestions to Mr. Coulter. I wonder if he would care to comment on what he is prepared to recommend.

MR. COULTER: Well I think, Mr. Cherniack, first of all you made suggestions with regard to having directors nominated from various organizations in the community, three in number from each of five, and the board having the liberty of selecting one of the three for each one of those organizations. We've looked at the list of organizations, and if you wish me to repeat them I can.

I might say in our practice of selecting board members, we have been concerned with having a broad representation of the providers of service, and also the subscribers, and particularly from the larger groups, and we have, such as myself, from the largest group I guess, organized labour. We have representation from the City of Winnipeg, T. Eaton Company, the Manitoba Government Employees, and hospital institutions - just to give you an idea from the broad subscribers, we have representation from the pharmacists and the medical profession. The medical profession had been the predominant ones in this organization, they have been going down because we are broadening our representation. If you don't know, that United Health is a subsidiary of Manitoba Medical Service, which established United Health Insurance for paramedical coverage beyond the doctor's services in 1959, and MMS was a non-profit organization, and the MMA, Manitoba Medical Association, had the right to nominate two-thirds of the board, so you can see that we had a predominance of doctors on MMS. We had somewhat the same type of influence on the United Health originally, and it's been diminishing - I think we have probably two doctors now that are also on the MMS Board, so that's diminishing. We are really broadening it.

I think the suggestions of Mr. Cherniack were the City of Winnipeg - and I've mentioned we've already got somebody from that organization - and here again he suggested the United Way and the Social Planning Council of Winnipeg. Now those are all Winnipeg oriented, and we're trying to broaden our scope to the province, and he mentioned the Winnipeg Chamber of Commerce - we would sooner see that the Manitoba Chamber of Commerce. We are looking, and we are servicing - a lot of our subscribers are now in the north; Hudson Bay Mining and Smelting and some of the major mining firms are some of our biggest groups, so that this is the type of thing that we would like to see the representation if you want us to broaden it, and we can. We have ten directors now and it was suggested in the bill that it could go to five so by adding another five we can accommodate it quite easily. It's just a question of --(Interjection)-- Well I think that we would suggest, Mr. Chairman, that the Manitoba Chamber of Commerce could be one, the Manitoba Federation of Labour, the Government of Manitoba itself, the Union of Manitoba Municipalities, and the Manitoba Teachers Society. It was suggested if the Manitoba Government was to name people such as on the United Way, or the Social Planning Council, they could. You know, we're interested in trying to get people that are vitally interested in the programs that we're running, both from the providers of service and also from the users of the service, the subscribers, so that's our reason for suggesting those particular five elements, and we're quite agreeable that that be one way of doing it.

MR. CHERNIACK: Remuneration.

MR. COULTER: Well, the remuneration. We've had a policy of I think a very nominal director's fee, an annual fee of \$300.00. We have recently, in addition to that, suggested that the attendance of meetings also be an amount of \$25.00 for a meeting. Now we have people that are involved in other things and they have to give up what they're doing to come, and I think it's quite in keeping with the Government committees that they do give a nominal per diem to cover such as we've suggested. We don't mind having something stipulated in there that would allow us to do similar to what we're doing now. We think it's warranted. I might say that under the MMS there was similar provisions for directors fees of a nominal nature.

MR. CHERNIACK: Mr. Chairman, may I just ask, would you then suggest \$300.00, plus \$25 per meeting? How about a ceiling on the number of meetings so that we would know there's an annual maximum.

MR. COULTER: Well I think it's kind of difficult to ask me to do that right at the moment, but I think that we could do it very shortly if you wish to do it. If you want it before this committee, I'll have to do it right now, but if you want me to submit it to you later...

MR. CHERNIACK: Well, Mr. Chairman, in the light of the reaction of Mr. Coulter, I would hope that he could give us some information, or advice, or guidance, today, so that I would be in a position to move . . .

MR. COULTER: Well, I'll tell you what we've got right now. We've got \$300.00 for a director, that is increased to \$500.00 for a person that's on the executive committee, they meet more regular, and are more involved in the day to day operations of the corporation, and the Chairman of the Board I believe is \$1,200 per annum, is the present stipend.

MR. CHERNIACK: Plus \$25.00 a meeting?

MR. COULTER: That's right.

MR. CHERNIACK: How many meetings in the year, say?

MR. COULTER: Well I wouldn't say that there'd be more than ten, directors it might be about six, seven. The executive could go to 25 though when you take into the others - they would take in 10 or 12 meetings.

MR. CHAIRMAN: Are there any further questions? Mr. McKenzie.

MR. McKenzie: Mr. Coulter, do I understand that you have problems with this section to select another five members, because as I read it you're allowed a number not less than 10 or more than 15 under the proposed legislation here.

MR. COULTER: We have no problem with it at all, and Mr. Cherniack has asked whether we would consider a means of selecting the five people, and it just so happens that we have five vacancies, but that would be a continuing requirement as far as we're concerned. We've been doing precisely this type of thing in our selection so we see no harm in doing it that way and having it built in. It's certain assurance I think for the public in general to have this type of representation, so that it's not really a self-perpetuating board in the complete sense.

MR. CHAIRMAN: If there are no further questions, thank you, Mr. Coulter.

MR. COULTER: Okay.

. . . Continued on next page

MR. CHAIRMAN: Mr. Wiebe please. Bill 64. I'm sorry, I have Mr. Thompson on 64. Is Mr. Thompson here? Mr. Wiebe, please. Mr. Adam.

MR. ADAM: Mr. Chairman, I understood at the beginning that there was a Dr. Corne, is it?

MR. CHAIRMAN: Dr. Corne was accompanying Mr. Coulter. They were to speak to the same bill, or to answer questions to the same bill. Mr. Wiebe would you proceed please.

#### BILL NO. 64

MR. WIEBE: Mr. Chairman, I have copies of my submission for the members of the Law Amendments Committee - could I have them distributed? I am not going to read all of that submission, but the former brief that we distributed, I gave to the Cabinet, is also attached to my submission for reference.

Mr. Chairman, honourable gentlemen, I am pleased to have the opportunity to convey to this body of legislators the deep concern felt by Manitoba's credit union movement about Bill No. 64.

The position of credit unions and caisses with respect to this matter is outlined in a lengthier submission. On behalf of Manitoba's credit union movement, I wish to make reference to several points in that submission and appropriately raise some additional points.

The major point in the earlier submission to the Government is that the co-operative system stands ready to do the job which Bill No. 64 would appear to ascribe to government. In conjunction with the proposed Northland Bank, which is now in the preliminary stages of chartering, we feel that the co-operative sector of Manitoba's business community is in a position to meet the objects purported in the establishment of Government treasury branches.

Page 9 of our brief reveals the dramatic growth which has taken place in Manitoba credit unions during the past three years. As supplementary information, it is significant that 139 out of 226 total of credit unions and caisses operating in Manitoba are providing chequing services. As you probably are aware, this means that they operate under Part 3 of The Credit Unions Act and that gives the credit union an open bond of membership. In other words, a credit union can take into membership any person residing in the Province of Manitoba, and so there are 139 credit unions under that section.

Additionally, 35 branches of main credit unions providing chequing. This indicates that credit unions and caisses have developed predominantly into a full-service type of insituition, now offering these services at 174 locations throughout the Province of Manitoba. It also may be of interest for members of this committee to know that the total volume of negotiable orders cleared by the credit unions through the Co-operative Credit Society of Manitoba totalled \$1.5 billion in 1973.

In our present-day society it is a fact of life that where people do their chequing also is where they do most of their saving and their borrowing. Therefore, if treasury branches were to operate in Manitoba a requisite for viability would seem to be the provision of full services.

The crux of this matter, as credit unions see it, is the implementation of treasury branches would seriously impede dramatic growth experienced by credit unions during the recent years. This rationale is based on the precept that credit unions now offer a distinct alternative to chartered banking. The elements of alternative lie not so much in the rates, important as these are, but in the considerations that go along with the user ownership and control. This implies what might be termed as a "business culture," different from other types of financial institutions.

Injection of a state business culture into the financial services field at this point in time, we feel, would have the effect of primarily diluting credit union influence while having only a minimal effect on chartered banks.

Government spokesmen have attributed certain objectives to Bill No. 64. We in the credit union movement believe those objectives to be valid and laudable. Yet we sincerely believe that the credit union movement is in a better position to attain those objectives than would be a new treasury branch system.

Let me now comment on the three main objectives of government, as these have been relayed to us.

No. 1. The matter of narrowing the spread between borrowing and lending rates. The unique principles and practices of credit unions assure that surplus earnings go back to the members. It may be of interest to this committee to see a direct comparison between Manitoba credit union movement and the Alberta Treasury Branch system with respect to returns to patrons and comparative operating costs for 1972.

There on the top of Page 3 we have given you the figures, the operating figures for the credit unions and the caisses during the year 1972 which means that we have 232 offices operating; assets of 325 million; interest paid 15 million; salaries and benefits 3.7 million; loans and savings insurance 1.893 million; and the printing, stationery and office supplies 451,000.

Compare that to the Alberta Treasury Branches for that same year. There were 76 offices operating; Assets of 303 million - you notice it's very similar to the credit unions in Manitoba; Interest Paid on Savings 10 million compared with 15 million; Salaries and Benefits \$4,425,000; and Printing and Stationery 140,000.

Perhaps the most significant statistic in the foregoing comparison is that of salaries and benefits. We suggest that the major reason for this broad spread is that credit unions utilize much volunteer service from their officers. This is particularly so with regard to credit and supervisory committees. The obvious conclusion, based on Alberta experience and allowing for higher salary rates in that province, is that treasury branches in Manitoba also would face high levels in operating costs.

I think I might point out there that if the treasury branches could be established and would reduce the borrowing rates and the spread between the cost of borrowing and the cost of money, we could do nothing else but support the treasury branch system. We find it however difficult to believe that operating costs can be reduced by government below the credit unions when we have thousands of volunteers who give freely of their time in the administration and operation of credit unions.

We also believe that Bill 64 establishing treasury branches does not insure that all expenses and costs of operating treasury branches will be absorbed or paid for by the treasury branches. If numerous expenses are paid out of Consolidated Funds - that is out of public funds - we will most definitely not be in a competitive position because of the unfair advantage held by government.

We believe all expenses relative to the operating of treasury branches must be charged against the treasury branch operations.

The second objective outlined to us refers to maximum retention of funds within Manitoba. By their very nature credit unions do this almost exclusively. The only exception lies in the reserves and liquidity, where the credit union movement invests some money outside of Manitoba. This is done for sound business reasons and the amount is relatively small. Treasury branches unquestionably would have to follow the same course.

Turning now to the third objective; this is the attainment of a better distribution of funds between the regions of the province. Again, credit unions perform this very role through their central. There are few credit unions which do not use the Co-operative Credit Society almost exclusively for their borrowing and investment needs. In actual practice, this means that a credit union experiencing even a temporary surplus of funds invests these with CCSM in contract or term deposits.

By way of illustrating this point, I refer to the April 30, 1974 financial statement of CCSM. On that date, CCSM held some 54 million in term and demand deposits of its corporate members. At the same time, the central had some 33 million out on loans to members, in addition to providing extensive lines of credits to its members. These figures bear out the significant aspect of money pooling.

There appears to be some belief in government circles that treasury branches would offer substantial lending services to small-to-medium size commercial firms and light-industrial companies. We agree that such a gap in financing does exist, based on the feasibility studies in connection with Northland Bank sponsorship, and we respectfully suggest that nothing short of a financial facility with extra-provincial powers would adequately serve those needs.

The constraints of a treasury branch system, with no direct access to the national and international money market, we feel, would constitute a serious impediment. Another impediment we see is that treasury branches would have no direct entry into the cheque clearing system.

(MR. WIEBE Cont'd) . . . . .

Finally, there have been suggestions that the Manitoba Credit Union movement has deliberately refrained from going into non-profit locations such as Leaf Rapids in the north. This is partly true, and there are good reasons for it. When the need in Leaf Rapids was first broached to the Co-operative Credit Society of Manitoba some two years ago, we had neither the human nor the financial resources to embark upon that type of a project. Furthermore, there appeared to be virtually no commitment from the citizens of Leaf Rapids for operating a credit union facility. This latter condition is considered a fundamental requisite in terms of credit union philosophy.

But things have changed during the intervening short span of time. Leaf Rapids residents now want a credit union -- that is they want one today - and some local leadership has appeared. In fact, that group has already presented an application for chartering a credit union. And CCSM now is in a position to provide substantial support services, both in financial assistance and technical expertise. Though our resources are still limited, we stand ready to work with this government in providing the same kinds of help to other needy communities in Manitoba.

In summary, we reiterate that the credit union movement in Manitoba has the dynamics and the potential to fill the needs ascribed for treasury branches. We merely request an opportunity to demonstrate our newly acquired capability, without the weakening dilution which treasury branches would pose at this stage.

I thank you.

MR. CHAIRMAN: Thank you. Mr. Boyce you had a question?

MR. BOYCE: Mr. Wiebe, on Page 3 you made the statement that credit unions invest most of their funds in Manitoba with the exception of reserves and liquidity, and over on Page 4 - just so I understand it - you illustrated the point that you used. At this one point in time there were \$54 million in term deposits by its corporate members against which there were \$33 million out in loans, so that that would mean that at that point in time there were \$11 million . . .

MR. WIEBE: Twenty-one million.

MR. BOYCE: My arithmetic is off. How do you like that? Twenty-one million. Where would that 21 million have been invested in your example?

MR. WIEBE: Well it could be invested in almost any short-term paper that we can buy on the market.

MR. BOYCE: Usually out of the province from your experience?

MR. WIEBE: No, we try to stay in the province, but if it's not available in the province we have to go outside the province.

MR. BOYCE: Well in this instance couldn't a treasury branch be of service to you as a facility in this area, where you yourselves find yourself in surplus?

MR. WIEBE: You mean that the treasury branch would pick up short-term money on a competitive rate.

MR. BOYCE: Well this is what we are informed. The treasury branch is going to operate at competitive rates so if, you know, treasury branches were in existence, would they not be an instrument to you to keep one-third of your 54 million - roughly one-third is surplus to you according to your own illustration.

MR. WIEBE: Most of this money is picked up within the province. It's very seldom that it goes out of the province. It's picked up by large corporate companies that need funds on a short-term basis and can supply that kind of security.

MR. BOYCE: For Manitoba needs.

MR. WIEBE: Yes, that's right. We of course are tied in with the Canadian Co-operative Credit Society as well. There is a shifting of funds across the nation in that regard too.

MR. BOYCE: Thank you, Mr. Wiebe.

MR. CHAIRMAN: Mr. Brown.

MR. BROWN: Thank you, Mr. Chairman. I would like to ask a few questions of Mr. Wiebe, and my first question is: when credit unions were started within the Province of Manitoba, did they have quite a bit of difficulty getting started, or were they on easy street right from the start?

MR. WIEBE: Well I think, Mr. Brown, the answer would have to be that most of the credit unions were started in the late thirties and forties, and it took most of the credit unions at least a decade, or even longer, to really get moving, but as I pointed out in my brief the real growth of credit unions has really only been experienced in the last three or four years.

MR. BROWN: Would you then anticipate that if the province were to set up treasury branches that they would be facing the same kind of difficulty for a period of years before they would actually be operating and making money for the province?

MR. WIEBE: I don't know whether that would be a question that - I don't think I could answer really except to say that the funds that the treasury branches would try and get from the general public would be fairly slow in coming in to begin with. The treasury branches would have to establish themselves first. However I presume that there would also be corporate funds from the various Crown corporations, and would depend on how much of that kind of money flows into the treasury branch system.

MR. BROWN: In other words, Mr. Wiebe, there could be a very good possibility that the taxpayer would have to put quite a bit of money into a treasury branch before it could be receiving any return that would be worthwhile on this?

MR. WIEBE: It's obvious that any financial facility has to have a certain size and volume of turnover before it can really generate a good profit.

MR. BROWN: Now, by and large, Mr. Wiebe, who are the people that started credit unions, were they the wealthy corporations, or who are the people who started credit unions?

MR. WIEBE: Well they certainly were the lower income people that felt the need, or did not have an opportunity to go to a bank or a finance company possibly to get credit - both - as it was organized of course both as a savings institution as well as a lending institution.

MR. BROWN: Does it not stand to reason then, Mr. Wiebe, that these same people are the ones that are going to be affected most by money draining away from credit unions and possibly going into a treasury branch?

MR. WIEBE: We have found that in the larger credit union operations within the province where a fairly large cross section of the community, that is, the wage earner as well as the business community, participate within the credit union operations, you generate the kind of turnover and volume and size that makes it easier to give more competitive rates to all borrowers, and in that respect if money is drained off from the credit union system of course the spread between the interest paid and the interest charged could get larger. That's our concern really.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Thank you, Mr. Chairman. Mr. Wiebe, on Page 1 of your submission you mention that Page 9 of the May brief reveals the dramatic growth which has taken place in Manitoba credit unions during the past three years. To what major factor would you contribute this rapid rate of growth?

MR. WIEBE: Well, I think there would be several major factors. Of course the economy has been buoyant to some extent in the last few years, there has been more money around. We certainly would have to say, too, that the fact that government has seen fit to relax some of the regulations, and some of the changes in the Act have helped the growth of the credit union movement, these are the type of things that I think are necessary for credit unions in all provinces if they want to move forward. The fact that we have a strong stabilization fund now guaranteeing the funds, the savings of members, certainly has helped the image of the credit union movement as well.

MR. BOSTROM: I notice that on Page 9 of the May brief, as you refer, the total members' savings and deposits have gone up from approximately 150 million to 350 million, and total assets in that period from approximately 180 million to almost 400 million. Would you consider that a major share of that new deposits and savings came about as a result of the relaxation of the prohibitions which were in effect before?

MR. WIEBE: I don't think that some of the relaxation has really taken effect yet. There are very few credit unions, for instance, that do handle or operate the accounts of municipalities and schools and hospitals, which is one of the relaxations that took place in the Act. Now some credit unions are in a position to do this, others of course are too small, they are not able to handle it, so there hasn't been a flow of large corporate funds into the movement. These are savings of individual members more than of large corporate structures.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Wiebe, I wonder if you could tell me, do Board of Directors of Credit Unions do they receive remuneration, are they paid?

MR. WIEBE: The Credit Union Act allows the Board of Directors and the officers to be paid an honorarium or indemnity, and most credit unions do pay something to the expenses to the Board of Directors, and many of them are paying a per diem per meeting such as \$5.00, \$10.00, \$15.00. I think 15 is the highest I'm aware of.

MR. SPIVAK: So 15 would be the maximum then? The group that make up the loan committee, are they paid any particular amount in addition to being on the board of directors?

MR. WIEBE: No, I don't believe so.

MR. SPIVAK: So the loan committee then who do the supervision of the loans are not paid. Can you tell me what would the average salary be of a manager of a credit union?

MR. WIEBE: The average, the word 'average' is sort of misleading I guess because of the fact that you have very small operations and very large. I think they would range from 6,000 a year up to as high as 22, 23 thousand a year.

MR. SPIVAK: So 22, 23 thousand would be the highest for a manager?

MR. WIEBE: I believe that's the highest, yes.

MR. SPIVAK: All right. At that point is that a part-time or a full-time manager?

MR. WIEBE: That's full-time.

MR. SPIVAK: That's a full-time manager. Can I ask, what would the advertising budget of credit unions, the credit unions be in Manitoba? We have 232. Have you any idea of what their advertising budget would be?

MR. WIEBE: We have suggested to the credit unions they should spend one percent of their income on advertising, but very very few are doing this. It's more like between a quarter and one-half for the province of the total revenue. Now I can't give you dollars and cents there.

MR. SPIVAK: If the Government was to go into a major advertising campaign opening up treasury branches and essentially offering the same services that you are offering, would you believe that you would suffer as a result of the advertising campaign?

MR. WIEBE: Our advertising campaigns or promotions in the past have not been the very strong type of a forceful campaign, although this is being stepped up at present, but I would believe that if there was strong promotional activity on the part of treasury branches we would have to spend considerably more in promotion than we do now.

MR. SPIVAK: If the treasury branches were to offer on savings an interest rate higher than yourselves, would you suffer?

MR. WIEBE: Yes, I believe we would. It's true that we have the bond of association in membership but I think we must remember that only goes so far. There is a type of loyalty to the credit union, but our members shop around, they look at interest rates both on the saving side as well as on the loan side.

MR. SPIVAK: Do you have any projections of what in, say, the next five year period, what the asset picture would have been, or should have been, based on the escalation in the last period of time, and on some analysis by economists of where you'd likely have been in, say, five years ago, or at the end of this decade?

MR. WIEBE: We have no definite projectors on our growth. In the last three years it's been between 25 and up as high as 33 percent increase per year in assets.

MR. SPIVAK: Would you have anticipated a 30 percent increase this year, or next year?

MR. WIEBE: In 1974?

MR. SPIVAK: Well, 1974 isn't that vital. -- (Interjection) -- Without competition.

MR. WIEBE: Yes. If the farm community is not going to suffer because of the slow spring, I would say that we would anticipate that kind of an increase.

MR. SPIVAK: In the analysis that the credit unions have made of the financial facilities available in Manitoba, did you find many gaps in which there was either no financial facility available, or no competition with, say, a chartered bank?

MR. WIEBE: There are a number of small communities of course that do not have competition. There are a number that have only a credit union in the community. I think where we find the greatest gap, as I mentioned in the presentation, is in the commercial and industrial, small loans to industries and commercial institutions, commercial endeavours.

MR. SPIVAK: Can you indicate when an application for a loan to a commercial undertaking comes to a credit union within the community it serves, what procedures are normally followed?

MR. WIEBE: I would believe that this would vary somewhat with the community because, as you know, the credit unions are autonomous bodies. But generally speaking the applicant would come to the loan office in the credit union and if it's a sizeable loan, at least let's say over the \$25,000 figure, a meeting would be called where the credit committee would meet with the entrepreneur and sit down and listen to his discussions and his projections. Usually an accountant is called in, and very often a lawyer when it comes to the legal documentation, and if the operation looks viable, even though there hasn't been say a two or three year experience behind this operation, credit unions usually look very favourably on this kind of a . . .

MR. SPIVAK: Would you say that some of the loans for commercial enterprises that credit unions have given have been loans that have been based not just on the financial security, or the financial viability of the project not being obviously a consideration, but on the general concern of the community for the economic development that would be caused as a result of the undertaking?

MR. EVANS: Yes, I would believe that, first of all, the character, the capacity, the character of the person applying of course rates very highly with the credit union, because in all cases the credit committee and the board do know the person, and they know what he has accomplished in his past performance, so that is one of the large considerations given. On the other hand, if it looks like a viable operation to the community and is going to be something that the community is going to benefit by, it receives a very strong support from the credit union.

MR. SPIVAK: Is it fair to say that there are a number of business undertakings in this province that would not have been started, would not be in operation today had it not been for both the loan of the credit union and the spirit under which the loan committee made the decision in the interest of the community that the project should proceed?

MR. WIEBE: I couldn't quote a number but I'm sure there are many of those right across the province.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Mr. Chairman, Mr. Wiebe, I wondered what stages the final chartering of the Northland Bank was now in, if you could bring us up-to-date on that.

MR. WIEBE: The application is before the House, or was before the House, and of course it will wait now until the election's over. I just spoke to the Chairman, or the previous Chairman of the banking committee in the last few days, and he believes that we are still on target as far as getting the charter some time in the fall, maybe September.

MR. BLAKE: Also, in some of the regulations, the relaxing of regulations in the past couple or three years which have allowed the credit unions to acquire, accept deposits from municipalities or government agencies where it was a field that wasn't available to you before, with the slackening of these restrictions the credit unions were also allowed to grant loans under the government-guaranteed loan system, and I'm thinking now of farm improvement loans where the rate of interest is about 7 1/4 percent and yet they haven't been granting these loans, do you see them entering this field as funds become more available to them?

MR. WIEBE: I think we find ourselves in the same kind of a bind that banks find themselves in. The rate is too low and they have them on the books, they have the legislation available or they have the opportunity to make these loans, but they don't really make them because when you pay 9 and 10 percent for money you can't put it out at 7 1/2 and 8. But the legislation is there and a number of credit unions have applied and are ready for this kind of operation.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: I just have some questions I wanted to raise concerning points that came up during the course of debate on this bill. One issue that was mentioned two or three times by proposers of the bill was that the Credit Union Society has become a large organization and, as a result, has become very conservative and insensitive to change and not particularly responsive to the demands of consumers and users, and yet I've always thought that your organizations were consumer-controlled through the Board of Directors. What is your own experience in this kind of operation? Is in fact the Credit Union Society still very much a consumer-controlled operation or has it become bureaucratic as it has been claimed?

MR. WIEBE: The credit unions that I know, which are more in the community type of an operation, are certainly consumer-controlled, democratically controlled by the membership,

(MR. WIEBE cont'd) . . . . and I think that all the large credit unions that I'm aware of are certainly very, very sensitive to the needs of the small borrower. The small borrower would never be turned down. If there's a choice between him and the large borrower, the large borrower is the one that gets chopped down first because the funds are, first of all -- our first responsibility is the consumer loan field, to the individual who's a member of our credit union, and when we cut down and restrict, like we do right now, we restrict first of all on commercial industrial loans, and then real estate, and then down to -- well of course we won't restrict on the consumer loan at all.

MR. AXWORTHY: Did you find that the board of the various credit unions meet with some frequency and actually exercise discretion and judgment and decision, or are they simply kind of rubber stamping decisions made by managers and so on?

MR. WIEBE: First of all, the board meet very often, at least twelve times a year, and most boards I think find themselves meeting another two or three times a month at special meetings. Those may not be as long as the regular meetings. The credit committees meet as often as sixty and seventy times a year, and are very active.

MR. AXWORTHY: In that respect, Mr. Wiebe, do you find that there are members of the credit union movement in the province who have become engaged in different kinds of, oh, what you'd call kind of social development projects or working in low income areas, or providing assistance for different kinds of groups? Does it become kind of a complacent organization, again as has been claimed during debate?

MR. WIEBE: I know of a number of credit unions that are involved in senior citizens' housing, homes for aged, and there are a few there that are involved in low income housing, and I think that the first field that the credit unions have entered as far as that kind of activity has been the senior citizens' housing.

MR. AXWORTHY: I see. That raises one questions, Mr. Wiebe. I've always been kind of intrigued by the operation of the Savings and Loans Societies down in the United States which have always provided a pretty major source of mortgage money, particularly for moderate income owners. What has been the position taken by the credit union societies in the province in relation to operating similar kinds of savings and loans, going into the mortgage field in housing and so on?

MR. WIEBE: A number of the larger credit unions are in the mortgage field. There are quite a few that are giving mortgage money up to 25 years repayment. But you can only do that after you reach a certain size and have the funds to put out on long-term loans. A smaller operation cannot do that.

MR. AXWORTHY: Do you have any idea, do you have any information with you as to what percentage of assets would be presently committed into the housing and mortgage field by credit unions in the province?

MR. WIEBE: I can give you the experience of our own credit union. We're 22 million in size and we have 1.5 -- one -- 50 million (?) out on loan, so that 8 million is in real estate.

MR. AXWORTHY: 8 million. So well over 50 percent . . . (inaudible)

MR. WIEBE: Right.

MR. CHAIRMAN: Mr. Hanuschak. Proceed.

MR. AXWORTHY: Yes, I'm sorry. I just have one other line of questioning, Mr. Chairman. One of the questions that were raised -- and I've read both your briefs, I listened to your brief -- we have had the experience of treasury branches in two other provinces in this country. . .

A MEMBER: Three others.

MR. AXWORTHY: Three others. All right. You are making the claim that the operation of treasury branches would seriously injure or impair the ability of the credit union movement to prosper, grow and expand, and bring kind of a consumer-run financial institution into the province. How in fact, from the experience of other treasury branches, would that kind of dilution work? What kind of impediment would be placed in your way as a consequence of the operation of treasury branches?

MR. WIEBE: I think we're making the point in our brief that we feel the competition, or the people that will go to treasury branches, will come to a large extent from the credit union area because there are people who deal with charter banks and are happy; there are others that don't want to deal with charter banks and they would now divide between the treasury branches and the credit unions. We feel that this would drain off a portion of our funds, and

(MR. WIEBE cont'd) . . . . of course also slow down the growth. I think this has been shown pretty clearly in the Alberta situation.

MR. AXWORTHY: In the Alberta situation - you must communicate with them with some frequency - do credit union members in Alberta feel that their own operation has been restricted as a result of . . . ?

MR. WIEBE: Oh yes. The central organization feels very much that it has, and if you take the total assets of the treasury branches and the credit unions proportionately to their population, they are about the size of our credit unions in Manitoba - a little bit larger.

MR. AXWORTHY: Again, can you just give some information? To what degree do you rely upon assets that have some kind of government source? And by this I'm saying that there may be individuals or organizations or companies that use government loans or other forms of financial assistance. Do you find that you have a fair number of these who use your services, and do you feel that these would be eliminated as a result of the treasury branch operation?

MR. WIEBE: I don't believe we've had too many government accounts or municipal and hospital accounts transferred to credit unions since the changes of the Act. We've made bids for them in various communities but the banks have of course, in cases where there has been tendering - and I know there has been in a number of communities - the banks have really sharpened their pencil and it has been to the advantage of the corporation, the fact that we now compete with the banks, because of that at least schools boards and municipalities are getting better rates.

MR. AXWORTHY: I see. Thank you, Mr. Wiebe.

MR. CHAIRMAN: Mr. Hanuschak.

MR. HANUSCHAK: Mr. Chairman. Mr. Wiebe, you have mentioned that the presence of treasury branches in most provinces wherein they exist and the one to which you referred to was Alberta, has to some extent curtailed the growth of credit unions. Well in the light of that statement, Mr. Wiebe, would you care to comment on the fact that during the past four years, to which you have also referred as having been years of considerable growth for the credit union movement in the Province or Manitoba, the assets have increased by approximately 150 percent, from 168 million to 401 million, and in Alberta for the same period of time from 118 million to 321 million, which is practically 200 percent; and there is a similar increase in membership in Manitoba from 183,000 to 251,000, which is somewhat less than 50 percent - about 40 I suppose - and in Alberta from 147,000 to 228,000, which would be well over 50, possibly 60 percent increase, in a province wherein there are treasury branches? This is Page 16 in your May 1974 brief.

MR. WIEBE: Well I would just comment generally on this. First of all, Alberta is a richer province and the population of course is about .6 million higher than Manitoba is. I think for that reason, of course, there has been more growth potential there than there is in Manitoba. In Manitoba a lot of the growth can be attributed, I'm sure, to the very aggressive way in which our central organization has not only gone out to improve the operation of credit unions, but I think we've built up a much stronger army or pool of personnel than we had before. We now have managers that are capable of running a good operation, which in the early years we didn't have, and we have placed a lot of emphasis in building up the personnel within the movement. I think this certainly is one reason why the growth is there in Manitoba. But I don't know whether I'm answering your question really, exactly. I think I would simply say that the Province of Alberta is a richer province and it has more people, and really, the growth of the credit unions there should have been -- the size of the credit unions should have been higher, considerably higher than Manitoba.

MR. CHAIRMAN: Mr. Hanuschak. Mr. Bostrom.

MR. BOSTROM: Thank you, Mr. Chairman. I'm afraid your answer on that one certainly doesn't satisfy me in the sense that I was already looking at this when Mr. Hanuschak asked the question. By comparing the growth in Manitoba and Alberta over the last four years, you can see that the assets in Manitoba have gone up 113 million whereas in Alberta in the same period the assets had gone up by 203 million, which is almost double the amount -- (Interjection) -- Pardon me? In Alberta you have the operation of treasury branches which you state in your submission here is - and I quote - "The crux of the matter, as the credit unions see it, is the implementation of treasury branches would seriously impede dramatic growth experienced by credit unions during recent years."

Now we're comparing the same period, the same years. In Manitoba it's gone up by

(MR. BOSTROM cont'd) . . . . 113 million as compared to 168 million in 1969. In Alberta, where they had 118 million in assets in 1969, they are now up to 321 million, which is an increase of 203 million - double the amount.

You also made the statement that the credit unions in Alberta are approximately the same number. I notice the comparison on this chart verifies your statement on that, that in Alberta you have 219 credit unions, in Manitoba 196, so the comparison there is similar. You've also made the statement that the credit unions in Alberta feel that they have been restricted. Now, you are giving us the view that over the past four years you have the impression that you have had a dramatic growth in the credit unions in Manitoba. Now why would not the people working in the credit union movement in Alberta not consider that they have also had a dramatic growth if they've had double the growth that Manitoba has had?

MR. WIEBE: I think the point we are making, though, is this: that in Alberta you have a population of approximately 1.6 - a little better than 1.6 million, and Manitoba has one million, and the assets of Alberta are \$321 million whereas in Manitoba they are \$400 million, and if you add to the 321 the assets of the treasury branches, then you have a proportionate figure - if you compare population assets you have a proportionate figure to what Manitoba has. That's the point I was trying to make. Because the treasury branches, the total of the treasury branch assets and the credit union assets would be approximately the same proportion to their population as the \$400 million is to our population.

MR. BOSTROM: You know, Mr. Chairman, through you to Mr. Wiebe, you seem to be ignoring the "dramatic growth" that is evidenced in the statistics here in terms of the dramatic growth of the Alberta credit unions. The dramatic growth there is double the dramatic growth in Manitoba, whichever way you cut the cake. You know, if I may pose the question: If, in fact, treasury branches are implemented in Manitoba, and over the next four years if the credit unions in Manitoba experience a similar dramatic growth as they have experienced over the past four years, or in fact if they were to experience the kind of dramatic growth that we see that the credit unions have experienced in Alberta in spite of these treasury branches, would you be satisfied with that kind of growth? Would you be pleased to have the kind of growth that the credit unions in Alberta enjoy?

MR. WIEBE: Yes, I think we're happy with the kind of growth we are experiencing and have been experiencing in the past few years. Thirty percent increase per year is a good growth; but that doesn't mean of course there isn't much room for improvement. There's a great potentiality which has not been tapped in the province of Manitoba as far as growth is concerned.

MR. BOSTROM: Mr. Chairman, Mr. Wiebe has also made the statement that he differentiates between people who deal with chartered banks and people who deal with credit unions, and somehow he has made the inference that if treasury branches are established, then people who deal with credit unions now may be siphoned off and will begin to deal with treasury branches. How can he justify that kind of statement considering the increase in the membership in Manitoba over the past four years has been in the nature of 67,000, and the increase in the membership of the credit unions in Alberta has been 81,000? Now even if you compare the differences in population, which I admit Alberta is approximately 50 percent greater than ours, but if you compare the growth in membership of credit unions in Alberta you see that their growth in membership is proportional as well to their population and does not seem to have been impeded by the presence of treasury branches. How do you justify that statement?

MR. WIEBE: I think the point we're making is again this: that the treasury branch system in Alberta has run alongside the credit union system in Alberta, and both of them have not really experienced dramatic growth in proportion to the wealth of Alberta and the population of Alberta, and if the treasury branch system would be merged with the credit union system of Alberta you would have one system that could really serve the population well. I think this has already been suggested in government circles in Alberta. The time for treasury branches possibly has expired where the need for treasury branches is there. It was useful in its infancy at the time when Aberhart organized them, and has served a useful purpose, but today I think they're looking at the fact that there isn't really room for two near-bank systems like that in one province; and that's the point we're trying to make. In a small province like Manitoba there is not room for two systems like that.

MR. CHAIRMAN: Mr. Brown.

MR. BOSTROM: Mr. Chairman . . .

MR. CHAIRMAN: Order please. Before you proceed, Mr. Bostrom, your questions have been getting a bit argumentative. Can you ask questions for information rather than as an argument?

MR. BOSTROM: Well the final question, Mr. Chairman, to Mr. Wiebe, is that, you know, he made the statement directly that people who deal with chartered banks are somehow differentiated from people who deal with credit unions and that somehow the establishment of credit unions in Manitoba would siphon off people who are now members of credit unions in Manitoba, and would in that sense impede the development of credit unions. I would just ask him to look at the statistics honestly and tell us how that kind of statement can be justified by the statistics comparing Manitoba to Alberta, where the growth of the membership in Alberta has been greater than the growth of membership in Manitoba by a much greater percentage.

MR. WIEBE: First of all, let me say that as far as the Alberta Federation is concerned, in their studies they definitely feel that the people that deal with treasury branches would be dealing with credit unions if the treasury branches weren't there. It's a matter of choosing between the banking, chartered banking institutions, and another near bank, and there are two choices so they choose between the two - and this is the statement we're making. When the treasury branch system comes into existence in Manitoba we will find that the people will choose. This is fine for people to have a choice, but we are not in the position to thin ourselves down like that in the province. This is our position.

MR. CHAIRMAN: Mr. Brown.

MR. BROWN: Thank you, Mr. Chairman. First of all, I would like to ask a sort of personal question of Mr. Wiebe. How long have you been involved with credit unions?

MR. WIEBE: I've been managing the Winkler Credit Union since July 2nd, 1950.

MR. BROWN: In your opinion you stated that there seemed to be a deficiency as far as servicing light industry and commercial. Do you think that once the Northland Bank is established, which you said hopefully would be in September, that this would pick up that deficiency?

MR. WIEBE: It will take the bank several years to get going at a rate, we feel at least, where it can really enter into this field, but the credit unions feel that they need a reference for their larger commercial loans, and I think at least in the rural communities where commercial and industrial applications come in, quite frequently credit unions have tried to refer them to the banks but the banks don't handle them. They will look at a business that has been established and has been going well for three or four years and has financial statements to prove, fine, they'll accept that, but a new business has a very hard time getting started. Mind you, there are other institutions, other financial facilities such as the MDF and the IDB and government grants, and this all of course helps the situation too.

MR. BROWN: In your opinion, Mr. Wiebe, since we're going to or it seems as if we will be getting the Northland Bank, do you think that we should possibly wait with the Treasury Branches Act to see just exactly how the Northland Bank is going to affect the prairie provinces and see where there is going to be a real need, or do you feel that there could be a need at the present time for the treasury branches?

MR. WIEBE: Mr. Brown, I would think that in our presentation and our discussion with the Premier we made this point. We felt that at least let's wait until the Northland Bank has gotten off the ground. I might say at this point that the fact that Manitoba is looking at treasury branches has caused some real problems for the organizers of the Northland Bank. Discussions have now been re-opened to see whether the head office shouldn't be moved into Saskatchewan or Alberta, and one of the reasons given by the people from these provinces is, well, if Manitoba is looking at treasury branches, maybe we should look at another place for the head office of the Northland Bank. -- (Interjection) -- Pardon me? I'm sorry. -- (Interjection) -- If Manitoba is looking at treasury branches, then maybe the head office should be moved, or at least we should have another look as to where the head office goes. Should it be in Manitoba or should it probably be in Saskatchewan or Alberta?

MR. CHAIRMAN: Mr. Brown. Mr. Cherniack.

MR. WIEBE: I'm just saying that the people from Alberta are saying, "Let's review this once more."

MR. CHERNIACK: Mr. Wiebe, I had a couple of questions I wanted to ask you. I don't know whether you used the word "starving" or someone else, about the credit unions in

(MR. CHERNIACK cont'd) . . . . the first number of years of growth. How was the deficit handled if they were starving? Was there a deficit or was it just famine?

MR. WIEBE: There was just famine as far as interest rates were concerned.

MR. CHERNIACK: You mean the interest paid on deposits?

MR. WIEBE: That's right. At the end of the year, as you well know, the credit unions figure what their operating net profit is and they pay that back to the membership, and if the net profit was low they paid as low as one percent dividend on shares, one and a half, two percent at that time, and they lowered it so that they would still come out with a balance sheet that was operating more or less in the black.

MR. CHERNIACK: I see. You mean there was never actually a deficit; it was only a shortfall in payment of interest on deposit.

MR. WIEBE: There are occasions, or have been occasions where there have been deficits, but these have usually been picked up in the following year. They've never been that grave.

MR. CHERNIACK: Now, you were talking earlier about short term financing policies. You were saying that you would take commercial papers; big companies would want to borrow short term. Do you ever bid on Manitoba treasury bills?

MR. WIEBE: You're talking about the Co-operative Credit Society now.

MR. CHERNIACK: Well I'm speaking of any credit union.

MR. WIEBE: Yes. The credit unions no. No, I'm not aware of any credit unions. I think the only ones that would be doing it is the central office and our . . .

MR. CHERNIACK: Well what do the credit unions invest in? Could you give us a . . .

MR. WIEBE: In the central.

MR. CHERNIACK: Only in the central.

MR. WIEBE: Basically in the central, yes. In the rural areas we invest in long term. We usually pick up the school debentures - well there aren't many any more of those, but sewer and water debentures, improvements for the community. Those are picked up by credit unions. There are very few communities where banks or other financial institutions pick those up. They've been picked up in the last several years by credit unions.

MR. CHERNIACK: That's local improvements.

MR. WIEBE: That's right.

MR. CHERNIACK: What about hospitals?

MR. WIEBE: Hospital debentures . . .

MR. CHERNIACK: I mean, do you know of that? I'm not talking in generality, I'm talking in specifics. Are you aware that there have been purchases of . . .

MR. WIEBE: Yes I'm aware of that. Yes.

MR. CHERNIACK: Have you any idea the extent to which it's . . .

MR. WIEBE: Not too large. The one I'm thinking of is actually a mental institution and there were some debentures picked up by a credit union there.

MR. CHERNIACK: You mean a private mental institution.

MR. WIEBE: Yes, the Eden Mental Health Centre.

MR. CHERNIACK: Yes, but I'm speaking of hospitals generally in Manitoba.

MR. WIEBE: No, I'm not aware that they've been picking those up.

MR. CHERNIACK: By municipal bonds?

MR. WIEBE: Municipal bonds? Yes, they'll pick those up.

MR. CHERNIACK: You mean bonds, not local improvement bonds, but general borrowing.

MR. WIEBE: City of Winnipeg bonds have been picked up, yes.

MR. CHERNIACK: Are they traded or are they kept?

MR. WIEBE: They're usually kept because these represent the long term reserves of the credit union.

MR. CHERNIACK: What about the Province of Manitoba and its bonds and . . . ?

MR. WIEBE: Yes. Parity bonds. Credit unions pick those up and use them as their cash reserve.

MR. CHERNIACK: That's the bonds of the agencies long term. Like Hydro bonds . . . ?

MR. WIEBE: Hydro bonds are picked up, yes, but the larger portions would again be picked up by the central -- I thought you were referring to the Manitoba Savings Bonds. Those are picked up by credit unions.

MR. CHERNIACK: Well there's only been one issue in the last number of years. 1970 was the last one.

MR. WIEBE: Yes, but there have been more than that over the years and they've been . . .

MR. CHERNIACK: Prior to that.

MR. WIEBE: Yes. Of course the amounts were limited that you could buy.

MR. CHERNIACK: But I am speaking about the bonds, the long term bonds that are put out on the market.

MR. WIEBE: Generally speaking, I think credit unions try not to get into anything longer than 10 years as far as debentures and bonds are concerned, and the amount of money that they invest in loans is usually based on the amount of reserves they have set aside for long term reserves.

MR. CHERNIACK: Now you mentioned the effort to get, I think you said school divisions' or hospitals' business, and you say that the banks have sharpened their pencils and on the tendering have been able to win them. In what way, what would be the factor that would win it for the bank as against the credit union?

MR. WIEBE: The interest rate.

MR. CHERNIACK: You mean the banks would charge less than the credit union?

MR. WIEBE: They charged less on the tenders that I've seen - at least am aware of. In the case of the Winkler Credit Union we bid on the Garden Valley School Division; we offered them a rate for the year of 1974 of eight percent and the banks outbid us. Now they also offered them a rate on a savings on a day to day basis which was better than ours.

MR. CHERNIACK: Does that mean that you're sorry you didn't sharpen your pencil more or couldn't you afford to?

MR. WIEBE: We didn't feel that we wanted to go into that kind of an account at the expense of our members. We felt this was very close to our average cost of money and we would have to get that.

MR. CHERNIACK: Well then, that brings me to the next question. Do you have any idea - and I imagine it's different in many credit unions - of the spread between interest paid and interest charged?

MR. WIEBE: Yes, it varies I think from -- let me quote; we have this from two and a half and as high as five in smaller operations. Well again in our particular operation, our cost right now is around 6.1 percent - that's average cost of money - and we're charging 9 and 10. A good portion of portfolios have been written at 9 and still at 9; the others at 10.

MR. CHERNIACK: What is your cost of operating in terms of that interest rate? Had you figured that out?

MR. WIEBE: The total cost of operating?

MR. CHERNIACK: Yes, in terms of an interest rate spread.

MR. WIEBE: I'm speaking from memory now. I can give you a few breakdowns. The cost of salaries is under 10 percent of total income; cost of administration is about 7 percent; maintenance and office overhead is 2 percent; this type of thing.

MR. CHERNIACK: That's of your own credit union?

MR. WIEBE: Yes.

MR. CHERNIACK: It's one of the older and larger . . .

MR. WIEBE: Right.

MR. CHERNIACK: Well then your spread, you say, goes as high as five percent. How is it determined? How do you determine the interest you pay and the interest you charge?

MR. WIEBE: You determine the average cost of money. You have your checking accounts; you have a certain amount of basically free money or cheap money in there. You have your reserves and you have your savings accounts, and you take the average cost of that money per year, which can average out between 6 and 7 or 8 percent, and then of course you determine how many percent above that do you need to cover your operating cost, your overhead. Now not all credit unions are using the same cost ratio approach, and we are now in the process, through our central, to develop a system where they all use the same and we can compare apples with apples and not apples with oranges.

MR. CHERNIACK: You mean the same kind of formula but not necessarily the same rates.

MR. WIEBE: Yes, that's right. The same kind of formula.

MR. CHERNIACK: Do you have credit unions that compete with each other, say in Winnipeg where there are a number of them?

MR. WIEBE: Oh, yes.

MR. CHERNIACK: Do they compete within rates?

MR. WIEBE: They compete within rates, yes. Yes.

MR. CHERNIACK: Well, it was said by Mr. Blake in the House that he found, as a bank manager, that there were occasions when he would be able to work with, co-operate with a credit union - I think I'm putting it correctly; you can correct me if I'm misstating what he said. -- (Interjection) -- Thanks. Well then I'll ask Mr. Wiebe more directly. Do you find that you can work together, or do work together with the bank in providing the best service to a mutual customer?

MR. WIEBE: Yes, I think that we can say that in our particular operation I think this holds true. At least generally in our chapter area, where there are about nine credit unions, in our discussions as managers we have very fine relationships with the bank and we have a good exchange of information - banks phoning us for customer experience and we phone them, this type of thing.

MR. CHERNIACK: Well that's sort of credit standing, but do you make deals in combination in any way?

MR. WIEBE: We have attempted twice to make a joint type of a loan where the bank would pick up the operating loan and we pick up the long term real estate loan, and we haven't succeeded.

MR. CHERNIACK: Thank you, Mr. Wiebe.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Walding, through you to Mr. Wiebe. I, too, was looking at the growth of credit union chart that's in your presentation that was to Cabinet. I'm not a banker but I would presume that the success of a credit union depends on how many dollars they can get each member to invest or deposit in the union. Is that correct, Mr. Wiebe?

MR. WIEBE: That's correct, yes.

MR. MINAKER: Then possibly you could maybe explain why that even though it would appear Alberta's growth was greater than Manitoba's, that if you take the 228,000-or-so-odd members and divide it into the assets, you get an average of I think \$1,410.00 invested per member for Alberta. If we do the same calculation for Manitoba for 1973, we end up with \$1,590 per member average investment, and I am wondering why this is so, if Alberta is a richer province and presumably has a higher average pay scale, why they would not be investing as many dollars per member. Would it be because of the fact the competition is keener with the treasury branches?

MR. WIEBE: That's quite a difficult question to answer. I think I would have to answer it this way: The fact that a person earns more money doesn't mean he saves more. I think that's a general experience we have and I think the average balance that the member has in his savings account doesn't vary that much from a poorer province to a richer province per individual.

MR. MINAKER: Would you have any suggestions why the people, the members in Alberta, would only be investing, say \$1,410.00, whereas it looks like the average member in Manitoba invests \$1,590.00?

MR. WIEBE: Well I think the only point I can make there is that if the treasury branches were not existent in Alberta, I just feel that the membership, the total membership would be considerably higher and the assets of course would be higher, but that doesn't necessarily mean that the average per member, savings per member, would be higher.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: Thank you, Mr. Chairman. Mr. Wiebe, you made the statement that you differentiated the people who patronize the chartered banks and credit unions. Now I can accept that perhaps in the City of Winnipeg, where you have your industry, large industrial corporations, and low wage earners, workers, but that statement would not in my opinion apply to my constituency that I represent in Ste. Rose, which is predominantly agriculture, and I would say likewise for the Member for Minnedosa who was, I believe, Manager of the Royal Bank there. It's predominantly agriculture in my opinion, and the statement that different people bank in credit unions, use their facilities, does not, in my opinion, apply to my constituency.

(MR. ADAM cont'd) . . . . .

But the question that I wanted to put to you is that there has been quite a bit of discussion in the last four years, I believe, about a provincial involvement, or a public involvement in financial or banking, if you will. There have been to my knowledge several trust companies incorporated in Winnipeg: finance companies, Unicity Bank, Western Bank, several different financial institutions, and at no time have I ever heard any express concern from the credit unions on this, and I'm wondering why at this particular time that, since treasury branches are not a socialistic idea, they're rather a capitalistic idea, you know, they originate in provinces that were governed by, let's say, capitalistic governments.

MR. WIEBE: I think I would like to answer that in two parts. First of all, backing up to your first comment as far as the agricultural communities are concerned, I think in the past, and I know this is a fact in the past, the farmer dealt largely with the bank because of the government loan programs that were available through the bank and were not available through the credit union, and the rates were much more attractive, and so it followed that he went to the bank for much of his financing. I think that's obvious. That's happened in every community. Now that credit unions are very closely competitive in their rates, this has changed considerably.

Coming back to the second part of your question, I think I would express the view of the credit union movement when I say that we are not scared of competition. But, as I said in my brief, I think that things that your government wants to accomplish through the treasury branches, we would like to offer to do through the credit unions, because those are basically very similar aims to what we have in the credit union movement and we would like to do these things, and we'd like to suggest that the government should take a long hard look at doing these very things through the credit unions in the province.

MR. ADAM: Mr. Wiebe, to you through the Chairman. I want you to know that I'm a member of three credit unions and I do support the credit union movement, and I personally do not have any concern about the treasury branches and I'm not about to rush over and withdraw all my funds or my savings with the credit union to rush over to the treasury branches. But nevertheless, I envisage the credit unions and the treasury branches progressing more or less together, and this is the way I feel about it. I know that you don't agree with me, but . . .

MR. WIEBE: I think that this point, if you would allow me, Mr. Chairman, I'd like to refer to at least one section in the Act, which I think is Section 14 (2), where it very expressly says that expenditures in connection with the operation of the branches that are not to be paid out of the fund under subsection (1) shall be paid from and out of the Consolidated Fund. If you take the treasury branch financial statement from Alberta and look for instance at their clearing costs, they have a clearing costs figure for \$25,000 for the operation of one year. The Co-operative Credit Society uses that in one month in their cost of clearing. So it's obvious that there are costs and expenses that are being paid, not out of the operational income of the treasury branches, but if all costs of the treasury branches will be paid out of the operation of that branch then it's fair competition; otherwise we feel it is not.

MR. ADAM: Well, Mr. Wiebe, on that particular point I think that that answer should come from the Minister of Finance. We also have the MDC which was established several years ago, you know, Manitoba Development Corporation, which was introduced by the former administrations, and the FCC which provides . . .

MR. CHAIRMAN: Order please. Mr. Adam, would you just ask a question and not use it as a basis to put a point of view or make an argument with . . .

MR. ADAM: Do you view the MDC and the FCC and the IDB as a detriment to the credit union?

MR. WIEBE: No we don't, because they're basically an area that many, at least certainly of the smaller credit unions, cannot get involved. However, I might say out of the 20-odd industries started in their own community, we have yet to get some loans from IDB or MDC. The approaches used by these corporations and the red tape involved are such that many people don't want to deal with them.

MR. CHAIRMAN: Mr. McKenzie.

MR. ADAM: Thank you, Mr. Chairman.

MR. MCKENZIE: I have one question, Mr. Chairman. Mr. Wiebe, I note that at the end of your 1972 statement you say, and I quote: "We are confident that if we are successful in chartering a bank, the Provincial Government will review its approach regarding treasury

(MR. McKENZIE cont'd) . . . . branches." Can I ask you, Mr. Wiebe, if the CCSM board still share that view?

MR. WIEBE: After our discussions with the Honourable Premier and after hearing the discussions, at least reading about the discussions in the House, I don't know whether we share that view. I think some of the board probably feel that the treasury branches are going to become a reality. We are here, though, to say that that shouldn't happen.

MR. CHAIRMAN: Mr. Wiebe, thank you. Mr. Brown, please. Mr. Earl Brown, Bill 83.

BILL 83

MR. BROWN: Mr. Chairman, honourable gentlemen. I'm here, Earl Brown, President and General Manager of the Portage la Prairie Mutual Insurance Company, which was organized 90 years ago this October in the Province of Manitoba. With regard to Bill 83, we have listened to many statements in the House, reported in the paper and to the press outside of the House, that has said that rural Manitoba needs more insurance facilities, or the market is tight in rural Manitoba.

So that you're familiar with our operation, we insure between 16,000 and 17,000 farmers in Manitoba. This is out of around a little over 30,000 real operating farms in Manitoba. The balance of this, at least 90 percent of the balance, is insured by our largest competitor, the Wawanesa Mutual, and the Red River Mutual Insurance Company. These three companies, in total, insure at least 90 percent of the farm setups in Manitoba. This also in a smaller degree applies to the rural habitational holdings of the people in Manitoba. The large bulk, as you know, of insurance in Manitoba is government buildings, international corporations, and centered in Winnipeg and the larger cities, so that really the rank and file people of the province are insured with these three home-based companies.

I come here today rather frustrated, really not knowing what to say, because I know that the bill is going to go whether I speak or I don't speak. It is going the way it is. We went through Bill 56 and tried to give a lot of good advice, but didn't stop Autopac getting into one helluva mess to start with and is still. Now, we're not worried about competition, we're worried about improper statements and improper competition. If we were, as an operating industry, to make the misleading statements that come out of Autopac to the public, we would have the Consumers Department after us pretty quick. In the notice that I got in my auto license and insurance this year, it quoted a 1972 car with the previous 1972 rates and then it compared it with 1974 rates for that car under Autopac after the car depreciated anywhere between \$2,000 and \$3,000. If we are up against this same type of competition in the fire insurance field, and this same kind of statement, it is rather difficult to compete against it. Again, and I say this, in last night's Free Press there were further statements about how cheap Autopac's premiums were. There is nobody buying insurance from Autopac who had a proven automobile record, good driving record, and was claim-free, that is buying their insurance less than they bought it from our company when we were in the automobile business.

Now we would like some leadership from this Government. It is actually the Government of the people of Manitoba. We had approximately 50,000 policyholders in our company who were buying their automobile insurance by choice from our company, who are members of the company and wanted to do it. These people were prohibited from buying, providing their own automobile insurance any longer. Now we are going to have competition, as it will be, in the fire insurance business, and also in the bill that is setting up this permission for fire insurance it's setting up a provision that they can take us over if they desire, giving them authority to absorb any insurance company that they so wish. Now if our company is made up of the middle class people, not necessarily the lower class person who can't afford a car, or the money baron, or the corporate rip-offers - and I understand from the national leader of the party that these are the people that the party want to protect. So where do we go from here? An organization made up of these people trying to look after themselves being torn apart and now provision made for takeover, and I'm not surprised at the previous speaker to me worrying. He's in exactly the same position as we were back four years ago, and I'd prophesy in the next two years that cops better watch out too. Thank you.

MR. CHAIRMAN: Are there any questions of Mr. Brown? Mr. Uruski.

MR. URUSKI: Thank you. Mr. Brown, you are the General Manager of the Portage Mutual?

MR. BROWN: Right.

MR. URUSKI: Tell me, you made the statement that Autopac is in a helluva mess. Could you tell us how much money Portage Mutual lost in the last year of operation?

MR. BROWN: We lost \$1,700,000 underwriting loss. We lost from our surplus a million dollars.

MR. URUSKI: Is your management being questioned now by the Board of Directors?

MR. BROWN: Yes. In fact, not only by the Board of Directors but by the Superintendent of Insurance at Ottawa.

MR. URUSKI: Could you tell me what percentage of the insurance business your company does in Manitoba in respect to general business?

MR. BROWN: This is at, before you took the automobile business away from us . . .

MR. URUSKI: Excluding automobile.

MR. BROWN: Oh. About 40 percent of our business approximately.

MR. URUSKI: No, no. I'm sorry, you probably didn't understand me. What percentage of the Manitoba business in general insurance would your company write?

MR. BROWN: We don't write certain lines of insurance, so if you gather it all in, we are out of it. We write about 12 percent of the fire insurance business in Manitoba but, again, the habitational insurance, the people that you are supposed to be looking after, we write 40 percent of it.

MR. URUSKI: Forty percent of the farm business?

MR. BROWN: We write fifty percent, better than fifty percent of the farm business.

MR. URUSKI: Thank you.

MR. CHAIRMAN: Are there any other questions of Mr. Brown? Mr. Spivak.

MR. SPIVAK: Mr. Brown, I wonder if you can tell me whether you believe, if your company was allowed to compete with Autopac in the auto insurance field, you would be able to undersell Autopac?

MR. BROWN: If we were allowed . . . Not now. The attitude that Autopac has developed among the people of Manitoba with regard to claims, auto insurance has become very much like relief now, or any other handout the Government is giving, and I think it would be hard to turn this off. I think the people of Manitoba, the Government of Manitoba, is going to be called upon to subsidize automobile insurance now for a long, long time.

MR. CHAIRMAN: If there are no further questions . . . Mr. Uruski.

MR. URUSKI: Just one more question, Mr. Chairman. Could you tell me, Mr. Brown, if your company will be selling extension coverage in the automobile insurance?

MR. BROWN: Our company ceased to write any new extension policies with effect the 1st of June.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: I just wanted to make Mr. Brown feel good and tell him that I had my farm insured with Portage Mutual.

MR. BROWN: And we're looking after you well.

MR. CHAIRMAN: If there are no further questions, thank you, Mr. Brown. Mr. Trites please.

MR. TRITES: Mr. Chairman, I have a few copies of my submission here. I didn't expect as many people out so I may not have a copy for everyone but I'd like to make sure that my friend Mr. Uruski gets one though.

Mr. Chairman, my name is Trites. I'm President and General Manager of Wawanesa Mutual Insurance Company, and I do thank you and the members of your committee for the opportunity to be here tonight to speak to you on Bill 83. When introducing Bill 83, Mr. Uruski the Minister in charge of the Manitoba Public Insurance Corporation, accused fire insurance companies of not living up to our responsibilities. Wawanesa Mutual Insurance Company was founded in the Village of Wawanesa right here in Manitoba in 1896. It has been giving the people of Canada good service at reasonable cost for over 78 years. Wawanesa is a mutual company, completely owned by half a million members, and on their behalf I strongly object to Mr. Uruski's accusation. It just isn't so.

I sometimes wonder what this Government, how they look at we Manitoba insurance companies. It seems to me they picture us as being great big, rich corporations that are gouging the people of this province - and that's not so either. We're a home-grown, Manitoba company. We operate much the same as a co-op. We're owned by our policyholders. The only difference between us and a co-op is that we pay taxes, regular corporate taxes, where I understand they

(MR. TRITES cont'd) . . . . really don't pay them in the same fashion. It's true that our assets exceed our liabilities. If it weren't so, we couldn't meet the test of adequacy and we'd be out of business, and the dollars of surplus that our statements show may look like a lot of money, it might look like a fair amount of money, but when you break it down, per policyholder, our surplus is less than \$50.00 per policyholder, which I really don't think is very much money.

During the 1973 Manitoba Election campaign, a number of references were made by Premier Schreyer as to the possibility of the Manitoba Government entering the fire insurance business. It was obvious from some of the statements made that he was misinformed. We felt that it was our responsibility to offer to meet with him to discuss his concerns. Assuming that the Premier would be interested in knowing the truth, we wrote to him soon after the election - it was August 9th to be exact - giving some facts and figures, and asked to meet with him before a decision was made. In the Premier's absence, Mr. Cherniack replied to my letter by his letter of August 14th saying that "no decisions had been made in regard to the matter and therefore the points that you have raised will certainly be considered before the point of decision may be reached," and that was very fine, very encouraging. I thought I was getting somewhere.

However, a few days later, on September 5th, Mr. Uruski was stopped by a reporter on the way to his first Cabinet meeting and he made the statement that it was 99 percent certain that legislation would be introduced in the next session of the Legislature to implement public fire insurance. So again we wrote the Premier on September 6th, 1973, a letter in which we expressed our concern, enclosed a copy of our letter of August 9, 1973, and again asked to meet with him. He replied on September 24, 1973, saying, "Since no final decisions have yet been made in this area, I would suggest you discuss your concerns with the Honourable Bill Uruski, the Minister in charge of the Manitoba Public Insurance Corporation." I then quickly phoned Mr. Uruski and finally got to meet with him on November 7, 1973.

Early in that meeting he made it very clear to me that the decision had already been made - in effect I was wasting my time. He confessed that he had never seen my letter to Premier Schreyer. I gave him a copy, he read it, and promised to write me before the end of the year replying to the points I had raised. After a number of phone calls to him in January and a letter on January 22, he did reply on January 24. He didn't respond to the points we had raised but merely stated that the Government's entry into the general insurance business was justified based on the following: It was part of an election platform and that a market problem exists in the general insurance business. We submit that these are not good reasons, only excuses. When we assumed that our Premier would be interested in hearing the truth about fire insurance and interested in meeting with the industry's people to discuss government concerns, we were obviously wrong.

Mr. Uruski states that we fire insurance companies have not lived up to our responsibilities and I ask him in what way have we not. If we have not, why haven't we heard about it from the Department of Insurance? From time to time, we check with the Department of Insurance and have always been told that the legitimate complaints received by them are few and far between. It's the duty of the department to make sure that companies are living up to their responsibilities and, if we are not, why doesn't the Government cancel our licence to do business? It doesn't because it has no reason to do so.

Mr. Schreyer has said many times that our Government would get involved in an industry only where there's a need or where private enterprise is not performing to the satisfaction of the public. We see no evidence that this situation exists in the field of fire insurance and therefore there seems to us no justification for Government involvement. I submit, Mr. Chairman, that if the Government goes ahead at this time with this bill, that Mr. Schreyer is really not living up to that statement he's made many times, because there is just no justification. At least it hasn't been shown to us.

Mr. Uruski would have us believe that we have nothing to fear from Bill 83. He said in an interview that it isn't the Government's intention to capture a major share of the insurance market but rather to stabilize rates - I don't quite know what that means - and to fill in the gaps in existing insurance availability.

There are now over 100 companies competing for fire insurance in this province, so we don't need more competition. However, if the Government were to come into the fire insurance business and compete with us on an honest and fair basis, we would have no objection. But will all the business be open to competition as it is now, and will the competition be fair competition? For instance, will they pay a premium tax as we do? Will they pay corporation taxes as we do?

(MR. TRITES cont'd) . . . . . If not, the competition will not be fair.

When Mr. Spivak asked in the Legislature a few days ago if government buildings would be open to competition, the shouts on the Government side were "No." When he asked about hospitals, schools and other institutions getting Government grants, the answer wasn't clear. Mr. Green says that government buildings will not be open to competition. Does he know that the Government is in part a self-insurer and that the excess is insured by private companies? What does he intend to do with the present fire insurance fund? It's a sizeable fund, as you people know. Does it go to the MPIC? If we're not permitted to quote on the excess in the past, is that fair competition?

Mr. Chairman, speaking of government buildings, government-owned buildings, I was interested in the comment I read in tonight's Free Press. Mr. Uruski made the statement that private insurance companies insure their own buildings and the government intended to do the same. I represent a private insurance company; we do not insure our own buildings; so I'll make a deal with Mr. Uruski. I'll let him bid on ours if he'll let me bid on his.

Incidentally, Mr. Uruski stated in the Legislature a few days ago that our industry had an underwriting loss of \$138 million in auto insurance last year. I read in the same Free Press tonight that the figure is now \$150 million according to Mr. Uruski. That statement is not true, either one of the m. The truth is that the underwriting loss for auto insurance in Canada last year was less than half that figure, less than half 138. The industry underwriting loss was 5 percent on automobile business whereas Autopac had a loss in excess of 25 percent. It's interesting to note that in the case of fire insurance no one is making bold statements about the savings in a government insurance scheme. Section 6 (1) (f) of Bill 83 gives the corporation the power to acquire, by purchase or other means, the business and property of any other insurer. Does this mean that if the Government doesn't like the competition they get from us that they can confiscate our business?

Section 6 (2) (j) of Bill 83 gives the corporation the power to establish and maintain one or more repair shops. Does this mean the end of our freedom to choose a body shop, and that we'll be compelled to have our cars repaired in a government garage?

Section 8 (1) of Bill 83 excludes the corporation from taxation. This in itself is proof that the corporation will not be competing with us on an equal basis.

Section 22 (2) of Bill 83 requires every department of the Government to furnish the corporation with reports and information as the corporation may require. What about the rights of individuals? Is this not contrary to --I said the Consumers Protection Act. I'm not familiar with the Acts; it's probably the Human Rights Act that I'm thinking about; you know, the one that says that we, as an insurer, cannot investigate an individual without first getting permission from him. It's Human Rights probably. I don't know what it is, but it looks to me as if Bill 83 gives the corporation the power to by-pass that sort of legislation.

Section 25 (1) of Bill 83 says the corporation, its officers, or full-time salaried employees may act as insurance agents for the corporation. Does this mean that the corporation plans to deal directly with the public, by-passing the agents and by so doing destroy hundreds of the small businessmen?

Section 27 (b) of Bill 83 gives the corporation permission to carry on business in other provinces of Canada. Why should the people of Manitoba be exposed to the possibility of underwriting losses in other provinces? I used the word "possibility" but I could have used "probability".

Mr. Chairman, these are but a few of the questions that arise from my reading of Bill 83. We submit that the people of this province deserve answers before you go any further. In view of the foregoing, we submit that our Government will be doing the people of Manitoba a real disservice if it proceeds with the passing of Bill 83 without a thorough study of the general insurance business and without honest justification for its actions.

Respectfully submitted.

MR. CHAIRMAN: Are there any questions of Mr. Trites? Mr. Hanuschak.

MR. HANUSCHAK: Mr. Chairman, I believe it was mentioned that had there been any dissatisfaction with the service that the insurance companies had been offering the public, that there would have been a complaint from the Superintendent of Insurance. Now is there anything within the Insurance Act -- I believe that is the Act under which you operate -- in defining the duties of the Superintendent of Insurance which would have given him the power to make such a complaint as to the adequacy of insurance coverage or any complaint with respect to premium rates or the like?

MR. TRITES: I don't know the Insurance Act by heart. I assume that we could be regulated in that area, and I do know that from time to time the Superintendent of Insurance does check with companies concerning a complaint. He first checks it out and finds out whether or not he feels it is legitimate, and if it is legitimate he goes to the company involved and has the matter straightened out. But I really believe if you take the time to check with the Superintendent of Insurance, he really will tell you that the complaints concerning fire insurance companies in this province are as I have said, few and far between.

MR. HANUSCHAK: But it would be a complaint which would be a violation of the Insurance Act that the Superintendent of Insurance would investigate or check out - is that not correct?

MR. TRITES: Mr. Chairman, you could do anything you like concerning the Insurance Act, and we're subject to regulation. If you people don't like the regulations as they presently are, you can change them. We are not just any old industry, we are a regulated industry, with the Department of Insurance, your own Government department to regulate us. And I submit to you, Sir, that until such time as we get legitimate complaints from the Superintendent of Insurance, we can assume that there are no legitimate complaints and we have not been getting them.

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: I wonder if you could tell me if your company has issued any policies in the community of Grand Rapids, Manitoba.

MR. TRITES: I can't tell you that offhand.

MR. McBRYDE: Would you know if your company has issued any policies in the community of Easterville, Manitoba?

MR. TRITES: I can't answer that offhand.

MR. McBRYDE: Would you know if your company has issued any policies in the community of Moose Lake, Manitoba.

MR. TRITES: I can't hear you, but the same applies to that.

MR. McBRYDE: Do you know if your company has ever been unwilling to insure people living in remote areas of Northern Manitoba?

MR. TRITES: No, I certainly do not know that, Sir. It has never come to my attention.

MR. McBRYDE: How would your rates on general insurance compare between let's say Brandon and The Pas?

MR. TRITES: I can't tell you that either, Sir.

MR. McBRYDE: Does your company ever sell insurance direct without the use of agents?

MR. TRITES: Not in the Province of Manitoba.

MR. McBRYDE: They do in other provinces in Canada though?

MR. TRITES: We do in one other province in Canada.

MR. CHAIRMAN: Are there any further questions? Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I'd just like to extend a little further the point that was raised by Mr. Trites, when you put a good deal of emphasis on the fact that you made efforts to communicate and consult with Mr. Uruski and other members of the Government and found really that there was little interest. I think this was the import of what you were saying. Was this an experience exclusive to your company, and were they consulting with other members of the insurance industry in Manitoba - or what kind of consultation to your knowledge has gone on prior to this Bill being developed?

MR. TRITES: I really can't tell you what the other companies did. When I wrote Premier Schreyer six weeks after the election - I thought I should wait for six weeks after the election - I did write him. I wrote him on behalf of my own company, a two-page letter, it was between me and the Premier I thought. I thought he might be interested because obviously he was making some statements that were not correct and I really did feel that it was our responsibility to write to him, give him an opportunity to talk to us about it. I assumed that he would want to know that the statements that he made during the election campaign were just not so and I did try to get somewhere with him. The reply I got from Mr. Cherniack, first, said that no decision had been made; then Mr. Uruski said the decision was 99 percent certain; I got another letter from the Premier saying that no decision had been made - I wonder who was making the decisions here. This is pretty frustrating business when I'm trying to get some reply from the Premier's office and I'm being shuffled aside - until we get to the point where Mr. Uruski tells me, really at the beginning of our meeting, that I'm wasting my time, that the decision's been made. We then did have kind of a friendly chat, but it was all over.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Trites, I would like to pursue this because it is a fairly important point. We are told with some frequency that programs like this are introduced because there is a mandate from the people based upon election results. But you are saying in effect, perhaps that mandate that was given was based upon false information and that the real story or the real facts were not being given properly by, in this case, the Premier during the election. Let me ask this first, could you tell us what the mis-statements were that became the basis for people choosing whether to support that party or another; and secondly, if any efforts were made by yourself or other members of the insurance industry during the election to correct those mis-statements.

MR. TRITES: If I recall correctly, the statements made concerning fire insurance during the campaign - there were only a couple of statements made, and I think they were made by the Premier, and they were made on a particular weekend. It seems to me that first of all, he said something about if elected the Government would take a second look. As far as I'm concerned, they never did take the first look let alone the second. Then on the same weekend - and I think he was up north at the time - he did make the statement that if elected, his government would go into the fire insurance business. Now Bill 83 is a far cry from fire insurance. It's much broader than fire insurance; it's everything except life and hail, if I understand it correctly. Now I'm not in a position, Sir, to talk about whether or not the Government has a mandate. I really do believe though that the people of Manitoba did not have an honest true picture of this government's insurance operation at the time of the June election. I don't believe they did. I think that they felt at that time, and they had a right to feel, that the insurance involvement in this province was profitable. They were on the right track and doing a good job. They didn't realize that Autopac was in the mess that it is in. And to that extent I, as a voter, feel that we did not get the right information prior to the election.

MR. AXWORTHY: I would like to pursue the point if I could, Mr. Chairman, because I think it is important. In your first page you say it was obvious from some of the statements made that he was misinformed. Can you recall exactly what the nature of those statements were to the extent . . . ?

MR. TRITES: The only statement I ever heard anybody mention concerning excessive rates, specifically in Manitoba - and this is a hot one - that rates in Tuxedo have gone up by 25 percent. This is the only comment. Now this is an absolutely ridiculous statement. Prior to Unicity, Tuxedo didn't have a fire department. The insurance rate out there was higher than the City of Winnipeg. Since Unicity came into being, Tuxedo and many other areas in Greater Winnipeg are paying considerably lower rates than they were prior to Unicity. Now that to my knowledge is the only statement that was made concerning rates, the only accusation, and it was absolutely ridiculous.

MR. AXWORTHY: Mr. Chairman, perhaps I can ask a question this way, and it is based upon the questioning of Mr. McBryde. He implies in effect that the private insurance industry in the general insurance field does not supply insurance to certain regions of the province, or it just simply makes no effort to provide them. Now can I ask you this, as part of your interest in discussing with the Premier and members of the Cabinet this question of general insurance, was it your view that the private insurance industry would have been willing to with some form of assistance to make a better effort to service those areas and to provide their insurance? Or is that something that you're just not able to do and that . . .

MR. TRITES: Well there's no doubt in my mind that if we were alerted to this particular problem of areas and difficulty of getting insurance in areas, I think the industry would rise to the occasion and do what was necessary. As far as I'm concerned, there's no shortage of market in the fire insurance business in Manitoba; since we lost the automobile business as a matter of fact, there's more competition than there was before because we're all trying to make a living with what is left. It's kind of slim picking, mind you, but we're still trying to keep people employed and run a business. So the competition now - I think we're providing a lot better competition now probably than we were before Autopac. To my knowledge, I do not know of any of this market shortage business in this province. We haven't heard about it as a company.

MR. AXWORTHY: Okay. Thank you.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: Mr. Chairman, I have one question that I feel is quite important to farmers.

(MR. ADAM cont'd) . . . . Does your company, or do you know of any company that provides coverage for shipping in Hudson Bay, like cargo shipping, outside of Lloyds of London?

MR. TRITES: That's marine business I believe you are referring to, and we do not write marine insurance. I shouldn't say we don't; we did get involved a few years ago in a marine pool but we were only in a short time. No, we do not write marine insurance.

MR. ADAM: I think this is one area where there is a lack of coverage for grain shipments after September - you know, there is usually some hazard, and that is one question that I wanted to have clarified. You did mention that there were slim pickings after the introduction of the public auto insurance. It's my understanding that there has never been any money made in the automobile coverage - am I correct in that? I have always heard that the insurance companies were losing money on auto coverage.

MR. TRITES: I don't know where you heard that statement, sir; it certainly didn't come from me. We'd be glad to be back in the automobile insurance business in Manitoba - and if it's open for competition, we'll be in there competing on any basis that you open it to.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Trites, if there was competition in the Autopac and auto insurance, would you be able to undersell Autopac?

MR. TRITES: Well, Mr. Chairman, I believe that if the competition were open and honest and free, yes, we could. I think we can do a better job than the Government can. It seems to me that evidence to that is the poor experience that Autopac has had in the last couple of years - at considerably higher rates than we were getting at the time. Again, I'd like to refer to something I read in today's Free Press: "Mr. Uruski says that rates have gone down in Manitoba since 1970" - this again is absolutely false. It's an established fact - according to the Superintendent of Insurance figures - the last year we were in business, total automobile insurance premiums in Manitoba were \$35 million. This year, I understand, when Mr. Craik questioned Mr. Dutton here a few nights ago, he said that the premium income this year would be of the order of 50, 51 million. Now that's obviously a 50 percent increase in cost.

MR. CHAIRMAN: Order please.

MR. TRITES: Oh, this same coverage is nonsense. Autopac is insisting that a lot of people buy coverage that really don't need it, and they have no way of collecting on it. When people paid \$35 million for their auto insurance they were getting all the auto insurance they needed and required.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I wonder - and this question you may not be prepared to answer, and it's a judgment on your part - and if the question is an improper one, either not within your knowledge or not for public release, then I accept it - but I wonder if you can indicate what portion of the investment portfolio would be in Manitoba, that is the investment portfolio, and how much in dollars it would represent.

MR. TRITES: Mr. Chairman, I can't answer that because I don't have a breakdown of our investment portfolio, but I'd be glad to provide it. As a matter of fact it's on file in the Superintendent's office in our blue book just where our investments are. But I would say to you that as far as we're concerned on investments, we don't pick by province; we go, No. 1, where our money is safe, and No. 2, where the return is best - and if Manitoba happens to meet that criteria, we invest here. Frankly I think we have more, far more invested in Manitoba than our business would indicate that we should have. I think percentagewise it's much higher in Manitoba than in most places because we're a Manitoba based company; we've been here, we feel we're just as much a part of this province as anybody in this room.

MR. SPIVAK: But in sort of global figures with respect to an aggregate amount of investment, you wouldn't know what that would amount to.

MR. TRITES: I can't give you that. I wouldn't want to guess at it. I'll supply it to the committee if you wish. I can get it for you tomorrow.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Trites, is it not correct - in talking with one of the representatives of an insurance company the other day, he indicated that any bad risk and possibly some of the northern areas there is a high risk involved in insuring certain facilities - is it not true that there is a responsibility in a commitment of the companies operating in Manitoba to share in this risk and each company takes on some of these high risk insurance problems?

MR. TRITES: Well I presume you're referring to what is known as the facility in the

(MR. TRITES cont'd) . . . . automobile insurance business, where the companies do provide a market and share the overall experience - and that is true. But even prior to Autopac and prior to the facility, when availability of automobile insurance was a bit of a problem, as it was a few years ago, we had an understanding with the Manitoba Government that we would insure any risk that they saw fit to license. There was never any problem about getting auto insurance, even before Autopac. We did provide coverage for everybody that could get a license.

MR. MINAKER: I understand, Mr. Trites, that this same policy exists with the insurance people in regard to fire insurance on buildings and other general insurance - is that correct?

MR. TRITES: Well there are some areas where there is some sort of an assigned risk or a facility arrangement in existence, but we've never had any call for it in Manitoba because we've never been alerted to the need. Where there is a need there is a facility, so that we've never been alerted by the Department of Insurance as to the need for any such facility in the Province of Manitoba.

MR. MINAKER: So that the insurance is available for Northern Manitoba if the people request it?

MR. TRITES: To my knowledge it is.

MR. CHAIRMAN: Mr. Cherniack.

MR. CHERNIACK: Mr. Trites, you're really not aware about writing insurance in the remote areas of Manitoba, as to whether or not your company does it?

MR. TRITES: Oh I'm quite sure we do, sir.

MR. CHERNIACK: You're quite sure that you do?

MR. TRITES: I can't say for sure. The gentleman down there named some specific spots. I'm not familiar with those and I'm not prepared to respond. But we do write insurance all over this province, and as far as I am concerned there are no restricted areas.

MR. CHERNIACK: You're not aware of any of the places, remote areas.

MR. TRITES: I'm not aware of them.

MR. CHERNIACK: No names come to mind.

MR. TRITES: I'm not aware of any remote areas that we would not operate in.

MR. CHERNIACK: The kind of risks, does that come to mind in Northern Manitoba, in remote areas?

MR. TRITES: I have no knowledge of it, Sir.

MR. CHERNIACK: Mr. Trites, you mentioned previous auto insurance, when if you can get a license you could get insurance. And you left it at that. Is that the whole picture? Wouldn't you want to add something to what you've said?

MR. TRITES: You mean part of autopac, sir?

MR. CHERNIACK: Yes. You said if you can get a car license, you could get insurance.

MR. TRITES: No. I said that we had an agreement with authorities, Manitoba Government, that we would insure any risk if they saw fit to license - and we did.

MR. CHERNIACK: And is that all that you want to say about it? Don't you want to say something about the assigned risk, the markup?

MR. TRITES: No. I want to say if you had something - pardon?

MR. CHERNIACK: Did you not want to tell us something about additional cost or a mark-up on the premium? Or is there nothing like that that . . .

MR. TRITES: Well naturally if it's substandard risk, it deserves something more than a manual rate, wouldn't you say?

MR. CHERNIACK: So what was your rate then?

MR. TRITES: Pardon me?

MR. CHERNIACK: Was there not a standard mark-up then?

MR. TRITES: Well I assume that there would be a mark-up, depending on the type of risk that we were assuming.

MR. CHERNIACK: Mr. Trites, I'm under the impression - and I don't know anything about the insurance business, of course, compared with you - I'm under the impression that the assigned risk was an agreement between companies that they will write rejected insurance in a quota sort of system amongst the insurance companies at a precise mark-up. Like 20 percent.

MR. TRITES: Well I believe, Mr. Cherniack, that there was a sort of a schedule of surcharges that companies would not go beyond. I think there was an agreement whereby the surcharges would be such and such for various offences.

MR. CHERNIACK: Would you agree that when it was an assigned risk the company wouldn't go below that surcharge as well? That the company was forced to take this?

MR. TRITES: No, there's no obligation on our part to stay at it. We could go below it if we wished, or we could use the maximum surcharges that were suggested by the assigned risk plan.

MR. CHERNIACK: Are you aware that there were charges of assigned risk, that is rejected insurance which was assigned to a company which was written at less than the maximum?

MR. TRITES: No, I can believe that, that there were assigned risks maybe written at manual rates. Sure.

MR. CHERNIACK: You can believe it, but you're not really aware of it.

MR. TRITES: Sure. Oh no, I believe it. I know that we, for instance, wrote assigned risks at manual rates, just the same as we will write much of a facility business right now at manual rates. Merely because it happens to be a facility risk is not a suggestion that we're going to charge a higher rate. A lot of it is written at manual rates.

MR. CHERNIACK: And you say that was the case of assigned risk in automobile policies where they had actually been rejected by insurance companies. You would write them at the manual rate.

MR. TRITES: We had written some - or we would write them using surcharges, depending on the driving record of the applicant.

MR. CHERNIACK: You've mentioned also that before Autopac there was \$35 million in premiums, after Autopac \$51 million in premium; and you suggested very clearly that the coverage was sufficient under the 35 million and that the extra was unnecessary coverage. I think you used that word. Is that correct?

MR. TRITES: No, I said that when the motorists of Manitoba paid 35 million for automobile coverage, they were buying all the coverage that they needed, all that they wanted. Now under this compulsory program, we have many people that are forced to buy collision coverage that really can't exercise the coverage because the vehicle doesn't happen to be worth the deductible. I think you're forcing people to buy insurance, much of which can't be used anyway.

MR. CHERNIACK: Mr. Trites, were you one of the companies that was in favour of compulsory auto insurance?

MR. TRITES: No.

MR. CHERNIACK: You're aware that there are some.

MR. TRITES: I could appreciate the necessity, Mr. Cherniack, of compulsory insurance. But no, I'm not an advocate of it, for the mere fact that it means government involvement. Once it becomes compulsory, it becomes a political football in my view.

MR. CHERNIACK: Was it confirmed that the big thrust of the auto insurance companies was compulsory insurance?

MR. TRITES: Oh I know there was divided views - many companies - and really, I must confess I had mixed feelings. I think a case can be made for compulsory insurance. I really believe that everyone driving a car should have at least third party coverage.

MR. CHERNIACK: But once there is compulsory insurance, then you do set certain requirements, don't you?

MR. TRITES: Nothing though that can't be done through regulation. I still feel that you don't have to have government involvement.

MR. CHERNIACK: But you would still possibly have more than \$35 million written.

MR. TRITES: Mr. Cherniack, there's compulsory insurance in many parts of the world without government insurance.

MR. CHERNIACK: Mr. Trites, I'm asking as to the amount of the premiums - and I'm saying that if you have compulsory insurance by regulation written by anybody, then would there not likely be more than \$35 million to have been written in Manitoba?

MR. TRITES: Not necessarily, because I don't think that the compulsion need go beyond the third party anyway. You've gone beyond the third party. And if it's confined to third party, the premium income wouldn't necessarily be very much more.

MR. CHERNIACK: You're saying that the compulsory part, which not all had, did they? They did not all have third party - under the 35 million.

MR. TRITES: Oh no, there's a small percentage of Manitoba motorists without insurance. A small percentage.

MR. CHERNIACK: There were Manitoba motorists without any insurance at all, weren't there?

MR. TRITES: A small percentage were uninsured. I don't know whether anyone knows the exact percentage.

MR. CHERNIACK: So when you are saying 35 million as compared with 51 million, you were talking apples and oranges to some extent. Or oranges and grapefruit?

MR. TRITES: Mr. Cherniack, with all these promises that the Government made concerning Autopac, this question didn't come up at all - that the statements were that Autopac would save the people of Manitoba 20 to 25 percent on the cost of auto insurance and they have not done so.

MR. CHERNIACK: Mr. Trites . . .

MR. TRITES: It's up 50 percent from what it was in 1970.

MR. CHERNIACK: I appreciate what you're saying. I'm also questioning the nicety of whether you are telling exactly the full picture, and that's why I'm trying to get from you - and you needn't agree - that when you say 35 million as compared to 51 million, you leave out the fact that the coverage isn't the same, and you leave out the fact that if it was compulsory then there would have been more than 35 million, even to a small extent.

MR. TRITES: I do say that the 50 million - a lot of that compulsory, yes, is in that 50 million, but it's completely unnecessary. You're charging people premium that they shouldn't be paying.

MR. CHERNIACK: Mr. Trites, I'm trying to get to you . . .

MR. TRITES: And there are no losses on it.

MR. CHERNIACK: I'm asking you, Mr. Trites, would it have been anything over the 35 million?

MR. TRITES: Very little. Very little, Mr. Cherniack, because of the percentage of insured vehicles in the province. And it's anybody's guess as to what the percentage was, but we always felt that it was very high. It was something in the order of 97 percent before Autopac.

MR. CHERNIACK: That was for what was voluntarily written.

MR. TRITES: Right.

MR. CHERNIACK: Now, Mr. Trites, one more. You were answering Mr. Axworthy. He read to you from your statements, Page 2, I guess it is: "During the 1973 Manitoba election campaign a number of references were made by Premier Schreyer as to the possibility of the Manitoba Government entering the fire insurance business. It was obvious from some of the statements made that he was misinformed". You gave as an example the Tuxedo rate increase. Right?

MR. TRITES: Yes.

MR. CHERNIACK: I think you also said that's the only one that you heard mentioned.

MR. TRITES: That's the only comment I heard. The only criticism I heard of rates at any time was that one example. I saw it in the press on two or three occasions, this Tuxedo up 25 percent. I don't know why.

MR. CHERNIACK: What are the other statements you made?

MR. TRITES: Well, the same kind of nonsense that we're getting now about not living up to the responsibilities, the market shortages and this sort of thing - were really the excuses that were given at the time.

MR. CHERNIACK: I'm just trying to find out what you're talking about when you say a number of references and some of the statements, he was misinformed. I want to hear how many there are and what they were. You say Tuxedo, and that the service hasn't been adequate by the insurance industry.

MR. TRITES: I'm thinking of market shortage, service, this kind of thing.

MR. CHERNIACK: Yes. What else?

MR. TRITES: Money not remaining in the province - and this kind of thing.

MR. CHERNIACK: The kind of thing is what you're referring to in this document.

MR. TRITES: Well I said a number, and that's a number, isn't it?

MR. CHERNIACK: Well, it's two or three.

MR. TRITES: Mind you, he really didn't talk very much about it. He made a couple of statements concerning fire insurance, but they weren't very informative I must confess.

MR. CHERNIACK: So when he didn't talk much about it, he still made a number of references, some of them showing that he was misinformed.

MR. TRITES: Right. I think he was misinformed on all of them.

MR. CHERNIACK: Thanks, Mr. Trites.

MR. CHAIRMAN: Mr. Pawley - Selkirk.

MR. PAWLEY: Mr. Trites, you indicated that during the campaign mention was made by the Premier and others of government going into fire insurance but not the other various items referred to in the Bill. Mr. Trites, when Wawanesa sells a policy, a homeowner policy, does that policy always only include fire insurance, or is there usually further attachments to that policy beyond fire insurance?

MR. TRITES: The so-called "homeowners" does include some other coverages, liability coverage, theft, and that sort of thing. It's a package policy with some other coverages. There are very few fire insurance policies today that confine themselves to fire insurance only.

MR. PAWLEY: Would it be convenient to your policyholders that, for instance, Wawanesa only sold fire insurance and did not make available to its policyholders plate glass or liability and its policyholders would have to go to a second company in order to obtain that type of service?

MR. TRITES: It certainly makes sense, and we know that these other lines are allied to habitational insurance. You know, plate glass, theft, personal liability, and that sort of thing. They are commonly sold in a homeowner's policy.

MR. PAWLEY: Mr. Trites, you mentioned that government had never brought to your attention any problem involving market shortage. I was just wondering if your agents or representatives of the Independent Agents Association, or the Autopac Agents Association which primarily represents the rural agents, had brought to your company any indication of market shortage?

MR. TRITES: No, not to my knowledge, Mr. Pawley.

MR. PAWLEY: Including in the rural - the farm areas, farm buildings?

MR. TRITES: Well now again, I can honestly say not to my knowledge, but that's not saying that an agent hasn't mentioned something to our company. But I presume if it's been mentioned, we've taken care of it.

MR. PAWLEY: You mentioned automobile insurance rates having increased since 1970, autopac rates. Have fire insurance rates increased in Manitoba since 1970 as well?

MR. TRITES: Darn little. If I understand correctly, rates have gone up something in the order of 10 or 12 percent in a matter of seven years.

MR. PAWLEY: Are you referring to Wawanesa or to the fire insurance industry in general?

MR. TRITES: I'm talking about the fire insurance generally. Mr. Pawley, there's something that the people don't understand concerning the cost of fire insurance. There's a difference between premium and rate. We're talking about rates, and rates really have gone up very very little. It's true that premium has gone up, but premium is rate times the amount of insurance, and in an inflationary period like this naturally amounts of insurance have to go up or people are terribly under-insured. And if amounts of insurance go up, the premium is going to go up, even at the old rate. But you can't blame the insurance companies for higher premiums if the rate stays the same.

MR. PAWLEY: Mr. Trites, you made reference to the Autopac, the additional moneys that were being paid in automobile insurance compared to 1970 - I believe you used the figure 51 versus 35 million. You would, of course, in addition to the points that were raised by Mr. Cherniack in respect to coverage and uninsured motorists, you would also acknowledge that in that figure of 51 million there is a substantial increase in the number of motor vehicles being insured now in 1974 compared to 1970 in Manitoba.

MR. TRITES: Number of motor vehicles being insured?

MR. PAWLEY: Motor vehicles, yes.

MR. TRITES: Oh, there are some. But as I understand it, the population of Manitoba is not growing very much, and I don't think that increased number of vehicles is going to amount to very much because our population is pretty stable, is it not?

MR. PAWLEY: Would the increase in the number of motor vehicles in Manitoba be averaging about five percent per year?

MR. TRITES: I can't answer that.

MR. PAWLEY: Does your company write in the Maritime provinces?

MR. TRITES: Yes, we do.

MR. PAWLEY: Will you be attending the meeting with the Premiers of the Maritime provinces to answer the complaints that they have levied in respect to recent rate increases in the Maritimes?

MR. TRITES: I haven't heard anything about the meeting. Obviously there are no complaints. I haven't heard about it.

MR. PAWLEY: Page 2 of the Tribune, the day before yesterday.

MR. TRITES: As I say, Mr. Pawley, I haven't heard about it.

MR. PAWLEY: Now, Mr. Trites, in the 1971 automobile insurance debate you, with great conviction, spoke about the importance of freedom of choice; that each Manitoban ought to have the freedom to choose from which company, from where he purchases automobile insurance - and I believe you still hold to that view that there should be freedom of choice insofar as the purchase of automobile insurance?

MR. TRITES: Yes, I do.

MR. PAWLEY: I want to say to you, Mr. Trites, as one of your half million Wawanesa members, that I might desire the freedom of choice to purchase my fire insurance, general insurance, from the Manitoba Public Insurance Corporation. Should I, along with other Manitobans, have the right to have that freedom of choice?

MR. TRITES: Mr. Pawley, you know that's a ridiculous approach to this thing. You could apply the same thing to food or automobiles or tires or anything else you buy. Should you be permitted to buy any service or commodity you want from Government today? Is this your feeling?

MR. PAWLEY: Well, Mr. Trites . . .

MR. TRITES: Why fire insurance? There are already a hundred companies which you can choose from now. Why do you want more?

MR. PAWLEY: If we could just return to the use of the term freedom of choice. If you're satisfied now with Manitoba Public Insurance Corporation in the field of providing insurance coverage in respect to automobile and if there's a substantial number of Manitobans that would like their entire insurance portfolio placed through the existing insurance entity, the Manitoba Public Insurance Corporation, should those Manitobans not have the right to so indicate and so purchase their insurance through Manitoba Public Insurance Corporation?

MR. TRITES: I don't see why. They're not asking for it. They're not asking for it. There are already, Mr. Pawley, a hundred or more companies to choose from; there's certainly lots of freedom to choose now.

MR. PAWLEY: Mr. Trites, would you believe me if I told you that many Manitobans have indicated to me over the past period of time that they would like to acquire their insurance from the Manitoba Public Insurance Corporation?

MR. TRITES: Oh well, I would assume that there's - what are the numbers - 43 percent of your followers would probably like the same thing that you're proposing?

MR. PAWLEY: Well then, should the 43 percent of Manitobans, if that is in fact the percentage wanted that choice . . .

MR. TRITES: No; no, I don't think so. I don't think so. No. You've already crippled the industry by taking the automobile insurance on a monopolistic basis. Why finish this off now by getting involved in a thing where there are already hundreds of companies competing?

MR. PAWLEY: Well then, Mr. Trites, could you tell me for the life of me what freedom of choice means to you?

MR. TRITES: Mr. Pawley, I mentioned before, that if the competition were to be free and honest, we'd have no objection. But as far as I'm concerned it's impossible; it's impossible for the Government to operate with industry on a free and honest basis.

MR. CHAIRMAN: Mr. F. Johnston.

MR. F. JOHNSTON: Mr. Trites, you said earlier to Mr. Uruski, if he'd let you quote on his building, you would let him quote on yours.

MR. TRITES: Yes, I'd think that would be fair exchange.

MR. F. JOHNSTON: Now, if the people of Manitoba have the freedom of choice to purchase their fire insurance from the Government, would you believe they should have the freedom of choice to purchase their automobile insurance from you?

MR. TRITES: Would you give me that question again? I lost you.

MR. F. JOHNSTON: I just said, if you believe - as Mr. Pawley says, if there's a lot of people believe they want the freedom to purchase fire insurance from the Government, would

(MR. F. JOHNSTON cont'd) . . . . you not believe that there are people that would like the opportunity to purchase their automobile insurance from you? Freedom of choice.

MR. TRITES: Well I think that makes sense.

MR. F. JOHNSTON: Are they allowed to, Mr. Trites?

MR. TRITES: They're certainly not allowed to buy the basic from us.

MR. F. JOHNSTON: That's right. Mr. Trites, you've been asked a lot of questions about selling in different areas, and as the manager of a company I'm sure that you don't know everything your salesmen are doing at all times any more than a Minister knows what's happening in his department at all times. Mr. Trites, is it the policy of your company - or is it the instruction to your salesmen to sell as much insurance as they can?

MR. TRITES: Oh yes, of course. That's so.

MR. F. JOHNSTON: Therefore, that you would expect your salesmen to cover every area possible.

MR. TRITES: That's right.

MR. F. JOHNSTON: And if they don't, I guess maybe somebody else has taken the business, or you would assume somebody else has that business.

MR. TRITES: That would seem to follow, yes.

MR. F. JOHNSTON: Mr. Trites, then the accusation that this province may not be being covered by private insurers is not entirely right, because out of the hundred, would you say that the province is being completely covered?

MR. TRITES: Well I really believe the province is being properly covered now. On this question, Mr. Chairman, of complaints, that seems to be a bit of an issue in this debate. When I met with Mr. Uruski that day, he told me about some complaints that he as a Cabinet Minister had received concerning fire insurance, and I asked Mr. Uruski what he did with those complaints, because I think that's important. I think if any of you gentlemen get complaints, you shouldn't attempt to deal with them yourself. We have a Department of Insurance, I think that any one of you who gets a complaint should refer it to the Department of Insurance. That department will then check out the complaint. First of all, find out whether or not it's legitimate. If it is legitimate, he'll go to the company concerned and have it corrected, even if he has to do so by regulation - that can be done. But I don't really believe that you people are living up to your responsibilities if you just take those complaints and talk to yourselves about them. I think that if you have complaints, they should go to the Superintendent of Insurance; he's the man to deal with them. And if we're wrong, he'll come to us and correct us.

A MEMBER: Most of our complaints are from Autopac.

MR. F. JOHNSTON: Yes.

MR. TRITES: Well, they should go to the corporation involved, the same as fire insurance would come to us, or automobile did in the days when we had automobile insurance. As I said before, I think it's reasonable for us to assume that these complaints are a lot of nonsense, until they come to us from the Superintendent of Insurance.

MR. CHAIRMAN: Mr. Johnston.

MR. F. JOHNSTON: Mr. Trites, when Autopac came in, my wife had a 1960 Falcon. I did not carry collision on it. Would you say that there were many many people doing the same as I did before Autopac, that did not carry collision on a car that old?

MR. TRITES: Well I can't give you the exact percentages, but you're right, there are many many people who did not carry collision on older cars many people who didn't carry collision on new cars. Any driver who felt that he was a safe enough driver so that if you're involved in an accident it was going to be the other fellow's fault, if he was prepared to assume that himself, he didn't carry collision. But certainly on old cars, there were a fair percentage of them that were uninsured as far as collision coverage is concerned.

MR. F. JOHNSTON: Thank you.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I think - and I won't go through all of them, I don't think it's necessary. I'd like to just make some reference to, or at least refer to some of the statements the Premier made during the election with respect to fire insurance, to see the particular position you have with respect to the information that was supplied at the time. In May of 1973, he said that . . .

MR. CHAIRMAN: Mr. Paulley on a point of order.

MR. PAULLEY: Mr. Chairman, on a point of order, I wonder whether or not it's proper for the members of the Committee or the members of the Assembly to question Mr. Trites on

(MR. PAULLEY cont'd) . . . . . statements that were made during a political campaign. I think that the object of hearing representations at this Committee is to have the opinions expressed of those who desire to make representations to the Committee and for the committee members to question the delegation on their statements to this Committee. I don't think that it's fair or reasonable for Mr. Trites to be placed in a position where he has to answer in respect of statements that might have been made during a political campaign.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, on the point of order. It's obvious that the Minister of Labour was sleeping in the last little while because . . .

MR. PAULLEY: Well I'm awake right now, Mr. Chairman.

MR. SPIVAK: Yes. Well maybe he's awake right now, but he was sleeping - because the Minister of Finance did exactly that.

MR. PAULLEY: I'm not talking of the Minister of Finance.

MR. SPIVAK: The Minister of Finance . . .

MR. CHAIRMAN: Order please. Order please.

MR. PAULLEY: I object.

MR. CHAIRMAN: Mr. Spivak. On the point of order.

MR. SPIVAK: Mr. Chairman, without dealing in the specifics but making reference to what I believe the Premier did say, we've already dealt with the question of the premium rate going up 25 percent in South Winnipeg; in one case South Winnipeg and in the next case Tuxedo, and I guess he couldn't say it was River Heights or he would have liked to at the time. I wonder if you can indicate whether you would accept his basic position in the election, that the reason that the public corporation could not compete with private enterprise in the auto insurance field was that the private companies would be able to skim the best risks at lower premiums while the Government, because it is a public agency, would get stuck with all the poor risks. Do you believe that that position would be the case if you were competing in auto insurance? And can you tell me how the Government expects to compete with you in the fire insurance and not find that they are going to find that the Government will be getting stuck with all the poor risks?

MR. TRITES: Of course I never did follow that concept, that if auto insurance were open to competition that somebody would get stuck with all the bad risks. There are many companies competing, and I don't know that any one insurer is being stuck with all the bad risks. But to answer your question, I would certainly say that if that's the case in automobile insurance, it's going to be the same in fire insurance. If it is the case in auto, it would seem to me to follow that it will be the same in fire.

MR. SPIVAK: From a conceptual point of view, do you see anything that is different between auto insurance and fire insurance as a service that's offered to the people for their protection?

MR. TRITES: Yes, I certainly do. I think it's quite a different matter. When the government made automobile insurance compulsory, I suppose there could be a case made for government involvement in the automobile insurance business. I still don't think that it need be on a monopolistic basis. I think if they really wanted to compete with the industry, allow the industry to compete, they could have. But in the case of fire insurance, I see no necessity at all for government involvement. After all, one can make the choice as to whether or not he wants to insure his property, there's no compulsion. If he wants to insure it, okay; if he doesn't want to insure it, okay. I see no reason at all for government involvement in the automobile insurance when you're making it compulsory. But certainly it is not the intention, is it, of this government to make fire insurance compulsory - or is it?

A MEMBER: Don't bet on it.

MR. SPIVAK: Would you consider auto insurance a utility, and fire insurance not a utility in a conceptual sense?

MR. TRITES: It all depends I guess on your definition of a utility. I would certainly say that automobile insurance is nearer a utility than fire insurance. I don't think fire insurance could be classed as a utility in any way, any more than life insurance.

MR. SPIVAK: The government during the election and since that period of time - you mentioned in your brief as well - have indicated that they were going to be completing studies before their entry, and in fact the words were that there would be a second check. To the best of your knowledge with respect to your company and others whom you may or may not have been

(MR. SPIVAK cont'd) . . . . in contact with, has the government been in contact with you; has the government spent any time obtaining information; are you aware of any study or any particular documentation that's been completed by the government justifying the entry because of the increased premiums that have occurred - to use the words "the escalation of premium costs" - that would warrant the government entering into the fire insurance field?

MR. WIEBE: No, Mr. Chairman. I'm not aware of any studies that the government has undertaken. As a matter of fact the reverse is true. I think - as I've pointed out in my submission - that we did attempt to initiate something with Premier Schreyer shortly after the election, because it seemed to me that he did have some concerns that he was misinformed, and I thought it was our responsibility to write to him and offer to meet with him. This was not made public. We wrote the letter to the Premier, and that's the way it was. As far as I'm concerned, I am not aware of any first look, let alone a second look. I don't know of any studies that the government undertook. Again, there's a very interesting article in the Free Press tonight. Someone made the statement that for two years the government has been monitoring the fire insurance business. I don't quite know what that means. Is that a study? I don't know what it is.

MR. SPIVAK: I guess our problem, Mr. Trites, is you're not aware of any study insofar as the industry is concerned, we're not aware of any study, so I guess we can assume that there was no study.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: I would just like to ask Mr. Trites a couple of questions concerning this issue of fair competition. First, as a matter of interest, do you now bid on government buildings and do you now insure government buildings in the province?

MR. TRITES: I'm not sure whether or not we're on the government schedule at the moment or not. I know it is open competition. I know the government are self-insurers on part of the government buildings and I think it's probably - they have something like the first half million of the schedule, then there's another three and a half million that's up for tender with private insurers, then I think the government comes in again over that three and a half million. It's something of that sort. I'm not sure whether we have any of it or not. It's submitted to us occasionally to tender on and I'm not sure whether we have any or not. But I know it is open to tender now.

MR. AXWORTHY: Would that . . . .

MR. CHAIRMAN: Mr. Adam, on a point of order.

MR. ADAM: On a point of order, Mr. Chairman, I'm just wondering - Mr. Trites has been standing for at least an hour. Would it not be possible to perhaps move the podium and have a chair instead - that he could answer the questions from a chair rather than standing? I don't know how many more questions there are going to be but . . . .

MR. TRITES: Thank you very much.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Thank you, Mr. Chairman. I just suggest that usually when you're standing you can move quicker when things are thrown at you.

MR. TRITES: Yes, I can get out faster.

MR. AXWORTHY: That's right. Coming back to the question, would the government business that is now tendered, would that constitute a significant portion of the general insurance market that's available? Is that a good piece of business for the private companies now to get into?

MR. TRITES: I don't know what the amount is, I'm not sure, I'm trying to remember just what that information was when we were asked to quote on it a few years ago. It seems to me that the government have something like 1,900 buildings now of all shapes and sizes and that sort of thing; there's quite a few of them in the province. I think that the schedule amounts to something like 100 million, and I don't know what percentage of the over-all that would account for.

MR. AXWORTHY: I see. I would judge from that that you would say that would constitute a fairly good piece of business.

MR. TRITES: Oh, it's a sizeable premium.

MR. AXWORTHY: All right. Mr. Trites, on another item which I think is a fairly important one - you state on Page 4, in fact you asked a question about whether the new insurance corporation will pay a premium tax, although the legislation does say it will pay a premium tax

(MR. AXWORTHY cont'd) . . . - let me raise this question with you, the question of corporation taxes--and again, without wanting to divulge information you can't -- one major difference between your company and the public company would be that you pay corporation taxes and they won't.

MR. TRITES: As I understand it, that would be the situation.

MR. AXWORTHY: Now, if you were freed of the obligation to pay corporation taxes, what might that do to the rates that you would offer? Would it substantially lower the rates so that you could offer cheaper insurance? Would it enable you to provide for a wider market selection - in other words, go to areas, insure higher risk of buildings now, if you didn't have to pay that corporation insurance . . . ?

MR. TRITES: Well certainly if we were relieved of corporation taxes, we could write at considerably lower rates.

MR. AXWORTHY: Sorry Mr. Trites, I couldn't hear. I was being interfered with. Could you repeat that?

MR. TRITES: Certainly if we were not paying corporation taxes, we could write at considerably lower rates, because after paying our losses and expenses if we have a dollar left over, 50 percent of it, half of it goes to corporation taxes, so naturally if we have any money left over and we weren't obliged to pay corporation taxes, we could use it in rate making. We have no hang-up at all on this business of investment income. As a mutual company, all the dollars belong to the policyholders and it doesn't matter to us where they come from, whether it's investment income or premium. It all belongs to the policyholders, and we use it to pay losses and expenses.

MR. AXWORTHY: But you feel then that because of the requirement of your company to pay corporation taxes and a Crown company not to pay corporation taxes, that would place an unfair disadvantage upon your operation.

MR. TRITES: Only if and when they are successful in making money. I don't think that's a danger for a few years. That may not be a factor for a while.

MR. AXWORTHY: Fine. In the same vein, Mr. Trites, in terms of the investment income - and you may have handled that before but - to what degree in terms of the profitability of your company is gained by the investment part of your portfolio as opposed to the premium part?

MR. TRITES: In 1973, we had an underwriting loss of about three and a half million. That means that we paid out more in expenses and losses than we collected in premium. Our investment income amounted to I think about 5.6 last year, so we had about something like two million before tax, which is investment income and taking in the underwriting loss. So we had an income before tax of about two million and then about a million after tax. Half of it went to corporation tax.

MR. AXWORTHY: Thank you. There's just one other line of questioning. I'm just intrigued. I missed it the last time. You made a remark I think - it's not in your brief, but you in passing suggested that one of the major problems with the operation of the automobile insurance is that they are now being compelled to give excessive settlements on claims because of the fact that they are a public corporation and people tend to look upon them as something that they can bully a little bit more than they could a private company. Do you have any evidence of that? Is that just kind of an observation? Is there any kind of - that could support that statement, because if it's so, it's an interesting situation.

MR. TRITES: Well I did make that statement concerning Autopac back a few months ago. It was a personal observation but I think it's more than a personal observation. I think it's common sense. I really think that any government operation is going to be called on to pay losses that we as a private corporation wouldn't pay. I think we're very generous and honest in our claims settlements, but there's a point beyond which we won't go. I really believe that with all due respect to any political party, when it's political, there's going to be claims paid that a private corporation wouldn't pay. I made the statement that early in the game I really believe that Autopac were using the payment of claims as a P. R. tool, and I really believe that. Evidence of that is how they've tightened up in the last six months, or a year. They are much more aware of their claims payments now than they were a couple of years ago. I think they were very conscious of P. R. in the first couple of years, and I honestly believe that they were fairly generous in their claims payments.

MR. AXWORTHY: Thank you, Mr. Chairman.

MR. TRITES: I think that many people who came to Manitoba to look at this program - and when they went through these claims centres, I think they found that people were really pretty uptight by the time they got to the door but they were smiling on the way out - and there's only one way to make people smile.

MR. CHAIRMAN: Mr. Sherman.

MR. SHERMAN: Thanks, Mr. Chairman. Mr. Trites, the government has said - and the Bill clearly implies that the government believes that in the new fields of insurance into which it's entering, that it can compete with private industry on an absolutely equal basis. In fact, that statement has been made in those direct terms, that it intends to compete with private industry on an absolutely equal basis. Do you think that's possible, Mr. Trites?

MR. TRITES: Well no, I don't think it's possible. It's certainly not probable, because of the matter of corporation tax alone. If we pay 50 percent of the dollar that's left over in corporation tax and they don't pay it, they've naturally got an advantage. If they're going to be able to get all the kinds of information they want, reports from government departments without cost - I don't know whether they pay for these or not, - again it's unfair competition. I think there are many areas that the Government will have that will be unfair competition as far as we're concerned.

MR. SHERMAN: There would be the existence of a subsidy for your competition at the same time, is that not true? You would, in fact and in effect, be subsidizing your own competition.

MR. TRITES: Well, I think in the business of government buildings, that's wide open. If they're not going to allow competition on that, what rate are they going to set? It's questionable. They can set any rate they want. No competition. You all are aware of the examples that we had coming out of Saskatchewan when Premier Schreyer demonopolized this sort of thing a few years ago. There were cases there where schools, when they became open to competition, were paying half what they were paying SGIO. This is an example of monopoly versus private competition.

MR. PAULLEY: Do you remember a few years ago, Mr. Trites . . . ?

MR. SHERMAN: Just one other question, Mr. Chairman. You've suggested, Mr. Trites, that the present policy, the present program of government automobile insurance, has crippled your industry and you suggest by implication that the legislation before us would go substantially beyond the scope of merely crippling the industry. I'd just like to ask you whether you would be prepared to say that it would kill the industry.

MR. TRITES: No, I won't go so far as to say it will kill us. It won't kill us. I think as far as we're concerned, even if the competition's not fair I think we will be in there and competing. As a matter of fact, we write more business in Saskatchewan now competing with the SGIO than we've ever written before. There aren't too many companies --not all the companies are operating in Saskatchewan, but we do write a fair share of the fire insurance business in Saskatchewan, so, no, I don't think they'll put us out of business.

MR. SHERMAN: But you cannot see the justification for the intrusion into the . . .

MR. TRITES: No. I really believe that there should be some honest justification before this move is made and to date, as far as I'm concerned, we have not been given any.

MR. SHERMAN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Paulley.

MR. PAULLEY: Mr. Chairman, to Mr. Trites. Do you recall a few years ago, when we attempted to have competition between the automobile insurance industry as we knew it then and the Government, that the Canada Insurance Corporation and all of their . . .

MR. TRITES: Would you--I can't hear you very well, Mr. Paulley.

MR. PAULLEY: Do you recall, Mr. Trites, a few years ago, when some of us in the Legislature attempted to bring about an aura of competition in the automobile insurance industry, that a number of individuals in Canada Insurance Corporation, or Association, and others, appeared in this very room to support the contention that only those that were in the automobile insurance industry at that time should be allowed to continue?

MR. TRITES: No, I must confess, Sir. I'm not aware of that meeting. I wasn't here. I don't know anything about it.

MR. PAULLEY: Your representatives were, Mr. Trites, and if you'd like some documentation I still retain that in my office of the fights that we had at that time.

MR. TRITES: I don't really get your point though, Mr. Paulley.

MR. PAULLEY: No, I'm sure you don't, Mr. Trites. Thanks.

MR. CHAIRMAN: If there are no further questions, thank you, Mr. Trites.

MR. TRITES: Thank you.

MR. CHAIRMAN: Mr. McDowell please.

MR. McDOWELL: I have one copy, Mr. Chairman, I'd like to leave with the committee, if I may.

Mr. Chairman, honourable members, Bob McDowell is my name. I'm representing the Insurance Agents' Association of Manitoba. Our presentation is very short; it deals with two items, and if you'll bear with me I'd like to read through it for the benefit of those present.

The Insurance Agents' Association of Manitoba, on behalf of its members and on behalf of all other general insurance agents who identify with the aims and objectives of this association, wish to record their concern with certain sections of Bill 83, entitled An Act to amend The Automobile Insurance Act, which Act may hereafter be known as the Manitoba Public Insurance Corporation Act.

Of continuing concern to agents throughout the Province of Manitoba is the effect that this bill will have on their livelihood and on the stability of the general insurance industry as it exists today within the province. We have particular concern over two sections of your Act as follows: Page 7 - if you have your copies of the Act with you - clause (f), "to acquire by purchase or other means the business and property or any portion thereof of any other insurer, agent . . . ? Our concern lies with the reference to "agent" and the acquiring of business "by other means".

Page 19, "Corporation as agent", and it's clause 25 (1).

MR. PAULLEY: Excuse an interruption. I believe the Minister responsible . . .

MR. URUSKI: Mr. McDowell, that portion of clause (f) will be deleted. The first portion regarding other means, acquire by purchase. We don't need that other authority.

MR. McDOWELL: That will be deleted.

MR. URUSKI: Yes.

MR. McDOWELL: Thank you, Sir.

MR. CHAIRMAN: Proceed please.

MR. URUSKI: And your other concern?

MR. McDOWELL: Our other concern is Page 19, Section 25 (1): "The corporation, its officers, or full-time salaried employees may act as insurance agents . . . and the provisions of The Insurance Act do not apply to such agents . . ."

MR. CHAIRMAN: Does that complete your presentation, Mr. McDowell?

MR. McDOWELL: No, Sir, it does not. I just wondered if Mr. Uruski's acknowledgement meant that we'll delete that one as well.

MR. PAULLEY: Oh no. Oh no. You're batting 50 percent right now, Mr. McDowell.

MR. McDOWELL: I should have read the other one first. We have been told over recent months that the Government's intention in entering the general insurance business at this time is to supply market facilities which they believe do not now exist. It has been our understanding that the Government, if they were to enter the general insurance business, would enter in such a manner as to be another competitor for that business which now exists. As we examine and attempt to interpret the clauses referred to above, it would not appear that the Government has the intention of being a competitor; it would appear as if the Government intends to function both as an insurer and agent. We do not believe that this is a competitive situation and, if our interpretation of this matter is correct, we object most strenuously to the position that has been taken since there will be a profound effect on the livelihood of all present participants in our industry.

It is our view that the public of Manitoba would not be adversely affected if this bill was delayed until those matters of Autopac which have not yet been resolved between the corporation and its agents have been taken care of. Several of these problems are long outstanding and have all been summarized in a written brief which was handed the Government in mid April but which has yet to be presented on a formal basis.

Of principal concern to our agents is the lack of a contractual agreement between the corporation and its agents. Clarification on this important point would ease many problems, but the entry of government into the general insurance business before this original matter of concern is resolved, we believe is premature. It is the feeling of the agents of Manitoba that if the corporation is to assume an important insuring role in this province, that there be

(MR. McDOWELL cont'd) . . . . created a spirit of good faith which can only be developed through early liaison with those with whom you will depend on for the rapid growth of premium volume which will be necessary for a successful business operation. This will also be important in the matter of claims settlement which, should a competitive position be attained, will determine the longevity of the corporation as a general insurer.

We most respectfully request that the record clearly show that the purpose in presentation of this brief to your committee is because of our concern for the continuation of the agency business in Manitoba, as it has been recognized in the past and as we hope it will be recognized in the future. Respectfully submitted.

MR. CHAIRMAN: Thank you, Mr. McDowell. There are a couple of questions. Mr. McBryde.

MR. MCBRYDE: Mr. McDowell, does your organization represent any Wawanesa insurance agents from Quebec?

MR. McDOWELL: From Quebec? No, we have a national affiliation and I'm sure there are members in Quebec that represent the Wawanesa, not in Manitoba.

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Mr. McDowell, in your presentation you mentioned that there were points presented in a brief to the corporation with respect to matters not dealt with with the corporation. Would you like to outline some of the matters under discussion between your Agents' Association and MPIC?

MR. McDOWELL: Well, we hope that the raise in pay is one of the matters that's under discussion. Our first and primary concern is a written contract agreement to remove the agency appointment from the regulations, which leave us in a rather awkward position on death. It's a legal interpretation that we've had that the agency reverts back to the Crown on the death of an agent, and this isn't a very good situation as it exists today.

MR. URUSKI: Mr. Chairman, with respect to your mention about the contract, you are aware that there are going to be meetings between your association and staff of the corporation with respect to that aspect?

MR. McDOWELL: We are aware of it, yes. It's unfortunate the May 23rd meeting had to be cancelled because we had really hoped that there would have been that kind of dialogue, and attendance at this committee tonight wouldn't have been necessary.

MR. URUSKI: Could you tell me whether you've had comments from your agents in your association indicating that they felt that they could use some added market capacity in the Province of Manitoba?

MR. McDOWELL: Well, I started in the general insurance agency business in 1960. I worked for a large Winnipeg agency and I think they had something around 35 or 38 insurance companies that they were agents for, and I can remember that we couldn't be competitive in every instance in 1960. The fact that the government comes into the business today, I really don't think is going to change things. There will still be agents that complain of a market problem, or a lack of being able to be competitive, or to complete a large line, and I just can't see where any of those problems are going to be solved to any large degree. No one company can solve all the problems.

MR. MCBRYDE: Mr. McDowell, did I hear you correctly that the only reason you're here tonight is to negotiate with Autopac in terms of your rates?

MR. McDOWELL: No, sir. We had hoped to be--the dialogue that might have been established at that meeting prior to the fire bill getting second reading in the House could have perhaps resolved what our concerns might have been with respect to the fire casualty business, and our first knowledge of this bill was on Friday, this past Friday, and certainly this one section where it deals with corporation as an agent is of concern to us, and this I guess is the only avenue we have to express that concern.

MR. MCBRYDE: How many agents do you have in your organization from Northern Manitoba?

MR. McDOWELL: Just offhand I can't give you the number for Northern Manitoba but I can tell you that we do have members in The Pas, in Flin Flon, Thompson, Churchill. I don't know, you know, just to what extent we have in total numbers for Northern Manitoba but we do have members in those areas that I've named.

MR. MCBRYDE: And you haven't received concerns from them in regard to their ability to provide general insurance.

MR. McDOWELL: Well, yes, but I think I indicated that it's not any different than what it was in 1960. I have the same problems. When I go to work tomorrow I might get an opportunity to place a difficult line and I'll probably have my share of market problems. It's all . . .

MR. McBRYDE: It's pretty general knowledge that there is some problems though.

MR. McDOWELL: Oh yes.

MR. McBRYDE: But most people in the insurance business are aware of those problems?

MR. McDOWELL: Oh yes, it's nothing new. It's always existed and I think it always will. I don't think that any one company is going to change that.

MR. McBRYDE: No further questions, Mr. Chairman.

MR. CHAIRMAN: Mr. Pawley.

MR. PAWLEY: Mr. McDowell, do you recall in 1971, forecasts that were made when the Government entered into the automobile insurance field by the industry, that those other fields or areas that were not auto insurance but were general fire, etc., that the availability of those areas would shrink?

MR. McDOWELL: Yes, I remember.

MR. PAWLEY: Has that in fact occurred?

MR. McDOWELL: It's actually occurred and I think it's gone by us now. In the last six months I can name two insurance companies that pulled out of Manitoba shortly after Autopac that have since come back into the marketplace here.

MR. PAWLEY: So you are stating that the situation has returned to a situation somewhat comparable to that which existed pre Autopac?

MR. McDOWELL: Well in my own case it really hasn't changed. I represented eight or ten companies prior to Autopac, as I do today. Speaking for other agents, several were adversely affected with the implementation of Autopac, and with the exit of 15 or 20 or 25 insurance companies that were very active here there was a lot of movement in portfolios, and what I am suggesting today, it has probably got back to some kind of a norm. How it might compare to the year prior to the implementation of Autopac, I don't know.

MR. PAWLEY: Have you had agents in your association that are located in border areas such as The Pas, close to the Saskatchewan border, compare with you the method and the availability of insurance through their portfolios as compared to their brother agents across the border in Saskatchewan?

MR. McDOWELL: Yes. If the reference is SG10, they're doing business in Manitoba and have been for some time, so it represents a competitive market to agents, yes. Certainly we'll concede that. Not all agents have that facility, I might mention. I don't know just who does and who doesn't or what amount of representation they have here, but I know there is business being done in Manitoba in SG10.

MR. PAWLEY: The agents in Manitoba are represented by two different associations, is that correct? The Autopac Agents' Association and the Independent Agents'.

MR. McDOWELL: That is correct.

MR. PAWLEY: Would I be correct in stating that in general the Independent Agents' Association tends to represent -- a majority of its membership would be urban; the Autopac Agents' Association, the majority of its members would be rural, outside of Winnipeg?

MR. McDOWELL: Yes, our breakdown in membership, I can tell you, is about one-third outside of Winnipeg and two-thirds in the City of Winnipeg or within, say, the Perimeter Highway boundary or something of that order.

MR. PAWLEY: Now I'm interested in the fact, Mr. McDowell, that your representation is the only one on behalf of agents tonight. Reminiscing back to 1971, you can recall the numerous representations that were made by individual agents plus associations. Would I be correct in assuming from that that the agents in Manitoba are reasonably satisfied that they will be treated in a fair way rather than the fears that they were forecasting during the time of the 1971 Autopac debate?

MR. McDOWELL: I don't know if I can respond to that to the extent that you might like me to. I can tell you that since Friday of last week the executive of this Association has spent several hours considering what harm might be done to the relationship that this Association has been desperately trying to get with the Minister of Autopac; to the extent that we would prejudice the relationship, that there was a consideration that we don't make any representation here tonight. I can tell you that.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I would just like to pursue, if I might, the last line of questioning and statements that were made by Mr. McDowell concerning the position of the agents in relation to Autopac. I take from your remarks, and you can correct me, that you feel that there is a certain, maybe I'll use the mild word "hesitation" on the part of agents about commenting publicly on the operation of the public insurance operation in Manitoba for fear of prejudicing or in some way having their own livelihood threatened or endangered by public statement or comment or critique of what the Autopac and public insurance is doing. Is that a fair conclusion from your statement?

MR. McDOWELL: Well yes, I think you could conclude that from remarks that are made of a personal type, but I think if a review of the remarks that have been made in the last, say, six or eight months, that are official remarks of this Association, I don't think the Insurance Corporation or the Government, or any individual of Government, can find any fault with what has been said. Quite personally, I don't feel any club over my head in coming here and speaking on behalf of the Association. How an agent might feel individually, or if I didn't hold this office at this particular time how I might react, I don't know, but we didn't encourage any representation here tonight. We didn't notify our membership or in fact all agents in the province that these two sections of the bill were something that we should be concerned with and we didn't encourage anyone to come out here. We did approach the other association and we asked if they would be interested in making a joint submission and they responded in the negative, so . . .

MR. AXWORTHY: Well, to your knowledge again, and this is simply I'm trying to get information, to your knowledge has there ever been any discussion by officials of the Government or the insurance corporation with agents, concerning what was to be expected of them in terms of their public posture vis-a-vis public insurance corporation, and was there any intimation that such points of view or statements would not be welcomed or looked upon favourably?

MR. McDOWELL: Well, I think Mr. Uruski might admit to having made a statement, you know, that where agents couldn't cooperate under Autopac perhaps they wouldn't be considered for a fire casualty appointment. If it's not true then I withdraw the remark, but it might have been reported that way in the press or through the news media that it wasn't intended in that light, but certainly we talk about things like this amongst ourselves as agents. It's obviously -- it's a concern, yes, but not to the extent that it's impairing what we're doing here tonight.

MR. AXWORTHY: I'm not -- in fact I'm glad you're here; I'm just trying to determine one of the major questions. Always, I think, in discussing the setting up of a public corporation, which in fact becomes a monopoly, is the ability or the power being exercised over the people who have to work with it, and I'm just trying to find out if in fact there has been, because of a monopoly position, a certain degree of intimidation either implicit or explicit from Government to agents, at least one that they perceive, that they feel is there, and therefore restricts or they feel impinged upon. Is that a fair conclusion?

MR. McDOWELL: I took that impression and I thought perhaps there was a misstatement, I think it was back in February or March, and certainly I do withdraw the remark if Mr. Uruski doesn't acknowledge that to be a statement. So, you know, we're not . . . The suggestion has been made by people other than agents that there could be a possible situation of coercion where, you know, one has to provide a certain volume of business or things like that, they might be a concern, but there certainly hasn't been any official position or public statements made by this association expressing any concern in those areas.

MR. AXWORTHY: Just again, to be fair, would you say -- you said in your own business at one time you represented, say, some 30-odd companies in the agency you worked for?

MR. McDOWELL: The company I worked for, yes.

MR. AXWORTHY: Would you say that in terms of negotiating commissions and negotiating contract arrangements and the other kinds of relationships that would be established between an agent and a parent company, that there has been a major difference between the relationship between yourself and the private company that used to be in the field and the ones now that you explained to the Public Insurance Corporation, either positive or negative?

MR. McDOWELL: Well, we don't have a written contract and, you know, this is a concern and it's been expressed, and I think the Minister has indicated that he'll entertain

(MR. McDOWELL cont'd) . . . . that. Obviously that is a concern. The British Columbia agents have a written contract under Auto Plan and they have a number of things in their contract that are much superior for the agent than what the Manitoba agent has under Autopac.

MR. AXWORTHY: Again I'm asking, because I don't know much about that relationship, but would you say that the situation is worse now than under the arrangement you had with private companies, or is it the same? I mean, did you have fairly well-specified, defined, contractual arrangements with the private companies, the parent companies whose policies you were selling, as compared to that with the Public Insurance Corporation?

MR. McDOWELL: Yes, just offhand, with very few exceptions, any insurer that we do business with it's a written contract, and there are areas of that written contract that are negotiated as between the individual agent and the insurer. They're not a blanket type contract where they're all the same, with respect to commission and certain other things.

MR. AXWORTHY: Fine, thank you.

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: Mr. McDowell, there was an allegation made by a local source of allegations that in fact agents had been threatened by Autopac so that they wouldn't oppose this bill. Are you aware if any agents have been threatened?

MR. McDOWELL: Well what I have is secondhand and that isn't really valid.

MR. McBRYDE: You don't repeat things you hear secondhand.

MR. McDOWELL: Well there was reported to have been a remark made, not by Mr. Uruski but by someone else. I wasn't in the city at the time, I was in British Columbia, and I've heard it in a couple of different sources. It's been brought to the attention of the Association and . . .

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Mr. McDowell, just one question . . .

MR. CHAIRMAN: Order please.

MR. URUSKI: You indicated that in your contracts, with respect to contracts with private companies, that the rates of commissions vary as between agents. Did I hear you correct?

MR. McDOWELL: Often they do, yes.

MR. URUSKI: How would that be established, could you tell me? How would that be established between the agent and his company that one agent would make a larger commission than another or a larger percentage of commission than another?

MR. McDOWELL: Well usually by class of business or volume of business, or along those lines.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: . . . to pursue this, the question that Mr. McBryde raised and the answer you gave, because it seems to me that while I'm not asking you to repeat secondhand knowledge, that if there was any evidence that in fact there was statements made by, I would assume the officials of the Public Insurance Corporation, attempting to coerce agents, that's a very serious matter and I would ask you whether your association is prepared to investigate that particular situation and provide some documents to members of this House so that we would know whether in fact it is true, because if it is, it's a very serious matter. Maybe the Minister would be prepared to investigate that as well. Well, can you both investigate it so that we get . . . ? Well could you provide the allegations that were made, specifically, to Mr. Uruski so it can be investigated, and I suspect you would be prepared to give a public report to that effect.

MR. McDOWELL: Well I don't know to what extent -- you know, I don't know where this conversation started. We're not particularly concerned with something like this because it's something that could be discussed, I'm sure, with Mr. Uruski when we have our meeting and if there is a position that the corporation is going to take where, say, the volume of business under Autopac is related to the volume of business for fire casualty, I'm sure that we'll be made aware of it and . . .

MR. AXWORTHY: Well, Mr. McDowell, I can understand your concern and I know that that's not the reason, the initial reason, for appearing. But let me just say I'm concerned, and I think that that is a very important matter, and I think that your association would perform a major service if they could specify more specifically the nature of the allegation that has been made about any attempt by officials of the corporation to apply pressure to agents concerning

(MR. AXWORTHY cont'd) . . . . public posture or statements or reaction, so that Mr. Uruski can properly investigate that and give us a report. I think it's a very important and in fact a very serious matter.

MR. McDOWELL: Well we'll see what we can find out, then, and report to Mr. Uruski.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I wonder if the witness would be in a position to indicate whether it's the fears of the agents at this point that unless a contract is negotiated there will be an obligation on their part, as part of a compulsion to be able to hold an Autopac licence, to sell a minimum amount of fire insurance for the Government insurance agency. Is this a concern at the present time?

MR. McDOWELL: Well it may be a concern but the thing that concerns us, you have to go on a full circle on this. I think that, as agents, we could look to the insurance corporation for a fire casualty market that could earn its way through competition with the agent. If it has something to offer to the agent then the business is going to flow, but if, for example, it comes in at a reduced or a non-industry commission rate, or if in fact the corporation are going to spend vast sums of money advertising, which is directed at the public, as what happens during the Autopac renewal period, then I think that's going to deter from the kind of relationship that might stimulate a good working relationship, so I don't know that we're concerned to the point that you're going to have Autopac as a club to develop other business.

MR. SPIVAK: So, in effect, what you're looking for in addition to the arrangements of your contract would be some undertaking that there would not be a compulsion, or there's no compulsion on the part of the Autopac agent to necessarily place through the Public Insurance Corporation fire insurance, albeit he may very well place as a result of the competition that's offered in a particular matter - that will be up to him, but what you're looking for, I assume, would be some undertaking from the Government that there would be no obligation and it would not be part of the licensing arrangement that so much business must be placed in order to be able to hold the licence.

MR. McDOWELL: No, I think that what we have to look to is the Government comes up with an insurance market. In other words, they're another carrier in the market that's attractive to the agent and they can make it attractive in several ways. They can pay an extra five percent commission. That's one way of creating a good relationship.

MR. CHAIRMAN: If there are no further questions, thank you, Mr. McDowell.

That concludes the original list of speakers at the beginning of the meeting. Since the meeting started, I have had two other persons indicate to me they wished to make presentation to the committee. Is the committee prepared to hear them at this time? (Agreed)

#### BILL NO. 74

MR. CHAIRMAN: I call upon Mr. Kucharczyk please. Bill 74.

MR. KUCHARCZYK: Mr. Chairman, gentlemen, I will be very short. I won't keep you very long. I gave some thought to this Bill 74 and, first of all, I would appeal to you to look at it from a strictly non-political point of view. Perhaps it's very hard for some gentlemen to take it, but believe me, please, the sky is the limit as far as this bill is concerned. A few things are missing but perhaps they will be added through the regulations in due course.

With my personal experience I notice in various travels, contacts, etc., that the Federal Government doesn't have enough staff in various embassies particularly in eastern Europe in the trade offices. For example: in Prague you will have only one trade commissioner and he has only one secretary; consequently you don't expect him to look after all the problems of the industry of Canada. Who usually succeeds the most? The people who have the largest export organizations - producers, manufacturers. But, looking at our provincial economy, we have only a few organizations here, industrial organizations, that can afford to have their own export offices. Therefore I see a tremendous usefulness here and a service that could be provided under this bill to the smaller producers or manufacturers of various commodities, where they don't have their own facilities, to introduce their goods to the foreign markets. But through the staff the Minister has at his disposal, under this Trading Corporation Act, certainly I see within a year or so great increase of the employment through increase of manufactured goods.

Now you take for an example the farm implement industry here. Relatively, its status - it's specialized industry. A few small companies produce plenty of the equipment that could be sold outside that is not being purchased completely here in Manitoba, never mind in Canada,

(MR. KUCHARCZYK cont'd) . . . . because they don't have facilities, not only to sell but even to advertise. Their budget is not large enough. So I visualize here that the Trading Corporation would coordinate the production of various commodities to be able naturally to promote, sell, etc. As I said before, I will not go into all the details.

I wish to point out to you another thing. For an example, Czechoslovakia, as I mentioned before, right in Montreal alone you have about seven experts in the Trade Commissioner's office - as I mentioned earlier, we had one only in Prague in our embassy - with the result our deficit trading with Czechoslovakia for 1973 is in excess of \$30 million, which is really a good example to you that they know how to make money, because their staff is much more aggressive than ours because, again, we have only one.

Secondly, having this staff, Poland for example, right in Montreal office, the Freight Commissioner's office with the Trading Corporation, they have over 30 people. We have one in Warsaw. And how can we expect him to handle all Canadian problems as far as the trade and industry is concerned? Obviously a necessity definitely exists to have a body as such.

Now, the paragraph (d) right in Definitions, "Manitoba services". I notice that there is no instrument where architects could sell their services represented as a group here in Manitoba overseas, whereas this Trading Corporation would have the facility to negotiate various contracts on behalf of the group. Therefore it would be of great benefit to various professional groups, such as pointed out here in the bill itself - architectural, engineering, etc. Furthermore, our university. We have many many experts that we could sell their know-how, but we have no instrument, and I say that this Trading Corporation would play a very important role as far as selling our know-how to various countries. And I don't mean underdeveloped countries because they don't have actually enough money or commodity to pay back; I mean to even to well-developed countries.

Now in my travels, for instance, I have seen in Eastern Europe, Sweden is very active in developing such things as supermarkets with parking facilities, hotels, etc. Now Sweden was able to penetrate their market. Why can't we do this same thing? Yet they do come here. By "they" I mean, for instance, from Eastern Europe and other parts of Europe, they do come here for consultations to the University. Again, this is the mechanism that you gentlemen will see, as I said before, from a non-political point of view, you will see that it is going to prove its usefulness in developing Manitoba to a much greater extent than some of you, perhaps being tired right now, could realize how much good it will do for this province. I only regret, there is only one thing is missing here, that the Asians who would be travelling in various parts of the world, that they might not be able to negotiate the industrial joint ventures, common development of various industries, although perhaps, on page 2 paragraph (m), perhaps this paragraph will cover or maybe you will figure out a better way to put it so that such agent of the Crown that travels outside of Canada, he might besides selling our goods as a produced commodity, he might be able also to enter, on behalf of the Trading Corporation and various producers, in a favourable venture that would be of benefit to all concerned. So once more, and since the hour is late I see everybody's tired, I don't intend to go into every detail, I appeal to you again - and it's not joking either - look at it, gentlemen please, from a non-political point of view because this is the future of the province. As a matter of fact, I was very annoyed at Bill 85 pertaining to the petroleum, but to me this one is actually much more important than Bill 85 because petroleum has its own limit of existence. Our present resources are nothing to write home about; however, our human reserves are exceptionally good and I have no doubt that this Act, administrated properly and there is a staff that's very available here, you all will be proud that you were the members of the session when this bill was passed. Thank you.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I wonder if our witness can indicate whether he's been involved or, well, has he been involved with the Department of Industry and Commerce in the last four years, five years?

MR. KUCHARCZYK: On the basis that the Minister was kind enough to listen to me when I bothered him about various issues.

MR. SPIVAK: But you haven't been involved in any particular matter dealing with the Department of Export Corporation . . .

MR. KUCHARCZYK: Not whatsoever. Just since you ask, Sir, I can say that through the goodwill of the Minister and the relationship that he developed with Czechoslovakia in 1972, Manitoba sold over \$6 million worth of oil seeds that otherwise they would be purchased by

(MR. KUCHARCZYK cont'd) . . . . Czechoslovakia through your New York office from the USA market. However, no commission paid to me in being appraiser, to be instrumental in it.

MR. SPIVAK: Were you the agent here in Winnipeg or in Czechoslovakia on this?

MR. KUCHARCZYK: I beg your pardon?

MR. SPIVAK: Were you the agent in Winnipeg or in Czechoslovakia?

MR. KUCHARCZYK: The agent was in New York but the Trade Commissioner was in Montreal, of Czechoslovakia, but through the relationship that the Minister developed with the Trade Commissioner of Czechoslovakia they were able to switch the bank from New York from American market to western market right out of Winnipeg.

MR. SPIVAK: So the actual contacts, the involvement was through the Minister and the Department and the Department officials.

MR. KUCHARCZYK: I would say Minister and some employees.

MR. SPIVAK: Are you aware that the Export Corporation can accomplish the objectives of the Bill 74?

MR. KUCHARCZYK: It's not as specified--the details in the Export Corporation are not as specified as right here in Bill 74, and in my humble opinion when I look at Bill 74 I know exactly where I stand.

MR. PAULLEY: Before we became the Government he worked for the former Minister of Industry and Commerce.

MR. KUCHARCZYK: I didn't hear you, Mr. Paulley.

MR. PAULLEY: I was talking to one of my colleagues, Walter. Really it was, if I may, Mr. Chairman, a recognition of your involvement in the affairs of Manitoba. It isn't just something that's just happened overnight. I know you were involved on the same basis some years ago as well, and I appreciate your interest in the affairs of Manitoba.

MR. KUCHARCZYK: Thank you kindly. At this point I will say I never was paid any commission whatsoever.

MR. PAULLEY: That's right. By any other Government or our Government.

MR. KUCHARCZYK: Definitely so.

MR. PAULLEY: That's right.

MR. SPIVAK: Mr. Chairman, would Mr. Paulley like to become the witness?

MR. PAULLEY: I'd be glad to be a witness against you any time.

MR. SPIVAK: There's no more questions.

MR. CHAIRMAN: If there are no more questions, thank you, Mr. Kucharczuk.

MR. KUCHARCZYK: Thank you for your indulgence.

### BILL 83

MR. CHAIRMAN: Mr. Borowski please. Bill 83.

MR. BOROWSKI: Thank you, Mr. Chairman. I realize the hour is late and everybody's tired, and I'm not going to take advantage of your generosity in allowing me to speak. I only have 15 pages here; it won't take more than an hour, so I'll try and wrap it up as quick as I can.

I'd like to make a few comments on Bill 83 regarding Auto, General and Fire Insurance, and since I depend on the insurance industry for my bread and hamburger, perhaps I'm taking somewhat of a chance appearing here. However, I think that as a citizen I have some obligation to express an opinion on what will probably become an important bill in the future and because obviously it's going to go beyond the initial concept.

I was initially opposed to any government involvement even on a competitive basis. I think that my colleagues in Cabinet, former colleagues in Cabinet and caucus, will agree that I was one of those who said that it was not necessary; we did have a great deal of companies in Manitoba and there was competition. As far as I could see there was competition and there really was no necessity for government involvement in fire insurance. However, since being involved in a campaign last June in Point Douglas, which is perhaps the oldest part of the City - it has many old houses and businesses - I have changed my mind completely.

There were two basic complaints that I ran into during the campaign, and of course since the campaign I was involved in selling shares in that very same, basically the same constituency, and calling again basically on the same businesses on Selkirk Avenue and Main Street, and the two complaints were that they couldn't get sufficient manpower for their beer parlours, their restaurants, whatever they were running; and the other bitter complaint was the lack of insurance, fire insurance. Now it seems that the situation had reached--the point had been

(MR. BOROWSKI cont'd) . . . . . reached, and I can't say at what point this becomes serious, that the companies were being very selective and discriminatory and they used the same reprehensible tactics that the auto insurance industry did and that is that, you know, in the auto insurance industry, if you were under 25 and you were single, this socks it to you. You paid a sky high premium rate. And insuring your buildings, if you had an old building then they socked it to you with very high premiums. Or worse, they simply refused to renew your policy when it lapsed or when it expired - and I imagine fire insurance policies run either for a year or three years, whatever it is. When their insurance policy would expire, they'd simply say, "Sorry, we're not going to renew." Now when I initially ran into it I felt well, you are going to get some bellyachers regardless of how well the people are served. But as months went on I found out that the majority, perhaps not the majority but very close to the majority of the businesses starting from City Hall going north on Main Street and Selkirk Avenue had their insurance premiums jacked up 50 to 100 percent and others were simply told, we will not insure. Particularly if you were in a restaurant business or a business that there was fire, whether it's electric or gas or whatever there was danger from fire igniting the building from the grill, cooking or deep frying, etc. And when this came to my attention, naturally I came to see the Attorney-General and I have seen the new Minister of Autopac and told them of the problems that were being brought to me. Some people still come to me. I don't know why, I'm not a public member anymore. They should go to their own MLA. Nevertheless they come to me, and I felt that I had some responsibility to tell the Government of the problems experienced by the businessmen. And may I say as an aside, that the people who were making these complaints were no supporters or lover of this Government, were not, are not, and I'm sure at the next election will not vote them. But they have said . . .

MR. CHAIRMAN: Excuse me, Mr. Borowski. The recorder needs time to change the tape over, if you'd just hang on for a minute.

MR. BOROWSKI: Sure. I need some water.

MR. CHAIRMAN: You may proceed when you are ready, Mr. Borowski.

MR. BOROWSKI: Mr. Chairman, as I was saying, the complaints that I was receiving is that if you had a good solid building or a new building there was no problems, but because of that particular area and because that area is probably where the City originated - there are buildings that are perhaps 100 years old and some of them I admit are in deplorable condition - nevertheless the businessmen who have bought them or else had them inherited from their father or some relations had a great deal of money invested and their whole livelihood was in there, and the insurance industry simply said, we will not insure it because it's a high risk. It seems to me that the sole existence of the insurance industry is to take risks. Obviously they were not prepared. In fact, in several cases that I personally investigated and brought to the attention of the government they told them, you clean up the building, get fire extinguishers, perhaps sprinklers. And after those businesses spent a great deal of money doing precisely what the industry told them, they still refused to insure them. And only through my intervention - perhaps some of them are still scared of me, I don't know - but after getting on the phone and telling that company that if they didn't insure this person that there would be a delegation going to the Premier demanding immediate government involvement in fire insurance, only at that point were they prepared to move and insure these people.

I can say without hesitation, Mr. Chairman, that the vast majority of those particular businesses are along Main Street and Selkirk Avenue and are in this position, and they see the situation getting worse as the years go by. I know of many agents who are selling insurance who have approached the Minister, who have approached the Premier, who have approached both Ministers begging the government to get into it. Not because they love their government, but they feel that there is a large unmet market, or market that these people simply will not insure because it's a high risk market. I think it's really similar to the auto insurance; I think four percent of the people were on the unsatisfied judgment, but that four percent was serious enough that government felt they had to get in to protect the public. Well I don't know there's four percent involved in auto insurance. I do know that in the poor areas where there are slum housing, where there are old buildings and businesses, the situation is desperate. I think the industry, contrary to what they said here tonight - and I'm not going to call them liars but they certainly were not telling the truth - they have not met the needs of the people. They have failed to or chosen not to respond to these people who are unfortunate enough to have a business located in a building that's 50 years or whatever it may be, and on behalf of those

(MR. BOROWSKI cont'd) . . . . people who have asked me, businesses have asked me personally to come here, I ask the government to proceed with the bill as fast as they can because there is a dire need in Manitoba - and insofar as competition is concerned, that area concerns me. Now I heard what Mr. Trites said, that we love competition. Well I wonder if it's going to be fair competition if the government gets in with no restrictions, no holds barred. I suspect what will happen is that you're going to pick up all of these unwanted risks, very high risks, and you will lose money. And they will say of course a year or two from now, we told you so, government is inefficient. I suggest to the government, and I don't know what mechanism you can use, that there should be some built-in mechanism of sharing of high risks. If there isn't, the government will end up with all the bad risks, they'll end up with all the James Richardson and the Great West Life Buildings and the Legislative Buildings and the other buildings that are pretty darned safe from being burnt down. And you will end up worse than Autopac has ended up, and there will be no end to it. So, may I suggest, while I'm urging you to - on behalf of these people - to get into the business, that there should be some ground rules to protect the people of Manitoba which will in fact own this corporation that you are setting up. Mr. Chairman, I believe that's all I have to say on that. If there's any questions, I'd certainly try my best to answer them.

MR. CHAIRMAN: Mr. Pawley.

MR. PAWLEY: Mr. Borowski, we heard in earlier questions that were asked and answers given in respect to remote communities, and knowing of your experience in representing the constituency of Thompson, I was wondering if you could tell us from your experience whether or not there was a problem, despite what was said by Mr. Trites, in respect to the insuring of buildings in Northern Manitoba.

MR. BOROWSKI: Well I can say for Thompson, and perhaps maybe this is why I gather in my original misconception about good service, because Thompson was a very modern, the newest community in Canada - it was well serviced and there was a sufficient number of companies, I think my own insurance on my house for three years was something like \$83, which I consider ridiculously low - I think those communities were very well serviced but I know the remote communities, when you talk about insurance is like talking about rubles, I mean there just wasn't any.

Now Mr. Trites was evading the question - he said, as far as I know - either he's very dumb or he just doesn't know what's going on in his company. The fact of the matter is, his agents work throughout the province - now he knows what the policy is in regard to the north and I'm sure if a government wants to send a task force, you will find out how few buildings are insured. And if you want to insure them, the rates they would ask - look, I don't know of an agent being stationed in a remote community, so if you wanted insurance you'd have to come down on your hands and knees I suppose to some company down south because that's where they're headquartered, and ask him to insure you. But there has been no effort on the part of the companies to go up there and give these people insurance, and those that are in the fringe areas that they could get in to Thompson and see an agent, well their rates were outrageously high, and I think it's a matter of public record. You don't have to take my word, you don't have to take Mr. Trites; perhaps the MLAs from the north could do a little checking and they will get you the rates that are charged in these remote communities.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: Mr. Chairman, my question was answered to Mr. Pawley. I was going to ask the same question that Mr. Pawley asked, and Mr. Borowski has answered it quite adequately.

MR. CHAIRMAN: Thank you. Mr. Blake.

MR. BLAKE: Thank you, Mr. Chairman. I just want to ask Mr. Borowski - he's well aware of high risk areas because he was in one for a few years. When you called these companies, Mr. Borowski, to lay the complaint of them not being provided with coverage, what was the companies' reaction? Just the fact that it was a high risk area and they were just reluctant to take on any larger proportion of high risks, or what was their answer to it?

MR. BOROWSKI: Well it just doesn't go exactly like that. Unfortunately, or perhaps that's the way it has to be, you don't deal with the companies, they have agents. If you're buying - when I bought my insurance, I didn't go to Wawanesa or Portage; you go to an agent, and the agent says yes or no and he gives you the rate. So in the case in Winnipeg here, I don't think I've talked to one single company. He said I had my insurance with insurance agent X - and I dealt with the biggest ones that are in here - and they said, we handle insurance on

(MR. BOROWSKI cont'd) . . . . behalf of ten to twelve companies and they always used to insure. So I did not talk to them, but I talked to their agents which officially speak for them and their answer was, look, this building's an old building, it's a restaurant; we realize we told this man to spend all this money but the company says they will not insure it and there's nothing we can do.

MR. BLAKE: They never spoke to the Superintendent of Insurance about the problem.

MR. BOROWSKI: The people who could not get the insurance? I'm not aware of it.

MR. CHAIRMAN: Mr. Sherman.

MR. SHERMAN: Thanks, Mr. Chairman. I'd just like to ask Mr. Borowski whether you think, Mr. Borowski, that if a person goes to a life insurance company and is suffering from a fatal incapacity and is not able to pass the medical examination demanded of the clients by that life insurance company, do you think that life insurance company should have to sell that person life insurance?

MR. BOROWSKI: No, as you know very well that they don't, and I think there's a difference. Mr. Trites submitted there was difference between auto insurance and fire insurance, and I respectfully suggest there's a world of difference between life insurance and the necessity of life insurance and fire insurance. There really is no comparison between the two.

MR. SHERMAN: But you're referring to a certain area of our community and our society where - what you're saying, I gather, is that - and I think you're probably right - that fire insurance is a necessity.

MR. BOROWSKI: Essential. Absolutely.

MR. SHERMAN: So I don't see that it differs from life insurance--I'm not in the life insurance business but I think I can say I think life insurance is essential. --(Interjection)-- There is just as much requirement on the part of that person's family that he carry life insurance as there is on the part of himself for the sake of his livelihood that he carry fire insurance on his store. I don't see the difference. --(Interjection)-- No, but you're not demanding that a life insurance company have to insure in a no-win situation, so why should a fire insurance company have to insure in a no-win situation?

MR. BOROWSKI: Well, Mr. Chairman, I'm being put in a difficult position, and that is to say that even though I happen to work for a life insurance company, although the product we sell is really an earnings contract, nevertheless it's life insurance. But I'd have to say that I don't consider life insurance essential; I think we can get along just fine without life insurance companies. But if a business has to have his money invested and he wants to buy it, then it seems to me that he is entitled to buy it at a reasonable cost. These people that sat here tonight said it is available, it's competitive, there's a hundred companies - now that is true. I can assure you I would not be here and there would be not the clamor from business people, that we want it. Now if you accept the assumption that the companies can turn around and refuse to sell to people because there may be some risk involved, now that is your viewpoint. I believe that if a person wants to buy life insurance or fire insurance, that the opportunity should be there. And if he wants to pay - look at life insurance, there are substandard risks there, you have to pay extra premiums; and there is in the fire insurance industry, you do pay extra premiums. But to simply say we will not insure you, period, where a person has his whole life's savings tied up, I think is wrong, I don't think it's acceptable to society, I don't think it's acceptable to the people of Manitoba, I hope it's not acceptable to the members of this Legislature who have passed a great deal of important bills. I consider this an important bill because there is a large number of people in this province that are - what do they call them in Russia? - are nobodies or no peoples, I mean they just aren't heard, they aren't insured and if something happened to their building then they are finished; I suppose they will end up on welfare.

MR. PAULLEY: And everybody who is born dies.

MR. BOROWSKI: Unfortunately.

MR. SHERMAN: Mr. Borowski, do you think there's any way that this government or any government can win in a situation like that, where you've got, you know - is there any way that the government - you've suggested in your brief that, you know, the government would be putting itself in a highly vulnerable position in terms of criticism, both from the members of the opposition and from the public at large because they would be--you're asking them to operate in defiance of the basic laws of business.

MR. BOROWSKI: Well, you know, that is something that the government is going to have to work out. I believe that if a government is capable of passing the kind of legislation which

(MR. BOROWSKI cont'd) . . . . you're insisting that you have done, I'm sure that you can build in some mechanism to protect the public and it is the public's money we're talking about. I am certain that if there is nothing done, that what will happen is all those bad risks will go to the government and they will get all the good ones and they will make more money than they've ever made; and they'll say, we told you so. Now how you do it - I mean, it's your responsibility, not mine, I am simply telling you of the problems that exist in Manitoba. How you put mechanics you build into that bill to protect the public good is your business, not mine.

MR. SHERMAN: Well would you consider - and this is really hypothetical - but would you consider a program where the government had a protective program of insurance available to those persons, those businesses and property owners who couldn't get it anywhere else and therefore was operating in a protective and a benevolent capacity but not in a pseudo competitive business capacity? In other words, a government program that did not compete or even go through the pretence --(Interjection)-- Yes, Mr. Osland says the people's money, but that's exactly what we're dealing with --(Interjection)-- well that's exactly what we are dealing with here; that's what I'm asking you. How can the government win with the people's money in this situation even if it goes in competitive --(Interjection)-- well, Mr. Osland, I'd be happy to ask you the question too but I'd first like to ask Mr. Borowski whether . . .

MR. CHAIRMAN: Order please. Others will get the opportunity to argue later; this is the question time.

MR. SHERMAN: He has suggested that it's up to us to develop the mechanics. I'm asking him whether he would consider, instead of going through the pretence of competition because it wouldn't be competition, and the government would have no way of winning in a situation like that because it would get all the bad risks - which Mr. Borowski has said - would you then consider not divorcing the two entirely and just suggesting that society has a responsibility to offer some protection to people in that position, but don't go through the pretence of competing with private industry.

MR. BOROWSKI: Well I really can't answer your question because then I would be telling you how to draft the bill. You know, if it was my responsibility, I can assure you I'd have no difficulty in putting a bill through this House that would give protection to those people who have been refused protection at any price by the insurance industry, which claims it is highly competitive, it serves the people of Manitoba well. You know, that is your responsibility and I'm sure the Minister has some ideas, and I'm sure you can assist him of drafting something in there that will protect the public. Because if you do not, you will lose money, I guarantee it - a year from now, you will have lost money on that class of business.

MR. SHERMAN: Well I certainly agree with Mr. Borowski's conclusion. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I just wanted to pose one question to Mr. Borowski in relation to his statement about the inadequacy of coverage in the Main Street area. I always go on the basis that there is not always just one solution to any one problem. And I'd just like to ask your opinion as to whether, in light of the assessments that have been made for example by the Deputy Fire Commissioner in the City of Winnipeg, that many of the buildings in that area are in fact fire traps and are simply not insurable because they simply shouldn't be there. Would it not be a more appropriate strategy or a more appropriate solution to do something about trying to encourage the City to develop proper maintenance codes, and to do something about the removal and improvement of the area along Main Street?

MR. PAULLEY: Mr. Chairman, on a point of order, I wonder whether the . . .

MR. CHAIRMAN: Mr. Paulley, on a point of order.

MR. PAULLEY: I wonder, Mr. Chairman, whether the question being raised by Mr. Axworthy relates precisely to the Bill. I can appreciate the concern of Mr. Axworthy but I doubt very much whether it's related to the Bill precisely.

MR. AXWORTHY: Well, Mr. Chairman, I was taking advantage of this hour to ask a question that had a couple of prefacing clauses to it. I think it is important that we not always assume that the way to solve a high risk problem is to give it high risk insurance; in many cases, perhaps a better solution to the problem is to eliminate the problem and therefore not be forced to compel insurance companies to do things they shouldn't have to do. That's the issue I'm trying to raise.

MR. BOROWSKI: Well I'd like to answer it right at this point. If we used your solution,

(MR. BOROWSKI cont'd) . . . it may have some validity in the City, but if you applied it in the north, you'd have to raise the whole community, because there isn't a building in the whole community worth a darn, yet people live in it. So, you know, I don't think you're going to solve the problem when you've got literally hundreds of old houses and business which people have got all their lifesavings invested into, simply say, Mister, your building is just not fit to live in, it's beyond the fire standards and we're going to shut her down. You know, I'm not prepared to use that kind of tactics.

MR. AXWORTHY: Well, Mr. Chairman, I was not talking about Northern Manitoba at this point, I was asking a question specifically on the area of reference that you raised in your initial statement, and that is the area in the Unicity portion of Winnipeg that you said your personal experience had led you to these conclusions. I'm saying and I'm asking really is that - and I'm not doing it in a sort of a negative way - I'm asking if we think we can solve the problem simply by in some way compelling insurance companies, or to public insurance, to lay a policy on a building which is a fire risk and where people shouldn't perhaps be operating a business or operating a rooming house or operating apartments simply because it's dangerous to do it. Perhaps, you know, that that is a wrong assumption to assume that we can solve the problem simply through an insurance mechanism.

MR. BOROWSKI: Well I agree that insurance is not going to solve all the problems. It will solve his immediate problem, he's going to be able to protect his life's work, the savings that he's put into that business - and I think he's entitled. And we are primarily in that area, talking about businessmen. I know in one case the guy put up \$130,000.00 he borrowed and begged, put that money in there and it's mortgaged, he can't get insurance. Now what happens to him, to the family and to the person who's holding the mortgage? If the place burns down, he's got no insurance. I don't know how else--you're not going to solve the problem by closing the building and he's going to be out of business, what's he going to do? You know there are some things that there simply are no human solutions to, and I think you have to accept it. We go to the next best thing.

MR. AXWORTHY: Just one question for information. I'm wondering if Mr. Borowski would be able or willing to supply a more specific detail on where these buildings are and so on, so they can be tested with the insurance companies to see if in fact approaches have been made and what, because I always go on the basis that there's sometimes two sides to the story. I'm wondering if you'd be prepared to offer some specific examples of those so that we could find out.

MR. BOROWSKI: Mr. Axworthy, about ten minutes ago you raised the question about coercion, because there wasn't a whole platoon or regiment of people here demanding the government withdraw the bill - and that's significant. But you are raising the question whether it was coercion from the government, they didn't appear here because they were afraid. What do you suppose would happen if I went to all those businessmen and said, look - particularly those that did get insurance, that had doubled their rates - what do you suppose would happen to them if they come in here and said, "That so-and-so, that tycoon there, he's jacked up my rates 100 percent or he wouldn't sell me." What do you suppose would happen to them? I'm not prepared to expose them to that kind of blackmail.

MR. AXWORTHY: Well, I wasn't asking for appearance of your . . .

MR. CHAIRMAN: Order please.

MR. AXWORTHY: There we go with the impatient New Democrats again. What I was asking, if you could give us specific records of the kinds of properties that you're talking about, the nature of the business they're in and the kind of locations that they have, so that we can determine what they're in.

MR. BOROWSKI: I have given the information to the proper authorities, and that is the government, to the Ministers - I have indicated some of them. I'll tell you that there is restaurants, and there are other businesses - restaurants are the worst ones because they're cooking, so there's heat; and whether it's gas heat or electric heat or whatever, there is fire burning, so the risk of igniting and burning the building down is greater. But I'm not prepared to give you or this committee any names or addresses and jeopardize their position, I do not have such a right.

MR. AXWORTHY: Well, Mr. Chairman, I want to raise a point, that just a few minutes ago the present speaker said it was our responsibility as a committee, as members of the Legislature to take proper action to pass this Bill, to give it our endorsement; now he's saying that we don't want to be provided with the information . . .

MR. CHAIRMAN: Mr. Pawley, Selkirk, on a point of order.

MR. PAWLEY: Mr. Borowski . . .

MR. AXWORTHY: Excuse me, Mr. Chairman, I am not arguing with Mr. Borowski. I'm simply saying that the gentleman in question supposed a certain proposition to us about our position in this bill. I'm saying I'm prepared to accept it, but I need hard evidence - and I respect the opinion of the gentleman, but I also want to see some hard sort of facts to back it up. If he can't provide it, fine. I was simply asking it. That's all, thanks.

MR. CHAIRMAN: Order please. Order please. I think Mr. Axworthy knows that he can ask whatever questions he wants and the witness can answer or not answer, just as he pleases, and he said that he doesn't want to answer. Are there any further questions? Mr. Adam.

MR. ADAM: Thank you. I just had one question arising out of the questions that Mr. Sherman was asking Mr. Borowski, and that is, do you think that the industry should take assigned risks as they did with automobile - you know, like before Autopac, that every company should take so much of this risk?

MR. BOROWSKI: Yes, well I have indicated that if something is not done to build in some safety, you're going to get stuck with all the high risks. Now I think - Mr. Pawley was one of the champions of that assigned risk plan which the industry fought very hard and they all had to share. Perhaps you can build in the same mechanism into the Bill. If there is 100 or 1,000 bad buildings and there is 100 companies - so boys, ten apiece, we take the high risks including the government and then everybody is even. If you don't do that, you're going to be in trouble.

MR. CHAIRMAN: If there are no further questions - thank you, Mr. Borowski.  
Mr. Paulley.

#### BILL 71

MR. PAULLEY: I understand, Mr. Chairman, that consideration was given to some sections in Bill No. 71. I would like to suggest to the Committee we proceed to consider Bill 71 at this time and finish it off.

MR. CHAIRMAN: The Bill before the Committee is Bill 71. We're on Page 3 under Section 4: 22.1 (4)--pass; 22.1 (5)--pass; 22.1 (6)--pass; 22.1 (7)-- Mr. Boyce.

MR. BOYCE: I move that the proposed new subsection 22.1 (7) to the Act as set out in Section 4 of Bill 71 be amended by striking out the words "each debtor in respect of whom the offence relates" in the fourth line thereof and substituting therefor the words "the debtor".

MR. CHAIRMAN: Pass? (Agreed) 22.1 (7) as amended--pass.

MR. BOYCE: I would further move that Bill 71 be amended by adding thereto immediately after the proposed new subsection 22.1 (7) to the Act as set out in Section 4 thereof, the following subsection: Further order for restitution. 22.1 (8) Where a person is found guilty of an offence under this Section, the judge or magistrate who convicted the person, may allow the director, or counsel on behalf of the director, to submit evidence as to the names of other debtors from whom premiums or other charges have been collected contrary to this section, by the person convicted, and the amount of those premiums and other charges; and if after hearing the evidence by or on behalf of the director and the evidence by or on behalf of the convicted person the judge or magistrate is satisfied from the evidence so adduced that the convicted person collect the premiums and other charges from the other debtors, he may without finding the convicted person guilty of any further offence under this section, order the convicted person to pay to those debtors the premiums or other charges collected from those debtors by the convicted person.

This becomes new subsection 22.1 (8).

MR. CHAIRMAN: I believe there is more to the motion, Mr. Boyce.

MR. BOYCE: Well we're doing it clause by clause. There is another clause to be moved also which will become new 22.1 (9).

MR. CHAIRMAN: Is that not part of the same thing?

MR. BOYCE: That's not part of this clause. You were proceeding just on this section clause by clause.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I wonder if the legislative counsel or the Minister can tell us whether there's a precedent in law for this clause.

MR. TURNBULL: Well the precedent in law has to rely upon legislative counsel.

MR. SPIVAK: Is there a precedent in any other statute or any other law that would allow this to happen?

MR. BALKARAN: Well, Mr. Chairman, I cannot say that I know of any precedent offhand. All I can say, that it is certainly within the prerogative of this Legislature to so enact if it . . .

MR. SPIVAK: I'm not asking the question in the capacity of a legislative act; I realize we have the power, but I'm asking whether any law such as this has been enacted in any Manitoba statute that you are aware of.

MR. BALKARAN: Not that I'm aware of, Mr. Chairman.

MR. SPIVAK: You know, I wonder if we talk in terms of due process of law.

MR. BALKARAN: But you do have class actions that are permitted under rules of court.

MR. SPIVAK: Yes but this is not necessarily started as a class action and may be determined as a class action. There's a difference. It may be determined after the fact on the basis of the judgment of the court.

MR. BALKARAN: Well it is primarily to prevent a series of prosecutions against the same man for the same offence, and if you've got 20 debtors who have been involved you are certainly not going to suggest that 20 informations be laid and 20 convictions be secured before the redresses can be obtained.

MR. SPIVAK: May I ask was the Bar, or the Law Society, or the group who are involved in consumer law - have they been notified of this section? Are they aware of this particular clause?

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Mr. Spivak, through you, Mr. Chairman, that has not been done. The intent of the section as outlined by legislative counsel is in fact to prevent repeated charges being laid against any one businessman who has been convicted of the offence that he's charged with under the section. Frankly, Mr. Spivak, I can appreciate, you know, your concern for the law but in the practical administration of the section, I think the way it's drafted would indeed remove a considerable burden from the businessmen that are convicted. I mean, what would the Bureau's alternative be? If a businessman is convicted of the offence, and presumably there are other similar offences, the Bureau's only alternative then would be to bring him into court a second, a third, a fourth and a fifth time, which would be surely not a practical way to proceed. In any case, Mr. Spivak, I do point out to you 22.1 (9) which provides for appeal from an order under the previous subsection.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, you know, our difficulty is that this is introduced as an amendment for which we had no notice before, and I appreciate the fact that some consideration has been given to this. Now because there is a fundamental principle involved, I as one who is a solicitor and as one who would be concerned both about procedures and of rights of individuals and about precedents that have been set, and the necessity of not trying to appear too simplistic in our position as to what should be done, I would want to know from the people who are experiencing this as a matter of practice and familiar with the courts as to whether or not this is an initiative, a precedent by the government, how it relates. I'm aware, and I think the Minister should be aware that many people with respect to criminal charges are charged on a number of particular offences, not just one; that it's common for several actions to take place and several charges to be made; and it's also acceptable in certain situations, in sentences that are given are concurrent with convictions on a number of situations. Now I appreciate, you know, the restitution order which is attempted here. But as a matter of a court action and as a precedent I'd like to know the precedent that we're following now. And if there is no precedent that can be identified now, I would like to at least be convinced and persuaded, because it's been at least checked by the members of the Bar who are involved in consumer law - and there is such a section within the Bar itself - who are in a position to know exactly how this will operate before the courts. And I don't think we should be asked to pass this unless that evidence can be provided. And it's not a question of being against it in principle. I'd just as soon not think that we should be asked to do this unless there is some supporting evidence to indicate a past precedent, to indicate other sections of the Act, or other Acts in which this is followed - or at least that there has been some contact with the legal professional in connection with this.

MR. TURNBULL: Well first of all, Mr. Spivak, I, you know, must rely on legislative counsel. Secondly, the amendments, although you say there was no prior notice, were distributed this morning.

MR. SPIVAK: Well I know but . . .

MR. TURNBULL: At 10:30 or so. Thirdly, the amended subsection (8) was put in there

(MR. TURNBULL cont'd) . . . . to take account of the representations that were made before this Committee by solicitors who had an interest in the industry that was being affected by the proposed amendments. You will recall that in the amended Section 22.1 (7) in the Bill, the wording that is set out there "to each debtor in respect of whom the offence relates" was the original wording that we had intended to cover the offences, but that wording was interpreted by the solicitors to mean or to open the way by implication to class action. It's in order to back off from bringing in class action, you know, by the back door - and I may say, without that being the intention, that we have come up with 22.1 (8); and 22.1 (8) I think, you know, avoids the class action, the implication of class action.

MR. SPIVAK: Well, I wonder if the legislative counsel could indicate a precedent, another Act in which this has been followed?

MR. BALKARAN: I'm trying to find one. I have a suspicion where one might be, but I can't find it.

MR. PAULLEY: In the Employment Standards Act, there is somewhat a similar provision.

MR. SPIVAK: Well, maybe we could move on to the next one.

MR. TURNBULL: Could we proceed to 22.1 (9) then, Mr. Chairman?

MR. SPIVAK: Well, we can't deal with 22.1 (9) until we deal with . . .

MR. TURNBULL: You don't want to deal with that either? Well okay. We can proceed after that.

MR. PAULLEY: We'll come back to the 24 before we get out of here tonight.

MR. CHAIRMAN: Section 5, 25.1 (1)--pass - Mr. Banman.

MR. BANMAN: Mr. Chairman, when introducing this bill for second reading, the Minister said that this is another major protection, that this bill will be one relating to disclosure of finance charges that a seller of goods share, or disclosure of benefits that a seller receives when he assigns a credit agreement to a financial institution.

Now my particular question to the Minister is - and I would like to relate one or two different examples - my question to him is, how he feels that this will protect the consumer. In other words, why is this consumer legislation? I would just refer him to a very simple example. Take for instance somebody buying a refrigerator at Eaton's. Eaton's run their own credit plan; he would, let's take the example, pay 16 percent interest. He can go down to the little fellow operating a small business who does not have the financial resources that Eaton's, the Bay or a larger company has, and the person again wants to buy on time, the interest rate can be 16 percent again, but this particular gentleman has to go ahead and farm out that particular contract or sell that contract to another agency. So as a result, what happens is Eaton's under this present legislation would not have to disclose any seller's commission, would retain the full 16 percent, whereas the small fellow would once again have to disclose something that the larger operations didn't have to. I think that - and I've mentioned this before the other day when the Mines Minister was here and we were questioning witnesses and then we got sort of involved in a debate - but I have before me a particular contract, a simple one used for the car transactions. It once again spells out the exact finance charges, in this particular instance the example we've used is 15.9 percent; it spells out the total aggregate costs of borrowing; it spells out exactly the month and number of payments, the exact amount per month. In this particular instance this company would rebate to this dealer \$9.54 reserve. The question really I have of the Minister is, how does he feel that this is going to be consumer legislation and how is the consumer going to benefit from this particular piece of legislation before us?

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Well first of all, Mr. Banman, I think that the consumer is entitled to know, and that the more information you can give to him the wiser choices that he can make. I think I'll start with that general idea.

You ask what the difference is between negotiating a credit agreement with, say, Eatons and negotiating a credit agreement with a company which then turns around and assigns that credit agreement. Well the difference is simply this. That in the first case, the consumer when he makes a purchase knows the cost of the credit to him - that's required. In the second case, he will know the cost of the credit that he is paying out--that is correct. But then the dealer can turn around, okay, and get a certain percent or a certain amount of money for assigning the credit agreement. And what I want to ensure is that the consumer, the purchaser, knows where that amount of credit charge goes, who gets it.

MR. BANMAN: Would you not agree with me that you are putting the small businessman who does not have the financial resources to do his own contracting and his own financing at a disadvantage to the larger corporations?

MR. TURNBULL: No, because I wouldn't . . .

MR. BANMAN: Well, the consumer is paying exactly the same rate at both places, the aggregate cost of borrowing as shown, it's . . .

MR. TURNBULL: Well, Mr. Banman, you know, your question there is premised on the assumption that the disclosure is made before the sale, before the fact, and that is not the way the section is drafted. It's drafted in such a way as to require disclosure after the fact. And so what the impact of the sections will be is that they will convey to the consumer information about credit and he will be that much better informed the next time he goes into a credit agreement.

MR. BANMAN: Yes. But my point is that Eatons will not have to send out any disclosure certificate or anything after the fact.

MR. TURNBULL: No, that's right.

MR. BANMAN: They are charging the same interest rate, the person is paying the same interest rate at both places. However, you are penalizing the small businessman who cannot carry that contract, because Eatons is making that seller's commission for handling that contract. Eatons is making the full amount of money.

MR. TURNBULL: That is correct.

MR. BANMAN: But you are penalizing the small businessman who is trying to provide, No. 1, a service for his customer, and then if he does happen to get \$ 20.00 or \$ 30.00 back, you force him to disclose it - and yet you don't force any other larger corporations to disclose it who have the financial wherewithal to . . .

MR. TURNBULL: Well, if they assign a credit agreement, they're going to have to disclose it, yes.

MR. BANMAN: Yes, but Eatons are making the same amount of money in that respect as the small businessman.

MR. CHAIRMAN: Mr. Johnston.

MR. F. JOHNSTON: Mr. Chairman, I'm a commission agent. I contract with companies to sell their products in this area and they pay me a commission to do so. The price won't change if they have a salesman here because they'll be paying that man's salary if they don't have a commission agent. Would the Minister please tell me what business it is of his what commission I make? What business it is of his what contract I make with the company to sell their products, any more than it's his business what contract any retailer makes with the people who he sells the service of financing for. Now, Mr. Chairman, there's only one reason for this, only one reason. The Government is going into the banking business and financing business and you want to know commission rates for your own benefit, and that's the reason for it. That's exactly what it is.

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: I would only say to you, Mr. Johnston, that . . .

MR. F. JOHNSTON: I'm not quite finished, Mr. Chairman. Mr. Chairman, I think, Sir, that if he did bequest me to do that, I would take him to the Supreme Court of Canada. I would take him to the Human Rights, and I would say that he just doesn't know anything about business to make a request like that, to have me reveal my contracts of commission with people I deal with.

MR. TURNBULL: Well, I'm pleased that Mr. Johnston corrected himself. He began by saying, what business is it of mine? And of course the section doesn't require that the information be disclosed to the Minister of Consumer Affairs, what it requires is that the disclosure be made to the purchaser of the goods - and I think, and of course I have a fundamental difference with Mr. Johnston over the point, that I think that the consumer is entitled to know what arrangements the seller of the goods is making for the financing of the sale.

MR. CHAIRMAN: Mr. Johnston.

MR. JOHNSTON: In other words, I am to walk in and make a sale to my customers and tell them my contractual arrangements with the company I represent. Are they required to tell their profits when they sell it? -- (Interjection) -- No they don't, not entirely.

MR. SPIVAK: Mr. Chairman, I wonder if the Minister will acknowledge that the legislation that he's proposing now - and we had this discussion prior to the commencement tonight - is really new initiatives and new legislation, and does not exist anywhere on the North American Continent.

MR. CHAIRMAN: Mr. Paulley.

MR. PAULLEY: Mr. Chairman, is it not a fact . . .

MR. SPIVAK: I'm not asking the Minister of Labour. I'm asking the Minister of Consumer Affairs.

MR. TURNBULL: Mr. Chairman, I believe that that is correct, that this is a new departure in Manitoba, but I don't think that that in any way lessens the effectiveness of the legislation.

The other point that we discussed, Mr. Spivak, at 5.30 was the amendment - if I just may allude to it, Mr. Chairman - that the sections that we're now on, 25.1 (1) through to 25.1 (3) are to come into force on proclamation, and that change is made so that we can review in much more detail with the businesses involved, including Mr. Johnston, to determine the practicality of implementing these sections.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Now will you also acknowledge, in the discussion we had, that you said that the reason to introduce the Bill by way of proclamation is essentially to have this as a means to get the sales finance companies to open up and give you the information that you require to know, whether you are, in starting this venture even know what you're doing.

MR. TURNBULL: Well, I can't . . .

MR. SPIVAK: The last part, I acknowledge, are my own paraphrasing of my impression, but up until that last part, did you not suggest that the reason that you're going to introduce this legislation and ask for proclamation is to be able to use this is a means to get from the sales finance companies the information so you can determine what you're doing - and if it's wrong, you're prepared to repeal it?

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Mr. Chairman, the Bureau and the Minister know what they're doing. They are attempting to protect the consumer from credit charges that the consumer does not now know anything about. And that's what we're intending to do, and that's what the section is designed to do. I think the consumer is entitled to know even though the Conservative Party apparently doesn't think the consumer is entitled to know.

Now with these sections passed, we will then be able to determine, not what we are doing but what the companies are doing. And if in fact the credit arrangements that are made are remuneration for work done, are reasonable rates, and are in fact not onerous on the consumer in the way of credit charges, then we can reconsider the wording of the sections.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Well, Mr. Chairman, if I may. Has the department and has the Minister determined what direct effect this will mean if it's applied in terms of the commercial undertakings in this province and the ability of people to be in a position to be able to purchase by way of a finance contract? Will this affect their cost as a result of what's being proposed? Will it in fact create problems for availability of money? And will it in the long run have a detrimental effect on the ability of people to be able to buy on time?

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Mr. Chairman, I don't see how that kind of information can be pre-determined. Many of the same arguments as I recall were made when the Consumer Protection Act was first passed in this province, which at that time of course was an initiative and a first. And I think . . .

MR. SPIVAK: No, Mr. Chairman, that's not so. That's not so that it was a first.

A MEMBER: Let the man make a statement.

MR. TURNBULL: . . . to ask me to predetermine whether or not money will be available for credit purchases in the future as a result of these recessions, is something of course that I'm not in a position to answer now. But I would hope that if we can have these three sections passed that I will be in a position to answer that question six months hence.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: No, I have no other questions.

MR. CHAIRMAN: Mr. Johnston.

MR. F. JOHNSTON: Mr. Chairman, the Member from St. Matthews made a statement that he believed in setting up businesses and going after the best people possible and paying them. If a company wants to enter into a contract because they believe that person is a better salesman, a better public relations man, or whatever he may be, and that contract is entered into between the two people, I fail to see why he has to turn around and tell the people he is dealing with what his income is. I fail to see how it can work because you have different rates on different things. You have one rate on some volumes, you have different rates on different commodities. I would be willing to bet - in my business I deal with approximately 12 to 14 different commission rates, and I would say that there at least occasions on the one product there are different commission rates. And you are asking a person to tell his income. Now the income tax people of Canada make you do that, but I don't know why I have to tell it to everybody else.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Yes. Mr. Chairman, I cannot see - the same as my colleague, Mr. Johnston - what value this particular legislation will be for a consumer. Because if I understand the operations of a car dealer and his transactions correctly, that when a customer goes in to buy a car, he has probably shopped around, looked at prices, he gets the best price he can from the dealer that he wants to deal with - and sometimes it's based on service, sometimes it's based strictly on price. Then if I understand my honourable colleague from La Verendrye, at that point the customer still has a choice on whether he wants to have that car dealer finance the car for him, he still has a choice to go to the bank, he still has a chance to go to the financing company himself if he wants. So if he chooses to take the route of having the car dealer finance the car for him, then he knows exactly how much it's going to cost him monthly and for how many months for the amount of money he requires. Now whether he knows the fact that the dealer is going to get \$9.00 or \$40.00 in that transaction really should not matter to the customer, because he has already done his shopping in the free competitive trade that we presently have in that particular industry and he has gone out and shopped and found what he thinks is the best buy that he in his own opinion believes is correct. That's the customer, the person we're trying to protect presumably with this legislation. And what he will gain by knowing that because he can buy a car for \$3,000 from this garage, and you can get it financed there and he chooses to do so, that in that transaction there's nine or ten dollars or fifteen dollars of commission for the car dealer to handle the financing for him, I can't see what benefit it will be to him. Because if we look at the same thing that happens when we go down to Eaton's to buy a suit, in the price of that suit when we go to buy that suit there's probably - if it was made in New York or in Toronto, there'll be freight to bring it from Toronto or Montreal to Winnipeg; there's tax in there, the federal tax; there's a profit for Eaton's and there's the commission for the salesman who's selling it. Now is it going to make me any happier to know that the salesman is getting a commission of \$5.00 when he sells me that suit? No. All I'm interested in, Mr. Chairman, is how much do they want for that suit and how much is it going to cost me per month if I decide to charge it at Eaton's.

So that really I cannot see any benefit for the individual consumer in this legislation by knowing that if he decides to accept the proposal from the car dealer to finance this for him - as long as he knows exactly the interest charge that he is paying, the dollars per month that he has to pay in total value if he accepts that financial charge, then it really is no benefit to him to know that in that total cost there might be \$9.00 of fee towards the car dealer who is assisting him in at least saying, if you want to finance it through us, fine, this is what it costs you. And it's obvious that these days one cannot provide a service and take responsibility and risk without getting some payment for this service. The government expects payment of service when it provides services to the public, so what benefit to the consumer knowing how much commission - or reward if you want to call it - for the services that are being provided by the car dealer is in that part of the transaction to me will be of no benefit to the consumer; but

(MR. MINAKER cont'd) . . . obviously will be a great benefit to the Government if it decides to go into the banking field, which it obviously is interested in going into, and it will be aware of what commissions are being paid by private industry to people who are providing this service in selling their particular financing abilities.

MR. CHAIRMAN: Mr. Shafransky.

MR. SHAFRANSKY: Mr. Chairman, in listening to some of the debates that were carried on in the House - I have attended a number of Sessions over the years dating back to 1950 - and one of the things that I found out in listening to the members in the Opposition was that they did declare their particular interests, and it seems to me that there does appear at various times a conflict of interests. We have had the Member for Souris-Killarney, the Member for Riel, and I understand the Member for Sturgeon Creek, when we were discussing the Manitoba Public Insurance Corporation, who have certain interests in their particular operations. Now we're dealing with the . . .

MR. CHAIRMAN: Order please. Order please. Mr. Johnston.

MR. F. JOHNSTON: On a point of privilege. My point of privilege is - my discussion is on the basis of revealing commission. I explained the situation which I personally am involved in.

MR. SHAFRANSKY: Exactly, Mr. Chairman, exactly . . .

MR. CHAIRMAN: Order please.

MR. F. JOHNSTON: And he says that that's a conflict of interests.

MR. CHAIRMAN: One at a time. Mr. Johnston.

MR. F. JOHNSTON: Mr. Chairman, I believe that his remarks are out of order and I ask him to withdraw them.

MR. CHAIRMAN: Mr. Shafransky.

MR. SHAFRANSKY: Mr. Chairman, I'm talking about - the fact is that Mr. Johnston did declare right in his opening remarks that he is a commissioned agent, and therefore in dealing with the Consumer Protection Bill, he does have a conflict of interest.

MR. CHAIRMAN: Mr. Johnston.

MR. F. JOHNSTON: Mr. Chairman, in my election literature, it says my employment is commission agent. There's never been anything hidden.

MR. SHAFRANSKY: A commission agent. And therefore you have a conflict of interest, and the fact is that you have not . . .

MR. F. JOHNSTON: Well then, the Member from . . .

MR. CHAIRMAN: Order please. One at a time.

MR. F. JOHNSTON: Mr. Chairman, the member who has just spoken should not speak on an education bill.

A MEMBER: Right.

MR. SHAFRANSKY: Education bill? It's not an education bill. --(Interjection)-- I have not.

MR. CHAIRMAN: Order please. Order please. Order please. Order please. Mr. Paulley, to the point of privilege.

MR. SHAFRANSKY: Mr. Chairman, I have not concluded.

MR. PAULLEY: Mr. Chairman, to the point of privilege. It seems to me, Mr. Chairman, it might be a point of privilege. It does seem to me that maybe it's the late hour that's disturbing people to some degree. We have this bill before us, I think it would be in order for me to move that the question be now put insofar as 25.1(1) is concerned, and I so move.

MR. CHAIRMAN: It's been moved that the question be now put. Those in favour?

MR. FRANK JOHNSTON: Closure. That's what it is, plain closure.

MR. SPIVAK: That's it.

A COUNTED VOTE was taken, the result being as follows:

Yeas 13; Nays 8.

MR. CHAIRMAN: The motion passes.

MR. F. JOHNSTON: Mr. Chairman, I'd like it noted that my name was on the list to speak.

MR. SHAFRANSKY: Mr. Chairman, I also notice . . .

MR. CHAIRMAN: There is no debate, the motion shall now be put. Section 25.1(1), those in favour?

A MEMBER: I don't give a damn whether you do it or not.

MR. CHAIRMAN: Conservative House Leader.

MR. JORGENSON: You have a bunch of ignoramuses running this -- (Interjection) -- I've never seen anything so ridiculous.

MR. CHAIRMAN: 25.1 (1) pass.

MR. PAULLEY: Yes, continue, have the bill reported.

MR. CHAIRMAN: 25.1(2) pass; 25.1(3) -- Mr. Axworthy.

MR. AXWORTHY: Mr. Speaker, I realize sort of that a great deal of latitude is allowed on certain strategies and tactics of Parliament, but I would think it would be very unseemly for this committee to continue without members on it, and I would request that perhaps some of the events of the past 10, 15, 20 minutes are also an occasion of having spent a very long evening and therefore I would recommend to the Chair - although I know I don't have the voting power at this point . . . that we simply adjourn for the evening, and I would like to so move so that we can reconvene tomorrow morning. I don't think there's much point, and I think it would be improper for us to continue under the present circumstances.

MR. CHAIRMAN: The Committee is in charge of its own affairs and we will proceed until we adjourn. Mr. Paulley.

MR. PAULLEY: Mr. Chairman, I do respect the opinion of the Honourable Member for Fort Rouge. The reason that I moved the motion that I did, namely the question now be put, it seemed to me that there was nothing more or less going on than a harangue and a wrangle between individuals on a certain section in the bill. That was the reason that I moved it, not to attempt to be a dictator. But I do respect, and I have on occasions in the past been confronted with petulant individuals, such as the members who left the Committee room tonight, but I do respect the ability and the suggestion of the Member for Fort Rouge, and I think that he is presenting a valid position that the Committee should now adjourn. I think we have illustrated the incompetence and the petulance of the Conservative Party, and I would be prepared to support the motion, and I believe you are a member of the Committee, Mr. Axworthy?

MR. AXWORTHY: Yes, I am.

MR. PAULLEY: I would be prepared to recommend that the Committee support your position.

A MEMBER: Committee rise.

MR. CHAIRMAN: Committee rise.

MR. AXWORTHY: Well, Mr. Chairman, I just would like to, and I think I have the right, you know, just to comment that I did not move it because I was judging the rightness or wrongness of one position or the other, I was simply saying that I think it did demonstrate that the time that we should adjourn was now, not later. That's my only comment.

MR. PAULLEY: I accept that.

MR. CHAIRMAN: Committee rise.

MR. PAULLEY: The House will go into session at 10:00 o'clock, and there's one or two bills - will be Committee of the Whole House, and we'll come back to Law Amendments after that.