

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Tuesday, 28 April, 1987

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. C. Santos (Burrows)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Cowan, Harper

Messrs. Ashton, Connery, Derkach, Dolin,
Downey, Enns, Maloway, Santos, Scott

APPEARING: Ms. Barbara Bruce, Chairperson,
CEDF

Mr. Hugh Jones, General Manager, CEDF

Mr. Gordon P. Trithart, Secretary-Treasurer,
Channel Area Loggers Ltd.

Mr. George Kemp, Manager, Channel Area
Loggers Ltd.

Mr. Clement Jones, President, Moose Lake
Loggers Ltd.

Mr. R. Kivisto, General Manager, Moose Lake
Loggers Ltd.

MATTERS UNDER DISCUSSION:

Annual Report of the Communities Economic
Development Fund for the fiscal year ended
March 31, 1986

Annual Report of Channel Area Loggers Ltd.
for the fiscal year ended March 31, 1986

Annual Report of the Moose Lake Loggers
Ltd. for the fiscal year ended March 31, 1986

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MR. CHAIRMAN: The Standing Committee on
Economic Development, please come to order. We are
to consider the reports of the Communities Economic
Development Fund, Channel Area Loggers Ltd., and
Moose Lake Loggers Ltd.

We shall begin with a statement from the Honourable
Minister.

Members of the committee, the report will be
duplicated soon. Do you want to start now or wait?

MR. J. DOWNEY: Proceed.

MR. CHAIRMAN: We can proceed.

**ANNUAL REPORT OF THE
COMMUNITIES ECONOMIC
DEVELOPMENT FUND**

MR. CHAIRMAN: The Honourable Minister.

HON. E. HARPER: Thank you, Mr. Chairman.

Let me begin by introducing the chairperson of the
Fund and the staff members who are here today. Ms.
Barbara Bruce, a board member for some time who
was appointed to the Chair on August 27, 1986, when
Mrs. Bernice O'Connor resigned from that position due
to pressures of business in Churchill.

With Barbara Bruce are: Hugh Jones, the Fund's
General Manager; Greg Goodwin, the Corporate
Secretary; Ted Chiswell, the Manager of Finance; and
Don Nyznik, the Fund's in-house Solicitor.

The Chairperson will be providing a general overview
of the Fund's activities for the fiscal year ended March
31, 1986. I am sure that she will be asking Mr. Jones
to go into the detailed review of the report now before
you.

Before they begin, however, I would like to advise
the committee that although I have only recently become
responsible for this Crown agency, I have begun to
dialogue with the Board of Directors, members which
represent a wide diversity of background from northern
communities, with significant representation of
Manitoba's Native people.

I have recently had the opportunity of participating
in some discussion at the board meeting held in
Thompson to coincide with the opening of the Fund's
first northern office in that community.

I am pleased with the step that has been taken so
that, for the first time, this important agency has a
visible presence in Northern Manitoba and I have
already been informed that significant activities have
already taken place with the permanent appointment
now of a staff person resident in Thompson, manning
that office there.

My intention is to continue active dialogue with the
Fund's board and I look forward very much to seeing
this fund continue its important work in assisting
northern and Native citizens of this province to enhance
their economic development potential.

I am also pleased to confirm that the Communities
Economic Development Fund had just recently
implemented a Native Consultant Training Program.
This program has been implemented to encourage
individuals of Native ancestry to become full-time
consultants or loan officers on the staff with the Fund
through on-the-job apprenticeship program. Irene
Hamilton, Eileen Norris and Howard Contwa (phonetic)
have been retained under this program which has been
cost-shared by the Fund and the Core Area Training
and Employment agency, which will lead to the trainees
being in a position to fulfill and discharge the
responsibility of the Fund's professional staff.

With these comments, I will now to turn to Ms.
Barbara Bruce to have her proceed with her remarks.

MR. CHAIRMAN: Ms. Bruce.

MS. B. BRUCE: Thank you, Mr. Chairperson.

I am pleased to have this opportunity, for the first
time in this position, to provide an overview of the

Fund's operation for the fiscal year ended March 31, 1986.

As the Minister has already indicated, I shall be asking the general manager to review for the committee, the Annual Report now before you, but I would like to start by confirming the current content of the Fund's board.

On page 6 of the report, in the listing of directors, you will note the resignation in January of last year of Mr. Roy Chartrand, and he has been replaced by Mr. Billyjo De La Ronde, representing the Manitoba Metis Federation. The board complement now, therefore, is the full eight members provided in the Fund's legislation.

I want to put on record as early as possible my sincere appreciation for the very significant work undertaken by my co-directors. We meet at least once a month regularly, and the statistics which the general manager will provide for you will evidence the increased activity of this agency, demanding time and effort on the part of the board, faced often with difficult decisions to make.

I fully concur with the Minister's view that the office in Thompson is a step in the right direction for this agency. Already we are seeing much activity and I would foresee Mr. Art Merasty, the staff consultant appointed to that office, becoming extremely busy and well-known in the various communities in the Thompson region.

I would also comment, Mr. Chairman, upon the changes that we have instituted within the Fund's administration in the last year or so, so that the board would be provided with comprehensive analyses of the various proposals being presented. The very nature of the Fund presupposes that many of the ventures financed by us are of a high-risk nature, but our responsibility as directors to assess that risk cannot be fulfilled effectively without better research on the part of the staff. The general manager, no doubt, will outline some of those changes for you but I can say, categorically, that I am satisfied that the extent and the quality of the investigations now undertaken and presented to us show a marked improvement.

The board continues to be deeply concerned to ensure that a very high percentage - indeed the highest percentage - of all the Fund's investments are directed to Northern Manitoba, with a particularly heavy emphasis upon Native ownership and Native employment. Perhaps I can best illustrate what I mean by giving you this very brief overview of what has happened in the year since the report before you was completed.

In the 1987 fiscal year, for example, we approved 68 loans of a value of just over \$3.5 million, creating or retaining jobs in the range of 223.

Of those loans approved, 38 were provided for northern Native-owned businesses - 11 for northern non-Native owned businesses. We also approved 7 for southern Native-owned businesses and 10 for southern non-Native owned businesses.

The Fund's policy remains as it was when we appeared before this committee last year to the effect that the board continues to be willing to consider proposals from the more southerly areas, where there is clear evidence of either potential Native ownership or significant employment for Native people.

In closing, I would like to express, on behalf of my colleagues on the board, our sincere appreciation for the very hard work of the staff of the Fund and convey to them our intention to make them work even harder in the year to come.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Jones.

MR. H. JONES: Mr. Chairman, my remarks are being copied. Perhaps I could start, with your permission, asking the members to turn to page 12 of the report which lists the assistance granted or to be granted. And I know this was a question raised last year, that the location and the type of business was not included in that list, and unfortunately it happened again this year, and it will certainly not happen again. But very quickly, if I may, I'll run down the locations if the members wish and the types of business when I'm waiting for my statement.

Beef 'n Reef, I think that everyone knows that that was in Lac du Bonnet and we can discuss that later if the members wish; Linda Bone is from Camperville, it's a taxi operation; Boulette Forest Operations is Manigotagan; James Buck, Moose Lake, forestry, and Willard Buck, the same; Lorna Cameron, Thompson, a courier service; Campbell Development Corporation is a housing construction company in Gillam; Garry Chartrand, Waterhen, a general store; Roy Chartrand, Teulon, restaurant; Simeon Cook, of Brochet, an outfitting operation; Draft Enterprises of Eriksdale, manufacturing; Dennis Dwyer of Wabowden, grocery store; Walter Ettawakapow, Norway House, taxi operation; Glen Flett of Norway House, a laundromat; Guy Garand, Anola, a forestry operation; and the two for the Gold Trail Hotel Company, both relate to a winter road contract financing at Ilford; Greg and Ernie Contractors, Snow Lake, a gravel hauling company; Herb Cook and Son of Grand Rapids, heavy equipment contractor; Interlake Non-Profit Housing of Fisher Branch, a housing contractor; Kelsey Motors of Churchill, a hotel operation; Long Point Development Corporation, Grand Rapids, a logging operation and Manigotagan Development, similar; Manitoba Metis Housing, a bank guarantee, housing construction project and the same with the next one. Lesley Monkman of Norway House, a cafeteria; N.D. Gunn, Norway House, construction; Northern Metis Investments is the holding company for a hotel in Thompson; Pasquia Valley Services of The Pas, a fertilizer distributor company; James Poitras of Woodlands, a welding shop; Clarence Popowich of Waterhen, a tourists camp; James Pruden, Cranberry Portage, carpentry; David Rennie of Churchill, an electrician; Francis Sentenak of Moose Lake, forestry; Vernon Smith, Wabowden, a winter road; Swamper's Garage, Manigotagan; a service station. The Pas Indian Band relates to an acquisition of a lumber yard in The Pas; Holt Enterprises of Waterhen, road construction; Wayne Graham Custom Iron Works of Flin Flon, custom iron works; Yakelashok, of Minitonas, a service station; and Yellow Thunder Holdings, Gypsumville, heavy construction.

That's the location, Mr. Chairman, and the businesses. If I could very briefly then just reconfirm the chairperson's comment on the update of the statistics listed on page 8. As she said, we have approved a further 68 loans, bringing the total now to 627, for an overall total, since inception, of 24.6 million.

I am pleased to advise the committee again, Mr. Chairman, that the ratio of successfully repaid loans

or loans presently being dealt with in a satisfactory manner, remains at an average of 79.5 percent. It's not my intention to make that statement in a congratulatory fashion, as there's still room for much improvement.

In the Provincial Auditor's report to the Legislature, for example, he's indicated areas in which he would like the Fund to address consistency in the way loans are monitored effectively. I shall be dealing with those comments later on in my review, but it seems to me that the high risk nature of almost all the enterprises we have financed, involving as it does a hands-on approach to client in his or her business, has produced a repayment record, is not fully acceptable - I would agree - but well in line with more conventional lending institutions.

If I could then turn to the Balance Sheet on page 10, Mr. Chairman, and highlight perhaps some of the more significant differences between '85 and '86. On the Asset side, the Cash and Short-term deposit items reflect generally the earlier call-down in our capital funds, to deal with the significantly increased activity in loan approvals. While the estimated cash requirements are carefully monitored, the fact remains that the timing of the disbursement of our loan proceeds cannot always be according to plan.

On the liability side, the funds provided by the province have shown an increase of 400,000 and this, of course, again reflects the increased activity.

On page 11, under Statement of Revenue and Expenditure, the revenue for loan interest is a minor increase of about 30,000, explained partially by the earlier higher interest rate factor. The General Administrative expenditure has increased by approximately \$12,000, and we can explain that primarily as a result of an increase in directors' fees and expenses, reflecting the addition of the one board member, which the Chairman has indicated, compared with last year and the higher travel expenses because of the increase in the number of directors who live outside the Winnipeg region. The change in the amounts for salaries and benefits represents the cost of living and increments during the year in question.

In the list of Loans Approved on page 12, Mr. Chairman, there are three major ones in that list which, of course, we'll find some concern, and they are N.D. Gunn Limited, Yellow Thunder Holdings and Northern Metis Investments. In each one of those cases, certain steps have been taken by the Fund in the form of legal action; and in my opinion, it would not be appropriate for me, at this time, to go into too much detail on these three business ventures, in that we are still in the process of significant negotiations in the hope that we will obtain full recovery in all cases.

In closing, Mr. Chairman, perhaps I could just touch upon a comment made by the chairperson in regard to improved administrative processes, which was a comment, as I say, made in the Provincial Auditor's Report.

MR. H. ENNS: Pardon me, Mr. Chairman, for an interjection. You mentioned three major areas; could you just name them once again please?

MR. H. JONES: Yes, certainly. N.D. Gunn Ltd., if you look towards the bottom of the list, Mr. Enns; and Yellow

Thunder Holdings at the very end; and the third one is Northern Metis Investments, immediately under Gunn.

Perhaps I could just again then touch upon a comment made by the chairperson in regard to improved administrative processes, and this relates really to comments made by Mr. Jackson in his report to the Legislature. We have prepared a plan of action to deal with the concerns he's expressed and, of course, we're in ongoing discussion with him. We'll be meeting with him and his senior staff in the very near future, and the action plan, of course, is already under way.

This as an example, because he specifically raises this in his report:

"The Fund has now completed and printed a very comprehensive manual of administration, which embraces all the procedures within the Fund's Office. Internally, also we have developed more sophisticated investigation procedures for larger loans, and because of that, we have emphasized to applicants that the time involved in the approval process understandably has to be longer.

"We have normally regarded a six-week turnaround, from the date the application is received to the day the loan is approved, as a reasonable time frame. But in the case of loans involving amounts of more than 100,000, that timeframe has simply had to be extended.

"My point is, we have responded to the board's clear instructions to provide comprehensive feasibility studies in all such cases."

With the assistance of my colleagues then, Mr. Chairman, I'll do my best to answer questions members may have. I'd like to conclude by expressing my sincere appreciation to the board for their guidance and to my staff for their continued dedication.

MR. CHAIRMAN: Thank you.
The Member for Arthur.

MR. J. DOWNEY: Thank you, Mr. Chairman.

I would like to thank members of the Communities Economic Development Board and the general manager and, as well, the Minister for the opening comments.

We have quite a series of questions dealing with it, Mr. Chairman, with the activities of the board and the activities of the program. I guess, in general, the comments that are made, I think, have touched on some of the areas that have been brought to my attention, or the Opposition's attention of concern.

In opening my comments, I would like to ask the dates on which the chairman of the board change took place. Ms. Bruce was put on in place of Ms. O'Connor, I believe. When did that take place?

MR. H. JONES: Ms. Bruce was the director and she replaced Ms. O'Connor as chairperson. I think, Mr. Downey, the date is actually in the comments that the Minister made.

MR. CHAIRMAN: It was stated in the opening statement.

MR. H. JONES: I'm sorry, I can't remember the exact date.

MR. CHAIRMAN: August . . .

Tuesday, 28 April, 1987

MR. J. DOWNEY: 1986?

HON. E. HARPER: August 27, 1986.

MR. J. DOWNEY: Another question dealing with the make-up of the board, to the Minister; could the Minister indicate the individual of Mr. Eli Harper, who's on the board. Is that the Minister or is that a relative of the Minister from Red Sucker Lake?

HON. E. HARPER: Well, he's from Red Sucker Lake and part of the community.

MR. J. DOWNEY: And a relative of the Minister?

HON. E. HARPER: Well, he's a "Harper," and I'm practically related to everybody in Red Sucker Lake.

MR. J. DOWNEY: Well, to make it straightforward . . .

HON. E. HARPER: It's not a first cousin or . . .

MR. J. DOWNEY: But a relative of the Minister?

HON. E. HARPER: Not through my family; probably a distant third cousin or something.

MR. J. DOWNEY: Okay, that's fine, thank you. I wasn't clear whether it was the Minister or whether it wasn't.

Mr. Chairman, to the general manager; when we look at the guidelines that are set out, either under the act or the general guidelines, No. 1, when it says what conditions must the applicant fulfill with (a) There must be assurance of repayment from the earnings of the business; is that being carried out in all cases within the operations of the Communities Economic Development Fund?

MR. H. JONES: Yes, Mr. Chairman.

MR. J. DOWNEY: There has been no deviation from that principle?

MR. H. JONES: Not from the principle, no.

MR. J. DOWNEY: Has there been any deviation from it in any other way?

MR. H. JONES: Well, Mr. Chairman, my answer was meant to cover this point; the judgment the board makes when loans are approved, of course, in terms of repayment, relates to the earnings and potential earnings of the business where the repayment should come from.

If a business has run into trouble the board is prepared to look at the situation - let me put it this way - an orderly repayment of debt from some other sources. But the principle in judging the loans to be approved, in terms of repayment from earnings of the business, still stands.

MR. J. DOWNEY: So in other words, to be clear, assurance has to be given before any money is advanced to any individual or company, the assurance

has to be there that there will be repayment from the earnings of the business. I understand that correctly?

MR. H. JONES: Yes, Mr. Downey.

MR. J. DOWNEY: The second part of that would apply as well, I guess, that there be evidence of the ability to operate the business successfully. That would automatically follow, is that correct? There hasn't been any deviation from that?

MR. H. JONES: No. Frankly, Mr. Downey, that's part of the responsibility of the staff and myself and the directors to be satisfied from the research we undertake that those principles can be adhered to.

MR. J. DOWNEY: What is the basic procedure as far as the approval of a loan, the involvement of the board of directors, and the government; the decision-making process? Mr. Jones, could you clearly point out how that takes place, as board, management and government involvement? Could you give me just a brief outline as to procedures?

MR. H. JONES: Briefly, if I could refer to the by-laws of the Fund, Mr. Downey, the chairperson and/or myself have the authority under the by-laws to approve loans up to \$25,000, when the board is not sitting. Now that authority - and in fact in practice I'm sure that the chairperson will support me in this - has rarely been used, only in cases of dire emergency and the limit is \$25,000.

The Board of Directors, under the by-laws, has an authorizing limit of up to \$150,000.00. The applications come into the Fund's office, from a variety of different sources. The proposals are investigated by the staff and reviewed by myself, provided that the directors when they meet at least once a month - usually once a month, sometimes more frequently - the board then reviews them and approves or declines as the case may be.

If the application is for an amount over \$150,000, the board of directors will still go through the process, intensively as they always do, and make a recommendation to the Minister, either to support it or to decline it. They do not have the authority to make the decision on loans beyond the \$150,000.00. In practice, that then goes to the Minister, who has jurisdiction to pass that onto Cabinet; that's the process.

MR. J. DOWNEY: Mr. Chairman, so I'm clear on this, would it be management has \$25,000; would that accumulate onto the \$150,000.00? Would the board and management be able to approve a loan of \$175,000, or would that have to go to the Government, the Minister, and I would presume, the Cabinet for approval?

MR. H. JONES: The management, the chairperson and myself do not have the power to approve loans beyond \$25,000.00. That \$25,000 authority cannot be transposed to an existing amount, unless we're entering into a process which we call a "protective disbursement." If an emergency situation arises, and a judgment is made by the chairperson or myself, that before the board meets, even if the amount disburses

\$150,000, there is a requirement, for example, to pay an insurance premium or to deal with some emergency situation; then that authority is exercised, interpreted not as a new loan, as such, but as a protective disbursement.

So there are provisions made for dealing with crisis situations, which are then of course immediately referred to the board either the same day or certainly at the next meeting.

MR. J. DOWNEY: I appreciate that. So in other words the Cabinet would have to approve, or the Minister and the Cabinet would have to approve anything over \$150,000, so I'm clear.

Mr. Chairman, I'm sure that Mr. Jones and the board have minutes of all their meetings. Would the minutes of the meetings be available to this committee, if so requested?

HON. E. HARPER: My understanding is that they can be made available to the members. I don't know whether there's anything that would not provide us not to.

MR. J. DOWNEY: Thank you, Mr. Chairman. I appreciate the Minister's willingness to provide the minutes.

MR. CHAIRMAN: The Minister of Cooperative Development.

HON. J. COWAN: I think the government has currently indicated its willingness to provide that sort of information if, in fact, corporate confidentiality matters are addressed in an appropriate fashion. We are dealing with applications and proposals that are made on the behalf of individuals and there are some factors that, as in the past, might have to be deleted from the minutes. There have been arrangements made with the Opposition for dealing with that process successfully in the past; as well, as there are certain other documents that come forward that would not be available.

But I think there's been a fairly effective mechanism established for sharing information on those matters with the Opposition, and certainly we'd be prepared to follow that process in the way in which it has been dealt with in the past.

MR. J. DOWNEY: I thank the Minister for that. In other words he's saying, any precedent that has been set, as far as getting minutes, whether it's MTX or whether it's in any of the other Crown corporations, that that same procedure would be able to be followed; am I correct in that?

HON. J. COWAN: We're saying basically is that there are some procedures that had been established, which provide us with some general approaches. If there are specifics that are being requested in this particular instance, we'd be prepared to sit down with the Opposition critic and determine how those procedures might be applied in this particular situation.

There are not any real precedents set in this particular area, nor are there any general precedents across the system, but there are specific instances where we've been able to - by direct discussion with the Opposition

- provide information to the satisfaction of all parties, and we're prepared to do that in this instance.

But to suggest that any one specific process, which has been applied to another Crown corporation would necessarily flow and be the same process in this instance, I think would be probably carrying it a bit too far. What we are prepared to do is sit down and discuss what's required, and how we can share the information effectively, as we have done in the past. That's the precedent which I think we should follow.

MR. J. DOWNEY: Well, Mr. Chairman, as I understand it, I think it's acceptable at this point, and I'm clear that if it's a matter of company confidentiality, as far as the operations of the company are concerned, there is a question; as far as the operations of the Communities Economic Development Fund and the knowledge that the public have to have, then it will be made available to us. I thank the Minister for that.

Mr. Chairman, there was one other question - I should have asked Mr. Jones - dealing with the loans. Do loan guarantees over \$150,000 as well have to go to Cabinet?

MR. H. JONES: Yes, Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, the general manager made comment earlier in his remarks - or in his remarks dealing with the Auditor's comments. I want to deal with it for a couple of minutes, and I go back to 1985 Auditor's Report of the Communities Economic Development Fund.

He indicates in the report, and I'll take a direct quote, "Nonetheless a review of recent and earlier loans, some of which have been determined to be largely uncollectible, indicate certain deficiencies of a general nature in CEDF's documentation and monitoring policies and procedure."

Carrying on: "We are concerned that if these deficiencies are not addressed, management may be precluded from taking appropriate action on a timely basis, to protect public funds." A fairly straightforward and open comment from the Auditor.

However, we go to the 1986 report, and Mr. Jones only indicated "an Auditor's report" - he didn't spell out that there were specifically two Auditor's reports, and we have again much the same situation and I'll again, to be fair, quote from the comments again: "Although the Fund has taken partial action to resolve some of our concerns, we believe that further strengthening of controls is required." I would say that's probably a little bit less than what maybe the taxpayers would expect to take as a watchdog setup.

I'll go on further: "Although the Fund may be a lender of last resort, the Fund should adhere to policies and procedures, such as that there is a presumption that loan repayment is expected and public funds protected."

I think that, again, indicates a couple of things, that first of all there hadn't been the kind of corrective action taken by the government, particularly when it is Cabinet that is doing the approval of \$150,000 and more, but as well - and I stand to be corrected - the Fund should adhere to policies and procedures such as "there is a presumption that the loan repayment is expected and the public funds are protected."

I would take it that the Auditor is questioning whether or not, Mr. Jones, the very first condition of what an applicant has to fulfill, there must be assurance of repayment from the earnings of the business; there must be evidence of the ability to operate the business successfully. I would take that from the Auditor's 1986 report.

I ask the Minister, did he or did his government not take the kind of actions in 1985, he and his Cabinet, did they not get some kind of a notice of concern out of that message? What action was taken? Was there any directive from the Minister to the Communities Economic Development Fund, any documentation which would substantiate whether or not there were any corrective measures taken on behalf of the taxpayers?

HON. E. HARPER: To answer your question, the board and Mr. Jones have been meeting with the Provincial Auditor; it's an ongoing discussion with the Provincial Auditor at this time. I would ask Mr. Jones, maybe, to comment as to how many meetings he's had.

MR. H. JONES: In the context of the Minister's comment, Mr. Chairman, certainly we have a very close relationship indeed with the Provincial Auditor's office and never more so than in the last year when, I should point out, that our current manager of finance, Mr. Chiswell, who is sitting behind me, in fact came from a senior position in Mr. Jackson's office, so he's been of tremendous assistance to the Fund.

I really must emphasize, Mr. Chairman, and I don't disagree with the quotations Mr. Downey has given, but actions has been taken, actions are being taken, and if you look, Mr. Downey, for example, at the last paragraph in the 1986 report to the Legislature by Mr. Jackson, ". . . action should include the development of a manual . . ." and so on. That's already been done and there are other steps currently under way.

Essentially, from the senior people that we've talked to in the Auditor's office, the action plan we have currently devised, and that is to be examined more fully, of course, when they come into our office probably next month to start the next audit, will resolve this issue totally.

MR. J. DOWNEY: Mr. Chairman, I'm surprised that we would see that in the Auditor's Report, a concern raised, and the chairman is telling us that action has been taken.

Can the general manager, Mr. Chairman, confirm that a quote from the Standing Committee on Economic Development on Thursday, May 3, 1984, page 11, and I quote: "Status of each loan is reported to the board monthly." Does that statement still hold true, Mr. Chairman, that each month the board had a statement made to them on the status of each loan? Does that still hold true?

MR. CHAIRMAN: Ms. Bruce.

MS. B. BRUCE: Yes, it's correct.

MR. J. DOWNEY: Did that report, Mr. Chairman, proceed on to the government, to the Minister? Was there a reporting to the government on a monthly basis

when it was received by the board? In view of the fact that they had to approve loans over \$150,000, was there any further reporting to the government?

MR. H. JONES: If I could answer and just make two comments in that respect, Mr. Downey, there's a regular reporting process, as the chairperson has indicated, every month to the board meeting, I have a copy here, for example, of what we call our Records of Supervision, the Status of the Loan, the Status of the Repayment, if there are problems, what the problems are.

In addition to that, on the larger loans, if problems do arise, and they do from time-to-time, there are separate reports given through the chairperson to the Minister's office.

I think that probably answers your question, Mr. Downey; I'm not sure.

MR. J. DOWNEY: As I understood the chairperson of the board, there was in fact a monthly reporting on all loans. Mr. Jones indicated in 1984, as I indicated, that the status of each loan is reported to the board monthly. Again, that's important. I think, as I say, I found it strange that the Auditor would pick it up, in fact, if the board were carrying out their responsibilities. That's why I asked the question, if in fact the Minister or the government were informed of the kinds of difficulties that were being reported to the board. In view of the fact that there was a \$150,000 approval level to approve it, was the same reporting on a \$150,000 loan problems going back to the Cabinet and the government for their notification?

MR. H. JONES: I wonder, Mr. Chairman, if I can come back to the specific comments made by the Provincial Auditor and I certainly don't want these misunderstood because we, as I have said earlier, we are meeting regularly with the Auditor's office and we have developed new processes. But it's the processes and procedures that were highlighted as a weakness by the Provincial Auditor. The question of communication to the board and to the government on the status of loans is still there. It's never been anything but clear, regular communication process. What the Auditor has questioned here, the internal background, the internal procedures which, as I say, we have started to remedy and we have gone a long way in that exercise.

MR. J. DOWNEY: Mr. Chairman, I would take it from the answer that the government were informed of loan difficulties, that there was a reporting system. That's how I take the answer and I will leave it at that.

The next question, Mr. Chairman, dealing with that and the monthly reporting and the fact that the government are being informed, the Communities Economic Development Fund have continued to carry out certain activities.

There are some specific loans which I would like to deal with and the first one I would like to deal with, and I know that the manager had brought some comments about some kind of legal activity, but I don't think we have to get into that. I think we can ask some questions dealing with the lead up.

My first concern I guess would be the information that I have received at the committee this morning, Mr.

Chairman, that N.D. Gunn Ltd. is operating out of Norway House. It would think that a company that was getting this kind of a loan would at least have a telephone in Norway House or some line of communication which one could get a hold of him. It appears that we have a company that's listed as a major borrower from the Communities Economic Development Fund and no longer operating with a telephone or with, in fact, any visible evidence of any activity in Norway House. I wonder if the general manager would have a comment dealing with the location of Mr. Gunn, as to the ability to do business without what would be so essential as a telephone.

MR. H. JONES: Mr. Downey, I know you'll appreciate and I hope you have been, in dealing with the situation with this company which is involved in litigation process. I will try to answer the question you've raised as clearly as possible, but I have to be careful here.

The company received a loan from the Fund to undertake contracts in Northern Manitoba. The business address of the company was Norway House, the principal, Mr. Norman Gunn, is from Norway House with a residence in Winnipeg - I have to be very clear on that. Now the company, partly because of his severe ill health which has not improved, has essentially ceased to operate, and the reason for not being able to contact Mr. Gunn in Norway House is precisely that, the business is not operating. If I could leave it at that for the moment.

MR. J. DOWNEY: Mr. Chairman, I'm just going to go through - as I understand the situation as it pertains to the N.D. Gunn loan situation, and I stand to be corrected, just so that I'm clear and don't want to get involved in any concerns that the individual may have dealing with the legal situation.

As I understand it, N.D. Gunn is an electrical contractor that has borrowed and has taken substantial loan guarantees from the Communities Economic Development Fund for, supposedly, work in the North; and, as well, other activities that are not in the North but, as well, contractual work at the University of Manitoba.

I understand as well that the approval of some \$350,000 to Mr. Gunn was given in April, I believe it was, of 1985 if the records are correct, and that the situation in April of 1985, if there had been a credit check carried out by Communities Economic Development, would have found that individual was already in substantial financial difficulty, a credit check with some of the companies which the individual was involved with, that it possibly would have shown some of the problems that this company was in.

In fact, as I understand it, from the information which I have received, that in September of 1986, that the company we're talking about went into a bankruptcy situation. As well, Mr. Chairman, that the situation gets more involved, and I would find it very difficult to find out that after the company went into a bankrupt situation, that the Communities Economic Development Fund would continue to proceed on behalf of the company to pay wages to individuals who were formally employed by Mr. Gunn.

I have a copy of a cheque that was issued on September 22, for the sum of \$259.85. I find it hard-

pressed, Mr. Chairman, for the Communities Economic Development Fund to forward funds on behalf of Mr. Gunn, at the time that the company was in a bankrupt situation. I can't quite square, and I'm sure the people of Manitoba couldn't quite understand, under what mandate the Communities Economic Development Fund would be operating to further proceed to advance funds to employees of a company that had gone bankrupt when, in fact, I will go back again to what the mandate of the corporation is, and that is to make sure that it's on a sound economic business in which they're proceeding to pass out funds.

Mr. Chairman, it brings into question the whole approval of the loan procedure; it brings into the whole process of approval of the government, which initially approved the \$350,000 to the company, which brings the Cabinet directly involved.

A further question to the Minister, Mr. Chairman. Could he confirm that at 41 Higgins Avenue in Winnipeg, the home of Mr. Gunn, that it was the campaign office for the last election from which Mr. Elijah Harper operated out of? Is that a correct assumption?

HON. E. HARPER: I can confirm that part of my operation was out of 41 Higgins, but the main campaign headquarters was in Cross Lake.

MR. J. DOWNEY: Mr. Chairman, in other words, we're now being told by the Minister that he had his campaign office at 41 Higgins. Can Mr. Jones indicate that part of the security which was sold on behalf of the corporation - that 41 Higgins was sold recently by public auction to try to recover some of the money for the Communities Economic Development Fund?

MR. H. JONES: That property was part of the security charged to the fund, Mr. Downey. I have to check in a minute with my staff, but I'm not yet convinced we have a firm offer, but it was security charged to the Fund, yes.

MR. J. DOWNEY: Mr. Chairman, would the chairman be prepared to provide the minutes of the meetings which provided the authority for the board to proceed to approve the Gunn loans, to proceed to give us all the documentation which the corporation has in dealing with that loan which was approved on behalf of Mr. Gunn, by the Cabinet?

MR. H. JONES: Well I'd like to have some consultation on that one, in terms of the way Mr. Cowan expressed it. But you know again, we are, Mr. Chairman, in a very tenuous situation over this company. As I say, there's litigation pending. We're attempting to take action under our normal legal remedies. The process is not finished; there are significant negotiations still proceeding. The building by the way, Mr. Downey, has not been sold yet; it is up for sale.

MR. J. DOWNEY: I see. Mr. Chairman, we have a strange series of events that are starting to unfold with the activities of the government, the activities of the Communities Economic Development Fund, of which we have a Cabinet Minister involved as far as his election campaign is concerned.

This is directed to the Minister: Did the Minister absent himself from the Cabinet when the approval for the Gunn loan was made, or the approval of the \$350,000 loan was made? Did the Minister absent himself from Cabinet?

HON. E. HARPER: I'll have to check the date when the loan was made. I don't recall being present when the loan was being made, but I'll check that out.

MR. J. DOWNEY: Mr. Chairman, just so I'm clear, I'll ask directly to Mr. Jones: Was there more than one loan made to Mr. Gunn, and if so, when were those loans approved?

MR. H. JONES: I'd have to get the exact dates, Mr. Downey, but my recollection is the first time was in April - I think it was April last year, I'll have to check that - and there was a reorganization because we were obliged to pay out at the bank guarantee, and now I'm getting into providing information which is going to have - it's going to cause a problem for me in terms of the legal process. There were two situations, Mr. Downey, for approval.

MR. J. DOWNEY: Mr. Chairman, I want to correct a statement. I think I said a loan of \$350,000 was made in April of '85. That \$350,000 was made in April of '86. Was that correct?

MR. H. JONES: That's correct.

MR. J. DOWNEY: When did Mr. Jones say the other loan was made?

MR. H. JONES: If you don't mind, Mr. Downey, I'll try to get the information now.

MR. CHAIRMAN: Would the member please try to address all dialogue through the Chair?

MR. H. JONES: Mr. Downey, the first approval was in September 1985.

MR. J. DOWNEY: September 1985. Mr. Chairman, I ask Mr. Jones that in April of '86, the Government of the Province of Manitoba had approved a \$350,000 loan to Mr. N.D. Gunn, of which, at that time, had a credit check been taken, that the Communities Economic Development Fund probably would have found out Mr. Gunn was in some severe financial difficulty.

As the manager of the Communities Economic Development Fund, is that a correct assessment? Would you say that in April of 1986, when that loan was approved, that Mr. Gunn was on a solid footing, that it looked like he was continuing to operate a successful business, or was there some question of the ability to obtain the funds back, as is the mandate of the Communities Economic Development Fund?

MR. H. JONES: Firstly, Mr. Chairman, the fund always - and in this case, specifically - always gets credit reports and credit checks. There's no ambivalence on that whatsoever, at every time an application comes in, so I do want to be clear on that.

In April of 1986, certainly the Fund and the Fund's board were aware of problems, but there's nothing unusual about the Fund dealing with an existing client, an existing borrower, where we feel reasonably confident by reorganizing their financing package and by looking at the potential of contract revenue, or whatever. There's nothing unusual in the Fund taking a second look and reorganizing or providing some additional funds, there's nothing unusual about that.

MR. J. DOWNEY: Well, Mr. Chairman, would the general manager recommend to his board of directors, who had to go to the government, would they put that in the report which they were advancing for approval? Would they put in that there were difficulties with Mr. Gunn, with the activities, when they were asking for the approval of that loan? Would that information have been proceeded on to his board and to the government before that loan was made?

MR. H. JONES: Mr. Chairman, the documentation supporting any proposal to the board, and certainly onwards to the government, is pretty substantial. Certainly in a case like this one, or any account that is involved in sums more than \$150,000, every detail of the clients, the applicant's financial position - its payables, its receivables, its debts, how the debts can be structured and dealt with - all of that information is provided, always.

MR. J. DOWNEY: So in other words, we're being told at the committee, Mr. Chairman, that a lot of detail would have been advanced to the Minister and to the Cabinet before that kind of decision would be made, that they would have a good understanding of the financial situation that was at hand.

Would Mr. Jones and would the Minister be prepared to provide us with those documents that supported that loan; all the documentation that went to Cabinet, with either the recommendation of, or what the advice of the board of directors was and the general manager, as far as that loan is concerned? Would that information be made available? Could that information be made available to us and will he make it available?

HON. J. COWAN: Just a question to the Member for Arthur, so that we're certain what he's asking for. Is he asking for Cabinet documents in this instance?

MR. J. DOWNEY: Mr. Chairman, I'm asking for the documentation that went from the Communities Economic Development Fund, the manager and the board that went to Cabinet, outlining the basis on which this loan should either be approved or whether it should not be approved. That's the information that I think we've been told we would be given, and I would expect to have that documentation.

It should not, in any way, put in jeopardy the situation of the company that's operating in a business. I'm asking for minutes of the meeting, a substantiation for the loan of which was proceeded on in April of 1986, to give Mr. Gunn an additional \$350,000 in money and in loan guarantees. That's the documentation that I would like, that proceeded to go to the Cabinet, straightforward.

HON. J. COWAN: There's a long-established process and tradition that extends well beyond this House, this Legislature and this Cabinet, that documents which go to Cabinet are not public documents and are not made public, and we have not made those documents public, Cabinet papers public in any other instance. It has been accepted by the Opposition, in more recent years, that in fact those documents should not be made public; and when the Opposition was, in fact, in government, they did not make those sorts of documents public. No other Legislature, Cabinet or administration makes those sorts of documents public.

So if he's asking for documents which are Cabinet documents, the answer is no, and to correct the record, that is not what we suggested would be providing earlier. What we suggested would be provided earlier were minutes of the meetings, where corporate confidentiality and other criteria, which it is said we would discuss directly with the Member for Arthur and the Opposition, were not in fact a part of those minutes.

That has been the process which we have followed in the past and would be the process that we'd follow in this instance. Very clearly, in the past, Cabinet documents were not a part of the materials which were provided to the Opposition.

MR. J. DOWNEY: Mr. Chairman, at this point I have not asked for Cabinet documents. What I've asked for is communication between the Communities Economic Development Fund and the board of directors, of which I was told not too long ago by the Minister responsible for . . . Anyway, Mr. Chairman, the Honourable Government House Leader indicated that, yes, the minutes would be available. The Minister who is sitting at the table indicated that the minutes would be available, and I didn't hear the general manager say that they wouldn't be available. In fact, I saw him nod the affirmative that it would be possible to provide them.

The question is: Will they provide us with the information which was presented to the government - not that the government present it back - I'd like to have that as well, but I would like to know the information that was forwarded? Remember we're dealing with \$350,000 of taxpayers' money that was approved by this government on April of '86 and the company went bankrupt in September of 1986, and then they followed through to put additional wages out which is outside the mandate; and probably, in checking the act, is outside the ability for them to do it even legally, and that has to be checked out as well. So we have a fairly serious situation on our hands, of which we would like the information.

As well, Mr. Chairman, the Minister is not giving us the kind of information that we would like as far as his involvement in making a decision on a \$350,000 loan to a company in which the individual who received the money had the campaign office of the Member for Rupertsland. Now I think there's some serious, serious questions that have to be brought to the public view so that we know precisely how the taxpayers' money have been used. So the question is, will we be given the minutes? Will we be given the documentation of which the advancement of \$350,000 was made, whether the Minister was involved in the decision in Cabinet or whether he absented himself, whether in fact the board

recommended to the government, whether in fact the management recommended to the government, or was it based solely on a political decision by the government?

Those are the questions that we answers to, Mr. Chairman, and we want them now.

HON. J. COWAN: No, it was not based solely on a political decision by the government, and let the Member for Arthur not try to distort the situation, to suggest that that was the case.

The information he has asked for has been dealt with. He has asked the Minister to confirm whether or not he was present at meetings and whether or not he absented himself. The Minister said he would check his records and report back to that.

And we know how this Opposition has a tendency, every time someone makes a statement, to if in fact that statement is in any way incorrect, based on memory, to take that minor part of the statement and blow it all out of proportion. That's a tactic that this Opposition has become quite familiar with and is gaining some expertise with.

What that means in our instance is that we want to check very carefully the answers that are given to ensure that the Opposition is not given the opportunity to distort the information in that way.

I remember, and we can go back to the Hansard, because it's very clear, where Ministers responsible for Crown corporations and departments when they were on the government side of the House, gave incorrect information to the Legislature, based on either a misinterpretation of the question or based on a faulty memory, or based on the fact that they were answering a question somewhat differently -(Interjection)- Well, it's in the Hansard and the documentation can be provided relatively easily.

And we did not suggest it because that happened, and some people around this table know of specific instances where that happened, that they were being dishonest or that they were being mischievous, or they were being secretive, or they were trying to mislead. We suggested in fact that there had been a problem with that information and we allowed the record to be corrected in the way in which a record has always been corrected. This Opposition does not want to do that.

So what they have forced, by their tactics, is for us to be very careful and very explicit in the types of answers that we give, knowing that there is no grace for an answer to be corrected later on even if the information that was being provided was provided incorrectly, in a minor way, as a result of an oversight or a misinterpretation.

So we're going to be very careful in that instance, and they've set that process in place themselves. They have no one to blame for that but themselves.

In respect to the minutes, we said we would give the members opposite copies of the minutes where corporate confidentiality was not a factor, and where other factors were not a problem. In this instance there is a court case, I understand, or there is legal action that is being undertaken, and what we've been able to do sometimes in the past where legal action has been undertaken, and we don't want that information to become public; we've been able to share it with the

Opposition on a basis where they would not then make that information public.

We have been more open in providing information to the Opposition than they ever were in government and more open than any other administration across the country, including the federal administration; and, in fact, we believe that there is an opportunity to reinforce what we have done in the past, to lead other provinces and other jurisdictions to help them be more open in providing information because we think it makes for a better Legislature. But there are bounds, and there are parameters, and in every instance I think we've been able to meet successively with the Opposition and determine what those parameters should be.

We are prepared to do that in this particular instance. And I ask the member very clearly if it was Cabinet documentation that he wanted, and he said yes. Well, we have not provided Cabinet documentation in the past, and we are not going to provide Cabinet documentation in the future. That is a long-established tradition. And while we are taking a leadership role in this area, we believe that tradition has served all administrations well and is continuing to serve administrations well, and we are not going to alter it.

What we will do is sit down again, review the information, provide the information that we can provide, as we have done in the past and, as well, that information which should not be made public, but we can provide to the Opposition, we will do so. But there are bounds; they are commonly accepted, they have been accepted between this Opposition and this government, and those bounds do not include Cabinet documents.

Now, if there is documentation that went to the board and it will not cause problems with either the legal suit or corporate confidentiality, then we are prepared to provide that as well. If there are problems, then we have to discuss that directly with the Opposition.

But we've been able to resolve all these issues in the past and I don't want it to be left on the record that we're in any way attempting not to provide information that we have agreed to provide, or that we are not trying to provide as much information as is possible under the established traditions and systems. That's just not the case.

MR. H. JONES: Mr. Chairman, if I may, just for the sake of clarification on the record, Mr. Downey has used the expression "bankruptcy." I do want to make it very clear there is no formal bankruptcy in this situation - none.

In terms of the payment of wages, we had some discussion, Mr. Chairman, at one of these committees a year or two years ago when I made reference to some very senior people, partners in the firm of Touche Ross, a very reputable firm of chartered accountants in Canada, when we were dealing with another company that had in fact gone into bankruptcy, or gone into receivership and it was quite clear that wages are a first and prior charge.

Now having said that, re-emphasize again, there is no form of bankruptcy. The other, the last point if I may, Mr. Chairman, I really do want to emphasize this, that every step that has been taken by the Fund, by

the board in its decision-making process has been done in conjunction very seriously every step of the way with counsel inside and outside of the Fund, so that the taxpayers' dollars invested in this company can be recovered and we are well on the way to accomplish that; and it's for that reason I don't want to jeopardize negotiations. I just want to make those points clear.

MR. H. ENNS: Well, Mr. Chairman, partially in response to the Government House Leader, just so that we understand the kind of uniqueness of the situation that we're dealing with, that may well want the Government House Leader to change his opinion with respect to releasing certain documentation.

We are attempting to endeavour what role a Minister of the Crown played in getting a \$350,000 loan from the Economic Development Fund which, to what extent, what value was there indicated by providing space for election purposes by the Minister responsible. And Mr. Gunn does not show up in the donation list of political donations to the NDP, so there was no contribution made. I am assuming that the candidate in question then would have listed a suitable expense in time for the rental of office space. I don't know what suitable rental space in this case is, whether it's several thousand dollars, but I would assume that kind of information would be available in some of the documentations or arrangements made with the Minister.

More importantly, was the Minister's participation in this in any way conditional upon the loan being granted? After all, we loaned the company money in April and it was out of business four months later, or close to being out of business four months later, you know, having served among other purposes, to establish a campaign office for a Minister during an election.

Mr. Chairman, through you to the Government House Leader, I would think that the Government House Leader may want to examine with the Minister these allegations that are being made this morning with respect to his colleague. I think he may well wish to rush to the files and produce the kind of information that shows that Mr. Harper (a) did the honourable thing by absenting himself from discussion when Cabinet approval was given for this particular loan; and/or (b) made a full and complete statement to the board, first of all, about his involvement with the applicant or his eventual involvement with the applicant in the use of space provided by the applicant.

Now, these are the kind of questions that I think are pretty legitimately asked at this committee. I think it might be advisable for the government to search out those documents before they get shredded or put in archives or whatever else happens to sensitive Minister's documents when any particular questions of a penetrating nature are asked. Not that they had any difficulty in finding documents of seven or eight years ago of previous Tory Ministers, when it pleases the government.

HON. E. HARPER: Yes. I took the question as notice before and I'll check the records and report back to the members.

HON. J. COWAN: Just let it be clear, firstly, that the Member for Lakeside has not lost any of his ability for

exaggeration or making allegations. The allegations are not the matter at hand at present. What is at hand are the questions which have been asked and the provision of information which has been requested.

Let there be no doubt in anyone's mind; the record is clear. This government has provided information in a manner that is forthright and open and far exceeds what he did or his government did when they had the opportunity to provide information when they were in government. Because if there was any unwillingness on the part of a government to provide information in certain circumstances, it was clearly demonstrated and illustrated by those members opposite who were in government when they were in government. And I don't point my finger at the new member, but perhaps you should go back and read some of the Hansards and have some discussions with your previous Cabinet Ministers and read about how they refused to provide information time after time after time.

This government, the present government, has not refused, has not taken that stance, has not stonewalled, has not refused to provide information where that information can serve the public interest. But there are requirements, there are practices, there are bounds which are commonly accepted and even accepted by members opposite that restrict some of the information that can be provided and, in other instances, temper the way in which the information can be provided.

We are prepared to provide information. We are prepared to provide information under the established process which is far more open than ever before. We are prepared to answer the questions, so please let them not try by way of exaggeration or allegations or distortions to, in any way, suggest that we have not been fully forthright and open. We have taken the questions as notice; we will answer the questions. We said we will provide the information which can be provided quite readily and easily and we have said that the other information which can't be, we are prepared to look at and sit down with the Opposition to determine what it is that can be provided under other circumstances and what it is that should not be provided.

Nothing inappropriate in that; nothing wrong with that. I would suggest that given the exaggeration and the attempt to distort, we will be providing that information very quickly to make certain that the record is set straight.

There has also been suggestions that there was no political involvement or interference in this particular matter or other matters before the board. I think you have to, as has been the tradition by all members of this committee, accept that at face value.

MR. J. DOWNEY: Mr. Chairman, when the Honourable Government House Leader is extremely exercised about some, I would say, quite legitimate questions that the Opposition are asking on behalf of the taxpayers of the Province of Manitoba, the fact he indicates that there are exaggerations and allegations, Mr. Chairman, I don't take that in any way, shape, or form.

Let's just proceed to go down what the questions we're dealing with. We're dealing with the contributions of Mr. N.D. Gunn, the property which was provided for the Member for Rupertsland, a Minister of the Cabinet,

who, in fact, and we ask the question as to what involvement the individual's office had. We would like to know the value that was placed on, the office space provided for the election, how much was it, why or was it put down as part of his election expenses? If not, why not? There are a series of questions that flow from there. We've got another major scandal, as far as I'm concerned, by the New Democratic Government. - (Interjection)- Well, I don't think it's an exaggeration.

I have a question, Mr. Chairman, to the Minister. I have a question directly to the Minister and it flows from the procedure of which a loan is approved. Will the Minister provide us - I know it's listed publicly or it's supposed to be - with the Order-in-Council which approved the \$350,000 loan guarantee in April of 1986? Will the Minister provide us with that Order-in-Council that was approved . . .

A MEMBER: You probably already have it.

MR. J. DOWNEY: No, I haven't.

HON. J. COWAN: We did all the Orders-in-Council.

HON. E. HARPER: I believe it's for public record and I believe that we can provide that. It is only that we haven't received it, but we will be willing to provide it.

MR. J. DOWNEY: So the Minister will provide us with the Cabinet document that approves . . .

HON. E. HARPER: Not the Cabinet document.

MR. CHAIRMAN: Not the Cabinet document, the Member for Arthur, the Order-in-Council.

MR. J. DOWNEY: Mr. Chairman, on a point of order.

A MEMBER: Don't get mixed up in this.

MR. CHAIRMAN: I am not mixing up, I am just clarifying what was said.

MR. J. DOWNEY: Mr. Chairman, it is not your job to clarify what is said. Mr. Chairman, I ask a question and I ask it of the Minister, not the Chairman.

HON. J. COWAN: On a point of order.

MR. CHAIRMAN: A point of order.

HON. J. COWAN: If the Member for Arthur wishes to challenge the Chair, there are acceptable and established ways to challenge the Chair. It is the role of the Chair to provide clarification where clarification is required; every Chair does it. Every Chair has not only the opportunity to do it, but the responsibility to do it.

If the Member for Arthur takes offence at the clarification provided, then perhaps by way of a point of order he can suggest that the clarification is wrong. If he takes offence at the process, then he can challenge the Chair. But, please, again their tactics are only too apparent and transparent.

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MR. J. DOWNEY: On the point of order, Mr. Chairman, I was asking the question for some information from the Minister. Nobody said would you clarify it, Mr. Chairman. Nobody asked you, Sir, to interject at any point. The Minister could have said will the member clarify what he's asking for? You took it upon yourself to interject as if you were in some way trying to cover up something for this government.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. J. DOWNEY: Yes, Mr. Chairman. Yes, Mr. Chairman, that's precisely how I perceive it and I'll stick my ground.

MR. CHAIRMAN: On the same point of order, the Member for Inkster.

MR. D. SCOTT: Mr. Chairman, the issue that Mr. Downey has raised, I'm in a way even pleased to see it raised, because it deals with a fundamental difficulty that this Legislature has in dealing with the committees and the role of the Chairs within the committees.

The Chair is more than a glorified switcher of one speaker to another to announce the person in behind

MR. J. DOWNEY: Oh, I see, I see. In this case, yeah, I can see what the Chair is.

MR. D. SCOTT: The Chair is there, Mr. Chairman, to facilitate the conduct of the committee meetings, the same as the Speaker is in the House.

It is not the Chair's prerogative to interfere even with a line of questioning except as to clarify if a member, in questioning, or even another member, in response, is misinterpreting something that has just been said.

The situation we just had here a minute ago was that the Minister had offered to provide, as the members opposite already have, the Order-in-Council dealing with the issue.

The Member for Arthur interpreted that as being the Cabinet document, the background document for Cabinet consideration. The Chair correctly pointed out to the Member for Arthur that it was not the Cabinet document the Minister had suggested would be offered to them, but rather the actual minutes of the Cabinet meeting in the Order-in-Council is what was going to go to the member.

The minute the Chair acted as Chairs should more frequently in the holding of these committees - and it's one reason I personally do not like chairing these committee meetings of any committee in the Legislature

MR. J. DOWNEY: We didn't come here to listen to whether you like to chair a committee meeting or not. We came here to do business on behalf of the taxpayers; not to listen to you.

MR. D. SCOTT: . . . because of the difficulty that one has in chairing with the attitude of the members opposite to what a person who has chaired a committee can do - they've lowered the position of the Chair of a committee from a person who has a responsibility for administering and running the committees to

someone who is a glorified switcher, and I object to that.

A MEMBER: A guy could get hung on circumstantial evidence.

MR. D. SCOTT: And you guys want to hang from circumstantial evidence.

MR. CHAIRMAN: If I may be permitted another statement which might be controversial - if there is a primary function of the Chair, it's the duty to be neutral; but neutrality doesn't mean that I will allow inconsistencies or statements that are not correct.

The Member for Arthur.

MR. J. DOWNEY: Mr. Chairman, we have, at this particular point, the issue at hand that we want to deal with; and at this point, if it was a reflection on the Chair, I will withdraw that reflection and I'll get on with some questions that I have.

MR. CHAIRMAN: It is most graciously appreciated. The Minister said he wants to make a clarification.

HON. E. HARPER: Yes, I have been advised that there is no Order-in-Council required for loans, and that there was a by-law that was made some time ago in which the board recommends to the Minister, loans over \$150,000, and he then in turn, in practice, takes it to Cabinet and the decision is made there, but there is no Order-in-Council required.

MR. J. DOWNEY: Mr. Chairman, now I know why there was some sensitivity, I guess, and the question has been answered dealing with whether or not we would get the information.

The Minister indicates that there is a by-law which is approved by the Minister, it's taken to Cabinet; again I've asked for the documentation which is proceeded to go from the board, from the management, to the Cabinet, and I would expect that that by-law would be part of the information which we would receive.

Mr. Jones is nodding in the affirmative, and we take that as yes. Even though it isn't written on the record, we take it as an indication that we'll get that information.

Was the cheque that was issued, the proceeds that were advanced to an employee of Mr. N.D. Gunn, was that also done by by-law? Or how was that proceeded with in view of the fact that it doesn't seem to follow with what the original guidelines are of the Community Economic Development Fund and the act of which they're to proceed under?

There must be assurance of repayment from the earnings of the business. There was money advanced on September 22, at the same time of which we have indications that this company had, or the Chairman has indicated difficulties within the corporation - and I withdraw the comment I made about them being in bankruptcy, if that's not quite as accurate as it should be - but, apparently, they were in serious financial difficulty. The board, the management, have proceeded to take some form of legal action.

The question is: In view of what conditions must be met by the applicant - there must be assurance of

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repayment from the earnings of the business - September 22, they're advancing money to a company that it appears as if they won't even recover the initial amount of money, or will have difficulty with the funds, rather than advancing them more money. Was that done by a by-law? How was that proceeded with? I'm not quite clear on that.

MR. H. JONES: Well, Mr. Chairman, you are not going to find that issue described in guidelines for lending institutions, and you're certainly not going to find it described in by-laws of a lending institution.

Dealing with payment of wages: No. 1, it is quite clear in my mind, and I believe I'm supported by my solicitor behind me, staff solicitor, that if this company does proceed into a formal bankruptcy situation, the wages are immediately a first charge before anything else whatsoever.

And as we've said in this committee in the first, in other cases where in fact we've been dealing with legally appointed receivers, a judgment is made by the directors of the Fund subject to a variety of different circumstances, not least being the potential of a recovery of the monies loaned.

And, Mr. Chairman, Mr. Downey made a comment as to some question about recovery. It would be quite incorrect for me at this committee meeting to talk about the extent of the recovery we expect, but our objective is to recover the investment made.

The payment of wages, and I forget the amount Mr. Downey has quoted, as far as the management and the board of the Fund is concerned, is a practice that is not at all abnormal. In fact, we look on it not just in this case but in other cases as a humane act.

MR. J. DOWNEY: Mr. Chairman, to follow up on that, dealing with the fact that in the manager's comments of May 3, 1984, the status of each loan is reported to the board monthly, was the report advanced to the board? Will a copy of the report to the board be made available for the April minutes?

Could we have the specific April minutes that included the recommendation to the board for that? As well, could we have the report of the following months: April, May, June and July and August; and, as well, the minutes of the meeting of which approved the further advancing of wages?

Would that information from the board minutes be available to us, Mr. Jones?

MR. H. JONES: Well, I think there's been general agreement, Mr. Chairman, that the relevant minutes would certainly be provided and reports to the board will be provided also.

My only request to you, Mr. Chairman, to the committee, would be that you allow me to consult with our legal counsel only in regard to the negotiations we are currently undertaking and to the litigation that is pending. Apart from that, the reports are quite clear and the information will be quite evident in them.

I may just mention, Mr. Chairman, and I don't have the Hansard in front of me, but we were severely questioned two years ago as to why we had not paid wages in one particular situation. In fact, there was some significant criticism of CEDF for leaving the wage

earners out in the cold while we dealt in a receivership situation. So we tried to remedy that in this case.

MR. CHAIRMAN: The Member for Portage.

MR. E. CONNERY: I don't recall the question asked, if the two loans for \$150,000 and \$102,000, the four-month loan - were they repaid?

MR. H. JONES: No, Mr. Chairman.

MR. J. DOWNEY: Nothing? No amount?

MR. H. JONES: No. You see, we're getting into detail that is going to jeopardize our negotiations. Mr. Connery's question relates to a comment I think I made earlier, that the Board of Directors reorganized the financing package. That means, some consolidation of debt was undertaken. I am not prepared to say at this stage without consultation with counsel the extent to which that investment has been reduced because our objective is to reduce it to nil.

MR. E. CONNERY: A four-month loan for \$100,000 and \$150,000 is a significant amount. Was this a bridging loan for a contract or what was . . .

MR. H. JONES: If I recall correctly, Mr. Chairman, in response to Mr. Connery, I think that most of that related to bridge financing, a grant that had been received or was to be received from the Federal Special ARDA Program. But I will check and give you the definitive picture. That would be the reason.

MR. E. CONNERY: What was the amount of the grant that was to be received? What was it for, also?

MR. H. JONES: Unless somebody behind me has the exact dollar figure, I'm not clear of the amount. It was significant. What it would be for though, Mr. Chairman, would be the participation by that federal program and this provincial lending institution in the complete capital funding of the project, which is quite normal. ARDA would advance or approve up to 50 percent of the capital cost by way of direct grant and the grant doesn't come out until the project is under way and we have to bridge finance it. That, I believe, is what happened in this case.

MR. E. CONNERY: I think Mr. Jones would, if you did the bridge financing, know the amount of the grant because you were financing that grant, or bridge financing it.

MR. H. JONES: Mr. Connery's question is valid and I have to confess, I cannot recall the precise amount. But I'll ask my staff if they do.

My staff are as bad as I am. We'll have to get the detail for you very quickly, Mr. Connery.

MR. E. CONNERY: Okay. I would be presuming then the grant would be in the area of \$150,000 or \$250,000, if this was bridge financing. For a grant that was coming, it would be in that area.

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This particular individual has now got one-half million dollars of public money, \$350,000 plus the \$250,000 that he hasn't repaid. Did he get \$350,000 in April of 1986?

MR. CHAIRMAN: Does the member want to ask questions?

MR. E. CONNERY: No, the total amount is \$350,000.00. What is the total amount that Gunn has received in loans?

MR. H. JONES: Three hundred and fifty thousand dollars, Mr. Chairman. I tried to explain that there was a consolidation of debt that took place.

MR. E. CONNERY: So this individual has \$350,000 of public money plus a grant. If one of these grants, the original loans, would either be for \$100,000 or \$150,000 would be the grant. What was the undertaking to do? What was Gunn's enterprise that he would get a grant for?

MR. H. JONES: This was a program, Mr. Chairman, to acquire equipment, to provide working capital, to undertake some fairly significant construction projects which required, as I recollect, some element of bonding. There were several elements in this project, Mr. Connery, that needed financing. The ARDA grant, which is perfectly normal in a case like this, had to be bridge financed by CEDF. It's not an individual who received the money, it's a company.

MR. E. CONNERY: In case I missed, what was the project that he was receiving the grant for? The construction of what?

MR. H. JONES: This was general contracting in Northern Manitoba. Excuse me, Mr. Chairman, could I just have a minute with my staff?

There were some sewer and water contracts, Mr. Chairman, and some work contracts in the Limestone area also.

MR. E. CONNERY: I'm trying to envision why a company like Gunn would get a grant for doing that sort of work. Usually it would be the people who are having the work done who would receive the grant. Why would Gunn, who is doing sewer and water installation, get a grant?

MR. H. JONES: Part of the objective, Mr. Chairman, as I understand it, of the Special ARDA program is not unlike CEDF, is to encourage entrepreneurial development. We see grant after grant approved by that program, to companies and to individuals who have to abide by very specific criterias such as either Native ownership or very much Native employment, and the Native employment factor clearly in the Gunn situation influenced the federal program to approve a grant. It's quite normal.

MR. E. CONNERY: This was an ARDA grant, you say?

MR. H. JONES: Yes.

MR. E. CONNERY: The Special ARDA grant, that is both federal and provincially financed?

MR. H. JONES: On the commercial side, Mr. Chairman, it's all federal money. There are some training funds in Special ARDA projects which are delivered by the province, but in this case it's federal money.

MR. E. CONNERY: Did Mr. Gunn get other provincial or federal assistance in his project? Did he get training monies? Or are there any other monies that Mr. Gunn received?

MR. H. JONES: Well, there are two questions you have asked me, Mr. Connery. I would very much like to take them as notice and get back to you quickly because I want to be very precise on this one. I can't recollect.

MR. E. CONNERY: What security did Gunn give for these loans?

MR. H. JONES: In the case of any loan to an incorporated company, and there was no exception made with this one, the fund takes a standard debenture which gives us a fixed charge over property, equipment and a floating charge over all other assets. In other words, CEDF takes normal, standard, commercial security.

There may be cases, and I think this was one initially where some charges stand in a prior position to CEDF, but the security package we took is standard.

MR. E. CONNERY: What would be the value of that security package?

MR. H. JONES: I simply cannot, Mr. Chairman - and I hope Mr. Connery will understand - I'm not going to make a comment on that because, again, we are taking steps to recover the taxpayers' money and we are negotiating to that end. Until we are satisfied that we can report to the board and to this committee eventually what that exercise has resulted in, I think it would be quite incorrect for me to throw around dollar figures on recovery.

MR. E. CONNERY: Were there any personal securities given, personal guarantees, a house, or etc.?

MR. H. JONES: In all cases, Mr. Chairman, as I said, Mr. Connery, when we lend to incorporated entities, we take the corporate security in the form of a debenture, real property or whatever, chattel mortgage, plus in all cases a personal guarantee of the principals, always.

MR. J. DOWNEY: Mr. Chairman, I found the point Mr. Jones makes, he emphasized that it was dealing with a corporation, not an individual. How many shareholders of N.D. Gunn are there, Mr. Chairman? Could Mr. Jones tell us how many? Is it a large corporation held by great numbers of shareholders? Or how many would he suppose or how many are involved in the N.D. Gunn company?

MR. H. JONES: Well, I wasn't trying to overdo that point, Mr. Downey, about the company, but I want it to be clear that we're lending to a limited company.

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The shareholders, as I recollect, are no more than two. It's a family company.

MR. J. DOWNEY: I see. I didn't mean to take it as overemphasizing it, but I just thought it was somewhat interesting that it seemed to be something different than what it perceived, and the information which I have, Mr. Chairman, and I stand to be corrected, is that Mr. N.D. Gunn is the sole shareholder of the company. So you're actually dealing with one individual who has established or set up a company to carry out this activity.

I have some other questions dealing with the - and I'll have a few comments to make in a little broader range a little later - the individual we're talking about, Mr. Jones, was apparently in, and I find this somewhat a little bit again deviating from the mandate and the authority which the board has to approve a loan for which the chairman of the board, and maybe she would like to indicate her response on this, the fact that heavy emphasis was put on the board and the northern activity that - I'll try and find the comments made by the chairman here, categorical comments about things being carried out and I'll just refer to it in her comments: As directors, to assess the risks, cannot be fulfilled effectively without better research on the part of the staff. The general manager, no doubt, will outline some of the changes for you, but I can say categorically of what I am satisfied, that the extent and the quality of the investigation is now undertaken and presented to show a marked improvement.

The activities that have been discussed here in committee, would the chairman of the board still have that same feeling towards the activities of the board? Does she still take that categorical position?

MS. B. BRUCE: Yes, I do.

MR. J. DOWNEY: Mr. Chairman, some other additional information which Mr. Jones could respond to.

Apparently, this particular company under Mr. N.D. Gunn was involved in a work project at the University of Manitoba, involved in a transportation program involving several millions of dollars.

Could the general manager, Mr. Jones, indicate what his direction to Mr. Gunn was as far as continuing on or the abandoning of such a project? If he was operating in the best interests of the corporation and the recovery, was it a bad contract? Was it because he was not working in Northern Manitoba prior to carrying out the objectives of the corporation? Why would the individual be working on a work project at the University of Manitoba?

Not to say that I think that anybody should be discriminated against, but I'm trying to clear in my mind as to what mandate they would have to be working at the University of Manitoba if that's in fact where the work was taking place.

Could Mr. Jones indicate what communication he has had with Mr. Gunn and what actually the whole exercise was about?

MR. H. JONES: Well, Mr. Gunn, firstly, Mr. Chairman, would not have had a mandate as such from CEDF as to the kinds of contracts he would be dealing with.

Now, having said that, the directors, and I think the chairperson will confirm this also, and certainly myself and my staff were clearly on the understanding that this company was undertaking or would be undertaking contracts in Northern Manitoba, contracts which would involve some significant employment of northern and Native people, which, of course, is part of the criteria of CEDF.

We would not have expected to see that kind of emphasis - how can I express this - changed by undertaking work in Metropolitan Winnipeg. This comes back, Mr. Chairman - and I think Mr. Downey understands this too; I think this is what you perhaps might be leading towards - is that the really important communication as far as the success of the Fund is concerned has to be between the borrower and the staff and myself. Our responsibility is to monitor the investment of taxpayers' money. An effort to take that monitoring effectively can only be done with clear, frank openness on the part of our borrowers.

In some cases, it doesn't happen not for any bad intent, but decisions are sometimes made to proceed with a contract or with another job without telling CEDF; and this, I must say, it happened in this case where we would have expected, not only expected, Mr. Chairman, but in fact we insist, if we're involved in financing contract work, we want to see well ahead of time how company X and borrower X prices, how they bid, how their bids are prepared, is their costing correct, so that we can make some judgment to advise the board that this borrower should not proceed with this contract because he or she will lose money.

Now we were not, unfortunately, in a position to understand precisely what this company was doing when it was bidding on a contract for the University of Manitoba. I can assure you, and through you to Mr. Downey, that when the Fund was aware of the situation, we were not exactly pleased with what we had seen. I'm going to leave it like that.

MR. J. DOWNEY: To the chairman of the board: I understand that you had taken your position, Ms. Bruce, in August of that year. Were you fully informed of the activities of Mr. N.D. Gunn and the board? Was there a communication from the board to the government to inform the government as to what was taking place? What was the position of the board at this particular time with the activities of Mr. N.D. Gunn?

MS. B. BRUCE: Prior to my appointment as chairperson, I was also on the Board of CEDF, so I can state that we were fully informed of the situation of Mr. Gunn and that the government was fully informed of the situation of Mr. Gunn.

MR. J. DOWNEY: In other words, as a member of the board, you're now telling us that all the way through this whole activity with Mr. Gunn, that you, as the board, and then further as the chairperson of the board, had fully informed the government of the activities that Mr. Gunn was carrying out.

What was the response from the government, Ms. Bruce, as to your reports? What was the communication back? What was the government saying to you as far as the activities of Mr. Gunn were concerned?

MS. B. BRUCE: When I stated that the government was informed, I would have to ask the general manager, since he works on a day-to-day basis on these loans.

Mr. Jones can further explain that the government was informed.

MR. H. JONES: Let's see if we can clarify this a little bit, that the procedures which we discussed earlier, which Mr. Downey asked a number of questions on it, again are quite clear.

The Board of Directors at its regular meeting and, if necessary, in-between regular meetings, receives reports on all the investments of the Fund.

In a situation like this one where there were clearly serious problems in the business, and there's nothing unique, we have a number of others where there are problems, common to the nature of the Fund, we do separate reports.

The recommendation that comes from myself or from the staff person involved in the account will be also conveyed to the directors and a certain judgment is made. Do we now proceed to take action for recovery? And if so, what kind of action should we take? Should we go into a formal receivership or a bankruptcy action, or what? And these are very difficult decisions to make.

The end objective, of course, as I said earlier, and I want to emphasize this, the end objective is to recover the investment of taxpayers' money. The board will make a judgment. If we take step XYZ, that's what will happen and we should recover the loan that has been advanced. Then we would convey through the board to the Minister's office, to the government, what had been discussed and we would perhaps enclose an extract of the minute itself. The board made a decision to take this action and that action.

The response that I would get - and I've had some experience in this - is the government will either disagree strongly with the recommendation of the board and I frankly haven't seen that occur at all in my experience unless the directors are being irresponsible, and that is not an issue at all, obviously.

The direction I would get, and I would convey back to the chairperson from the government would be carry on with the actions you have recommended because you have illustrated to us with document X that these steps are valid steps to take for recovery. I hope, Mr. Chairman, Mr. Downey isn't under the impression that I or the chairperson are consulting the Minister on an hourly basis on decisions on financing; that would be impractical. But in terms of information being provided, it is provided.

MR. J. DOWNEY: No, I wasn't inferring that there was an hourly need for contact. I guess the point which I want to find out, and that is the direct involvement of the Minister who is supposed to be ultimately responsible for the taxpayers' money and is tied very closely through Cabinet and the decision. It was the current Minister, Mr. Harper, who was the direct person who was communicated with, that's who the communication has taken place with, on Mr. Gunn's activities?

MR. H. JONES: Well, the Minister perhaps will correct my very deficient memory, but I'm sure that the current

Minister was not the Minister responsible for CEDF, certainly when this financing was being made. I'm sorry, I can't remember the date of Mr. Harper's . . .

MR. J. DOWNEY: Mr. Chairman, the Minister, I know, was a member of Cabinet when the loan would be approved. He was not maybe the Minister directly responsible; however, we'll have to check the dates as to when he became responsible for the actual approval process, particularly dealing with the \$350,000.00.

Mr. Chairman, I think in view of the time we have, I'm sure we've got some other individuals here dealing with the Channel Area Loggers and Moose Lake Loggers and I'd like to make a comment about the Communities Economic Development Fund. Because of all the information that we need dealing with the political involvement, the Minister's office, in Mr. N.B. Gunn's home at 41 Higgins Avenue, with the information, the communication that we expect to get back dealing with the Communities Economic Development Fund, what could appear to be and there does appear to be some irregularities in the reporting of the election office in Mr. Gunn's premises, all of the information that we've been promised that we'll be given here today, I think it's important that we have another sitting of this committee to deal with it.

As well, I think that the Chairman, and through you to the Minister, should seriously consider a review, a full review, because we've got many more loans which are going to come under scrutiny in this committee, a full review of the activities of the Communities Economic Development Fund by the Provincial Auditor, a special audit if not an outside auditor, because of the perceived or what appears to be political involvement by the Minister, the Minister who could have sat in a Cabinet meeting which approved a loan in April of \$350,000 to Mr. Gunn, in which he had his campaign office in the City of Winnipeg.

I think that there is need for a more fully-blown public inquiry because we could have a Minister in a serious situation, a conflict situation. I think it would only be fair to have that kind of an exercise to fully clear the situation. I know that it's an uncomfortable situation but I think that would clear if we had a full-blown public inquiry as to his activities, all the information that we have to deal with.

I have one further comment. You know, Mr. Chairman, we've been hearing over the last few days that the Minister of Agriculture in the Province of Manitoba and the ministry of Industry, Trade and Technology are hollering like the devil that they don't want to give a blank cheque to the sugar beet industry for a legitimate business to employ - yes, people at the sugar beet industry; yes, truckers to haul those sugar beets; yes, farmers who grow those beets. They won't proceed to support that kind of ministry because they say they're not going to give a blank cheque. Yet what are we seeing in this committee this morning?

I think we've seen a handing out of blank cheques, Mr. Chairman, by the Minister of Northern Affairs. I think that we've seen the handing out of a blank cheque for the use of taxpayers' money. For what purpose, Mr. Chairman? For what purpose? We haven't got the answers and we want those answers. That's why, Mr. Chairman, I would recommend that we do not pass

this Communities Economic Development Committee till we get some more information which is pertinent to the handling of the whole affairs of the taxpayers' money, both by the Communities Economic Development Fund and particularly by the involvement of a Cabinet Minister who had conveniently placed his campaign office in Mr. Gunn's office, a man who a short few days after the election on March 18, received a \$350,000 loan approval by Mr. Pawley in the NDP Cabinet, which Mr. Harper was involved in. Mr. Chairman, there are far too many unanswered questions.

Therefore, I would recommend to you, Sir, that we proceed to deal with the Channel Area Loggers and the Moose Lake Loggers and accommodate those people who have come in here today. I think probably in the next 40 minutes we may be able to complete the review of those and will accommodate those people who have travelled here to deal with them unless my colleagues have further questions on the Communities Economic Development, I yield to . . . for recommendations.

MR. CHAIRMAN: Are there other suggestions?
The Member for Portage.

MR. E. CONNERY: I don't know if the Member for Arthur asked for an update on all the loans that are out. If we're going to have our next meeting, could we have an update, the status of the various loans, are they making the repayments, what are the repayment schedules, if we could have that before the next meeting?

MR. CHAIRMAN: Mr. Jones.
Any suggestions?

MR. E. CONNERY: For all outstanding loans, not just the ones that are listed here but previous loans, what ones are in trouble, what are in arrears, and what is being done to collect them?

MR. H. JONES: Mr. Chairman, in my experience, we have never been asked to provide that kind of detailed information to this committee for this reason. What is a business in trouble? Is it in arrears, or is there a problem in the marketplace, the product, the pricing? We can't solve those problems if we make a public document detailing the problems of "Company XYZ."

I can provide the committee clearly with an overview of the loan portfolio account by account, but I would be very reluctant to go into tremendous detail.

MR. E. CONNERY: Mr. Jones has me wrong, just the status of the loan. You've made a loan to somebody. Are they making the payments on schedule? If they're not, then of course those are the ones we want to know. So it's the status of each individual loan, the ones listed here, also the ones which had been loaned the previous year. I would suggest that any loans that have been given out since this year-end statement is - as to determine if this \$350,000 to Mr. Gunn - you know, what other loans have been given out since the statement was finalized? Is that going to be supplied to us before the next meeting?

MR. CHAIRMAN: We have to clarify that point.

MR. H. JONES: I will provide the committee with a summary of the loan portfolio, but I'm going to be very careful how the information I provide might be a breach of confidentiality between borrower and lender. It could be very serious indeed. Mr. Connery suggested, for example, Mr. Chairman, tell us if they make payments. The fact that payments are in arrears for three months doesn't mean to say that's a problem. We categorize the loan portfolio, Mr. Connery. Category A is a category whereby the business is making a significant profit. It's meeting the projections and the loan payments that are current and I can give you the categories. I think that's all I'll do.

MR. DEPUTY CHAIRMAN, D. Scott: The Member for Arthur.

MR. J. DOWNEY: So I'm clear and it's clear on the record that the House Leader agrees that we will recall the Committee of Economic Development Fund at a time in which the information which could be made available is available so that we can proceed at that time, and we will now deal with Moose Lake and Channel Area Loggers.

HON. J. COWAN: Just for clarification. I'll certainly work with the Opposition House Leader to schedule the meeting as soon as we can provide the information which is going to be provided to the Opposition. It may well be that there may be a disagreement about what information is going to be provided. Of course, we have to deal with that at committee. But the full extent of the information that we are going to be provided will be provided to the extent possible before the next committee meeting. If there are any difficulties with the amount of information that we have committed to being provided not being available, then we can reschedule the meeting.

ANNUAL REPORT OF CHANNEL AREA LOGGERS LTD.

MR. DEPUTY CHAIRMAN: Could the officers of the Channel Area Loggers please come forward? I'll call upon the Minister to make an introductory statement for Channel Area Loggers.

Mr. Harper.

HON. E. HARPER: Thank you, Mr. Chairman.

Before beginning our review, I would like to inform this committee that the chairperson, Mr. Everett, is unable to attend. Mr. George Kemp, the Manager, is here, as well as the Secretary-Treasurer, Gordon Trithart.

Mr. Kemp will make the opening statement in the absence of the chairperson, Mr. Everett.

MR. DEPUTY CHAIRMAN: Mr. Kemp.

MR. G. KEMP: Mr. Chairman, members of the Legislature, ladies and gentlemen.

The report covers the period for April 1, 1985, to March 31, 1986. In June of last year, we estimated a loss of \$20,000 and are pleased to advise that the final loss is \$17,901 or \$262,611 less in provincial subsidy.

The predominant reasons for this is a substantial improved situation in comprehensive business plan initiated by the company and the fact that a snipper was available to cut small damder wood. Production increased by 20 percent for a total of 2,640 cords and our total production was 15,903. It is noteworthy that these accomplishments were made by a predominance of local staff and Board of Directors.

Thank you.

MR. DEPUTY CHAIRMAN: Thank you, Mr. Kemp.

I'll go to the floor, are there any questions from the members in regard to Channel Area Loggers?

Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, my first comments are I want to thank Mr. Everett and I would be less than responsible if I didn't compliment him and the activities of the people who carried out the improvements in the operations of the Channel Area Loggers. I think that although it hasn't come to a break-even position, they're moving in the right direction, although one has to again point out that we still are not receiving any - we, I say the taxpayers - interest on their investment.

As well, they're still being covered by the Workers Compensation, which is a major cost to every business in the province, whether it's owned by the taxpayers or not. However, there are some other benefits which makes the case for us trying to get support for the sugar beet industry.

We know that you, as people in our society, that there are expenses incurred which reflect on returns to the province, taxes, that type of thing, sales tax and general business activity which has to be taken into account. I don't want to overplay it, but we want to acknowledge it, that it's an important part for your community, the employment, and I do not want to spend a lot of time in any detail just to say that I, my colleague from Minnedosa, who is the member responsible for Northern Affairs, and some of my other committee members plan in the near future to view some of the funds which are available to us and hopefully the government would help support us in a little visit to the activities at Channel Area and get an on-site opportunity to meet with the workers, to see the activities and to get a little better handle on it. I just say that we're pleased to see you're moving in the right direction.

I notice that there is a reduction substantially in some of the cost categories. We're seeing the reduction, for example, of the equipment. Company equipment maintenance has dropped substantially from the 1983-84 and '84-85. It just shows that their people are more concerned, I would say, and are doing a better job of their work activities, just somewhat of an improvement.

I don't want to take a lot more time on it, but say that I appreciate Mr. Everett's coming forward to the committee and making his presentation.

We'll proceed to, if there are other individuals who want to make a comment on it, feel free to do so.

MR. DEPUTY CHAIRMAN: Mr. Blake, do you have a question next?

MR. D. BLAKE: No, I think Mr. Downey has handled it pretty well. Certainly there's to be some credit go

to the operation for the obvious adjustments they've made in the operations showing the positions that they have. I just wondered if maybe Mr. Evans could tell us, is all of the product being trucked out now or are they still barging? Is there any barging down down the lake?

MR. G. KEMP: All the trucking is down on the winter road.

MR. D. BLAKE: It's all winter-road road trucking of the product to Pine Falls?

MR. G. KEMP: No, we haul it out to Lake Winnipeg and then from there it's barged down in June and July.

MR. D. BLAKE: Oh, they are barging it down the lake.

MR. G. KEMP: Yes.

MR. D. BLAKE: Have there been any losses? Some years ago, there were tremendous losses with their barging operation. Is that under control now, controlling the barging operation?

MR. G. KEMP: I don't think they can totally eliminate that problem. It'll always happen. Every so often they lose a barge load of wood here and there.

MR. D. BLAKE: If you could control the weather a little better, it would be easier.

MR. G. KEMP: That's correct.

MR. E. CONNERY: It says in here, but includes receipt of specific subsidies. What subsidies does the area get from the government?

MR. DEPUTY CHAIRMAN: Mr. Trithart.

MR. G. TRITHART: Mr. Chairman, the specific subsidies are on page 4 of your report; No. 1 being the general subsidy which is the offset annual losses and then there are other subsidies that are made from time to time for various reasons. However, in the year under review, there were no other subsidies, other than the loss.

MR. E. CONNERY: Was there training-on-the-job funds in here, job training?

MR. G. TRITHART: There were no training-on-the-job funds in the subsidy. However, there was some training carried out via our chartered accountant, probably in the neighbourhood of \$4,000 to \$5,000 which the company absorbed.

MR. E. CONNERY: It says approximately 85 percent of the payments were to contractors who were residents of the area. Who else would be involved in it?

MR. G. TRITHART: There are one or two truckers that we get from the Swan River area who have been trucking for us for some eight to ten years now.

MR. E. CONNERY: Who are they? Could you tell us who they are?

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MR. G. KEMP: We've got Kevin Basso and Norm Bresky trucking from Swan River.

MR. E. CONNERY: What is the cost of the secretary who is provided to the board by the government? Any idea what that cost is?

MR. G. TRITHART: Total cost for the year under review is approximately \$100,000, of which I think approximately 60 percent could be charged toward Channel Area Loggers.

MR. E. CONNERY: Under the liabilities and shareholder's equity, you have an excess of outstanding cheques over bank balance of \$155,000 compared to \$3,700 last year; it's a significant amount. What's the explanation on that?

MR. G. TRITHART: The explanation for that is that in one year, because of weather conditions, we were able to work right up through the end of March, and in the other year shut down earlier in March, thus enabling the company to finalize their bookkeeping at an earlier date.

MR. E. CONNERY: In 1985, there was an amount of \$3,000 for insurance, but nothing in '86.

MR. G. TRITHART: Where is it?

MR. E. CONNERY: In Schedule 1 of your article here, it shows \$3,000 for insurance in '85, but nothing in '86. Was it just because the payment was made later or is there no need for insurance? Just an explanation.

MR. G. TRITHART: Effective in 1986, the insurance was all grouped under administrative and, if you look under the administrative expenses, you'll find that there was a substantial increase.

MR. E. CONNERY: That's fine. Schedule 2, your bad debts show \$32,000 this year and \$27,500 last year. What are these bad debts in? You have a store - I don't know if it's involved in the store or . . .

MR. G. TRITHART: The company finances owner/operators, that is the skidder operators and some of the other contractors. Actually, by way of putting all the revenue into account, it just operates very similar to a current account in a bank; and the payments are made on behalf of the individuals to their suppliers for goods and services that are utilized from Channel Area Loggers.

In the year under review, there was a substantial write-off of some approximately \$38,000 regarding the sniper project. This was offset by some recoveries. Now the sniper project at that time was in an owner/operator situation and that has since gone by the wayside. He was renting this sniper.

MR. DEPUTY CHAIRMAN: The Member for Lakeside first, please.
Mr. Enns.

MR. H. ENNS: Just one question or observation. I note with interest that the group was doing a fair bit of

reseeding, or involved in the reseeding of trees for the Department of Natural Resources. It seems to me that this is an excellent kind of ancillary activity for the group to be involved in. You're contracting this work or getting this work contracted again by the Department of Natural Resources? Is that the way it works?

MR. G. KEMP: For a time that was the case, but since then it's been out for public tender, and I'm not sure whether we're going to be doing any of that work this year.

MR. H. ENNS: Who else in the area, if I may say, would be - just individuals tendering for it, or any individual bands?

MR. G. KEMP: There are only us from the Berens River area and there have been two other people from Winnipeg here who bid.

MR. H. ENNS: I certainly would want to put on the record to be supportive of Channel Area Loggers receiving this kind of work providing they can do it in a decent way; and I think it's appropriate that they ineffectually become sub-agents of the department in carrying out this important part of it.

Another question I was going to ask is, in your area, were you responsible for the total reseeding in your area or was the department doing considerable additional reseeding, in addition to the contract you referred to in this report?

MR. G. KEMP: No, we were totally responsible when we had it.

MR. H. ENNS: Has Channel Area Loggers received any indication from Manfor, the company, to become involved in some of its reseeding operations? Of course, your logs all go to Abitibi, I suppose?

MR. G. KEMP: Yes. No, they don't get involved too much up in our area.

MR. H. ENNS: I simply say that I encourage that area of activity for the group. It seems to me, if I read the report rightly, this is generally done in those off months where logging isn't carried out at full peak and we're seeing an appropriate supplementary source of income for the group as well as . . . and hopefully planting some better trees.

MR. DEPUTY CHAIRMAN: Thank you, Mr. Enns.
Mr. Derkach.

MR. L. DERKACH: Yes, just a couple of questions for information.

In the areas where your logs are piled and then are picked up by truck, are there cases where logs that won't fill a load, part loads of logs are left and not picked up during the year?

MR. G. KEMP: No, all logging operations are watched pretty closely by the Department of Natural Resources and you have to clean up everything that you cut.

MR. L. DERKACH: So there are no part loads left that could be left there for a period of a year or so?

MR. G. KEMP: No.

MR. L. DERKACH: Okay, thank you.

MR. G. TRITHART: Just as a point of clarification. We do have carry-over wood in some years where the wood will sit there for almost a year, but that doesn't mean to say it won't get picked up. It gets picked up and delivered the following year.

MR. DEPUTY CHAIRMAN: Pass report. Report is passed.

ANNUAL REPORT OF MOOSE LAKE LOGGERS LTD.

MR. DEPUTY CHAIRMAN: Would the gentlemen involved with Moose Lake Loggers please come forward?

Mr. Minister.

HON. E. HARPER: I would like to introduce the officers of Moose Lake Loggers. Clem Jones, the Chairperson; Reno Kivisto, General Manager; and Gordon Trithart, Secretary-Treasurer.

I'll ask Mr. Jones to make an opening statement.

MR. C. JONES: Thank you, Mr. Chairman, members of the Legislature, ladies and gentlemen.

I'd like to report on the year ending March 31, 1986, for Moose Lake Loggers. The brief report before you shows that we have showed a loss of \$11,617.00. However, it's encouraging that the company can absorb this loss from retained earnings from previous years and does not have to rely on government subsidy.

The loss was mainly due to a reduction in contract volume, which also reduces our revenues by a considerable amount. The chairman and the board of directors feel that the management and the staff for Moose Lake Loggers Ltd. have worked quite effectively to contain the cost and make this loss quite minimal and still maintain employment levels at least to some level of acceptability.

The company also, for the first time in history, paid \$30,000 towards compensation cost. This will be a rise of \$60,000 in the following years according to the agreement. The chairman and the board of directors are optimistic that the future of the company remains quite good and, even though the economy has not been very strong and also some improvement will be shown in the future year with total compensation cost, the total compensation for the company calendar year ending December 31, 1986, was approximately \$39,000.00. These are according to the figures provided by the Civil Service Commission to us. So this gives us some reason to be optimistic about this area of concern.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Jones.

Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I don't have a lot of questions dealing with the specifics of it, but I do have two or three general questions that deal with the overall

comments that we've heard by the government of a proposed sale of Manfor.

In view of the fact that they have talked - there have been indications in the House that there are negotiations going on - and in view of the fact that Moose Lake sell and supply all the products to Manfor, have there been any negotiations with any potential buyers or have there been any visible activities taken as far as outside investors in communicating with you to carry on, or have there been any negotiations when it comes to the sale of Manfor in your continued work activity to supply the plant?

MR. C. JONES: No, there hasn't, Mr. Downey.

MR. J. DOWNEY: There haven't been any discussions with Moose Lake Loggers?

MR. C. JONES: That's correct.

MR. J. DOWNEY: So in other words, if any negotiations are taking place, they are not keeping you informed or there's been no discussions with you?

MR. C. JONES: That's correct.

MR. J. DOWNEY: Thank you, Mr. Jones.

It would appear again from the report and what we're reading and seeing, the overall owner-operator principle of the company is working somewhat more successfully than it has traditionally worked, that the principle of an individual who'll get - the more work they do, the more they get paid - and that it's continuing to work in that way. It seems fairly constant; the numbers appear to be fairly constant in the report. Do you perceive any increase or expansion of the work activity in the available jobs within the program that's now being carried out?

MR. C. JONES: No. At this point in time, we do not see any increase in the acquisition of any owner operators. As the report has indicated, the last few years we haven't been cutting to our potential volume of cords that we have contracted out. Consequently, there are no plans to increase our owner-operator machines.

MR. J. DOWNEY: What is your projection for the coming year as far as work activity is concerned? You were able to withstand the losses of this year because of the retained earnings. It has to be kept in perspective that there is a substantial amount of money invested by taxpayers that there's no revenue-bearing interest coming back. However, I'm pleased that you've reported that you are now participating in the Workers Compensation. That's a fairly healthy slice to pick up. The unfortunate thing with what we see in Workers Compensation, it isn't going to lessen.

I'm just wondering, Mr. Chairman, if it's an agreement on which you expect you'll be able to continue to live up to with the participation in the Workers Compensation. There is no need to change your position or the agreement of which you entered - you can see that you're able to carry on and make sure the workers are covered?

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MR. C. JONES: That's correct, Mr. Downey. We realize that the Workers Compensation costs this year are escalating, but we just have to learn to live with it and work it in.

MR. L. DERKACH: Mr. Jones, you've indicated you've decreased the amount of logs that you're cutting. Is there some specific reason for a decrease in the number of logs that are being harvested?

MR. C. JONES: I'll let Mr. Kivisto answer that.

MR. R. KIVISTO: For quite some time now, we've experienced a decrease in the amount of contract that we're getting from Manfor. We don't think that we're going to experience any increase in contract volume because the area really can't take any more cutting than we're already doing, according to what the Department of Natural Resources and their foresters tell us. We're cutting pretty close up to potential of the area. We may be able to cut a few more cords per year, but at some time we have to cut less.

MR. L. DERKACH: Are you telling us then that the resources are being depleted in the area that you're cutting?

MR. R. KIVISTO: We're cutting quite a large area every year. We're also replanting a large area and scarification also brings up new stock. But this stock is going to take up to 100 years to replenish itself, so at some point and time the area has to be looked at and you have to make sure that your cutting plans don't exceed what is going to grow back.

MR. L. DERKACH: Are your future plans looking at other areas for harvesting the timber?

MR. R. KIVISTO: We have really no control over because the Manfor Forestry Department does all the planning. We're a small corporation and we don't do anything of this ourselves. We plan according to their projections.

MR. L. DERKACH: Has the fact that they have lost sales, is that resulting in less timber being cut and less of a demand on Moose Lake loggers for timber?

MR. R. KIVISTO: Well, I have no way of knowing whether it's because of sales that they've lost. It could be that they're taking more from other areas, so we have no control over which areas they take wood from. They tell us how much they need from our area, and we cut it.

MR. L. DERKACH: So therefore you have no control in terms of the quota that you're allocated or allowed to cut in a specific year?

MR. R. KIVISTO: No.

MR. L. DERKACH: Well if you're going to be making a profit, or losing less money - you've shown a profit in other years - if you're going to continue making a profit with your corporation, is it not then advisable

that somebody from your organization communicate with Manfor in getting some increases in the number of logs that you are allowed to cut?

MR. R. KIVISTO: Well we're presently drawing up a business plan to make changes to our projection of operation and these aren't complete. So I don't know if I can comment on that further.

MR. L. DERKACH: Just one question, again, the same question I posed to the Channel Area Loggers people. In areas where your logs are taken out by truck, as I understand it, are there part loads left in the bush that may not be cleaned up for a period of a year or longer?

MR. R. KIVISTO: Well, there may be because we contract strictly to roadside, and we contract tree length to roadside and then the slashers come in and they're operated by Manfor and we house their operators at the camp. Then the truckers are also employed by Manfor and they come in and haul the wood and they clean up whatever areas are slashed. They mainly try to clean up all the areas by block. Whatever wood they don't take out, up to say February 28 or March 15, whatever their deadline for the end of the haul is, that remains, the wood cut at that point - what isn't hauled - stays in the bush until the next time they come to haul in the wintertime.

MR. L. DERKACH: Do you have a scavenger program, such as is in place in other jurisdictions, to clean up the part loads which are left for a longer period than a year? Is there a scavenger program presently in the area?

MR. R. KIVISTO: You mean a firewood operation?

MR. L. DERKACH: No, I don't think it's a firewood operation. A lot of the logs in some of the other jurisdictions are cleaned up after they've been left for a year. They'll be cleaned up by a scavenger crew and the wood then is not left to rot or is not wasted.

MR. R. KIVISTO: Well we have some people that are taking firewood to Moose Lake community, so they may take some of the wood - some of the slasher ends and stuff, they may use that for firewood.

MR. L. DERKACH: No, I was specifically referring to wood that could be used as pulp.

MR. R. KIVISTO: No, there is no scavenger program in that manner.

MR. L. DERKACH: Just one final question.

In your operations for next year, are you potentially looking at the same kind of a year in terms of activity; you said that there may be even less of a demand on pulp wood. Will that mean that your profit-loss situation may not look even as bright as it did this year?

MR. C. JONES: Next year it looks promising. We hope that everything works out the way it did in the previous years. We have to negotiate with Manfor regarding our volumes to be cut and the price.

When we negotiate with them, sometimes we win, sometimes we lose; but our future looks pretty well the same as the year we just had.

MR. L. DERKACH: Thank you very much.

MR. D. BLAKE: Yes, just a short question, Mr. Chairman.

I notice in your remarks that absenteeism continues to be troublesome. Could you maybe give us an update in how many long-term employees you've got and is the absenteeism due to employees just not showing up for work, or are they off doing some other temporary trapping or fishing or something of that nature?

MR. DEPUTY CHAIRMAN: Mr. Jones or Mr. Kivisto, which one would like to respond?

Mr. Jones.

MR. C. JONES: I'll respond. No, Moose Lake Loggers during the off-period season, a great deal of the employees do commercial fish and trap, and, to date, we have 74 employees. I'm not too convinced that this problem is such a big problem, because a great number of the employees with high seniority are not the problem people. I think Mr. Kivisto will agree that some of the younger ones coming in have a few problems.

Moose Lake Loggers, as the report mentions, out of these 27 skidders, I think 19 or 20 of them are Moose Lake residents and we're quite proud of them. They do look after themselves pretty well. It's really no bigger a problem than anywhere else in the North, Mr. Blake.

MR. D. BLAKE: They're owner-operators, they maintain their equipment themselves or is there an overall company shop?

MR. C. JONES: Mr. Kivisto will answer that.

MR. R. KIVISTO: Yes, we have owner-operators who are fairly good mechanics right on-site, and these owner-operators help the other owner-operators maintain their equipment and it works out very well. We haven't got many problems with maintaining the equipment, much less with the owner-operators than if it was company equipment.

MR. H. ENNS: Just one question.

You are also involved in reseeding program, and that's through Department of Natural Resources?

MR. C. JONES: Yes, we are, sir.

MR. H. ENNS: Time is to rise, we have no further questions. I ask one question to you. I appreciate that neither you gentlemen or I will be around to be able to witness this, but in your opinion will there be a better standard of trees, 110 years or 130 years from now, than there were when you started?

I ask that question seriously. Are we introducing - either by way of species - better high breed trees or just the program that you're in? I would be interested to know from practical people that spent their time in the bush, is it your judgment that we'll have a better standard of trees 120 years from now?

MR. DEPUTY CHAIRMAN: Who wants to handle this question?

MR. C. JONES: I'll handle it. Maybe I'll share it with Mr. Kivisto because he's been a little bit longer than I have. I'm just a transplanted city boy to the North and I, personally, have taken a great deal of interest in the land, especially the North. The land is very sensitive and I think that I'm not educated, or I'm not a forester or nothing like that, but from the forestry people and from the people that I deal with, who should know what they're doing, I have a great deal of faith in that indeed the generations to come will benefit a better resource than what we've already had. I'm very high on reforestation, I'm very high on returning anything back to the land that we take away so freely, so I feel that forestry - as Renno knows and the secretary knows - I'm quite high on making sure that these types of programs get going. It's the same with all our resources there, Mr. Enns.

HON. E. HARPER: Yes, first of all I'd like to maybe, before the committee passes this report, thank the Moose Lake Loggers. Also I would like to thank the Moose Lake Loggers and the Channel Area Loggers for their participation, the officers of most boards; and I believe, before we go into the next committee for CEDF, as arranged between the House Leader and our House Leader, there was a question that I wanted to clear up which was posed by the Member for Arthur, and this was dealing with the space at 41 Higgins.

This office was rented by our head office, by the NDP provincial head office for the constituency of Rupertsland to assist us in coordinating the activities of our campaign, our headquarters from Cross Lake to our constituency office.

There was a line and a staff present there, headed by one of our people, and the rent was declared by our provincial head office, and this was cleared up. But in terms of the loan that was made in 1985, the original loan - I wasn't a member of Cabinet then - but then in 1986 a loan was made to consolidate the loan, plus the bank guarantee, at which time I was present, but I didn't see any reason for myself to be absent from the . . . and I wasn't Minister responsible either, but just to clear that up.

MR. DEPUTY CHAIRMAN: Before I recognize the Member for Arthur, if I could, could we pass the Moose Lake Report—pass.

Mr. Downey.

MR. J. DOWNEY: Well, Mr. Chairman, I'm not absolutely satisfied with what I heard from the Minister and I would hope that there's documentation to substantiate what was said for the coming meeting dealing with the receipts and all the information that is necessary. As I say, I am absolutely not satisfied, and we'll proceed and deal with it at the next sitting of the committee.

MR. DEPUTY CHAIRMAN: Committee rise.

COMMITTEE ROSE AT: 12:33 p.m.