

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Tuesday, 14 July, 1987

TIME - 10:00 a.m.

LOCATION - Winnipeg, Manitoba

CHAIRMAN - Mr. C. Santos (Burrows)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Evans, Harapiak (Swan River),
Hon. Ms. Hemphill, Hon. Messrs. Lecuyer,
Mackling

Messrs. Baker, Blake, Derkach, Downey and
Santos

APPEARING: Mr. Hugh Jones, General Manager,
Communities Economic Development Fund
Mr. Ted Chiswell, Manager of Finance,
Communities Economic Development Fund

ALSO PRESENT: Hon. Messrs. Harper and Cowan

MATTERS UNDER DISCUSSION:

Annual Report - The Communities Economic
Development Fund for the fiscal year ended
March 31, 1987

* * * *

MR. CHAIRMAN: Committee on Economic
Development, please come to order. We are here to
continue our consideration of the report of the
Communities Economic Development Fund.
The Honourable Minister.

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

I guess we'll continue the discussion that we had on
the Communities Economic Development Fund and
some of the questions that were raised and also some
of the requests that were made. Particularly, Mr. Downey
had requested some of the minutes and we have
provided a copy of those to him. Some of it had to be
blacked out because there was some confidentiality
that had to be maintained.

I'd like to introduce the staff here: Mr. Hugh Jones,
the General Manager; Ted Chiswell, Manager of Finance;
and Don Nyznik, our staff solicitor.

Maybe I could ask Mr. Jones to make some additional
comments in respect to some of the issues that were
raised at the last meeting.

MR. CHAIRMAN: Mr. Jones.

MR. H. JONES: Mr. Chairman, I'd like to make some
comments which really relate to questions that were
asked at the last committee meeting, some of which
I took as notice, and some issues relating to other
matters such as the Provincial Auditor's statements.

If I could introduce those comments by dealing with
some of those statements made by the Provincial
Auditor in his report to the Legislature - and I do this
really because the quotation in the letter which Mr.
Downey tabled in the House, I think on June 30, is a
direct quotation from the Auditor's report to the
Assembly for the fiscal year ended March 31, 1985.
From my standpoint, Mr. Chairman, I think it's important
to note that there were expanded comments in his
subsequent report to the Legislature for '86 and those
comments do provide some reassurance that the Fund
was taking action to deal with what the Auditor thought
were fairly serious concerns.

I want to emphasize, too, Mr. Chairman, those
concerns were directed primarily to documentation and
procedural documentation as it related to monitoring
of the investments of the Fund, as opposed to the
monitoring itself. In other words, the Auditor wanted
to see some evidence that we had concluded a properly
compiled manual of procedures internally and
specifically addressed a question of standard written
processes. As I mentioned earlier, Mr. Chairman, that
has been done and we have been in touch and are
constantly in touch with the Auditor's Office on a
frequent basis.

In addition to those comments, Mr. Chairman, I
understand that Mr. Jackson was asked some questions
at his appearance at the Public Accounts Committee
on CEDF and, in general terms, he had indicated that
corrective measures had been and are continuing to
be undertaken.

Beyond that also, the committee will recall the
chairperson's comments that the board itself is satisfied
now that the procedures for investigations and analysis
have been streamlined and they are effective.

Mr. Chairman, I should say, perhaps at this stage,
the chairperson, Ms. Barbara Bruce, is unable to be
here today. She is on vacation in British Columbia.

I wanted to make those introductory comments. I
think it is important to keep them in mind when I now
begin to review, in detail, the situation which was subject
to a lot of questions at the last committee regarding
the loans made to N.D. Gunn Ltd. and Yellow Thunder
Holdings.

In that context, members opposite suggested that
proper procedures were not followed in the
recommendations to both the board and to the
government, the approval of the Gunn loan, and that
somehow or other the proper monitoring of the affairs
of the business was not undertaken. I simply have to
say, at the outset, that is not the case.

Perhaps I could get into some detail on the time
frame for the consideration of the Gunn applications
shortly, but let me reconfirm an earlier statement that,
in every case, the Fund requests and obtains from the
Credit Bureau and other sources of information, from
chartered banks and so on, reports of every proposal
we deal with.

I can say categorically in the case of Gunn that, in
1985 and again in April 1986, these reports were

obtained. I would say also that - and perhaps I should emphasize - our experience over the years in that context is that these credit reports are sometimes quite superficial in content, especially when we're dealing with applicants and businesses in Northern Manitoba. The real position, in terms of liens and judgments, is quite often not fully revealed until counsel undertakes a standard search, which is after approval of the loans. Summarizing therefore, the issue of not obtaining credit reports is not an issue in the case of the Gunn situation.

I think I should also put on record, Mr. Chairman, the reconfirmation of the residency question. The committee may recall that early questioning of the Fund's involvement with the Gunn enterprise stemmed from the residency of Gunn himself in Winnipeg. I mentioned at the last meeting that we had opinions from two separate counsels on this issue, and I quote from one of them as follows: "The question of residency of the applicant for loan is not particularly relevant, although in practice, the majority of loans have been made to people who are residents in the remote and isolated communities of the province."

Insofar as the act is concerned, the particular problem appears to be that the work be undertaken so as to improve the economic situation of the people in those communities. So long as the financial assistance rendered is for the ultimate benefit of the residents of those communities, it would seem that the objects set out in the legislation are being met. That is one of the legal opinions.

Let me go into detail on the processing of the Gunn applications. The first one was reviewed by the directors in August 1985 and the proposal then involved assistance in the financing of a contract for a sewer extension in Sundance. The company, at that time, needed additional working capital and equipment to deal with a profitable - and it really was - a profitable contract.

The directors voted to recommend to the Minister the approval of a guarantee of \$150,000 and a term loan of \$102,000, and the proposal received the government's approval on August 28, 1985.

Let me just clarify, Mr. Chairman, some of the comments I made relative to other financing or grants received by Gunn or his company, prior to or during the time the Fund was involved in our loans. I think the Member for Portage la Prairie asked me a question on this issue, and I believe I did say, to the best of my recollection then, that there had been some Special ARDA grants and other assistance from the Northern Development Agreement. When we subsequently reviewed this situation thoroughly, I find that there was indeed a Special ARDA grant before CEDF became involved, and that grant for just over \$100,000 was specifically approved to allow Gunn to purchase equipment for earlier contracts. The funds were disbursed well before this Fund has any involvement.

At a much later stage, the Northern Development Agreement approved a grant to the company of just over \$37,000 to cover the costs of what we called a shadow manager, identified and hired through the Federal Business Development Bank's case programs.

I should also mention, Mr. Chairman, I had incorrectly stated at the last meeting that no payments had been made on the first loan of \$102,000. That was not correct. In fact, the loan was reduced to just over \$19,000, just

before the Fund considered the fresh financing in April 1986. At that time, we were reapproached by Gunn to assist his company with financing required for the undertaking of a good contract with the Limestone Training Centre, a 12-month contract then with net income from it of \$25,000 a month, with a possibility, at least at that stage, of that contract being renewed.

At the time this application was being recommended to the directors of the Fund, there was evidence that the company had expanded very quickly without formal attention to correct capitalization. But the management and the board were convinced that the nature of the contracts and the strengthening of management by the placement within the company of that case worker, the shadow manager, reassured us that the purposes that this financing was required, that the risk to be assumed by us was not an unacceptable one. Therefore, the board approved the proposal and it received the approval of the government on April 30, 1986.

For further clarification, Mr. Chairman, I might also just touch on references that were made at the last committee meeting to consultant, and there were references, several times, in the discussions and questioning, and I think there may have been some misunderstanding in that context.

For a number of years, the professional staff of CEDF have had the type of business consultant, and the process within the fund is such that those projects developed and signed by the consultants that are put before the board, are dealt with by recommendation, by signature of the individual consultant, and indeed we go a step further. That staff person attends the meeting when his or her projects are being reviewed. The written submission to the board is also covered by comments from myself, usually dealing with an overview or some policy issues which I think the board should consider.

Mr. Chairman, between the time the second loan and guarantee was approved for this company in September of last year, when it became known to us - and publicly, by the way, because of the release of a letter I wrote to Mr. Gunn in September - a number of unfortunate incidents took place which seriously affected the health of this company, not least of course - and this was referred to before - was the contract in Winnipeg. I have no hesitation in saying, and I believe I did last time, that contract had been poorly estimated in terms of labour and material, causing the company to lose very significant dollars on that project.

Beyond that also, the shadow manager, whom we had been relying on significantly and so had Mr. Gunn, suffered a serious heart attack and was unable to be in the company's offices at the most crucial time. As is known publicly also, Mr. Gunn himself in that period also underwent serious hospital treatment.

I will await questions from the committee, Mr. Chairman, in terms of the activities during the time frame, but let me re-emphasize that, as soon as we realized from audited financial statements and our own knowledge of the business that a very serious situation had arisen, we took strong steps very quickly to protect the taxpayers' investment.

I wish also to say now, Mr. Chairman, that the cooperation we have received from this borrower has been very commendable, and the steps that we have been taking and still are taking in conjunction with

other lenders and so on will assure there will be no loss to the Crown as a result of this investment on the part of CEDF, and I can say that very strongly.

I think I want to stress also that, however careful an investigation is taken of a project coming to us, there are times and circumstances which, no matter what degree of monitoring is undertaken, a business will fail. But that should not be, in my view, Mr. Chairman, the cause of a wholesale denigration of other successful loans in businesses within the Fund.

If I may conclude briefly then by reviewing the Yellow Thunder Holdings issue which was also a subject of discussion at the last meeting, the board approved a loan of \$150,000 to this company, whose major shareholder is Ken Dillen.

I have no hesitation in saying to the committee that the directors were concerned with this proposal, though they recognized the value in terms of the impact on the northern economy and northern jobs. The issue again, of course, was the residency of the applicant outside of the province. Because of that, the loan was approved specifically on the condition that firm evidence, satisfactory to us, would be provided to show the intent, the very clear intent, to relocate the business and residence to Manitoba. Other normal conditions also applied.

The company's address, when the loan was being dealt with, was in Gypsumville, and the company was subsequently registered in Little Grand Rapids. We received evidence that Mr. Dillen's home in Saskatchewan was listed for sale, and we received information from him reconfirming that he would be relocating. As this committee knows, Mr. Chairman, subsequently that did not happen.

Finally, still in the context of Yellow Thunder Holdings, for a number of reasons the business failed and insolvency has, in fact, taken place. The Fund is proceeding under its security to recover the debt owing to us - and I have to be careful here in terms of the kind of actions we can take within the normal legal processes, that I don't reveal too much of the detail because they could jeopardize other negotiations.

I might just add, Mr. Chairman, that in the context of Yellow Thunder Holdings' recovery to the Crown, Mr. Dillen himself is currently under active negotiation with the Federal Department of Indian Affairs, because I can say clearly that something over \$60,000 in receivables is owing to Mr. Dillen's company from that Federal Department. There have been problems with the way that money is to flow and, of course, it will flow to CEDF.

Finally, in terms of a question raised by the Member for Portage La Prairie, to provide information on the Fund's portfolio, I would now like to table a summary of our Record of Supervision Status as at March 31, 1987.

MR. CHAIRMAN: Any questions?
The Member for Arthur.

MR. J. DOWNEY: I have two or three areas that I want to deal with and I thank the Minister for his attempt to live up to what his word was in the Hansard of April 28, 1987, where he indicated: "It was my understanding that" - and this is referring to the minutes of the meeting

of the Economic Development Fund - "the minutes could be made available and I don't know whether there's anything that could not provide us to do so."

And then I refer to the Government House Leader's comments dealing with specifics that are being requested in this particular instance. "We'd be prepared to sit down with the Opposition critic and determine how these procedures must be applied in this particular situation."

I want to deal with it for a minute, Mr. Chairman, because I think it's important that the Opposition be able to work effectively in this whole area. I'll just take a minute to paint the scenario and the situation which we've developed.

It's the same in many government operations where, in fact, people come to a government agency like the Economic Development Fund to borrow money, to get support from the taxpayers to enter into a business venture. They get into difficult situations, as we see with the copies of the minutes - partial copies of the minutes and I'll get into that in a few minutes - whereas because of the concern of the government that they're disclosing items that may be No. 1, legally of a concern to the government; and No. 2, that there could be some corporate information allowed to be disclosed that could well affect the business and the security of the loan.

Well, Mr. Chairman, the difficulty that we have, as members of the Opposition and people responsible for taxpayers' money that goes into these programs, is that, to do an effective job in committee, then we have to know that kind of information. I think, to a large extent, the information should be made available to the public. In fact, one could paint the scenario that if you're going to go and ask, for example, Mr. Dillen, who is living in Saskatchewan, whether or not information that's in the minutes pertaining to his loan or how he accomplished that loan - we would like that information made public - the first response that you're going to get, I'm sure, is no, I'm not going to allow you to do that.

Well then we're at a stalemate. The Opposition cannot, in fact, get the information that is pertinent to making the decision, as to whether or not the government handled the loan properly, or whether the Economic Development handled the loan properly. So I think it has to be dealt with, in the future, as to how that information is made available. I do say to the Minister that I think he did make a genuine attempt at trying to provide some information and the minutes are helpful.

I have a question to Mr. Jones and to the Minister. Did Mr. Jones provide the Minister with the minutes which are blacked out, and who did the blacking out of the information on the minutes of which I have received, dealing with the Yellow Thunder Holdings Ltd. and the Mr. N.D. Gunn Company? Did Mr. Jones provide this information? Is it complete and who did the blacking out of the information? Was it done by both Mr. Jones and the Minister or who covered it up?

MR. H. JONES: No, Mr. Chairman, we provided this information to the Minister. It is complete, in relation to the Gunn and Dillen situations, and I believe the Minister has already mentioned to the member that there is a copy in the Minister's office, which has some more than what you probably have with you.

HON. E. HARPER: Yes, I have indicated to the Minister that I had a copy I could show to the member if he chooses to look at the minutes, the blacking out of the minutes that were done in my office. I don't know what date it was but information was provided to me by the staff and I went through the minutes and looked at the areas that were to remain confidential.

MR. J. DOWNEY: Well, Mr. Chairman, I appreciate the fact the Minister did indicate that he did have information in his office which might have been helpful for me to look at.

Due to time constraints, No. 1, and the fact that I thought it would be more important that the information be made public, I think probably would have been more use and probably that kind of information, Mr. Chairman, I think may well be pertinent for an auditor to look at. I'll deal with that again in a few minutes as we proceed along with some of the questions.

I want to deal particularly now with the Yellow Thunder Holdings. I'll just ask Mr. Jones, were you aware that Mr. Ken Dillen, who made the application, was a former MLA for Thompson and a former New Democratic member of the Legislature?

MR. H. JONES: Yes, Mr. Chairman, I was aware.

MR. J. DOWNEY: Mr. Chairman, I make reference now directly to the minutes of which were handed to me a few days ago, and I make reference to the December 12 minutes which is dealing with the loan application. I understand at that time, if I'm correct, the loan application was for \$150,000.00.

MR. H. JONES: That's correct.

MR. J. DOWNEY: Of which Cabinet had to approve?

MR. H. JONES: No, Cabinet wouldn't have to approve that, Mr. Chairman. That's within the board's authority. That's the maximum of the limit they can approve.

MR. J. DOWNEY: I see, Mr. Chairman. Well, I'm not quite clear then because we have a new loan application December 12, 1985, reading from the minutes of which I was provided, where there's some discussion with Mr. Ziddan (phonetic) who entered the meeting, and it was noted rental costs would be increased to \$50,000 from \$17,000 as shown on the projections. I suggested the mandate of the fund was to assist Manitoba residents, and the applicant was not in that category. It was indicated, when he did become a resident, he could reapply for assistance. There's a motion, moved by - and it's blanked out - seconded by, unanimously carried, the loan application be declined. Was that the loan application for \$150,000.00?

MR. H. JONES: Yes, Mr. Chairman. I think it illustrates strongly the concerns the directors had with the residency issue. They were not satisfied during those discussions on that day that there was enough real evidence, that we were able to provide anyway, that the residency issue was going to be corrected.

MR. J. DOWNEY: Mr. Jones, following that meeting on December 12, did you or any members of the board,

to your knowledge, have any discussions with Cabinet or the Minister responsible?

MR. H. JONES: Well, firstly after the meeting, Mr. Chairman, in a standard way, I asked Mr. Dillen to meet with me and I conveyed the board's decision.

He had had some updated information which he had not provided to us before the board had met; he had not been in Winnipeg. I believe I'm correct in saying that at the time.

Then I subsequently had advice from the Minister responsible for CEDF that Mr. Dillen had tabled with the Minister additional information, which did provide strong clear evidence that the concerns of the board could be addressed, and in that context and because of that, I reapproached the board and, with the prime condition and firm evidence satisfactory to the Fund of the intent to relocate the business and residence of Manitoba, we were satisfied that documentation was available. The directors were reapproached and they did approve the loan of \$150,000, which they had declined earlier.

MR. J. DOWNEY: Well, Mr. Chairman, I guess one would assume then that Mr. Jones indicated he did not talk to the Cabinet, but Mr. Dillen had presented the Cabinet some documentation which would satisfy someone's mind there that he was either going to move to Manitoba or had intentions of it.

Following through on the minutes, Mr. Chairman, one goes to the next day, which is December 13, following the day on which it was a unanimous decision by the board to decline the loan. Then we have what is referred to in the minutes that I have, "Cabinet confidentiality," and to my knowledge, Cabinet really didn't have to become involved because you indicated they didn't have to approve the loan, but Cabinet confidentiality is blacked out. Then let me proceed to indicate as to what happened.

"Ensuing discussion" - and this is following the blackout on the minutes - "... revolved around the continuing lack of definite proof, although intention appeared to be present of a move to Manitoba. Concern was expressed this could be precedent for further applications, when the applicant is not a Manitoba resident but indicates he would become one sometime in the future. A general reluctance was evident from all directors but the following motion resulted."

Now, remember this is the next day. This, Mr. Chairman, follows the day in which they unanimously disagreed with it. We now come to the next day of which we have Cabinet confidentiality. A loan didn't even have to go to Cabinet, but apparently Mr. Dillen went to Cabinet with a request to have them influence the decision of the Communities Economic Development Fund.

Now I read the next motion that was made, dealing with \$150,000 taxpayers' money - and it's moved by, blacked out, seconded by, blacked out - carried, that the \$150,000 be approved as recommended by the general manager, but to encompass the following additional conditions and the intent to relocate business is one of them, and no capital expenditures is another.

Mr. Chairman, we now have a former NDP member of the Legislature, refused by the Communities

Tuesday, 14 July, 1987

Economic Development Fund on the 12th of December, turns around, contacts the Cabinet. Cabinet has a meeting, approve or encourage or in some way talk to the general manager. That's why I've asked him if he discussed with the Cabinet or the Minister. How did Mr. Jones change his mind? What kind of Cabinet influence was put upon him to now say to the board, after the day before they unanimously rejected the loan, to all at once say, yes, we have to give Mr. Ken Dillen, former MLA, because of information which is pertinent to the approval of this loan that we will agree with it.

Now Mr. Dillen is still not living in Manitoba, \$150,000 of our taxpayers' money is trying to be recovered by the Communities Economic Development Fund. Mr. Jones, will all the greatest of respect, did you, Sir, have Mr. Dillen come back to you with information or was there someone from Cabinet who contacted you directly to indicate that the loan should be approved?

MR. H. JONES: Well, a couple of things here, Mr. Chairman. Firstly, you talked about my recommendation for approval. I had recommended approval of this loan under the material which went to the board on December 12. I had recommended it subject to three conditions and, despite my recommendation which is not at all unusual, the directors, in their judgment, said no, they were concerned about the rest of the issue and they declined it.

After the meeting, as I said earlier, Mr. Dillen met with me and I did say a few minutes ago, Mr. Chairman, that there was information available in my office at that time, but it's not at all unusual for an applicant to the Fund to be declined an application, for them to meet with their MLA or a Minister or the Ministers. It happens very, very frequently, but it's the board that makes the decisions, in this case specifically is \$150,000.00.

I did discuss the issue on the next day with a Minister, and I very strongly emphasized why the directors the day before had been concerned. Reference was made - to Mr. Downey's comments - to the mandate of the Fund, and that certainly was a concern.

But those concerns had been addressed with the information which Mr. Dillen gave to me and which he also, as I understand it - not as I understand - I know the information he also gave to the Minister. I made the judgment to contact the directors, to have them rereview this situation, and they did. Cabinet, as such, Mr. Chairman, as we said earlier, was not involved. In fact there was no reason for us or for me, on the administrative side, to have Cabinet involved at all.

MR. J. DOWNEY: Well, Mr. Chairman, it seems strange that, between the 12th and 13th, we have an insertion in the minutes of the Communities Economic Development Fund which is marked "Cabinet Confidentiality." It is blacked out. And subsequent to that "Cabinet Confidentiality," we now have the board of directors approving a loan for \$150,000 a day after they unanimously declined the loan.

So the question that the taxpayers have to ask and that I have to ask on their behalf: What kind of political Cabinet influence was exerted upon either the board or the management or the system to encourage a loan of \$150,000 to Ken Dillen, former MLA for Thompson?

Now the big issue here, on the side of the loan, appears to be whether or not the individual was going

to move to Manitoba. Was there consideration given as to his ability to pay the loan back, the security in place, because we now find, our current status, that we're in litigation as I understand it, with the individual to collect some \$150,000 back.

In view of the fact he didn't move back to Manitoba - yes, it was in contravention of the loan or the loan agreement, but what emphasis was placed on, No. 1, a credit check, because I know that in some preliminary discussions with my colleague, who has been involved in financial organizations at one time, may have some comments as well that he may make or may be helpful to the committee. But I'm wondering if there was an adequate credit check. I'm wondering as to how much work went into seeing if the loan was viable, and we know that he contravened the act and contravened the policy by not moving back to Manitoba.

What kind of a credit check was there? Can the management provide that for us, who did the credit check? What was the loan for? Has it been repaid and where are we at, at this particular time?

But the very obvious fact is, Mr. Chairman - and the government can't deny it - that there was direct political influence to get Mr. Ken Dillen a loan for the \$150,000, even though it didn't have to go to the Cabinet for their decision. That's the even more strange situation. If it had gone to Cabinet under normal process, then one would have expected this to be in here. But now we have kept it confidentially inserted in the minutes - influence of the Cabinet and the government to help a former MLA with a \$150,000 loan which he shouldn't have gotten.

Now, we're going through legal costs, Mr. Chairman, to try to recover the money. I think it's incredible that we see the purposes for which this government is using money to help their former political friends. Incredible! Impose themselves upon the Communities Economic Development Fund for a former MLA for Thompson, to give him \$150,000 when he wasn't even living in the province, and now we're chasing all over trying to get it back.

I just can't believe it, Mr. Chairman, that this is the kind of situation that we have now come into in this province.

Mr. Chairman, a question to the Minister. Who did the credit check on Mr. Ken Dillen?

MR. H. JONES: The credit check, Mr. Chairman, was done on Mr. Ken Dillen and on his company in the normal, standard fashion, and I really cannot table copies of credit reports at this committee meeting. If there is anything commercially confidential, it's reports from the Credit Bureau because, not only on financial issues do the Credit Bureaus report but they report on family matters and so on. I think that would be unconscionable.

The credit report was received; it was clear. We did our own investigations, as we always do, with the chartered banks with whom he and his company had been dealing and there was nothing untoward in the content of the credit report, nothing untoward in contact with banks, nothing untoward in his relationships with any other companies with whom we dealt and had conversations.

In terms of the other issues which the member raised, the submission which went to the board on December

12 was a full, detailed submission which indicated from the projections of earnings from contracts which the company had at that time and which it was also negotiating and we were confident it could get, indicated reasonable profit, reasonable enough to repay the debt. Otherwise, of course, it wouldn't have been recommended by the staffperson or by myself.

In terms of security, the CEDF took the joint and several guarantees as we always do from the principal shareholders, in this case, Mr. and Mrs. Ken Dillen, for the whole amount of the loan.

We had and have a First Chattel Mortgage over all the assets of the company and especially those we financed. We have an Assignment of Contract Process and, Mr. Chairman, I think the member might like me to talk about that for a minute. One of the reasons for our recommending this loan in the first place was the contract with a company which was established by a number of Indian bands. I have the name here that I can provide if the committee wishes.

The proceeds from that contract were specifically assigned to CEDF, and we felt a great deal of comfort in that, in that if there were problems with Dillen himself making loan payments, the proceeds would come to us.

I have a very long explanation which I can get into later if the member wishes, in terms of the way that contract from that Indian company ran into some serious difficulties in its funding from Indian Affairs. I really have to say, Mr. Chairman, that we believe strongly that the money is still going to come to us. I say that, not from any naive standpoint but from discussions I've had with senior people in the Winnipeg region and with people in Ottawa, that those receivables from that contract will come. It may take time, but they will come.

MR. J. DOWNEY: Mr. Chairman, just going back through the scenario - and I'll ask Mr. Jones directly - did he or did he not have discussions with the Cabinet Minister responsible for his operations, the Communities Economic Development Fund, between the 12th and 13th of December, 1985, dealing with the Yellow Thunder Holdings Limited?

MR. H. JONES: Mr. Chairman, I believe - I thought I had already said that, yes, Mr. Dillen had met with me.

He subsequently met with the Minister responsible. The Minister telephoned me and we had a discussion on the concerns the directors had on the 12th and, based upon the reasonableness of the information given to me and by Mr. Dillen to the Minister, as I said earlier, Mr. Chairman, I reapproached the board.

Yes, I did have discussion with the Minister.

MR. J. DOWNEY: Who was the Minister at that particular time, Mr. Jones?

MR. H. JONES: The Honourable Harry Harapiak.

MR. J. DOWNEY: So we have Mr. Harapiak who, after discussion with Mr. Ken Dillen and after discussion with you, you went back to the board, indicating to the board that you had talked to the Minister. We have it in here that it's Cabinet confidentiality which none of us can see that, following that Cabinet discussion, Mr.

Harapiak indicated to you that he wanted the loan approved for Mr. Ken Dillen, former MLA for Thompson, for \$150,000, even though it didn't have Cabinet approval. Is that correct as to what happened?

MR. H. JONES: No, not at all, Mr. Chairman. I have certainly not said that at this committee meeting, that the Minister wanted that loan approved. That's not what I said at all.

The Minister had received information; he discussed that information with me. I reapproached the board, and I must emphasize that the Board of Directors of CEDF take their job very seriously and the judgments they make, based upon the mandate of the legislation of the Fund combined with the potential viability of the business concerned, and the concerns - as the member has already seen and I've already emphasized - were there on the 12th, but they had been assuaged on the 13th and, for that reason, the directors decided to approve the loan.

I think perhaps, Mr. Chairman, the expression "Cabinet Confidentiality" on the minutes that the member has is - let me use these words - a bit misleading and, frankly, I think I should take responsibility for that because I reviewed the minutes, and the Minister has already said to Mr. Downey that he has another copy in his office which is more expansive. But when we were dealing specifically with Cabinet Confidentiality issues, we blocked it out and used the expression "Cabinet Confidentiality."

That's misleading in this case and, Mr. Downey, it's blocked out more because - and I defer to the Minister in this respect - the discussions that applicants or the administration have with Ministers, we felt that also was reasonably confidential. It's not Cabinet. Cabinet was not involved in this issue.

MR. J. DOWNEY: Mr. Chairman, I'm now in the position of seeing the development - or let me try and put it together then in this way in which it would help clear the matter. The board had the full authority to deal with the \$150,000 loan to Ken Dillen. They unanimously declined it on the 12th of December. Mr. Dillen approached the Minister or Cabinet - we would say the Minister in this case, Mr. Harapiak, who subsequently talked to you. Did you make the call to Mr. Harapiak to ask for his guidance or did he call you, Mr. Jones, to discuss Mr. Dillen's application with you, on which apparently you had a special meeting on the 13th, or was that just a normal meeting that was held on the 13th?

Did you call Mr. Harapiak to discuss the loan or did Mr. Harapiak call you to indicate his feelings about the loan?

MR. H. JONES: Firstly, Mr. Chairman, the first meeting that took place after the 12th board meeting was a meeting between myself and Mr. Dillen in my office which, again I reemphasize, is not at all unusual. Quite often, we have applicants sitting outside the boardroom waiting for decisions, and I can give some interesting examples of where they become quite incensed where they've had a refusal. Then it's my job, pleasant and unpleasant, to deal with them, to try to explain to them what the board's thinking has been.

Tuesday, 14 July, 1987

In this case, I had that meeting and then Mr. Dillen chose to visit the Minister. The Minister called me and we had the discussion I have referred to earlier.

MR. J. DOWNEY: Well, Mr. Chairman, it is now clear that Mr. Dillen's loan was turned down unanimously by the board on the 12th. He went to the Cabinet Minister responsible, Mr. Harapiak, who subsequently phoned Mr. Jones and, politically or otherwise, influenced Mr. Jones and the board of directors. I would ask Mr. Jones if he has any knowledge of Mr. Harapiak calling any of the board members, chairman or otherwise, dealing with that loan? Do you have any knowledge of his contact to the board between the 12th and 13th, Mr. Chairman?

MR. H. JONES: I have no direct knowledge of any such call, Mr. Chairman, but I spoke to each director on the 13th myself and gave the reasons for the rereview. The board again took it under very serious consideration, and let's leave it at that.

MR. J. DOWNEY: Would it be a fair assumption that, if the Minister did not contact the board directly, you concede, in your discussion with each board member, the feeling of the Minister that the Minister wanted it approved for Mr. Ken Dillen, Mr. Chairman? Would that be a fair assumption as to what you reflected, following your discussion after the Minister called you on the meeting of the 13th?

MR. H. JONES: Only once in 15 years, Mr. Chairman, have I ever made a comment like that and I think that was the second time the board met, in February of 1972, when I was not familiar with the procedures.

I have never and would never indicate to any director that the Minister's feeling was this loan should be approved. That's not the way this board operates.

MR. J. DOWNEY: Mr. Chairman, I hope Mr. Jones didn't take any personal criticism of him in that regard, but I'm trying to get to the bottom of this. So then one would have to assume that, on the 12th, the board - and it's unfortunate that we don't have the board chairman here, and I appreciate it is July and people do take holidays, and I don't blame them for that.

Mr. Chairman, what I am saying is that there must have been something because apparently, on the 12th, Mr. Jones was unable to - even though he was supportive of the application - unable to convince even one member of the board to support the loan. It was unanimously declined.

Now we have the Minister calling Mr. Jones, the Minister may or may not have - one would have to assume that he must have contacted the board - and indicated his same wishes that the loan be approved. On the 13th day, we have a \$150,000 loan approved by the same board of directors that, the day before, unanimously declined.

Now, Mr. Chairman, one can only assume from the information we have here dealing with Yellow Thunder Holdings Ltd., that we have now had major political influence by Mr. Harapiak in the approval of a loan to a former member of the Legislature from the Thompson NDP, Ken Dillen, who did not live in the province, who

hasn't moved to the province, who owes the province \$150,000. I would suggest that the province look to Mr. Harapiak for the \$150,000 which he gave to his friend, the former MLA for Thompson.

Mr. Chairman, I think that it's incredible that we've seen the abuse of taxpayers' money through political influence and for political friends of this government. I think that one could only request that the future activities of the Communities Economic Development Fund be used in the best interests of the people of Manitoba and Northern Manitoba, not for the political hacks or friends of the current government.

Mr. Chairman, dealing with Mr. Gunn and his loan application, we go through the loan application and the dates that are again here and this one, as I understand it initially, had to be approved by Cabinet. There's a little bit of confusion in that there's very little dealing with the loan.

Just before I leave the Yellow Thunder Holdings, precisely where are we at now with the \$150,000 owed to the Communities Economic Development Fund and Mr. Ken Dillen through Yellow Thunder Holdings?

MR. H. JONES: The position we're in now, Mr. Chairman, is that we have acted under the provisions of the security given to CEDF by the company and by Mr. Dillen. We are in the process of recovering the investment of the Fund. We are in the process of awaiting the result of the negotiations with Indian Affairs, as I mentioned earlier, in terms of assigned receivables.

I'm not prepared, at this stage, to provide the committee with figures. I think that would not be correct when we are still waiting to see the final result of the proceeds of the sale of equipment charged to us and the collection of receivables. When we get to that stage, my responsibility, Mr. Chairman, would be to give the board further detailed advice as to what has been recovered of the investment and how we proceed to recover the rest, by the way, in cooperation with the borrower, who did suffer some serious losses on the contracts with that Indian company.

But we're not finished with this activity, Mr. Chairman, and we are proceeding, as I've said, in the normal way with the security crystallization - let me put it that way. It's an ongoing process, and we won't know probably for three to four months precisely what the recovery will be.

MR. J. DOWNEY: Mr. Chairman, dealing with Mr. Gunn, there are some questions that I have dealing with the loan approved, which came from Cabinet or were approved by Cabinet. Mr. Chairman, just to go back over the issue and that was our concern, and again we had \$350,000, I think, is the total loan and loan approval for Mr. Norman Gunn. Is that the correct figure?

MR. H. JONES: Yes, that's correct, Mr. Chairman.

MR. J. DOWNEY: Mr. Chairman, again we're dealing with a situation which directly involved a Cabinet Minister, the current Cabinet Minister in his campaign office in Winnipeg, out of 41 Higgins Avenue in the election of March 1986, which the Member for Rupertsland, as I indicated, and now the Minister

Tuesday, 14 July, 1987

responsible for the Communities Economic Development Fund, in March and prior to March of that year, used 41 Higgins, which was part of the security held by the Communities Economic Development Fund. Subsequent to that March 1986 election, we have a loan approved in April, again for Mr. Norman Gunn, for some \$350,000. Was that the amount, following that, the April approval?

MR. H. JONES: I'm sorry. I didn't quite catch that last

MR. J. DOWNEY: What was the amount of approval of the April 1986 approvals out of the Communities Economic Development Fund for Mr. Gunn?

MR. H. JONES: A \$200,000 bank guarantee and \$150,000 loan.

MR. J. DOWNEY: So we had a \$350,000 loan and loan guarantee in April of 1986 to Mr. Norman Gunn.

It appears, going through the minutes, they're very brief, and again there is the blacked-out portion of it. Mr. Jones indicated that Mr. Gunn had, prior to that loan, paid off - how much money out of the initial loan which he had received?

MR. H. JONES: Mr. Chairman, almost the whole loan had been repaid.

MR. J. DOWNEY: So he had paid off the majority of the loan?

MR. H. JONES: Yes.

MR. J. DOWNEY: Mr. Chairman, initially that wasn't the information that was provided to the committee. Is that correct?

MR. H. JONES: That's correct; I apologize for that, Mr. Chairman. I'd been under the wrong impression.

MR. J. DOWNEY: Mr. Chairman, Mr. Jones indicated that Mr. Gunn had entered into what he would consider a fairly lucrative contract with the Limestone Training Program. Did I hear him correctly that Mr. Gunn was in a net profit position of \$25,000 a month from the Limestone Training Program?

MR. H. JONES: Yes, what I said, Mr. Chairman, that was, yes, to be the net income on a monthly basis from that contract. Excuse me, Mr. Chairman, I'm being corrected here, almost the net position. There were some interest costs that are not included in that, but those were the payments under the contract.

MR. J. DOWNEY: Mr. Chairman, what period of time was that contract for?

MR. H. JONES: Mr. Chairman, it was initially for 12 months, and had been extended. The hope of the company and the hope of the Fund was that further extension would have been possible, but that was not the case. But before I go any further, Mr. Chairman, let me re-emphasize again that the Crown is not - there

are going to be no losses to the Crown as a result of this investment on the part of CEDF. I might mention, Mr. Chairman, for information, that Mr. Gunn is sitting in the committee room this morning.

MR. J. DOWNEY: If I remember the press clippings correctly, that contract was to end sometime this spring. What date was that contract ending that Mr. Gunn had with the Limestone Training project?

MR. H. JONES: The contract expiry date was March 31, but there are still some negotiations going on in terms of an additional two months' work that was undertaken, but I'm not sure what the outcome is yet.

MR. J. DOWNEY: So it would be a fair assumption that he had 14 months' work with a locked-in profit, or almost profit of \$25,000 per month. Is that correct?

MR. H. JONES: Basically that is correct over the 12-month period, and here we're going into some considerable detail of the company's financial affairs, but there were other contracts that had been entered into which the member has referred to at earlier times and I have referred to, which jeopardized - and Mr. Gunn would agree - the profitability which really should have come out of this Limestone contract.

MR. J. DOWNEY: Mr. Chairman, it's interesting what we're entering into. We have an individual who has borrowed \$350,000 from the Communities Economic Development Fund, which was approved by Cabinet, had their sanction, and I'm sure those numbers make it look like a fairly profitable deal. My calculation, at the end of that period of time, the individual has taken close to \$350,000 in what is referred to at this committee, in profit.

Now I guess the average Manitoban would think that is a fair return on investment, that you, first of all, borrow \$350,000 from the government. You turn around and go to another government agency, after you've had the Cabinet Minister who is responsible for the Fund had his campaign headquarters in his head office in a Winnipeg building, two months or a month later get a support for \$350,000; then you go to another government department, under Hydro, and get a contract which pays you the \$350,000 back.

Now that, to me, is a fairly substantial profit, Mr. Chairman, and now we're sitting in what kind of a position with that loan from Mr. Gunn, Mr. Jones? Where is that \$350,000 loan and loan guarantee at now? How much do they owe us?

MR. H. JONES: Mr. Chairman, I'm not prepared to give the specific figure. We are currently negotiating. What I can say, I've said it before and I'll say it again, categorically, there will be no loss to the Crown as a result of this company's loan, but I am not going to give outstanding loan balances when we're in the process of recovering.

MR. J. DOWNEY: Mr. Chairman, I appreciate that we do not want to place the Fund in a situation which would jeopardize in any way. I ask the Minister if he, responsible for the taxpayers' money, as a general

Tuesday, 14 July, 1987

Cabinet position, does he feel maybe that the amount of money which was paid out under this contract was adequate, or does he feel Mr. Gunn was not getting paid properly at \$25,000-a-month profit? Does he think that's fair and equitable for the people who are using Hydro and seeing massive increases in their hydro rates? Is that a fair return for an individual?

HON. E. HARPER: First of all, I would say that whether it's a fair return or not, I can't really say whether it was a fair return or not.

I'd like to clarify some statements that the honourable member has made in regard to my campaign headquarters being at 41 Higgins. My campaign headquarters were in Cross Lake. That was announced during the period of my election.

The campaign headquarters that you mentioned were secured by our central party offices, and they basically were used as an coordinating office and not as an official campaign headquarters. I might say that, in terms of being involved with this loan, this wasn't based on any political decisions or political influence at all. I never had any discussions with Mr. Gunn in regard to his loan, nor has he approached me on any of his applications or loans at all. So I'd like to make that very clear to this member and to this committee that there was no political involvement or any kind of discussion with Mr. Gunn.

I might say that Mr. Gunn is here, present in the committee today.

MR. J. DOWNEY: Mr. Chairman, I appreciate what the Minister is saying and I think it's helpful, but I go back to the Hansard of the 26th of April. I'm quoting what Mr. Harper said at that particular time, and I'll quote directly from Hansard: "I can confirm that part of my operation was out of 41 Higgins," referring to his campaign, "but the main campaign headquarters was in Cross Lake."

A MEMBER: That's what he said today.

MR. J. DOWNEY: Okay, so I'm just making reference to it, but he still had a campaign headquarters in Winnipeg.

A MEMBER: Part.

MR. J. DOWNEY: Part, but he still had a campaign headquarters. The point is that he was politically involved, he had a campaign headquarters in an individual who got a loan of \$350,000.00.

I'll help the Minister out probably. I would think that there would be many Manitobans who would think that a \$25,000 net profit per month would be fairly substantial. I would think that the Member for St. James sitting here, that he's got many constituents who work for the minimum wage, would like to have a contract with the government for \$25,000 net a month. I'm sure there are many farmers in the riding of Lac du Bonnet who would feel pretty happy if they could get \$25,000 net a month out of a \$350,000 . . .

MR. G. CUMMINGS: How about per annum?

MR. J. DOWNEY: Well, that's right. My colleague from Ste. Rose says, how about per annum?

I ask the Member for Brandon East, does he have any individuals working who thinks that \$25,000 a month net profit, through a government contract, after you are given the money to get into it by the government, that you turn around and get another contract. Now, to me, Mr. Chairman, it looks pretty much like a sweetheart deal.

HON. E. HARPER: I refer that question to Mr. Chiswell.

MR. T. CHISWELL: Can I ask you a question?

MR. J. DOWNEY: Who have you recognized, Mr. Chairman?

MR. CHAIRMAN: I've just recognized Mr. Chiswell because the Minister referred to him.

MR. T. CHISWELL: Mr. Chairman, just so this committee is not misled in any way, the \$25,000 a month is not a net profit. It's the normal rental that people receive on equipment and of course, against that, they have the cost of that equipment that they must appreciate. They have certain administration and office expenses that are attributable, and of course there is interest on the purchase of that equipment. So I just want to make sure that we, as the Fund, haven't misled you in any way. This is not a net profit.

As you are well aware, there are certain equipment rental companies in Winnipeg and of course throughout Manitoba who look like they are netting \$25,000 whenever they rent equipment, but that's not true because they have to write off the cost of equipment against that income. So I just wanted to make sure that we hadn't misled you in any way.

MR. CHAIRMAN: The Minister of Labour.

HON. A. MACKLING: I just wanted to question, and I think what we have just heard clarifies the borrowing company, referencing Mr. Gunn, was receiving payments of \$25,000 a month pursuant to a contract. We don't know, I haven't heard, the amount of the contract. We know that there was a loan involved there and a guarantee, a combination of \$350,000.00.

MR. CHAIRMAN: I thought the Minister had a question.

HON. A. MACKLING: My question is, what was the value of the contract in which payments were made at \$25,000 a month?

MR. CHAIRMAN: Mr. Chiswell would like to answer that question?

MR. T. CHISWELL: I can't answer you, specifically, but I believe it was a 12-month contract to \$25,000 a month. That's my recollection.

HON. A. MACKLING: For rental of equipment.

MR. T. CHISWELL: That is correct.

MR. CHAIRMAN: Who wants to speak now?

HON. A. MACKLING: Can I just ask a further question? What was the total . . .

MR. CHAIRMAN: Do you still want to ask some questions?

HON. A. MACKLING: What was the total value of the equipment that was being rented?

MR. T. CHISWELL: Again, I can't tell you specifically, but it was, as I recall, approximately \$200,000 to \$300,000.00. Part of this equipment of course, was bought with the ARDA grant that was received prior to our involvement.

MR. J. DOWNEY: Mr. Chairman, I don't want to delve into that in any great way, although I'm prepared to go back to what I heard Mr. Jones say, that it was pretty well a net profit. There were some interest charges to be taken off of it.

Well, Mr. Chairman, if we took interest and depreciation and some operation, I think it would still leave a pretty substantial profit. I again think that the people of Manitoba are going to want to know how they arrive at that kind of situation, that kind of contractual agreement. I know it's not in order in this committee to ask a question, but I will ask it anyway. Are the members of the Communities Economic Development Fund or the Minister aware as to whether or not this was a contract job, or was it just given to Mr. Gunn from the Limestone Training Program? Did he have to contract for the job or not? Bid on the job or not?

MR. CHAIRMAN: The Honourable Minister of Cooperative Development.

HON. J. COWAN: We're attempting to determine that, but it's my understanding that it was a tender. We will come back and confirm that later in this meeting.

MR. J. DOWNEY: Mr. Chairman, again we now have another situation where we've had taxpayers' money used. We've seen direct political operations operated out of an individual's office who received a major grant - I'm sorry I'll withdraw that - a major loan supported by the taxpayers just a short month after that political activity out of this individual's operations. And, Mr. Chairman, I want the record to show that we're having difficulty recovering that loan or it appears as if there's difficulty in recovering the loan, even though the individual has, what one would consider, a very substantial return coming back from another department of government.

Mr. Chairman, I have another area which I want to deal with, and this deals with . . .

HON. J. COWAN: I'm sorry to interrupt. Before going on to other areas, I think there are members who might like to speak to these two issues, as well, so I'd seek some guidance from the Member for Arthur if he wants to continue into a different area, or if he wants to deal with these two issues.

MR. J. DOWNEY: No, that's fine, go ahead if there's other questions that want to be raised.

HON. J. COWAN: I think first I want to explain, from the perspective of the government, what is happening here in respect to the provision of information, and also in respect to some of the allegations or suggestions made by the Member for Arthur, so that there is no misunderstanding, inadvertently of course, or no misrepresentation of our position inadvertently in this forum or other forums.

So I want to talk first about the provision of information. The Member for Arthur indicated that he feels, as Opposition, he's in a somewhat difficult position because he can't obtain all the information that he would like to obtain. I would agree with him. He is probably in a difficult position, far less difficult than other Oppositions in this province and probably other Oppositions in other provinces. But Opposition is always in a somewhat difficult position because they don't have access to all the information that they would like to have, and he says that goes beyond that and means that the public doesn't have access to all of the information that they should have. And while I'll neither agree nor disagree with that statement, I want to explain to him why it is, from our perspective, we can't provide him with all of the information that he would wish.

We operate, as a government, under certainly guidelines. Those guidelines are built around a framework of three distinct elements: rules that in fact determine the way in which this committee, that Legislature, undertake their operations; laws of the land, which in fact mandate us to provide certain information and prevent us from providing other information; and policies of government, which should in fact reflect both the rules of the operation of the Legislature and committees and the laws of the land.

Those policies and those rules and those laws are intended to protect individuals who do business with government, to protect the public interest, in order to ensure that necessary information is provided, and to protect the government against lawsuits, against individuals coming and saying that the government provided information which they had provided in good faith to the government, which should not have been passed on; in other words, protection of third-party interests.

I believe there's an honest effort on the part of Opposition to obtain the information they believe is required for them to be a good Opposition, and I as firmly believe that there is an honest effort on the part of government to provide the type of information that we believe protects the public interest, and we believe is necessary to the Opposition, and we believe falls within the parameters of the rules, the laws and the policies that have been developed.

We're in a somewhat difficult situation now, as a government, because we're breaking new ground. I'd like the Member for Arthur to think back on some of the committee meetings that were held when he was in government - and this is no reflection upon him or his administration; it is a reflection upon times past. The fact is that we didn't get copies of minutes. There weren't deletions in the minutes. That wasn't an issue, because there were no minutes. We asked for them; we didn't get them. They are now getting minutes with deletions in them that reflect the rules, the policies and the laws of this province, and I hope that they don't make a major issue of the fact that there are deletions.

A MEMBER: He didn't.

HON. J. COWAN: He didn't, and I hope he doesn't because that is not the issue.- (Interjection)-

Well, the freedom of information, the Member for Arthur suggests, should have some impact. I can indicate to him that it is my understanding that the direction given to staff, when reviewing the minutes, was to work within the parameters of The Freedom of Information Act, what would be mandated as being required under The Freedom of Information Act and what would be restricted from being provided under the Freedom of Information Act, because there are restrictions under The Freedom of Information Act, as well. It's my understanding that one has to make interpretations, from time to time, as to the law, and what's required and what's not required, and what's restricted and what's not restricted, and there are gray areas because it is a complex law. But that was the basic motivation for the deletions which appear in the minutes, based on what would be provided for under The Freedom of Information Act. Of course, there are interpretations that members opposite may want to argue - and we understand that - but there will always be those sorts of differences of opinion.

But we are breaking new ground, and what we're moving from is very limited information in these committees, in this House - no minutes, a limited discussion of the committees in the Legislature. I remember quite vividly discussions being taken from here into the Legislature, and the Government House Leader of the day, a different House Leader, a different party - perhaps even our party did it from time to time, I'm certain - but I remember more vividly the occurrences that happened when we were in Opposition, saying that that matter should not be discussed in the House because it is presently before committee, and committee has not in fact reported to the House. We have not done that. We've said there should be good, honest, open questioning of the government on issues such as this, and we should provide good, honest, full answers, which I believe we do.

Changes are taking place and that's why we have some difficulties in interpretation which will be ironed out over time. But there is a need for change, I agree with the Member for Arthur. There is a need to clarify exactly what sort of information needs to be provided and how it should be provided, and when it should be provided. So let that be clear, that we're prepared to work with them toward a mutual, although maybe we will not always be synchronized as to what we believe should be provided or not provided. As a matter of fact, I would hazard a guess that would most likely be the case from time to time, but we can work our way through those difference.

I want to then go on, Mr. Chairperson, and talk about the two issues. I want to talk about some facts.

Fact No. 1, the Communities Economic Development Fund, established in '72 and evolving since that time, was put in place primarily to encourage Native employment in northern and remote communities.

The Member for Arthur said that some farmers would like to make \$25,000 a year per annum off of their farm, some contractors and entrepreneurs who would

like to make \$25,000 a year or \$25,000 a month, or whatever, off of their entrepreneurial efforts. I have a lot of people in my constituency who will never see \$25,000 in their lifetime - so does the Member for Arthur - because there is no opportunity available for them, because there is no work. Beyond that and even more devastating, there is no way to gain experience so that, when the work does come forward, they are experienced and capable of obtaining that work.

That's the travesty, that's the tragedy, that's the injustice that the Communities Economic Fund was first established to deal with. There were certain policies that were implemented in order to enable it to do that, and those policies change over time, Mr. Chairperson. The policy, as to geographical location - can a company located in Winnipeg receive funds if it's providing employment in Northern Manitoba or remote communities - is a policy decision. In fact, the policy has evolved over time and it now stands that it can, that the purpose of the Fund is to provide the employment in northern and remote communities. As long as it does that, the location of the entrepreneur or the recipient of the assistance is not the only criteria that should prevent that from taking place if the other criteria are met. It is irrelevant in many instances. The real purpose is to get the jobs where they're needed.

So fact No. 2, the policy today does provide for the loans, as provided to Mr. Dillen, and as provided for Mr. Gunn, and as provided for other individuals who have received loans who don't live in remote and isolated communities.

As a matter of fact, the member opposite may recall when he was in government and in Cabinet, because it came to Cabinet - and I intend not to betray any of his Cabinet confidentialities as I do not intend to provide any of our Cabinet confidentialities - and that's under the rules that one does not do that - but I do know that it did come to Cabinet. There was a company called Centre Street Productions, whose main headquarters was in Alberta, whose main Manitoban contacts worked out of Winnipeg, who received substantial money from the Communities Economic Development Fund.

In the first instance, that request for assistance, I believe, was turned down by the Fund or at least the Fund expressed serious concerns. The staff of the Fund and the board of the Fund, particularly the board, expressed serious concerns. The recipient of the assistance went to a Cabinet Minister, asked the Cabinet Minister for assistance in explaining his case to the Fund. That assistance was provided; that company later on got the grant. The loan was not utilized in the first instance, went back again, and again there was Cabinet involvement, and that loan was in fact provided for. An Alberta company, a Winnipeg headquarters, providing some - I think, if I recall, in my recollection of having gone through the material because it was an issue that was on my plate when I was Minister responsible for the Fund, because it was carried over from the previous administration. If I recall properly and fully, the employment was to be provided in the Rivers area and it was to be primarily Native employment or a substantive amount of Native employment. For those reasons, it was felt that the Fund could participate.

However, it was felt to be so risky that the Fund went to an unusual length and requested, said that they would

Tuesday, 14 July, 1987

only participate, the board said that they would only participate on the basis that there was a guarantee by another department that money could be collected. There was a guarantee by the Department of Economic Development - I'm not certain if that was the name of it of the day, but the Honourable Member for Sturgeon Creek was the Minister responsible - a guarantee which later proved not to be worth the paper it was written on, because there was no legislative authority for the guarantee and we didn't collect the money that we were supposed to collect because of the incompetence of the previous administration. We still haven't collected that money, because the guarantee wasn't worth the paper it was written on.

What would the Member for Arthur do with that sort of situation? What sort of allegations, what sort of criticisms, what sort of blatant statements would be made if, in fact, it was one of our Ministers who had gotten the Fund into that sort of a situation? An Alberta company, Winnipeg headquarters, some Native employment and the guarantee from another government department was made without the legislative authority to make that guarantee. Would he suggest that the Member for Sturgeon Creek should pay back that money? Would he suggest that? Perhaps. I wouldn't ask him to, because he or I or any of us may find ourselves in similar situations from time to time.

So, in fact, there are other instances of exactly the same nature that the Member for Arthur seems less interested in that occurred under his administration.

Fact No. 3, politicians sometimes have business aspirations; businesspeople sometimes have political aspirations. As a matter of fact, if we listened to members opposite, what they tell us is that business experience for a politician is an asset. How many times in the House do they tell us that business experience for a politician is an asset. So, in fact, what they are saying -(Interjection)- Well, they're saying it's a good idea to have it first. Perhaps they should talk to some of their colleagues who have received government money, who have had that business for which they received that government money fail. Perhaps they should talk to some of their colleagues, because that has happened. We don't say that those individuals are any better politicians or any worse politicians or any less honest or any less sincere or any less motivated for the public good, because they had a business that failed or succeeded.

If, in fact, we're going to make the criteria for receiving government assistance that is available to every Manitoban restricted because of political involvement, either past or previous, then we better make that decision, and their government in the past should have abided by it and other governments should abide by it. But that would be wrong, perhaps even that would be illegal under the Charter of Rights. The fact is, we acknowledge that political experience and business experience are not mutually exclusive. Because you were once a businessperson, you are not prevented from being a politician, even though your businesses may have failed; and because you're a politician, you're not excluded from being a businessperson, except under the provisions of The Conflict of Interest Act, which guides us generally.

When I was Minister responsible for the act, a loan was given to a Conservative candidate who ran against

the Member for The Pas in two elections running and an election previous to the time that he received the loan. Should I have restricted that person from receiving that loan because he had run as a Conservative candidate? I hope I'm not telling tales out of school, but I believe Mr. Gunn ran as a Liberal candidate once. Should he have that loan restricted from him because he had political aspirations, as well as entrepreneurial and business aspirations? Should the Conservative candidate, Mr. Pielak in The Pas, have had access to the Fund restricted to him for that reason? Should Mr. Dillen, because he was successful -(Interjection)- Now he says yes, now he says yes. Okay, so now I know the criteria. The criteria is not whether you want to be a politician or not, but whether you succeed. Because, if you do become a politician, then you shouldn't have the loan. If you don't become a politician; if, for whatever reason - you're in the wrong party, the wrong constituency - then you get the loan. If you fail as a politician, then you should get a loan that will help you succeed as a businessman. But if you succeed as a politician, you shouldn't get a loan to help you succeed as a businessman.

Think about the logic of what you're saying. It's illogical; it's inane; it doesn't make sense. The fact is, Mr. Dillen was a politician and he was successful. He attempted to be a businessman. He may well be successful in that in the future; he wasn't in the first instance.

But the fact that a person is a businessman and a politician should not mean that they are restricted from access to funds. By the way, Mr. Pielak, who got the loan, also used one of his businesses as a Conservative campaign headquarters. Now I'm not certain it was the same business that got the loan, probably not, but the fact is that here's a man who got a loan from the CEDF who used one of his business organizations as a headquarters for a campaign.

Well, the Member for Arthur says it's not working. In fact, look at the facts. He's saying that, if you're a successful businessman, you shouldn't get the loan. He's saying, if you were a Conservative - maybe what he's saying, if you were Conservative you should get the loan, because all he's saying is, Mr. Gunn, who ran as a Liberal, and Mr. Dillen, who ran as an NDP, shouldn't get the loans, but Mr. Pielak, who ran as a Conservative, should get the loan. Now, if there was ever a political perspective of what the loan should or should not do, it's manifested in the Member for Arthur's suggestions.-(Interjection)- Well, now the Member for Minnedosa says, what is being said by the Member for Arthur is that the Minister put the finger on the board and said, give the loan.

Fact No. 4, there is ministerial direction for the board from time to time. I'm not saying there was ministerial direction in this case, but I do know that in the Centre Street Productions, the Minister responsible for the board sat through a meeting where that matter was being discussed - other matters as well, I don't know why he was there - but he sat through that meeting.

I do know that, in fact, there was pressure put on by the government to the extent of a guarantee for the Fund to do something that it did not, in the first instance, want to do, and we never heard a peep out of the members opposite who were in the government or the Cabinet of that day, at this committee at that time, or at this committee since, when that loan was going bad.

When that loan was going bad, did we hear them ask about that loan? Did we ask them why a Minister had signed that loan, a guarantee for that loan which was worthless? Did we hear any of the yells and screams of anguish and incompetence flow from that situation? No. Very selective interpretation of what ministerial direction is and is not.

I'm not certain if ministerial direction applies in this particular instance, but I can tell you what I said when I was Minister. I said, the board's decisions are the board's decisions, and I will not interfere with the board's decisions. I will provide direction on policy. Every Minister, Ken McMaster, Doug Gourlay, Bob Banman, Elijah Harper, Harry Harapiak, Jerry Storie, Jay Cowan, every minister, one of the first things they do is meet with the board - I believe it's at the board's request, at least in my instance it was at the board's request.-(Interjection)- Well, the member says we dumped the board. I want him to know that, when I was Minister, the board that was in place stayed in place for probably five-six months making decisions, and some of the members - well, the fact is the board was not dumped. The fact is, the board stayed in place - and I took some criticism from individuals from time to time for that - but I felt it was important that - (Interjection)- Well, there you go, it seems we all live in a perfect world.

The fact is that there is ministerial direction, and the fact is that Ministers from time to time give direction on general policy. Every Minister has, from time to time, they give direction on specifics. Mr. Gourlay and Mr. Johnston gave direction on the specifics of Centre Street, even signed a guarantee that turned out to be worthless later on and we didn't collect our money. MLA involvement, the Member for Arthur in this committee many times has said: What about a loan in my constituency? The gas station on Highway 399 - I believe it was a Texaco - wanted information on that. I'm certain that members opposite from time to time - it's in the Hansard, refresh your memory. I imagine from time to time that members opposite, as MLA's, call up the board and ask about a loan.-(Interjection)- Well, oh, I'm sorry, sometimes it does qualify in those areas. So there is MLA involvement where they ask for consideration and reconsideration. That's a fact.

Another fact is that loans go bad. I think 80 percent are successful, but 20 percent go bad; loans go bad. If a loan goes bad, does it mean that it would be politically influenced, politically motivated, ministerially directed? No, it means that the operation went bad. It happens in business all the time; 80 percent of new businesses go broke in the first five years. I think the Communities Economic Development Fund has a very good record when compared with general businesses. But that notwithstanding, they still have 20 percent of their loans that go bad and, hopefully, the loans that go bad create employment in remote communities in the meanwhile. And the loan for Ken Dillen and the Yellow Thunder Holdings and the loan for Norman Gunn, they created employment in remote communities.

The loan for Centre Street Productions didn't create any employment.-(Interjection)- No, I'm sorry, I said it was intended to create employment; it never did. Well, if I said it did, then forgive me. We'll check the Hansard because it was intended and it did not create that employment. Why didn't they talk about that one?

But when a loan goes bad, next fact, there are procedures for collection. You can try to collect on the basis of a worthless guarantee given to you by a Conservative Minister; that's not going to work. Or you can try to collect on the basis of security that was taken. And the security that was taken in these instances is still being collected upon, still being collected upon. There is money at risk, but there is not money lost yet. There's money lost in Centre Street, by the way. Correct me if I'm wrong, a nod of the head, a shake, money lost on Centre Street. How much?

MR. H. JONES: Just over \$100,000.00.

HON. J. COWAN: Just over \$100,000 in Centre Street Productions is lost because of a worthless guarantee from a Conservative administration.-(Interjection)- Well, no, you're into it, see; that's the problem. The Member for Minnedosa is telling me not to get into it. Well, we are into it; I would prefer not to be into it.

As a matter of fact, I sat three years, two-and-a-half, as Minister responsible for this Fund and I never got into it. I sat on committee in the years since and I never got into it. But when you suggest that, because a couple of loans go bad, there was political involvement, political interference, ministerial direction, and you ignore exactly the same circumstances that happened when you were in government, then I suggest that I have to get into it. You forced me into something I don't want to get into.

But the fact is that Centre Street Productions has cost the province money. We have money at risk with a couple of other loans but we have not lost that money. That's a fact. There are procedures for collection. We have heard that those procedures have been undertaken in a normal fashion.

Next fact, the Fund is audited. If there are concerns and these loans are dealt with, if there are concerns they will show up in the course of a general audit. I'm certain when the auditor makes the next general audit of the Fund that he will bear in mind whatever has been said here and review that. That's the normal procedure and that procedure will continue.

There are normal auditing procedures which make certain that the public interest is protected, and the fact is that they are being implemented and will continue to be implemented.

Final fact, and then a couple of points.

MR. CHAIRMAN: Order please.

He is nearing final point.

HON. J. COWAN: Friends from time to time will become involved with each other in business and in politics. It's been suggested that because Mr. Gunn was a friend of Mr. Harper that that loan for some reason was suspect.

We live in a very small province. We come into contact with people we know and friends we have all the time. I'll tell you that, if one of the criteria for receiving a loan from CEDF or MACC or the Business Development Fund or the Federal Government in any of their loan programs is that you not be a friend of a Minister or politician because it would apply the same, then you and I are going to be very lonely people. You and I are

Tuesday, 14 July, 1987

going to be outcasts; we're going to be shunned. People want to show how much they hate us, spit on us on the street, figuring that's going to get them a loan from CEDF? I don't know how far it goes, but the fact is, because a person is a friend or an ex-politician or an ex-businessperson or someone who you know from another sphere, in another venue, it should not mean that they should not have access in exactly the same fashion, and that's what happened here.

Under the appropriate guidelines to -(Interjection)- Well, let me finish my thought and then address that, the Member for Ste. Rose., that they should not in fact be prevented from accessing loans. And the Member for Arthur says we haven't got much time and I agree with him. I wanted to make the points.

I do want to say that some of the statements made by the Member for Arthur, I would hope that he would rethink and I hope he would rethink them in the context of facts because I know there are other motivations that are equally sincere, that move us as politicians. But I would hope that he would not in any way make statements that malign, inadvertently so, characters or individuals trying to provide employment, trying to be entrepreneurs, trying to be good politicians, because the facts in this instance very clearly state that there are policies in place. Every policy was followed and nothing is being different under this administration except for the provision of more information and some policy changes than was being done under the previous administration.

And so if they paint that wide brush with that tar, then they tar innocent people, themselves included, and I think they are equally innocent. They tar innocent people who are just trying to do a good job for themselves and for the province. So let the facts be on the record, Mr. Chairman. I think there are reasons to question loans that come before us but let us not misrepresent, inadvertently so, that which motivated and predicated those loans.

MR. CHAIRMAN: I want to give the Member for Arthur the opportunity to reply.

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

I don't want to take as much time as the Minister, who has now been named the fixer and damage control and everything else, and who worked absolutely from no fact but just from again his ability to filibuster and try and defend the government of an indefensible action doing business with the taxpayers' money. I don't, Mr. Chairman, want to, in any way, implicate anyone for trying to create jobs or entrepreneurs, or there's no attempt to personally assassinate anyone - that's far from what we're trying to do, Mr. Chairman - who are in the private sector.

However, we do have a responsibility as Opposition to point out and ask questions on behalf of the taxpayers, who are providing the money that is being handed out by the administration.

Yes, the Member for Churchill says, and makes reasonable conclusions. Mr. Chairman, I have given substantial evidence here this morning at this committee that there was ministerial direction, confirmed by . . .

SOME HONOURABLE MEMBERS: Oh, oh!

MR. CHAIRMAN: Order please.

The Member for Arthur has the floor.

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

Mr. Chairman, the Minister makes and I'm not going to talk about other loans and the one that he refers, because there wasn't any former MLA or colleague of the Minister or the government who made the application. This is a totally different situation.

A MEMBER: Oh, this is the problem then.

MR. J. DOWNEY: No, it's not. Well, this isn't success, Mr. Chairman. Anyway, I will defer, Mr. Chairman, to you to keep order in the Assembly.

MR. CHAIRMAN: With due respect, the Honourable Minister, when he was talking, we were listening.

HON. J. COWAN: I'm sorry, on a point of order.

You will note, and it's in Hansard, that there were many interjections which I responded to because I thought they were helpful. I'm just trying to be helpful to the Member for Arthur.

MR. J. DOWNEY: Mr. Chairman, we are concerned about the activities, and it was put on the record here this morning, the loan activities that were carried out to Yellow Thunder Holdings, to the former MLA, of which there was proof. There is proof within the minutes of the information we have that there was direct political influence by Mr. Harry Harapiak in the approval of the loan, Mr. Chairman. Yes, Mr. Chairman, it could be a dispute over the facts, but it's here. I put it on the record. It's coming from the minutes which were provided. Mr. Chairman, I'll leave that as it is.

The one with Mr. Gunn, Mr. Chairman. Again, the Minister, who is responsible for the Fund, indicated that he had no influence on the loan, even though, Mr. Chairman, as one member of Cabinet, he was sitting around a Cabinet table when the loan was approved.-(Interjection)- Okay, Mr. Chairman, still it had to be an agreement of that Minister. I'm not saying it wasn't. I don't know whether he disclosed to Cabinet that he was a good friend. If he wasn't, he shouldn't have had to, Mr. Chairman.

I do know though that individuals within the Cabinet must have known that the Minister had his campaign headquarters in Mr. Gunn's premises, Mr. Chairman, so one has to really follow through to think that there was some knowledge and some extra interest in approving that loan. Albeit, Mr. Chairman, that it was going to employ people, and that it was going to help Mr. Gunn.-(Interjection)- Fine and dandy, and it did, yes it did employ people.

Yes, Mr. Chairman, we turn around and go to another department of government and get a Limestone training contract, which gave a substantial return on that investment. Now, there are other questions there that will have to be dealt with at another time, not necessarily at this committee, that isn't dealing with the loan, that's dealing with the returns that were given to an individual by government.

So, Mr. Chairman, in concluding those two issues, I move, seconded by the Member for Minnedosa,

Tuesday, 14 July, 1987

WHEREAS in view of the fact that we have seen major political interference dealing with the lending of taxpayers' money to a former NDP MLA and questionable loans to other individuals, that an independent auditor be employed to review and report back to this committee at it's next sitting:

- (1) the loans made to Ken Dillen and Yellow Thunder Holdings Ltd., all minutes, all Cabinet documents, and an opportunity to question the former Minister for Communities Economic Development Fund, Mr. Harry Harapiak, and his involvement in influencing a loan to Ken Dillen for \$150,000, which is now in question as to whether any repayment will be made.
- (2) all other loans made by the Communities Economic Development Fund, minutes and Cabinet documents since 1981, be audited.

Mr. Chairman, I move that, seconded by the Member for Minnedosa.

MOTION presented.

MR. CHAIRMAN: Any motion has to be in writing.

MR. J. DOWNEY: I think you can read it; I could. Question?

MR. CHAIRMAN: I have to put it on the floor first.

HON. J. COWAN: Dispense.

MR. CHAIRMAN: Anybody wants to speak on the motion? The Minister of Labour.

HON. A. MACKLING: Yes, Mr. Chairperson, I want to put on the record my concern that -(Interjection)- Yes, that here we have a request from a member of this committee for a fuller accounting. That's what the motion deals with. When that Minister was given copies of minutes and, as my colleague has pointed out, that is a departure. In the past, the government to which he belonged didn't provide minutes. He was not only provided with minutes, Mr. Chairperson, he was invited to see the full minutes, without the confidentiality, the necessary confidentiality of commercial interests available to him.

That information was available and he gave the lame duck excuse that he had been kind of busy and hadn't taken advantage of an invitation by the Minister to sit down and review in detail the minutes of that corporation. Then the honourable member has the gall at this meeting to make insinuations of political favouritism and all those things we've heard from him.

I think the honourable member should be ashamed of the fact that he neglected the opportunity, as in the public interest, to take the invitation of the Minister, sit down and review any areas of concern, recognizing that government hear the public interest demands that we're a private enterprise.

The banking system has failed to provide opportunities for people. That's why the Communities Economic Development Fund was set up, the failure of the banking system, banks who have continued to close branch offices in the north, to give an opportunity

to businesspeople in Manitoba, to provide employment for people in the north and in other areas of the province where there hasn't been sufficient attention by the private sector.

That's the rationale. Clearly, there are instances where there is commercial confidentiality that must be employed. When the Minister says to the critic, come to my office, you can look through the minutes and he doesn't avail himself of that opportunity but rather sits here and, by innuendo and suggestion, indicates that there's favouritism and wrongdoing, that is disgusting, Mr. Chairperson, and now to move a motion which, in effect, condemns the operation of the Fund, a Fund carrying out loans which the banking system would spurn and having a success rate, as indicated in this document that's tabled, an excellent success ratio.

I think it's shameful, Mr. Chairperson, that the honourable member would conduct himself in that way, neglecting the opportunity that was made available to him and now move this motion. I think the motion deserves contempt and a fast rejection.

MR. CHAIRMAN: Who wants to speak now?

HON. J. COWAN: Perhaps I can; I'll be brief.

I have a couple of questions, through you, Mr. Chairperson, to the Member for Arthur, and I realize it's somewhat unorthodox, but I beg the indulgence of the committee in order to get a fuller understanding of the motion.

Why did the Member for Arthur identify only the two loans?

MR. J. DOWNEY: I didn't, Mr. Chairman. If you go to point No. 2, "All other loans made by CEDF minutes and Cabinet documents since 1981 be audited as well."

HON. J. COWAN: That is since 1981, starting at the end of 1981?

MR. J. DOWNEY: That's correct.

HON. J. COWAN: My question to the Member for Arthur then, through you, Mr. Chairperson, is why . . .

A MEMBER: You're not the Minister responsible here.

MR. CHAIRMAN: This is a rather unusual procedure, but by leave of the committee.

HON. J. COWAN: Why is it he chose that period of time?

MR. J. DOWNEY: Mr. Chairman, if the Minister wants to go back further and have a private audit of those, I have no difficulty with him doing so, if he wants to do the entire operations by private audit. I would have thought, Mr. Chairman, specifically dealing with those that are in question, that were in the minutes and dealing with all activities, particularly that pertain to the loans since his government had been in operation. If he wants to go back further, I have no difficulty with that, Mr. Chairman.

HON. J. COWAN: I wonder if the Member for Arthur placed the same emphasis on the Centre Street Productions Loan?

MR. J. DOWNEY: Mr. Chairman, if the Minister wants to include that in the motion, I'd have no difficulty with it.

HON. J. COWAN: I had a few questions, then I said I had some comments.

What the Member for Arthur is indicating, that if we want to go back right to 1972 - and let me tell you, there have been RCMP investigations, there have been audits, there have been checks, there have been, since 1972, probably 15 committee hearings and of course there is ongoing -(Interjection)- Well, the Member for Arthur is helping me again by his interjection.

You know, Mr. Chairperson, I find him helpful. He indicated that I asked for it. Well I think, in essence, he asked for it because he would not want to be so unfair as to identify two loans specifically and not another loan that is extremely questionable, much more questionable that took place under his tenure as government, and he would not want to be so unfair as to restrict it from '81 to the present time and not deal with the previous 11 years, and in fact it would be wrong. I think he's agreeing that it would be wrong to do that.

It would be wrong to restrict it, so in fact what he's suggesting is we have to go back and redo the RCMP investigation, redo 15 audits, redo Special Audits, redo the committee hearings, and that's just unacceptable.

He has made some suggestions about a couple of loans which, I believe in my opinion - and he may disagree, I'm certain he will - have not proven out to be problematic. It's not a problem that we have a friend; it's not a problem if a person was a politician previously or in the future; it's not a problem that the normal collection procedures are being used; it's not a problem that a loan goes bad; it's not a problem that a Minister, from time to time, becomes involved in a discussion. It's all happened under other jurisdictions, in other administrations and, for that reason, we're going to reject this particular motion because it would call for a massive duplication of efforts already undertaken and expense of the public funding that is not warranted on what he believes to be the case, but what has obviously been proven not to be the case. This committee has performed much of the function that he believes is necessary to be performed in these areas.

The Auditor performs this function on an ongoing basis and, if he wants to suggest to the Auditor that, in his regular review of the Fund's operations in the upcoming years, he deals with these matters specifically, I'm certain the Auditor, who is a servant of the Legislature, would be prepared to pay special attention to those areas. But to have a private auditor - and I don't think that he has any friends who are private auditors . . .

MR. J. DOWNEY: You operate that way, not me.

HON. J. COWAN: I don't think I know any politicians who are private auditors, so I guess it would be okay. However, the fact is that it's not required. For that reason, we can't see the government being put to the expense and the Fund being distracted from its more important matters of providing employment to northern communities, and that's what we should be talking

about here and to Northerners by undertaking this sort of effort.

We've had a good discussion; we disagree. The Auditor will go in and look at the materials, in any event, in the normal fashion and, for that reason, we feel that this motion does not go far enough, and a motion that would go far enough would be much too expensive and much too much of a burden on the Fund.

MR. J. DOWNEY: Mr. Chairman, I want to complete my remarks. It's unfortunate the government won't support it and for the Minister of - do you have any portfolio left, the Member for St. James, or have you blown them all? Oh yes, the Minister of Labour, Mr. Chairman, for his tirade of me not going to look at the information. The Minister was quite kind in offering for me to go and take a look at what he indicated was important. I think it says a lot because it was blacked out.

Mr. Chairman, I say through you to the Member for St. James who, I think, in a half an hour that I'd be able to spend with the Minister to deal with the activities of the loans which I've asked to have looked at, there absolutely wasn't any time. It will take several weeks to do it.

If the Minister wants to do further investigations which he thinks are important to the taxpayers of the province and to their betterment, yes, I think that should be done as well. This may possibly alert, to a greater degree, the Provincial Auditor. Maybe this is what we will accomplish out of it and, at the next committee, we'll be able to deal with it at that stage.

Therefore, I would hope that you would support this resolution, which is in the best interests of the taxpayers and put the question, Mr. Chairman, on the motion.

QUESTION put, MOTION defeated.

MR. CHAIRMAN: Four, only members of the committee can vote - three to four. I declare the motion defeated.

The members of the committee are Hon. Messrs. Evans, Harapiak (Swan River), Lecuyer, Mackling; Hon. Ms. Hemphill; Messrs. Baker, Blake, Connery, Derkach, Downey.

So the votes are three in favour, four opposed. Therefore, the motion is lost.

The Member for Arthur.

MR. J. DOWNEY: Mr. Chairman, that was extremely close. It just shows you why we haven't got confidence in the way these people run government. It's again demonstrated here at committee.

Mr. Chairman, I have two other areas that I want to delve into a little bit. I ask the Minister of the policy dealing with loans to provincial civil servants. Is it the policy to provide money to the Communities Economic Development Fund to employees of the province?

MR. H. JONES: Mr. Chairman, the legislation prohibits loans to members of the Assembly. The legislation is silent, as I recall it, on civil servants. But certainly I can't think of any one case where a loan has been made to a civil servant of this province. I can't recall.

MR. J. DOWNEY: It's strictly for information that I'm inquiring. That's what this committee is for.

Tuesday, 14 July, 1987

Mr. Chairman, would the Chairman, to his knowledge that there aren't any loans, has an individual within the Department of Transportation, to his knowledge, and an individual by the name of Mr. Glen Flett, does he have a loan for a laundromat from the Communities Economic Development Fund?

MR. H. JONES: Mr. Glen Flett had a loan approved a number of years ago for a laundromat in Norway House.

Mr. Chairman, yes, there was a loan to a company that was incorporated by Glen Flett in Norway House. I'm sorry I can't remember the date it was approved. I'm not aware of his status in the provincial system.

MR. J. DOWNEY: Mr. Chairman, again the question has to be: Is there a policy in place that you don't lend money to civil servants and you do an adequate job of checking out individuals who are going to - (Interjection)- Mr. Chairman, I'm not again trying to do any personal assassination on anyone. I just want information.

The question is: Was there a loan made to Glen Flett, when he was an employee of the Provincial Government? If there was a loan made to Mr. Glen Flett for a laundromat.

MR. CHAIRMAN: Does Mr. Jones want to answer the question?

MR. H. JONES: I'd like to, Mr. Chairman, but I'd go back and check our files to see what the employment status was when the application came in. I, frankly, cannot recall but, yes, there is a loan to Glen Flett. What his status was with Transportation, I just don't know at this stage. I can come back.

MR. J. DOWNEY: Mr. Chairman, again it's information. I know the committee is not likely to sit again for some time, and I would like the information provided. However, I would ask the Minister if he feels it's appropriate that employees of the government - I'm not saying they should be discriminated against, but on the other hand - employees of the government should have the use of the Communities Economic Development Fund, which is a loan program of last resort to help employ people in the north and all those things in remote communities.

So, Mr. Chairman, I ask the Minister if he has a policy or a position on that?

MR. CHAIRMAN: Yes, this is a question of policy. Honourable Minister.

HON. E. HARPER: The legislation, as indicated by Mr. Jones, is silent on this issue. In respect to Mr. Flett's loan approval and the status of his employment, we'll review the situation and also look at the date when he applied, whether he was an employee of Highways, I believe, was mentioned, but we'll check it out.

MR. J. DOWNEY: Mr. Chairman, I would appreciate that information and as much information as could be provided, and hopefully it is providing a service up there.

But I would also like to refer now to another loan, of which I would feel that an individual working for the government gets a loan approval for a certain activity, then we have an individual that appears and for some particular reason is turned down. I refer to the loan application - and I know there is some history to this - dealing with a Mr. Smith, who has made application under Cedar Grove Services Limited.

I know there have been previous loan experiences where there's been some negotiations taken place with Communities Economic Development Fund. It's not my intention, in any way, to delve into that, but I understand that, in view of the individuals' current proposal, of which it's something like \$150,000 to develop a service station at a major intersection just outside of Grand Rapids on a very busy intersection, that his proposal, when discussed with me, made some, what I would say initially, some reasonable prospective of decent returns.

So I ask Mr. Jones as to what is the substantiating reason why he has been refused support for the development of this project and if, in fact - and I'm doing this publicly - if the Minister of Labour has got some problems about it. This is all in the open and the request is coming forward in a very legitimate way. It isn't done after a Cabinet Minister has talked to the chairman and talked to the board members. This is all open and public.

So I ask the General Manager, Mr. Jones, to respond to my question as to why the \$150,000 to Mr. Smith has been refused?

MR. H. JONES: Yes, I'm aware, Mr. Chairman, I think of which Smith the member is talking about.

Part of my answer, Mr. Chairman, is okay because it's public knowledge. The issue has been published in the Business Law Digest. A loan was made early in 1981. The proposal then was a total refinancing package which, one can argue, is not development, but it was made and it was approved and, for a number of reasons, the business didn't succeed. We have been in the process of attempting to recover our security, and there is a large amount outstanding - I won't provide a figure but the legal documents are public. That was reason No. 1. The board couldn't see how - an earlier debtor couldn't be retired - we could cope with new financing.

Now the other reasons, Mr. Chairman, I'll try to be more general here because it's a little bit more recent and probably a little bit more confidential. The member was concerned at the last meeting, and I certainly agree with him fully, that one of the first responsibilities we have, at least the staff analysts have and the board certainly, is to try to reassure themselves, No. 1, that the credit record is good; No. 2, that the earnings of the business, the potential earnings of the business, are such that profit can be attained and the loan repaid; No. 3, that the security obtainable is reasonable security and provides some kind of protection to the Crown. In all of those three pieces of criteria, the board was not satisfied that application could be justified and it was declined.

MR. J. DOWNEY: Mr. Chairman, we haven't proceeded on that path on all of these other loans that we've just talked about, dealing with the one that the board refused to Mr. Dillen, and we have not seen that kind

of procedure carried there. The individual promised to move back, never did, haven't had much of an explanation as to the financial viability of what he was involved in. Yet he received the loan, same amount of money, Mr. Chairman. Granted there was a previous experience with this individual who's made the application that has not augered that well, I'm sure, for what he's currently after.

But, as I understand it, and I'm not so sure that there aren't other reasons why this loan isn't being approved. I would hope, and I say to the board that I would request that they relook at the loan and, on a projection of potential sales and cash flow which can be generated, I think, out of that location, in discussion with the individuals who made application, that a projection should be run on the business. I'm convinced that, if there was some management guidance as part of the loan and possibly fairly close scrutiny, possibly the taxpayers money wouldn't be put into jeopardy.

That's my request of the management of the committee, not of the Minister but of the management, because I don't believe that the Minister would want to get involved. He's indicated that he wouldn't, now I wouldn't expect that he would. However, if he, in discussion with you on it, had strong feelings one way or the other, I suppose he'd be, as anyone in the Legislature, is free to express them. But I do think that if a fair assessment is made of the future viability and the cash flow which is there, Mr. Chairman, that one could possibly expect it to be a viable operation. That's just an outside view at this point.

MR. H. JONES: Mr. Chairman, we'd certainly be more than willing and always prepared to reconsider a proposal. I have tried, personally, to get involved with the principals of this company.

As the member probably knows, there's a private consultant who has been attempting to get financing in place. I will certainly make a commitment now, to get back in touch with that consultant and review the situation. But so the record is clear, the issue of previous unsatisfactory history was only one of the influencing factors; it's not the main one, and we will review it.

MR. J. DOWNEY: Mr. Chairman, I don't know whether my colleagues have any question or not.

MR. CHAIRMAN: Are we ready?

MR. J. DOWNEY: Mr. Chairman, I just want to make one concluding comment that I, first of all, am disappointed that we see the use of taxpayers' money in the way in which it's been handled in certain areas

under the Communities Economic Development Fund, and the evidence which I have provided here today.

I would hope that we could get a closer look at the past activities and involvement by the Cabinet Minister by the Provincial Auditor, because I think it's important to the taxpayers of Manitoba that we do not have abuse of taxpayers' money by any government when it comes to dealing with friends and being influenced by Cabinet Ministers, the way in which it's evident here in the minutes of which I've been provided with.

Mr. Chairman, the New Democrats, I'm sure in Ottawa, had a lot to do. I can remember Ed Broadbent's comments dealing with some Cabinet Ministers down there when it came to what appeared to be friendly dealings, and the same principle applies here. The knife cuts both ways, and I just remind them of that. I'm sure that the taxpayers would be a lot better served if they would proclaim The Freedom of Information Act, so that we wouldn't have to go through the difficulties that we have to get information which is pertinent to an adequate review of the expenditures within this department.

Mr. Chairman, if they want to pass the committee report, then I will let them do so. We will certainly not support it.

MR. CHAIRMAN: The general manager wants to make one comment.

MR. H. JONES: Just very quickly, Mr. Chairman, if I could, and it's in relation to the member's comments on the Provincial Auditor's review.

So that it is clear - and I want the member to understand it clearly - is when the Gunn situation began to go the way that we now realize it has, we drew the Provincial Auditor's attention to the issue. We asked the Provincial Auditor to come in, and we asked him to do a review. Where we have problem accounts like that, and there are some, we ask the Auditor. We have a very good close working relationship with the Provincial Auditor, and I can assure you that the review of the minutes, No. 1, is part and parcel of the standard process. Believe me, he goes through every single minute every year, so I just want to be sure it's understood.

MR. CHAIRMAN: Is it the will of the committee to pass the Annual Report? Agreed? (Agreed)

What is the will of the committee? Annual Report—pass.

Committee rise.

COMMITTEE ROSE AT: 12:08 p.m.