

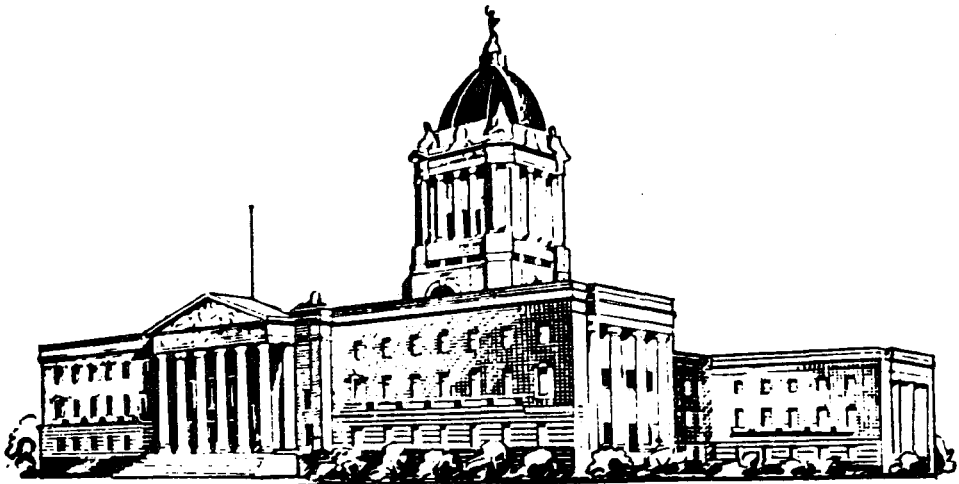


Legislative Assembly of Manitoba

**STANDING COMMITTEE
ON
ECONOMIC DEVELOPMENT**

Chairman

**Mr. Don Orchard
Constituency of Pembina**



Thursday, June 22, 1978 10:00 a.m.

**Hearing Of The Standing Committee
On
Economic Development
Thursday, June 22, 1978**

TIME: 10:00 a.m.

CHAIRMAN, Mr. Don Orchard (Pembina).

MR. CHAIRMAN: Gentlemen, we now have a quorum. I would call the meeting of the Economic Development Committee, June 22, 1978 A.D. to order.

We are considering the Communities Economic Development Fund. I would ask Mr. Jones to commence proceedings, if he would please.

MR. H.J. JONES: Mr. Chairman' when the Clerk is tabling the report, perhaps I could just briefly clarify and expand to some degree upon some of the statistics contained in the review from page 4 to 8 in the report before you, the report prepared by Dr. Loxley, the previous Chairman.

Since inception of the Fund, we have approved a total of 198 loans and guarantees for \$5.1 million, creating or attaining approximately 640 jobs. To date 85 of these loans have been repaid in full for a total of approximately \$1.3 million. Total recovery on legal accounts since inception approximates \$0.5 million and as a percentage of the full dollar amounts approved, the Fund's loss ratio therefore has been reduced overall to approximately 18.9 percent.

The current position is that the Fund has 13 loan accounts which have been or are in some process of legal action for recovery.

MR. McBRYDE: Sir, whereabouts are we?

MR. JONES: I am expanding, Mr. McBryde, just bringing up to date — I think some of the statistics on Pages 4 and 5 are a little confusing, I just wanted to bring them up to date.

MR. McBRYDE: Well, maybe you better go a little slower then if it is not in here.

MR. JONES: Okay. The present position of the Fund, Mr. Chairman, in terms of legal accounts, we have 13 loan accounts which have been or are in some process of legal action for recovery. The outstanding balance on those accounts is \$119,000 and we expect to recover approximately \$27,000.00.

I should perhaps add at this stage, early in the proceedings, that the standard practice of the Fund is to proceed under our security documentation to seizure of assets and their sale, followed when necessary by a claim against a borrower for any shortfall. We then proceed to default judgment and if, to the satisfaction of the examining counsel, we have evidence of personal assets and/or income are unavailable to deal with the remaining outstanding debt, then the Directors receive recommendations for write-off.

I want to emphasize something here, this does not preclude the Fund from any future action and we have two cases in point right now where judgment was obtained some time ago and we have learned either of some new employment or acquisition of fresh assets. In both these particular cases we are proceeding further and in one of them we have actually almost recovered the full remaining debt.

Again, Mr. Chairman, bringing these statistics up to date, the Fund's existing portfolio consists of 75 accounts; 58 of these accounts are active and amount to \$1.5 million, 63 percent of the portfolio is operating satisfactorily with no problems of repayment or business expected. Just over 10 percent of these loans are experiencing some problems, but in the opinion of the Board and staff these problems are not considered insurmountable and should not lead to legal action or losses.

In addition to the 75 loan accounts we have two accounts, as you will see in the report before you, in the category of property held for resale. These two accounts relate to a landholding in St. Laurent, which was purchased in the Fund's name in 1972. That issue has been the subject of a trial at Queen's Bench in the early part of this year, but as judgment has not been handed down,

I am unable to comment as to the disposition of that land.

If I could deal with the operating budget, which Dr. Loxley dealt with in his review, I believe that the Fund's controls are evidenced in that the net expenditure has been well contained and in the last three years: 1975-76, the Administration expenses of the Fund were \$394,000; in 1976-77, \$293,000; and in 1977-78, \$292,500.00. These are net expenditures.

Finally I should perhaps comment upon the loans, which are referred to in the report before you, made by the Fund under the Manitoba Wild Fur Program. As stated in that report, administration costs including bad debts incurred in this program are fully recoverable from the Department of Renewable Resources. That Department cost shares them 50/50 with the Federal Department of Indian Affairs. Loan capital is provided under the agreement between the Department and the Fund, 100 percent by the Department.

Dr. Loxley mentioned that that first year was considered to be a trial year and the Directors, having reviewed recently this activity, feel that it has not been too successful and in fact they are presently discussing with the Department the matter of full pay-out of the moneys expended for these loans.

All steps up to legal action on the Wild Fur loans have been taken for recovery but as the cost of the legal action would, in the view of the Board, be prohibitive in view of the amounts concerned and the remote location of the majority of the borrowers, we are proceeding to discussing with the Department full recovery.

I have the statistics of the Wild Fur loans if the members require them.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Jones. Are there any questions from the members of the Committee?

MR. GREEN: Can I get a copy of the statement?

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: Well, Mr. Chairman, the Fund had some fairly clear direction and guidelines. I wonder if Mr. Jones could tell us if there is any change now in the Fund's direction and the guidelines given from the government?

MR. JONES: Mr. Chairman, the directive the Fund received in November was that we could entertain applications and approve loans, if appropriate, to projects involved in winter road construction and/or any proposal which has received a commitment from the Federal Special ARDA Program.

MR. McBRYDE: That means then that the Fund is not actually operating as it has in the past. It is now restricted to only two winter road loans, which I don't assume that you are processing too many right now, and loans related to Special ARDA.

MR. JONES: That is correct, Mr. McBryde.

MR. McBRYDE: I wonder, Mr. Chairman, if the Minister would like to comment on those guidelines and then how he sees the Fund operating — if he sees the Fund continuing or whether the Fund will be closed down?

MR. CHAIRMAN: The Honourable Mr. Banman.

MR. BANMAN: Well, Mr. Chairman, right now the Special ARDA Program which is administrated, I believe, by the Minister in charge of Northern Affairs or under his direction, and the CEDF Fund, which is under mine, are both under review and pending further study on behalf of the Cabinet. The directions that Mr. Jones has just mentioned are the ones which the Fund will be operating under until we can make a clear determination of exactly what the guidelines will be.

MR. McBRYDE: Mr. Chairman, right now it on an almost full-stop basis except for some Special ARDA and when the review is completed then further guidelines will be given and I assume made available to members of the Legislature, as to how they see the Fund operating.

MR. BANMAN: Right.

MR. McBRYDE: I wonder if the Minister would care to comment — this report is from Dr. John Loxley as the Chairman of the Board. Was there some problem with Mr. Loxley's chairmanship and

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is that the reason that the Minister saw fit to replace the Chairman.

MR. BANMAN: Mr. Chairman, the term of Dr. Loxley expired and the government has appointed Mr. Jones who is General Manager, also Chairman of the Board.

MR. McBRYDE: Mr. Chairman, I don't recall the Task Force recommendations on this particular function, but they were somewhat concerned, I recall, that the combining functions of Chairman and General Manager — is this a temporary situation until this review is completed or does the Minister see this as a permanent situation and does it not go contrary to some of the other indications from the government.

MR. BANMAN: Well, let me just say that it is an Order-in-Council appointment as all the board members on that particular Board are, and that once a review is done and if there is a necessity for change, those will be made.

MR. McBRYDE: I wonder if the Minister or the Chairman could make available the list of the directors and officers at this time, since this list would be somewhat out of date now, I assume.

MR. CHAIRMAN: Mr. Jones or Mr. Banman.

MR. BANMAN: I am sure we could provide that. I don't know if we have got it here right now or would you want to . . .

MR. JONES: I can tell you, Mr. McBryde, if you wish. Mr. Alex B. Starikoff, Mr. William Bennett, Mr. Howard Asham, Mr. Angus Spence, Mr. Eugene Courchene, Mr. George Dram. . .

MR. McBRYDE: Just slow down a minute. Angus Spence, George Dram, I missed one in there. Oh, Gene Courchene.

MR. JONES: Gene Courchene, yes.

MR. McBRYDE: That's the total membership of the new Board?

MR. JONES: At the moment, yes.

MR. McBRYDE: So Kurbis is off, Asham is off, Mayer is off. . .

MR. JONES: No, no. Excuse me, Mr. McBryde. Mr. Asham is not off. Mr. Bennett, Mr. Howard Asham, Mr. Dram. If you look at Page 3 on the review before you, I think it will help.

MR. McBRYDE: So Just Loxley, Kurbis and Mayer are off.

MR. JONES: Dr. Loxley's appointment expired. He is no longer a member of the Board. In terms of Mr. Kurbis, I am waiting for information on this. The appointment is due for renewal. Mr. Kurbis is still, I suppose, technically a member.

MR. McBRYDE: The structure of the Board — you usually had someone who was related to the Metis Federation or the Indian Brotherhood and I see those people are still on.

I think another aspect was to try and get some northerners on there. Is there any northerners on the new Board?

MR. JONES: Mr. McBryde, Mr. George Dram, presently a director, is the Mayor of Wabowden.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: I think, Mr. Chairman, in the past the policy has been to ask for representation from the Metis Federation and also from the Manitoba Indian Brotherhood and also the Northern Communities Council. I think that policy has been carried forward and as a result Mr. Bennett, Mr. Courchene and Mr. Asham are the people that are respectively representing those different groups in the CEDF.

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: I am not sure if the Minister gave us an indication of when the review would be finished, when they expect to have some recommendation on CEDF or Cabinet decision on CEDF and Special ARDA.

MR. BANMAN: Mr. Chairman, as soon as we get a little time to sit down and have a good look at it. I would imagine shortly after the House is finished we will be able to sit down and spend a little more time on the particular subject and hope to have something coming out very shortly.

MR. McBRYDE: So maybe next fall — September or something like that?

MR. BANMAN: I would hope so.

MR. McBRYDE: Mr. Chairman, when the Chairman's remarks were being made I was trying to find the location at the start in the book here and he was adding to what is in the book here. I wonder if he could just give the figure again of the — I think he gave a summary of the total amount loaned and the total amount repaid, and I missed those figures.

MR. JONES: On Page 4, Mr. McBryde, the last paragraph and the first paragraph on Page 5. Dr. Loxley reviewed the performance of the Fund to that date and I have updated them to this extent.

Since inception the Fund has approved 198 loans and guarantees for a total of \$5.1 million. I went on to say that to date 85 loans have been repaid in full for approximately \$1.3 million. Is that the information that you . . . ?

MR. McBRYDE: Yes. I know that the CEDF was set up to deal especially with remote communities and native communities and that adds special difficulties in terms of loan and loan recoveries, and I think the province previously was fully aware of the fairly high risk area that you were dealing with, but how do your figures, in spite of that, compare with the Manitoba Development Fund, and is there any other similar loan agencies you could compare with or is this a pretty unique operation in Canada?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. McBryde, I would say that this is a fairly unique institution. There are some development funds, I believe, that have either recently begun or are beginning in some other provinces, but I said earlier that the Fund's overall loss ratio to date is approximately 18.9 percent, and I think Dr. Loxley in his comments on page 5 last time, where we were then at a percentage of 22 percent, commented that the figure was considered reasonable for a lender of last resort operating in an untested and difficult business environment.

MR. McBRYDE: Are there public figures available for the Indian Affairs Loan Fund?

MR. JONES: I am not aware of any, Mr. McBryde.

MR. McBRYDE: What kind of a staffing level are you operating at now that you have very little to do?

MR. JONES: The complete staff of the Fund is nine: myself and four professionals, one trainee, and three support staff.

MR. McBRYDE: Those figures that you gave us, would they include the Wild Fur, or is Wild Fur since this report was made?

MR. JONES: No, they don't include the Wild Fur. I have those separately if you want those statistics.

MR. McBRYDE: I would assume from your earlier remarks, the Wild Fur Program was sort of a special effort that you were asked to undertake by Renewable Resources, and sort of a separate program from your regular program?

MR. JONES: Yes, that is correct. As I recall it the Canada-Manitoba Agreement required a delivery

mechanism and the Fund was supposed to be that. We entered into a specific agreement with the Department of Renewable Resources indicating amongst other things that we would deal with the applications' scrutinize them, process them, approve them where appropriate, and make every effort to collect. That agreement did provide, however, for full recovery to the Fund of all administration costs and any bad debts and indeed the capital moneys themselves.

MR. McBRYDE: The Fund is not legally obligated or it doesn't hurt your overall picture in terms of operation and loss levels?

MR. JONES: Not really. It is one of the separate activities of the Fund that we have been given responsibility for, but it does not affect the capital or operating budget of the Fund.

MR. McBRYDE: I wonder if the Chairman could tell us, Mr. Chairman, how many loan applications were on file when the basic freeze, except for the Special ARDA, was imposed last November? How many of those were on file or are in process or were there any of them that, in fact, were close to approval stages that had to be held up.

MR. JONES: We had approximately in the system, Mr. McBryde, 50 applications, 50 proposals which we were giving consideration to. I don't have the specific details here and I can report back to you on them in terms of what might or might not have been approved. I don't recall it as being too many.

MR. McBRYDE: Do you have any idea of the number of jobs that would have been created had those proposals been approved?

MR. JONES: Well, at this juncture, Mr. McBryde, I would have to just make an estimate. I would prefer to get back to you on that.

MR. McBRYDE: I wonder, Mr. Chairman, since this Communities Economic Development Fund that we are looking at now was one component of an overall economic employment creation thrust and probably not the major component, but one avenue of helping that thrust out, maybe the Minister could just expand a bit on his earlier comments. Is the whole economic employment creation thrust for northern Manitoba under review along with CEDF or is CEDF and Special ARDA the only ones that are under review at this time.

MR. BANMAN: Well, Mr. Chairman, as being the Minister responsible for CEDF, of course, that is the one that I have been involved with. Special ARDA, you would have to talk to the Minister in charge of Northern Affairs, and I understand Special ARDA is functioning the way it did before and the CEDF is then working closely with them to provide funds on these different programs.

So with regard to any other areas, the Ministers in those particular areas would have to be asked.

MR. McBRYDE: So the review of CEDF is being done in a fairly isolated manner, not as part of an overall context of economic development in remote and native areas.

MR. BANMAN: Mr. Chairman, what I said before is that once we are able to come up with a fairly comprehensive review then we will be able to tie all the ends together and see exactly what direction we will be going with the Fund and the Fund will be one of the things that will have to be considered in the whole package.

MR. McBRYDE: I'm sorry, Mr. Chairman, I must have misunderstood the Minister the first time then. There is a fairly comprehensive review ongoing or maybe will get underway when the session is out and that comprehensive review, since the Minister used the word comprehensive, probably includes the whole Economic Development employment creation thrust in remote and native communities, and though CEDF is the part that he is involved in, but there is a broader context. Is that correct?

MR. BANMAN: Well, Mr. Chairman, since CEDF has had a very close relationship with Special ARDA and with some other things, you can't deal with CEDF and not deal with the Special ARDA Programs either. They are going to have to be tied in and work together.

MR. McBRYDE: Maybe the simplest question for me to ask then: Would the Minister define comprehensive for me?

MR. BANMAN: Well, we are going to have a good look at it.

MR. McBRYDE: I am sorry, Mr. Chairman, I am still not clear and I ask it in the context originally of the overall economic development package, which included probably 10 or 15 components previously, a year ago this time, of which CEDF and Special ARDA would have been two out of the 15 components. Could the Minister clarify, is the review just on those two components of the Economic Development package or is the review on the whole Economic Development package, which included — if it would help the Minister I could list them — but maybe he is fully aware of those components already.

MR. BANMAN: Well, Mr. Chairman, as I mentioned I hope to have something and start working on it in more detail once we get a chance to get at it and hope to have some clear guidelines established by fall or early winter. When that is done, in conjunction with my colleague, the Minister of Northern Affairs, who is responsible for most of the things that the member is talking about, whether they be the Channel Area Loggers or Moose Lake Loggers and several other things that are involved, then we will be able to make a statement on it.

MR. McBRYDE: I wonder, Mr. Speaker, if the decision has been made whether Health and Social Development and the Attorney-General, people from those areas which will see the effects of the lack of an economic development thrust, whether they'll be involved in this review as well as Industry and Commerce and Northern Affairs.

MR. BANMAN: Well, any policy decisions, as the Member is well aware, will have to go through Cabinet which will require input from Health and Social Development and the Minister and also from the Attorney-General's Department so any policy that is announced by the government will have to go through these people.

MR. McBRYDE: Mr. Chairman, I think that I'll pass to another member for now and maybe come back a little later.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Jones, my understanding is that you are now operating with respect to winter roads and to Special ARDA.

MR. JONES: That's correct, Mr. Green.

MR. GREEN: With regard to winter roads, do you have the same arrangement, where the government guarantees the advance to the company that is producing the winter roads?

MR. JONES: We've not had occasion to deal with that particular facet, Mr. Green. We've not had any project under that category.

MR. GREEN: But the tradition has been that, with regard to winter roads, the moneys that are advanced are guaranteed by the Department of Northern Affairs.

MR. JONES: Mr. Green, I can think of only one major case in the Fund's portfolio which the directors considered they required the government's guarantee. We've made several loans to smaller winter road projects on our own.

MR. GREEN: I see, but the Me-Ke-Si winter road contract which is the big one, which involved several hundreds of thousands of dollars, was always a government guaranteed loan.

MR. JONES: That's correct.

MR. GREEN: You say that other winter roads where a person has a contract and is going to make the road and is going to be paid by the government, the government still pays for the winter road.

MR. JONES: That's correct, Mr. Green.

MR. GREEN: So that what happens is, you finance that construction knowing that there is a pretty

good source of income for it.

MR. JONES: Certainly, but . . .

MR. GREEN: I'm not objecting to that. I'm asking whether it is the case.

MR. JONES: That is the case, Mr. Green, but I'm saying, if I may, to go further, we don't in cases like that, we realize where the income is coming from. We take an assignment of the contract proceeds but we don't go further and ask for a specific guarantee from the government of the loan.

MR. GREEN: Well, but you take an assignment of the contract proceeds and I would venture to guess that if the proceeds were \$30,000 you would be advancing something like 25.

MR. JONES: Yes, probably in that region.

MR. GREEN: And in the Me-Ke-Si contract, I don't think you need an assignment of the proceeds because you've got the government guarantee.

MR. JONES: Well, Mr. Green, we went to the full extent on that particular . . .

MR. GREEN: You went both ways.

MR. JONES: We went both ways.

MR. GREEN: I'm glad to hear it, and I'm glad to know that I was the Minister responsible for the Fund when you were doing these very careful things.

With regard to Special ARDA, are you bridge financing the amount that is being paid by Special ARDA or are you giving additional financing?

MR. JONES: We are considering both, Mr. Green. I can get my staff to show me in a second the precise number of approvals we've made in the last six months or so, especially on a program that's pretty active and we are getting lots of application in which the Fund is scrutinizing very carefully and we look at both aspects, the bridging and the term.

-t04**MR. GREEN:** In other words, what you're looking at is the amount of bridge financing that you're putting in and usually the Special ARDA funds are advanced, not as a loan but as a grant and therefore the Fund gets the benefit of the Special ARDA funds in its equity.

MR. JONES: That is the ideal position, Mr. Green, it doesn't . . . \$

MR. GREEN: And that's what we were doing before.

MR. JONES: That's correct.

MR. GREEN: So we had one public capitalist Liberal government giving away the money and us, the Fund, getting the equity that they were giving to these funds Funds and giving loans on.

MR. JONES: Well, I'm not sure whether I can agree with the priority there' Mr. Green.

MR. GREEN: Well, let's take a specific example. With regard to Thunderbird Lodge which apparently has had a problem, my information, and I'll talk from memory, is that the Government of Canada gave them roughly \$450,000; took a mortgage back for \$150,000; that we added \$75,000 which meant that the total amount of public funds that was in there was \$525,000 on which the Federal Government had a mortgage of \$150,000; we had a mortgage of \$75,000 and we shared 75/225ths of any money recovered. Would that be correct?

MR. JONES: Not quite correct, Mr. Green.

MR. GREEN: Where's the error? Where is the difference?

MR. JONES: The difference is that the Federal Department of Indian Affairs advanced more money

MR. GREEN: Oh, I'm wrong on the conservative side. They gave more than \$450,000.00.

MR. JONES: No, I'm sorry, the mortgage money was more.

MR. GREEN: How much was the mortgage money?

MR. JONES: The mortgage money, the ratio that is shared between the Fund and the Department of Indian Affairs on the first debenture, \$260,000 Indian Affairs and \$79,000 the Fund. This is as of the date of receivership.

MR. GREEN: As at the date of receivership. Mr. Jones, now my recollection is pretty clear that when the initial loan was made, the first mortgage to the Federal Government was \$150,000 and we were \$75,000 beyond that and that our share was to be 75/225ths of any moneys recovered. Can you tell me whether that was the basis upon which the \$75,000 was originally advanced?

MR. JONES: I'm just refreshing my memory on the figures. I have the first submission here, Mr. Green. When the Fund's loan was made, yes, the Indian Affairs' loan was \$152,214 and the Fund's loan was \$75,000.00.

MR. GREEN: And then I am correct. Well then how did we water down our security since that position and why would we water down our security since that position? I mean, if we have security \$75,000, which is the basis which I remember — and I'm correct in my memory — why have we now got 7j out of 269, it's 350. It seems to me that we've lost some security there.

MR. JONES: Mr. Green, if I can recall this, the Fund approved the loan of \$75,000 in July, 1976.

M. GREEN: On the basis of a first mortgage of \$150,000 — you say \$152,000, I'll take that change — and us \$75,000, which meant we were 75/225ths of the . . . And we were to share proportionately not second to the federal mortgage, but proportionately. Now how come they have been able to squeeze in another \$119,000.00? How have we let them do that?

MR. JONES: Mr. Green, the Fund made the loan, approved the loan in July, 1976. Funds were not dispersed until November, 1976. In that intervening period, the Department of Indian Affairs saw fit to advance more money and if I can just clarify this position for a minute. The advance of that money meant that the moneys were dispersed by Indian Affairs after registration of the first mortgage of the department and of the Fund.

MR. GREEN: Right.

MR. JONES: The complete resolution of this ratio is being debated by council at the moment.

MR. GREEN: Absolutely. It seems to me that if they advanced funds after our mortgage was registered, that I would not concede that they come prior to our mortgage and you don't concede it either. At least I hope you don't.

MR. JONES: The basis upon which the loan was made, Mr. Green, is as you just . . .

MR. GREEN: As I have described it. So that when you said that I am in error, what you were saying is that you are in error.

MR. JONES: No.

MR. GREEN: I know perfectly well how it was advanced. But in any event what we had done was advance \$75,000 on a project in which the Federal Government had given over \$400,000, and we were entitled to equity, prior, to \$250,000 that they had advanced. Would that not be correct?

In other words, they advanced \$400,000, on which they took a mortgage of \$150,000.00. We advanced \$75,000, and we had the "benefit", which I put in quotation marks, of \$250,000, which was put into that by the Liberal Federal capitalist Government without any security.

MR. JONES: Well, my only comment on that, Mr. Green, is that I assume they regarded they did have security, in a subordinate position to us, but that's a matter of . . .

MR. GREEN: Mr. Jones, in any event, the other ARDA loans some of it is made more "secure", and again I put that in quotation marks because I don't regard security as the main feature of these advances and never have, that when we abridge financing ARDA we are getting the benefits of grants which in no way affect our security. In other words, our security is improved by those grants because the person making them is so generous as to make them as gifts, not loans.

MR. JONES: As a principle, Mr. Green, I can't disagree with that but in actual practice the Fund does not experience that ideal situation that often. When we are involved in bridge financing Special ARDA, the project has to be in place, as you know, 30 days, and so on. The processing of the financing from Special ARDA has been a difficulty between this agency and that program.

MR. GREEN: I quite appreciate it, but I am talking about the philosophy of the loan. If there was a loan on which the Federal Government was giving \$100,000 in ARDA funds and the whole project was going to cost \$150,000, then what the Federal Government does is to give \$100,000, and if it works out any moneys that we have advanced would be paid back either through part of the Special ARDA funds, where it is bridge financing, or our security would be improved to the extent that they have given Special ARDA funds on whatever they have advanced it on.

MR. JONES: That's correct, Mr. Green.

MR. GREEN: Now, Mr. Jones, I want to go through these loans. My friend and colleague, the Member for The Pas, has talked about jobs being created and I am a little bit more interested in capitalism being created. —(Interjection)— Go to Page 20. What do Jack Bland and Rodney Bland do?

MR. JONES: They purchased equipment, Mr. Green, in Ilford to operate on the winter roads in the area.

MR. GREEN: So you're financing, in that respect, an entrepreneurial free enterpriser in Northern Manitoba to give him a chance to do what some of us southerners have been doing for a long time.

MR. JONES: I agree, Mr. Green.

MR. GREEN: Yes, but you are financing a free enterpriser, an entrepreneur, a businessman.

MR. JONES: Well, Mr. Green, the Fund — I believe I am correct in saying this — from day one has looked on its function primarily — I think I am quoting your phrase here — to develop the entrepreneurial leadership for people in these communities.

MR. GREEN: Absolutely, which proves that I am not adverse to . . . As a matter of fact, have encouraged the development of entrepreneurial leadership in Northern Manitoba. That's what Jack Bland and Rodney Bland are getting from the public of Manitoba. It's the financing of petty capitalism, if we want to use the phrase.

MR. JONES: Those are the loans the Fund made, yes.

MR. GREEN: Rodney Bland, what is he doing?

MR. JONES: It's a similar operation, Mr. Green.

MR. GREEN: What is Rodney Bland doing?

MR. JONES: It's the same operation as the . . .

MR. GREEN: What is Harrison Boulanger doing?

MR. JONES: Mr. Chairman, excuse me; I think I am going to ask my staff to refresh my memory there. Could we just pass that for a moment and I will get the information for you.

MR. GREEN: What is Ottavio Budai doing?

MR. JONES: Ottavio Budai also is a heavy equipment operator in The Pas area.

- MR. GREEN:** What are Mr. and Mrs. Barry Camphaug doing?
- MR. JONES:** They operated a taxi business in Churchill.
- MR. GREEN:** What are Gordon Crate, Edward Gamblin and Thomas Anderson doing?
- MR. JONES:** **They provide entertainment, Mr. Green. They have a small musical band.**
- MR. GREEN:** What does Robert Disbrowe do?
- MR. JONES:** He operated a skidder.
- MR. GREEN:** What is Celia Donaldson doing?
- MR. JONES:** Celia Donaldson has a native handicraft retail outlet in Thompson.
- MR. GREEN:** What do Wayne Flett and Dan Reagan do? One Flett is a storekeeper in Norway House.
- MR. JONES:** Yes, I don't know what Mr. Reagan does, Mr. Green. There have been changes there, but Mr. Flett operates a restaurant in Norway House.
- MR. GREEN:** John Gamble?
- MR. JONES:** John Gamble had a Rug Doctor franchise in Gillam.
- MR. GREEN:** What is Ilford Northern Construction Co. Ltd? That sounds familiar; that's Kip Thompson, no?
- MR. JONES:** Mr. Green, yes. At the time this report, this review was prepared, that is correct it was his company.
- MR. GREEN:** So he operated a winter roads and northern construction.
- MR. JONES:** That's correct.
- MR. GREEN:** What does Sandy Kirkness do?
- MR. JONES:** He is a heavy equipment operator in Ilford.
- MR. GREEN:** What is Kloss Enterprises Ltd?
- MR. JONES:** A small restaurant operation in Churchill.
- MR. GREEN:** What does James Kristjanson do?
- MR. JONES:** He is a heavy equipment operator in Ilford.
- MR. GREEN:** John L'Abbe?
- MR. JONES:** Tourist facility and campsites in Leaf Rapids.
- MR. GREEN:** Alexander McKay?
- MR. JONES:** Mr. Green, can I come back to that?
- MR. GREEN:** Pardon me?
- MR. JONES:** Can I come back to that one?
- MR. GREEN:** Sure, you get the information. Leonard McKenzie?

- MR. JONES:** He has a water truck in The Pas.
- MR. GREEN:** Gordon and Donna McLaren?
- MR. JONES:** A small motel operation.
- MR. GREEN:** Arthur Merasty?
- MR. JONES:** A small store, confectionary and poolhall in Brochet.
- MR. GREEN:** Gordon and Margaret Monkman?
- MR. JONES:** A capital operation in Scanterbury.
- MR. GREEN:** Brian Morden?
- MR. JONES:** A small restaurant operation.
- MR. GREEN:** Romeo Morriseau?
- MR. JONES:** Mr. Morriseau had a school bus contract with the Frontier School Division.
- MR. GREEN:** Gilbert North?
- MR. JONES:** Winter road construction.
- MR. GREEN:** James Paranteau?
- MR. JONES:** If I may come back to that, Mr. Green, I can't recall that.
- MR. GREEN:** Louis Payette?
- MR. JONES:** School bus contract.
- MR. GREEN:** Walter Procychn?
- MR. JONES:** Berens River pulp operation.
- MR. GREEN:** David Playfair, Wilson Kennedy and Adrian Munroe?
- MR. JONES:** It's a small transportation business in Island Lake.
- MR. GREEN:** Ivan Saber and Howard Wood?
- MR. JONES:** Forest products business in Manigotagan.
- MR. GREEN:** Andrew Shelton?
- MR. JONES:** Electrical contractor in St. Laurent.
- MR. GREEN:** Yes. Now, I have left out the community and limited companies but I think that universally you have described small business entrepreneurship that, if carried on largely by northerners, who probably would not have been able to develop their entrepreneurial talents without this kind of assistance.
- MR. JONES:** Yes, I agree.
- MR. GREEN:** But all of this assistance is now being cut off.
- MR. JONES:** Well, not quite, Mr. Green.
- MR. GREEN:** Except as indicated. There is winter roads and ARDA.

MR. JONES: Yes, some of the names . . .

MR. GREEN: Some of them would be ARDA. Where they are not ARDA, they are cut off.

MR. JONES: At the moment, yes.

MR. GREEN: And what you've also told us is that the fund has had a very good record in terms of losses for loans that have been made in the past several years —(Interjection)— Good record meaning that they have a lower amount of losses.

MR. JONES: I agree.

MR. GREEN: And certainly they would have less losses than moneys given away in the same area by private enterprise government to stimulate the same type of thing, because the moneys given away is a loss the moment that it is given away, if you don't show it as a receivable.

MR. JONES: Well, that particular program wouldn't agree with that, Mr. Green, in terms of what they describe as accountability. I don't . . .

MR. GREEN: I'm asking you as an accountant, whether moneys given away are an immediate loss and whether moneys loaned are receivable until it's not paid back?

MR. JONES: I agree.

MR. GREEN: So what the Conservative Government has done is they've cut off the development of small capitalism in northern Manitoba which was proceeding very successfully.

MR. JONES: Well, Mr. Chairman, I don't know whether I can comment on that statement.

MR. GREEN: We won't ask you to comment on it; we will regard it as another truism. Mr. Jones, approximately — this is a distasteful subject but it should come up because you are now the Chairman and General Manager of the Communities Economic Development Fund — is that correct?

MR. JONES: That's correct.

MR. GREEN: I congratulate you. About three years ago, my impression is that you were under personal attack and investigation by the Member for River Heights and the members of the Conservative opposition.

MR. JONES: I'm not aware, Mr. Green, I was under investigation.

MR. GREEN: Did you not tell me that the RCMP came into your office and took all your files?

MR. JONES: Mr. Green, at that time the RCMP investigation was instigated — as you know, the RCMP arrived in the Fund's offices; I would argue, I would deny that it was a personal investigation. I reacted, obviously, very strongly the day they came in but it was not a personal thing.

MR. GREEN: Was there an investigation in which allegations were made, untruthful ones, I say immediately, and unfair ones with regard to your personal expense account, for instance at the time?

MR. JONES: That is correct.

MR. GREEN: They were untrue and unfair and vicious. I congratulate you that this administration has now seen your competence and your devotion to duty, that they have now made you the Chairman and General Manager of the Communities Economic Development Fund.

MR. BLAKE: Don't ask for more than a 6 percent raise.

MR. GREEN: And I say, Mr. Chairman, so that there is no misunderstanding, that it is greatly deserved.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Thank you, Mr. Chairman. Just while Thunderbird Lodge, we're discussing that, I think the point that Mr. Green missed on the original application of the \$75,000 loan was the five northern seats that were promised to his party by the owner of Thunderbird Lodge, Mr. Dave Courchene.

MR. GREEN: Mr. Chairman, on a point of privilege. On a point of privilege, that is a reprehensible remark. I would ask that if it's to be sustained that it be referred to the Committee on Privileges and Elections, and I would ask this Chairman whether any efforts were made by the government with regard to that loan to decide it either advanced or not advanced, and if that can be proved, Mr. Chairman, I am quite prepared to resign on the spot.

MR. BLAKE: Mr. Chairman, if that particular remark is that offensive to the honourable member, I have no hesitation in withdrawing it.

MR. McBRYDE: Mr. Chairman, I am on the same point of privilege, because the remark is very offensive, and I myself . . .

MR. CHAIRMAN: Mr. McBryde, the remark has been withdrawn; you are out of order if you're speaking to the point of privilege raised by the member.
Mr. Blake.

MR. BLAKE: Mr. Chairman, if I might refer to Mr. Jones, back on Thunderbird Lodge. I wonder if you could tell us, Mr. Jones, just exactly where the taxpayers of Manitoba stand with regard to the \$75,000 loan? Now, I'm not naive enough to think that loans that are granted fully secured at the time are always recoverable 100 percent; I realize securities deteriorate under various circumstances. Could you bring us up to date on the possibilities of full recovery of the \$79,000 that's been invested in Thunderbird Lodge? Could you tell us what Thunderbird Lodge was sold for, where the Federal Government stands in relation to their security; how much much they are going to recover?

MR. JONES: Mr. Blake, I will try and provide as much information as possible. I have some difficulty here with the extent of your question in that the question of passing of the Receiver's accounts is presently a matter before the courts. A notice of motion was approved yesterday, for example, which involves referring the accounts of the receivership to the Master in Bankruptcy, so until that is dealt with effectively and definitively, rather, I am not in a position to say precisely, obviously, what can be expected. I can tell you quite clearly that the Lodge was sold for \$132,000.

MR. BLAKE: So therefore there's a good possibility that the \$75,000 will not be recovered.

MR. JONES: That is a possibility, Mr. Blake, yes.

MR. BLAKE: Thank you; that's fine, Mr. Chairman. I don't want to get into any detail, I would like Mr. Jones to comment on the Wild Fur Program. I realize that they are administering the program that is funded by other sources. Funds are recoverable from auctions in May, June and September; I wonder if he could tell me what the experience has been — I assume the June sale has been held — what the experience has been? Are the losses within the framework of what they consider normal or are they experiencing good results?

MR. JONES: Mr. Blake, if all the fur was sold in the manner in which you say, I think we would have been much happier. The sales which we were able to clarify in terms of sales through Dominion-Soudack, for example, and proceeds of which were assigned to us, we were able to collect reasonably. But that, of course, is not the way fur is sold in the majority of cases.

On the Fur program, the Fund approved 125 loans for \$59,000, approximately. We actually advanced 93 for \$47,000; that's a mixture of grubstake loans and capital loans for purchase of snowmobiles and so on.

Outstanding as at the end of last March, 83 loans for \$34,900, and of that amount, of that number of loans, 75 were in an arrears position for about \$16,000.00. So, as I said earlier, the directors of the Fund frankly are not happy with the way this program has worked out; we worked — and Dr. Loxley, I think, explained it fairly well in his review in this report before you — the method in which we considered these loans. We hoped for a better performance, better co-ordination, if I may use that word; we relied clearly to a substantial extent on the local fur managers and I don't

want this misunderstood; I'm not denigrating what they did. They tried to expend every effort to make these things collectible. I think the difficulty has been, Mr. Blake, that in the past there have been various varied programs, grant programs, and a lot of the trappers found difficulty, despite the efforts we made and the Association made, in convincing these people that these loans really were debts and had to be repaid. There's been a minimal success in that concept.

MR. BLAKE: Has there been a fairly large instance of disappearing skidoos, for example, on equipments being purchased? Has this been an extraordinary experience or has it been normal?

MR. JONES: It certainly hasn't been an extraordinary experience, no.

MR. BLAKE: So all in all, for a first year's operation, you've had a good look at it, and is it an operation that you would consider as worthwhile, to endeavour to continue and build up the fur trade, so to speak, in the north?

MR. JONES: Well, Mr. Blake, I think, as I said, the view of the directors of the Fund at the moment is that as a delivery mechanism, CEDF has not functioned as effectively as we would like to function. We would exert much more strength perhaps — not perhaps, we know we would — on the loans we are doing ourselves. We clearly have to wait for government advice, government directive in terms of how we operate on this program in future. We, as a board, have expressed to the government that we do not wish to be involved under the circumstances of the previous year. What will happen from there, I'm not sure.

MR. BLAKE: All right, to leave that for a moment. On the Churchill Research Station, you mention that in your report. Could you just bring us up to date on that particular project.

MR. JONES: I'm somewhat biased towards this project, Mr. Blake, and I hope I won't be too long. It's a very interesting project. It's a northern study centre established in the settlement of Akudlik in Churchill which is now in its second year. This year, this summer, we have projected and we expect that projection to be accurate, approximately 800 to 900 students and scientists from all over Canada and the States to be utilizing that space. They undertake research projects in the field, in the area around Churchill. They will be using the facility not only as an accommodation facility, it's not a commercial thing at all, but for lectures and conferences and so on. Alongside that program, the scientific director has built in an educational, a series of credit courses in things like Arctic ecology.

In terms of the finances of this company, the initial input came from a private grant foundation with a subsequent injection of provincial funds of \$35,000 and I'm pleased to say that the federal matching funds of \$35,000 which went in the same time as the province, have been expanded subsequently. I could go on for probably too long on this thing.

MR. BLAKE: Do you see this stimulating the activities in Churchill in some way and maybe leading to some further return of employment and the increase in the population of Churchill? There's been quite a substantial decrease there lately with the withdrawal of certain federal facilities.

MR. JONES: I wish I could answer that in the affirmative. There will certainly be an indirect benefit to the community and I would suspect that there would be some linkage with the development of potential tourism in the area but in terms of substantial employment, no, it's not that kind of operation.

MR. BLAKE: Thank you very much, Mr. Chairman.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Jones, with regard to Thunderbird Lodge, my impression is that that was a loan which was within the discretion of the directors of the Fund, namely \$75,000.00.

MR. JONES: That's correct.

MR. GREEN: My recollection is also that while this loan was being considered or even shortly after it was approved, but not yet completed, that there was some publicity on it and the only government influence was that the government said, "In view of the remarks that are being made in the paper, does the board wish to reconsider this loan?", that there was no pressure whatsoever by any

person that this loan be made.

MR. JONES: That's correct, Mr. Green. What the board actually did was hold two subsequent board meetings before funds were dispersed to review line-by-line what was in the press. It was a board decision within their discretion, as I recall it, that the chairman chose to advise you as the Minister.

MR. GREEN: And the fact is that the only government influence was to ask the board to review very carefully whether they should in fact go ahead with it and not the reverse.

MR. JONES: That's correct.

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

MR. KOVNATS: Mr. Jones, on the surface the question I am going to ask might appear to be superfluous but I would just like to establish one point. There was some reference made to northerner and Northern Manitoba. In your opinion, what is considered a northerner? I would like to ask the question of the Honourable Member for The Pas, if I may, through Mr. Chairman. I'm not trying to be tricky or anything of that nature but there was some reference on the board of directors as northerners and just to get it clear in my own mind.

MR. CHAIRMAN: Would you care to comment, Mr. McBryde, as to what is considered a northerner?

MR. MCBRYDE: There is, Mr. Chairman, in fact a fairly formal definition in terms of Hydro agreements but basically the definition that we functioned with was within the Northern Affairs' Act which was north of Township 21, but I don't think that CEDF used any kind of guideline but when a guideline was necessary, that was the normal guideline. That's basically north of the Winnipeg River and in the Interlake somewhere and north of that, but I don't believe that the Fund used any . . . You know, they generally considered themselves, I believe, I consider them as a Minister at the time, as generally relating to the North or to native communities in the south usually aimed at those groups of people that were in fact having problems with economic development and entrepreneurial development. It could have been south but when it was south I think it was usually a native area or native community.

MR. KOVNATS: It's not just a matter of being a resident of North of '55 or whatever we refer to as the North. A resident living in the North or a resident who has lived in the North?

MR. GREEN: Mr. Chairman, since I made the appointments, may I take the board of directors and indicate how they were chosen at the time if that's what is being looked for. With regard to William Bennett, Robert Mayer, Eugene Courchene, and I believe Howard Asham, some of them were recommended by the Northern Association of Community Councils, some by the Manitoba Metis Federation, some by the Manitoba Indian Brotherhood. We didn't always take their recommendation.

With regard to Alex Starikoff and Cliff Kurbis, these were socially minded businessmen from Winnipeg who were co-opted to try to give their experience to the people who were going to have to deal with these loans.

MR. KOVNATS: In no way am I criticizing your appointments, Mr. Green.

MR. GREEN: I know that you wouldn't . . .

MR. KOVNATS: Well, under some circumstances I just might but under these circumstances, no, I'm not criticizing your appointments in this regard. I was just trying to establish whether somebody who had been from the North and now living in the City is considered a northerner or somebody had to be born in the North to be a northerner. Somebody who supports the projects and development of the North, is that considered a northerner?N

MR. GREEN: I don't know. Mr. Chairman, we had several criteria for choosing board members. I've indicated them to Mr. Starikoff. It wasn't always northern.

MR. KOVNATS: Fair enough, thank you.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, if I could just perhaps clarify in terms of a comment that Mr. McBryde made, we are not restricted to that particular boundary definition in dealing with proposals. The legislation provides that we assist remote and isolated communities. The remoteness and isolation has never been defined, the board is pleased to say. Remoteness in terms of access to financing, remoteness culturally whatever. For that reason, there are several accounts in the Fund's portfolio that are, to be quite frank, quite far south in the Southern Interlake and so on. That is the reason.

MR. CHAIRMAN: Mr. Banman.

MR. JONES: That's correct, Mr. Green. What the board actually did was hold two subsequent board meetings before funds were dispersed to review line-by-line what was in the press. It was a board decision within their discretion, as I recall it, that the chairman chose to advise you as the Minister.

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With regard to Alex Starikoff and Cliff Kurbis, these were socially minded businessmen from Winnipeg who were co-opted to try to give their experience to the people who were going to have to deal with these loans.

MR. BANMAN: Just to clarify that. I wonder Mr. Jones if you would confirm that one of the loans was made out in Richer, Manitoba which happens to be south of the No. 1 Highway.

MR. JONES: That's correct, Mr. Banman.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Yes, Mr. Chairman, if there are no further questions, I would like to move that the report be received as presented to us this morning.

MR. CHAIRMAN: Are there no further questions?

A MEMBER: It's in order.

MR. CHAIRMAN: Report be received.