



Fourth Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

41 Elizabeth II

*Chairman
Mr. Jack Reimer
Constituency of Niakwa*



VOL. XLII No. 3 - 7:30 p.m., THURSDAY, MARCH 23, 1993

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
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DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
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ERNST, Jim, Hon.	Charleswood	PC
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EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
GRAY, Avis	Crescentwood	Liberal
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
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McINTOSH, Linda, Hon.	Assiniboia	PC
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WOWCHUK, Rosann	Swan River	NDP
<i>Vacant</i>	Rupertsland	

THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Tuesday, March 23, 1993

TIME – 7:30 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Jack Reimer (Niakwa)

ATTENDANCE - 11 – **QUORUM** - 6

Members of the Committee present:

Hon. Mr. Downey

Mr. Ashton, Mrs. Dacquay, Messrs. Dewar, Evans (Interlake), Gaudry, McAlpine, Neufeld, Reimer, Rose, Sveinson

APPEARING:

Loretta Clarke, General Manager, Communities Economic Development Fund

Gordon Wakeling - Manager of Finance, Communities Economic Development Fund

MATTERS UNDER DISCUSSION:

Annual Report, Communities Economic Development Fund (21st Annual) ended March 31, 1992

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Mr. Chairperson: Will the Committee on Economic Development please come to order. This committee will be considering the Annual Report for the Communities Economic Development Fund for the fiscal year ending March 31, 1992.

For the committee's information, copies of the annual report are on the table behind me.

I would like to invite the honourable minister to make his opening statement and to introduce the staff present this evening.

Hon. James Downey (Minister responsible for and charged with the administration of The Communities Economic Development Fund Act): Mr. Chairperson, I am pleased to present the Annual Report for 1992 of The Communities Economic Development Fund. At the outset I would like to introduce the Chairman of the Board, Mr. Harold Westdal; Ms. Loretta Clarke, who is the General Manager; and Mr. Gordon Wakeling, who is the Manager of Finance. As well, I have Mr. David Tomasson, the Deputy Minister of Northern and Native Affairs and Energy and Mines, with us.

The report, as I have indicated, covers the period from April 1, 1991 to March 31, 1992. The report tabled covers a period when new business starts were slow and existing business faced tough economic times. The business loans portfolio which totalled \$4.9 million at the end of March of 1992 had increased to \$7.4 million as of January of 1993. The Communities Economic Development Fund has taken a stronger participatory role in the northern economic development with the decentralization of its head office to Thompson.

The management and the board have been available to take an active role in the planning and implementation of new economic activities, such as the implementation of the in-bush chipper system in the Nelson River district, through a strong association between resource-based industries, ongoing communication links with development agencies and officers and one-to-one communications with the clients. The board has held meetings in various communities, including The Pas, Swan River and Churchill, as well as Thompson. These meetings have been conducted in a regional manner to include the clients in the surrounding areas and has served in making the fund a more accessible funding agency. The success of these efforts can be measured in the current year's activities.

While funding for new business is still high-risk lending, the current portfolio is evidence that networking communications and loan monitoring are excellent vehicles in developing a high success rate for the fund's clients.

I would like to add as well, Mr. Chairperson, that the CEDF has had, I do not know how many, positive management reviews by the Crown Council, and I would like to comment as well on the hard work and effort of the management, all the employees of CEDF on the work in which they do and as well the work that the board does on behalf of the CEDF program.

I would like to as well say that there has been an additional load taken on. It is not reported in this report, but the Fishermen's Loan Program for northern Manitoba is currently now being handled

by the CEDF, but the activities are not reported in this report at this particular time.

I say, Mr. Chairperson, as well that there have been some major efficiencies that have been able to be brought about by this activity. I will give you round figures. The combined activities of the administration of both the Fishermen's Loan Program, when it was with MACC, and the costs of the administration of CEDF would have been close to, if the two were added together, \$2 million. The administration of this program now by the one organization has projected to drop that cost to \$1.2 million, so basically, by bringing the two programs together under CEDF, there is an estimated \$800,000 saving to the taxpayers of Manitoba. I compliment the work that is being done by the management and the board in doing so.

Mr. Chairperson, I do not want to be an alarmist, but I do want to raise one other issue which is being dealt with, and that is, it has been brought to my attention, a concern dealing with some disposition of properties of CEDF, of which I can assure this committee tonight that I have asked the Provincial Auditor to make sure that there are not any irregularities that were in fact part of this, that the procedure that was carried out by CEDF was in no way untoward. That has been raised by me to the Provincial Auditor and is now currently being looked at in that regard.

I do not want to be an alarmist. I do not want to, in any way, discredit any individual. However, I am waiting to see what the Provincial Auditor has to say as it relates to the dispensing of some properties that CEDF had to do. It is my opinion that everything was handled as it should have been. However, to assure the government and the public that it was handled properly, the Auditor is reviewing that particular situation.

Mr. Chairperson, those are my opening comments for CEDF.

Mr. Chairperson: Thank you, Mr. Minister. Does the critic for the official opposition have an opening statement?

Mr. Steve Ashton (Thompson): First of all, I would like to welcome everybody to the committee, and particularly my constituents. I know at least two of us here normally do different things on a Tuesday. It is usually my son's music night, and it is sort of a different venue today, but I just want to welcome everybody.

I know that the minister and I have our disagreements at times. I think that is probably an understatement, but one thing that certainly we have fully agreed with is the decentralization of CEDF to Thompson. I really believe that it is improving service to northerners, and it is making sure that CEDF has a clear grasp of northern concerns.

I think it has been a positive experience. I know there have been some adjustments that have taken place, and it certainly has not been the easiest process in the growing stages, but I think it is a very positive development for CEDF as a rather unique institution that does provide loans to northerners and, I think, has over the years established itself as a significant force in terms of economic development in northern Manitoba.

There will be a number of questions we will be asking today. One is in terms of the specifics of this year, the general trend in terms of loans. I know that while the period we are dealing with is not certainly as low as a number of years ago, it has been higher in the past. We will be asking questions as to the reasons why there is a lower degree of loan activity that is in place at the current time and in fact why that has actually declined somewhat, even over the past year.

I will be asking a series of questions on the activities that CEDF has assumed in terms of responsibilities, as the minister outlined, in terms of fishing area. I know there are a number of commercial fishermen in my own constituency who have raised questions about CEDF's activities in terms of loans and the current policies in terms of loans to commercial fishermen, and I have a number of communities in my own area, so I will be raising that. I believe we also have some other questions for other members in that particular area, so we look forward to some answers on that.

I will be asking some questions on the activities of CEDF related to Repap and some of the activities that have resulted from Repap's move to change its structure of employment and, basically, develop subcontractors or contractors, depending on which term you wish to use, who require capital financing, CEDF's role in that.

I look forward to getting some idea of the future directions in terms of CEDF over the next number of years. As I said, CEDF was well-established over the years and I think has a great deal of potential in

terms of assisting northern development, and that is something that we are in great need of currently. There are tough times in the North economically, and I think that we have to increasingly look to community-based economic development.

I know the Northern Manitoba Economic Development Commission has been looking at that. I was at the final meeting in Thompson just about week and a half ago. In fact, I know Loretta Clarke was there as well, from CEDF. I think some consideration should be given to the role of CEDF, the possible expansion beyond its current role, and that is very much, I think, tied into the report of the Northern Manitoba Economic Development Commission which, as I understand it—it has not been finalized, but according to the action plan document that was presented to those of us who were there, it seemed a fair number of people did seem to indicate a great desire to move ahead with—in fact, I believe the term that was used by the commission was community-driven economic development.

With those few comments, we are quite prepared to get into questions.

* (1940)

Mr. Chairperson: Thank you, Mr. Ashton. Does the critic for the second opposition have any opening statements?

Mr. Neil Gaudry (St. Boniface): I have just a few comments to welcome the chairperson and the general manager for CEDF. In quickly looking through it, we see the work and what it does for northern Manitoba, the jobs that are available or have been created through this program.

We are all supportive of northern communities, and we look forward to comments and questions and answers from the minister. Like I say, I never like to criticize the minister, but I would like to congratulate the chairperson and the general manager. Thank you.

Mr. Chairperson: Thank you, Mr. Gaudry. I will ask for some direction from the committee as to the length of time that we should proceed with.

Mr. Ashton: I would suggest we follow our normal procedure which is assess where we are at ten o'clock. I would hope we could finish tonight though, given the fact that we do have people here from out of town, and I hope we would be able to finish this, so they would not have to be brought back.

Mr. Chairperson: Agreed?

Mr. Downey: That would be appreciated, if we are able to accomplish that. We will do everything we can to try and provide the information.

Mr. Ashton: Mr. Chairperson, I just want to begin in terms of some questions on the loan activity. I just want to ask for some analysis of why we are at the current level of activity which over the last number of years, since 1988, has shown a significant drop in 1989 that was largely, I believe, responsible to the reorganization that was ongoing, the reviews.

But, despite the fact that there was a recovery to a certain extent both in terms of the number of loans approved in 1990 and '91, it did not reach previous levels and, in fact, in 1992, dropped again to \$1.183 million according to page 8 of the report.

I would just like to ask for some indication from the committee as to why that took place.

Mr. Downey: Mr. Chairperson, as we had indicated in my opening comments, at that particular time, there were several things. There was some—how should I put it—reviewing as to some of the loans we currently had out and getting some internal work done, as well as completing the decentralization of the activities. I think I indicated on the record at that particular time that we were anticipating the turnaround in the numbers of loans that CEDF was dealing with.

The management may have some additional comments as it relates to that particular period of time, but I think if you listened to what I said in my opening comments as well, we have now seen a recovery in the number of loans. In fact, at this period of time for this year, even though it is not in the report, we have recovered something in the neighbourhood of 35 individual loans, up from 19 of last year, in excess of \$5 million in values of loans.

So there has been a turnaround in the activities of CEDF, as we had anticipated, plus they now have the activities of carrying out the Fishermen's Loan Program. Ms. Clark has something further to add.

Ms. Loretta Clarke (General Manager, CEDF): I would just add that it was a very slow year as far as business starts mainly. We found people needed help in keeping their businesses operating. We had a considerable less number of applications, although we had a lot more people coming to us that had businesses and getting assistance in their business. Also, we were working on some

applications that actually were approved shortly after the March 31 year-end.

So the activity was carrying on. We were very busy at that time, but mainly we were helping people stay in business, as opposed to starting new businesses.

Mr. Ashton: I appreciate the minister's comments, but I was talking about the trends here. I remember being the critic and being in committee when the minister said, well, we have the one year—this was 1989—and this would just be for the one year of the review, but the trend is down for every year since 1988, and it is down significantly, both in terms of the number of loans approved and in terms of the amount of loans involved.

I can point to page 8 of the annual report which shows that essentially after 1988 and 1989, it dropped, for example, from \$3.5 million, the last year of reference, 1988 fiscal year, down to \$725,243, and in the following three years did not recover to that previous level. Even if you average out the years in the 1980s, it is still below that average.

So I guess what I am asking is, is that drop because of the reorganization, decentralization, because of those activities, or is it a result of the economic situation? I am trying to get some idea of what the reason is.

Mr. Downey: Mr. Chairperson, again, we have to remember that there is a banking industry out there as well, which we hope that people use, and there has been some work done with CEDF and the Canadian Bankers Association that has been helpful to find some of the clients that get business through the banking industry.

There is a point that has to be made as well, Mr. Chairperson, that I will try and help the committee in understanding. I think it is unfair to just use numbers as to the loans. What we are looking for, and I would hope the member would agree, is some form of security and quality of loans.

It is very easy to go out and make a lot of loans, and I can just go back that in this particular report we are reporting a write-off of 1 point \$80,000 in loans that are not collectable. I can just go through—for the year of 1986, and this might be helpful to the member. I will just count them out for them. There were 10 loans in 1986 which were written off this last year, to the amount of money, if I added the few that were shown here from 1984, '85—there were two. In 1986—what did I say?—there

were 10, and probably a few additional ones to the latter part of '86 and '87, we would add another five.

There were a million dollars plus worth of loans that were uncollectable. The point is one can lend money—I can give a particular example, to Canadian pickles corporation, there was some \$281,000 written off. That is a fairly substantial amount of money, and I understand that the business never opened. What I am trying to do here is say, you can lend money that you are never going to get paid back and your numbers look great, but the day of reckoning comes and it has come. We have this year had to write off over a million dollars of loans that were made basically in 1986. So, if we use the number of 1986 as it is shown in the report, it shows 43 loans. We probably had 15 of those loans that were never collectable, and so to lend money for the sake of lending money is not, I believe, the right way to go.

To properly manage the loan portfolios is the way to go. What I am saying at this particular time, we have seen a recovery and a return to improved loan activity. I am not saying they are all going to be sound and secure. Let us face it: there is always a risk factor. What we have tried to do is to make sure that the exposure for the province is minimized, and so, yes, I have taken the criticism from the member for Thompson (Mr. Ashton) over the past few times we have had this committee and I have accepted it, but what I have said is we are going through a period of time that certainly small businesses had some tough difficulties, economic times. We had a transitional period of time of moving. We have also tried to get some of the current loans—the general manager said she is attempting to make sure some of those people stayed in business, rather than going out after new business. I just think it is prudent management, Mr. Chairperson, that we in fact managed it in the way in which we did.

* (1950)

Mr. Ashton: With all due respect, the minister's statement did not answer the question. I will ask for some very specific details because if the minister wants to talk about accounts that have been in default he obviously has to look at the fact that CDEF is a lender of last resort and that is going to be the case.

I want to ask the minister if he can provide information on the default rate related to the overall number of loans. I mean, for the minister to say,

1986 accounts, that so many were in default. I mean, look at the numbers in 1986. There was close to \$3 million worth of loans. The loan rate for much of that period was running \$2.5 million on average. So what is the current default rate of loans under CDEF?

Mr. Downey: At that particular time, if he were to use the million dollar figure that I gave him, if the total loan portfolio he has indicated was \$3 million and we have today written off \$1 million of that, then it says a third of the loans were not good loans. But, for the numbers that I have, we are talking something like 17 percent write-off at that period of time, and it has currently improved to 11 percent default at this particular time.

So what we are seeing is now an improvement in the default situation, and I think that all taxpayers and those people who are in businesses, who are starting in business, should be happy with this.

Again, it is not in the interests of either the people we are lending money to and/or the taxpayers to lend money that, in fact, cannot be paid back. I think what I am showing here is we have seen an improvement from some 17 percent default loans to the current numbers of something like 11 percent. I think that is the right direction.

Mr. Ashton: I am asking for some information here. If the minister wants to select numbers out of the hat, as he is doing here, without attributing them to—he is talking about 1986 loans for example, some of which are being written off at the current time. Presumably—and I would like to know what the 11 percent figure is from—if you are dealing with last year's loans, there is the potential for default in the future, as well.

I mean, you cannot compare apples and oranges. What I would like is some historical information. I would appreciate it in whatever form can be provided. If it cannot be provided now, I would appreciate if it could be provided at a later point in time. I have great difficulty with the minister, who obviously is very defensive on this, when I ask some very straightforward questions about the defaults on loans over a period of time.

I mean, it is no surprise to anyone that there are defaults. I would point out, even using the minister's own statistics, that the success rate is over 80 percent. We are dealing here with remote northern communities in many cases. We are dealing with lenders of last resort.

By the way, to the minister, I do not know if he has talked to a lot of small business people in northern Manitoba, but I am surprised when he talks about the banks, because I would say most business people in Thompson would say it is tougher to get a loan. Most business people in other urban communities would say it is tougher to get a loan than it was a number of years ago, and it is virtually impossible in many remote communities—in fact, not only virtually impossible, it is impossible in some communities because of lending practices. That is particularly the case in terms of reserves.

So I would appreciate if the minister would just provide the information on the question that I asked. I really asked what the trend was in terms of default rates, what the numbers were, the historical numbers. I think that is fair information. I asked specifically why the number of loans were down. I did not suggest that loans should be given out for the sake of making loans.

I am trying to get some idea of why there has been a decline in the number of loans over the last number of years, whether it is from the economy, whether it is from changed lending procedures, whatever. I would just appreciate that information.

Mr. Downey: Mr. Chairperson, I will get the specific information year-over-year as to what the write-offs were, but I think it is important that I am not defensive at all. I am absolutely not defensive when I have a Crown corporation that I am responsible for that has assessed the loans and is saying these are loans that are absolutely impossible.

Now, I should respond as well, that we did have to change The Communities Economic Development Fund Act, because the member says these were northern and remote communities. Well, Canadian pickles corporation was in Teulon, Manitoba. CEDF lent them \$150,000 and there has now been a write-off of \$281,000, and it never opened its doors. Let me go to another one, a service station in the same community, made in July of 1987 for \$150,000, and have recently written off \$185,000. That is Teulon, Manitoba, where those two businesses were.

Mr. Chairperson, it is not all in remote and isolated communities. In fact, we had to go to court to resolve the one on the Canadian pickles company. I think that was part of the problem. They were doing business probably where they were not

mandated to do business, and there has been money lost by the taxpayers of Manitoba.

What we are now saying is, we are hopefully on a new direction where we are helping those clients in northern and remote communities, that the act spells out where we are supposed to do our business. I am not trying to get into a political debate. I am just trying to indicate to him we believe that we are now seeing improvements in the numbers of loans. It is there, 35 to this point, and that is 35 compared to 19 last year. The stability—again, it will be our attempt to make sure that all loans are collected, but let us be realistic, there will be default situations. The general overall improvement, I know when we came into office—I remember being critic for this particular portfolio—we had something like an average of 20 percent default on those loans, and that has reduced to this current year of something like to 11 percent. I will get that specific information so that the member has it. I do not think I can provide it tonight.

As well, something else that is happening within CEDF that has never happened before is that they are currently being charged by the Department of Finance an interest-carrying charge to make sure that we have a direct accountability with the Finance department, not unlike other Crown corporations. So I think there have been major improvements made. Yes, there are certainly some criticisms that maybe it is tougher to get a loan out of CEDF. Maybe that is the case, but I think we are doing a favour to those individuals who are borrowing money because it is not our intent to get people into financial trouble by lending them money that they will not be able to pay back. That is currently where we are, and I appreciate the questions very much and will endeavour to get that specific information for the member.

Mr. Ashton: Perhaps if it would be available tonight later on. I would appreciate the detailed information because the minister keeps pulling different numbers. He talked about 17 percent before. Then he used the figure 20 percent later. Then he used the figure 11 percent. You know, it is very easy for the minister sitting there with the information, and us as the members of the committee just asking for the information, for the minister to selectively pick numbers and then to throw in the rhetoric on top of that which, Mr. Chairperson, we are used to from the minister. It is not much help to members of this committee.

What I was asking again is in terms of the trend with the loans, and I understand in terms of the current year the minister is saying there has been an improvement in terms of the number of loans. It is still well below previous numbers. I realize there may be different factors, but I am trying to get some indication whether fewer loans are being made, applications are being made, whether fewer loans are being approved, whether lesser amounts are being approved relative to the amounts requested, whether lesser amounts are being requested. There is a clear trend here the last several years of fewer loans being approved in terms of number of loans, and fewer loans in terms of amount. I asked before, and perhaps if I can ask very specifically on this, if there can be some indication of whether it is because fewer loans are being approved, whether there are fewer applications, whether fewer amounts are being applied for in terms of the actual dollar value.

Mr. Downey: The point I tried to make, Mr. Chairperson, is that if you were to compare, for example, the year which the member, if we go back say to—I have not got the 1985 figures, but let us deal with the 1986 figures directly. If you were to take away the loans that were uncollectable, then we have less loans made then—not less loans made—we have had less secure loans made then than we have today. So I am not trying to get into a debate on, again, the issue of less or more loans. Again, yes, there are less loans. I guess the reason is that they are maybe a little more difficult to get, but I think the general manager may be able to make a comment as to the current applications and where we are. The other thing is, let us remember that we have seen in the last few months the opening of a bank at Norway House. Again, the banking industry I think has become somewhat more aggressive in looking at some of these activities in northern Manitoba as it relates to businesses. That is not bad. I think it is who should be lending a lot more money up there. The manager may have further information to add.

* (2000)

Ms. Clarke: I would just like to add that the credit unions are much more active in Manitoba than they were. We have done a review on that. The CEDF portfolio has been basically over 80 percent of the province for a considerable amount of time, and we get an application and we will deal with a bank or credit union to see if they will look at it before we do.

I think we take a little bit more active role. Instead of just saying, give us a letter of refusal, we do talk to the bank or credit union and a few times it has happened that especially the credit unions will give a loan when they get the proper application.

I think by the time you come through the CEDF system, we have helped people develop a business application that has some merit to it. Sometimes people walk into a credit union or a bank and ask for a loan, they do not have their facts and they get turned down. After they spend some time with our staff and we do our projections with them and help them work out their business plan, they have been able to go sometimes and get financing from a financial institution which is really there to provide the job, and we are just there as a last resort. So we have assisted people in getting financing in that way too.

Mr. Ashton: Mr. Chairperson, once again, I appreciate the information from the general manager, but the minister once again is playing all sorts of games with the numbers. He has not given me the numbers yet, and the minister knows that if you want to take 1986 to 1993, you have a period of seven years over which you have defaults to develop. Taking the year 1992 to be on a comparative basis you would have to have the figures from 1997, which is a number of years away. I think that is—

Mr. Downey: I hope to be here to give you the figures.

Mr. Ashton: Well, Mr. Chairperson, I do not think the minister will be, at the rate he is going.

Mr. Downey: I will take that question as notice.

Mr. Ashton: Mr. Chairperson, the minister might be aware that there may be some other members at this table who might be answering that, not exactly the minister at the rate he is going, but I do not want to get into—the bottom line here is again, I would appreciate that information, but for the minister to turn around and use 1986 figures as compared to 1992 in terms of the number of defaults that have taken place, if that is how he is making decisions right now, I am very worried. I realize maybe for political purposes, for purposes of rhetoric the minister may wish to do that, but I am asking for the information.

Maybe if I can ask very directly again, let us take in terms of applications approved and applications

rejected. How many applications were received in 1992 and how many were approved?

Ms. Clarke: We had 37 applications and, out of those 37, we had 19 approvals.

Mr. Ashton: Is information available for previous years in terms of that?

Ms. Clarke: I only have information since I have been the manager. I have not had staff time to prepare that kind of information, and it is not readily available. We could dig for it but, you know, we do not have it on record except since 1990.

Mr. Ashton: I appreciate that because the minister is making broad statements about it is tougher to get loans and what not, and here we have only got one year available in terms of information. So I do not know what the minister is comparing his information from here, but I suspect he is maybe not basing it on statistics that he might have available. I would hope that information perhaps might be provided to the minister first, and I will get it afterwards. But, if he understands the background, it might make a little bit easier when we get into some of these questions. Without that it is difficult to determine.

I am just wondering in terms of loan procedures what changes have been made in terms of assessment of loans. Have there been any changes in terms of criteria used? Any changes in terms of the financial factors that might be involved? What decisions have been—and I realize you obviously cannot answer part of your appointment, but I am just wondering if there have been any changes in the last year or two that would have affected the policies in terms of loans.

Ms. Clarke: Yes, we did. We revised the act, and when the act was revised, first of all it was laid out that the applicant was to be from a specific lending area which does—we do not lend in such a wide area as before. That is one reason. We are not dealing with the whole province anymore, in fact, to the point where there was a loan at one time made in the city of Winnipeg even, and so we are dealing with less of the province than was dealt with in the past. Our applicants have to come from a specified lending area. They also have to have projections that deal with the fact that the business can make money, the potential to make money and to repay its debt. Previously we reviewed the applications and went through them when we were establishing criteria, and a lot of times there was never any provision for people to take earnings out of the business or to be

able to repay their debt out of the business. So projections did not include that.

We started putting in a break-even analysis, and so when we have an application we do a break-even analysis on it and then we determine how much leeway it has in the realm of the break-even. We do make sure that we feel comfortable, and it does not always happen, that the business has the ability to earn money so that the person working in it is going to be able to collect some kind of a wage and they also will be able to make their loan payments.

Mr. Ashton: Once again I appreciate the factual information. So essentially one factor here is the more specific geographic area, and there has been at least one change in terms of assessment, well not so much assessment of loans but structure of loans.

I am just wondering on the geographic question. What information is available as to how many loans were made outside the current area? What percentage of loans previously were made outside the current area?

Ms. Clarke: I will have to provide that to you. I do not have that. They were mainly very big loans. So there were not so many loans as the dollar values were usually higher.

Mr. Ashton: Yes, that is fine. The number of loans and dollar values. You know, I am trying to get an objective breakdown in terms of how much of the declined number of loans is due to the more specific area and how much is due—it is difficult in terms of loan procedures. You have mentioned one factor. It is hard to determine, obviously, how many loans that were previously approved would not have been approved under this criterion. I am not making it as a value statement. I am just saying—I am trying to get some idea of how much is impacted from that and how much is just general economic circumstances, banks, et cetera.

Now, I am just wondering in terms of a couple of items in the report—I note that Communications has increased from 1991 to 1992. Is that related to trying to increase the profile of CEDF? I know one of the concerns that was expressed at a previous committee hearing when I asked questions of the minister, particularly in 1989 and 1990, was the fact that I think some people assumed that CEDF had dropped so far out of sight that it was no longer in existence and that that may in and of itself have had an impact on loans. I am wondering if there is a specific reason for that increase.

Ms. Clarke: Yes, you will see a notable increase because we did take over the administration of the Fishermen's Loan Program in January, although we did not take over the financial responsibility until April 1.

However, we have an INWATS line, a 1-800 number, and the activity on that line which, you know, we did not breakout, was definitely increased when we picked up 1,500 clients from the Fishermen's Loan Program, so our INWATS line became very busy and our communication costs as a result went up.

Mr. Ashton: I note also there is an increased amount for consultants' fees and expenses. I note there is another reference in the report to credit and collections. Is that the reason for that particular increase?

Ms. Clarke: Yes, Mr. Ashton, what happened is, we had a portfolio that had several closed businesses in it. Our consultants were not geared to dealing with that kind of a situation, they were used to monitoring loans and writing up submissions, so we did not need this in an ongoing position, so we hired a consultant to come up and to take the portfolio, go through it and deal with all the businesses that had been closed over a period of three or four years, and we proceeded with selling the properties, collecting on our securities.

At the same time, because he had 17 years as a bank manager, we had him do training sessions for our staff on credit granting and collections to improve our staff capabilities. He was there for a period of about four months.

* (2010)

Mr. Ashton: In terms of the credit collection, and perhaps I could conclude in that disposition of assets, I note the minister made a cryptic comment earlier in his comments about a particular circumstance and I think I know what it is. I am just wondering if there is any difficulty indicating the specific incidents in question. I have had some concerns expressed to me that I do not want, if there are any legal difficulties, to jeopardize that.

Mr. Downey: I would appreciate that. At this point it has just been raised to my attention, and we are having it reviewed by the appropriate authorities. If there is anything further, then I am quite prepared to report on it to the member directly and/or publicly, but at this point I think the procedures that are taking place, I do not see any legal implications, but I think

in fairness to the situation that it should be dealt with in a fair manner.

Mr. Ashton: Mr. Chairperson, I probably know as much about this as the minister does, if not more, so I will accept that, and, as I said, I understand some of the sensitivities.

Perhaps I could just ask a general question. What is the general policy of CEDF in terms of disposition of assets?

Mr. Downey: Mr. Chairperson, there is a policy and I guess either the president or the general manager will answer it. As I understand it, open tender, and however that is handled she is quite prepared to answer it.

Ms. Clarke: Yes, we have external legal counsel and every time we dispose of property we go through a game plan with counsel. We always put up all of our properties for offers to purchase or tenders through the newspaper and have closed tenders. We open them on the date. We have a paralegal in-house who handles it all. When we do open them, we have at least two or three staff people there who will actually open them together, and we follow the procedure as outlined to us and specifically outlined to us each time we dispose of a property by our external legal counsel. [interjection]

Yes, the highest bid is always accepted, the highest bid of cash. We often get people who want us to finance a very high bid, and our purpose when we are disposing of property is not to refinance the property but to get the best cash offer that we can out of it.

Mr. Ashton: I am just wondering, in terms of recovery of assets to CEDF and in cases where there are loan defaults, what percentage of recovery is normal? I do not know if there is a normal, but what is the average?

Ms. Clarke: I will have to provide that information to you. I cannot tell you, but I think it is about 25 cents on the dollar, because especially after we pay legal costs and usually you have to clear off taxes on property, things like that, it is not a high recovery on it.

Mr. Ashton: Where does it appear on the report? What line item?

Ms. Clarke: Actually it is netted out of the loan. When we have a loan, say the loan was at \$50,000 and we recover \$20,000, that \$20,000 will be

applied to reduce the loan amount and then we do the write-off. We write off the net that is left, so it would not show up in those reports. We would have to break it out for you.

Mr. Ashton: I would appreciate that because it obviously follows from the general question in terms of policies, in terms of recoveries. In terms of the allowance for doubtful accounts, that, I take it, is based on actual defaults. What is the policy in terms of defaults? Perhaps I should maybe phrase it in that sense.

Ms. Clarke: We have a policy, first of all, on all current accounts of a 5 percent general allowance. It is a nonspecific allowance, and then when loans are more than three months in arrears, we do specific allowance. We assess the value and look at the net realizable cost of the properties. We do quarterly an allowance for lost report that we take to the board of directors for approval to adjust our allowance. We do put a specific allowance on any account that is more than three months in arrears.

Mr. Ashton: Is there any information in terms of the global number of ongoing loans as to how many are current, how many are in arrears and how many are in a default situation?

Ms. Clarke: Currently 60 percent of the loans are current, and we have, I think, another 25 percent that are in arrears; however, they are paying, and 15 percent that right now we are dealing with. That is not talking then about recovery on them, but we have about 15 percent of our portfolio that are being extremely difficult to collect at this point in time. That does not mean 15 percent of the money of the portfolio. It is more like 10 percent of the money.

Mr. Ashton: I appreciate the information. I think that is a more accurate way of expressing the exposure of CEDF, is their ongoing portfolio rather than picking one year or two years out of the hat as we were doing previously.

I am wondering if there is any information available in terms of the commercial banking industry. Presumably they obviously have better figures because they are not dealing with lender-of-last-resort type of scenarios, but what percentage of their loan portfolio would be in an arrears position?

Ms. Clarke: I cannot give you that, as much as the credit union system. I have checked in the credit union system and it was 5 percent. Ours right now, when we make a provision, that is when the minister

said 11 percent. You know, that is doing our comparison in what we are doing right now. When we are making a provision we are making a provision of 11 percent. I cannot speak for the banks, but the credit union system, when I reviewed it shortly, was 5 percent.

Mr. Ashton: It would be interesting with the banks with some of the major defaults they have had in real estate, the Canary Wharfs, to look at what their figures are. CEDF might want to compare notes on loans in northern communities as compared to some of the fancy developments. I would say, Mr. Chairperson, that when you are looking at a range and looking at the type of loans that CEDF has over the years, it had a very good record in terms of defaults, relatively speaking, given the fact that we are dealing with people in a position where it is a lender of last resort.

I have a further question too, and I am just wondering, this is not the only fund that is available in terms of loans. There have been other significant changes in terms of Special ARDA and some of the programs that predate but were operated under the Northern Development Agreement, the development of the Aboriginal Economic Development program.

I am just wondering what impact these changes in programs have had on the kind of loan portfolios that CEDF is looking at. Have they increased the number of potential individuals able to look at financing through CEDF? Have they decreased it? Have they substituted for it? What is the general impact here?

Mr. Downey: Mr. Chairperson, I might be able to be helpful in this area. I know that there has been some work done between the CAEDS program and CEDF that is currently available from the federal government. I will let the general manager indicate to what extent, but I think the role which we are seeing CEDF play with CAEDS is that there has been some bridge financing taking place between the two organizations. We did, when we changed the act, make it so that the CEDF could in fact lend money to Indian bands on reserves so that in fact helps to bridge some work that has taken place there.

So, more lending because of programs? I do not believe so.

Mr. Ashton: One of the concerns that has been expressed to me by some individuals in the North is

that it has become more difficult, and this may be just a subjective perception, but it has been more difficult to access particularly the kind of money that was available under Special ARDA, the grant portion that they put up front. CEDF deals with the loans, and often people were able to attain a combination of their own equity grants through the Special ARDA and also CEDF loans as well. So I am wondering, has that had an impact perhaps on the type of loans that CEDF is dealing with?

* (2020)

Ms. Clarke: I do believe that there are maybe fewer loans made, in a way, that CAEDS have the same criteria as we do, that they have to assess the potential of the business. Their program has changed somewhat. They felt that they had too many businesses closed that were financed by ARDA. So their program has become stricter as far as who they approve loans to too.

Basically I think we are operating under the same premises, that we all know that the businesses we finance would not get financing anywhere else, but, by the same token, we want to try and make sure that they would have a reasonable chance to succeed.

I know the criterion is a little stricter, but I do feel that any business that has come to CAEDS and ourselves that we feel has a potential to succeed has been able to obtain its financing.

Mr. Ashton: So it seems reasonable to conclude from the remarks that there has been a dampening impact, the changes in other programs, on CEDF.

Mr. Downey: Well, it would be hard to determine, because the member referred to former programs under federal-provincial programs. The current programs are CAEDS, and so to determine what difference it is today versus the past, when you look at the overall economic situation that is out there, I do not know that there would be a detailed analysis of more pressure or less being placed on CEDF, if that is really what the member is trying to get at. I do not think there is a measure for that particular situation.

Mr. Ashton: Has consideration been given—and it seems to me most of the activities within CEDF the last number of years have been based on internal review, but has consideration been given, not necessarily by CEDF but by the Department of Northern Affairs, to assess the impact of various changes, whether it be in terms of CEDF's activities

or other funding organizations, because it is a concern in many northern communities.

A lot of people feel, rightly or wrongly, and I tend to think rightly, that it is tougher now to get business assistance, that the general impact of the program changes—not so much with the CEDF by the way, I think it is more in terms of federal programs—is that it is tougher.

In terms of banks, I would say that for every one person you might find who might argue that the banks are doing a better job the last number of years, you will find quite a few others, including a lot of well-established business people who cannot get loans. I could pinpoint probably the most successful people in the city of Thompson on a business basis. I know one individual in particular who could not get a very minor loan for a business, because it just happened to be in a business that was not considered a good risk.

So I am wondering if there is any consideration to doing a review of that nature, perhaps even a review of general banking services, perhaps even in conjunction with the banks. I mean, if they are serious about improving their services, perhaps they might even fund part of it or all of it. It just seems to me that there might be some real advantage to finding out in a broader picture how CEDF and other banking and loan institutions are doing.

Mr. Downey: That is a fair question, and hopefully when the Northern Economic Development Commission reports, there will be some direction as to what is, in fact, taking place.

I am encouraged by the interest that the banks are showing in some of our smaller communities in northern Manitoba, and so I certainly am not arguing with the individual. I think the success of any region or any community is the ability to have a financial service centre or industry in those communities or close to it, and so, if there are ways that we can enhance that, I think we should be doing it.

I will leave it at that, and the member is quite correct. There may be some combination of things that we could work out with the banking industry. I know there has been a close relationship with CEDF and the credit union movement and discussions with the Canadian Bankers' Association. In fact, recently I had comment from an individual at the Canadian Bankers' Association giving positive comments as it relates to what CEDF is doing.

Again, as I said, the success of any area, region or community relates pretty much to having forms of financial support for those communities, and I would like to see an expansion of the banking industry, quite frankly. I think it is part of their responsibility.

Mr. Ashton: I appreciate the comments from the minister. I do note that some of the commercial banks are developing aboriginal programs in terms of both aboriginal employees and contact with aboriginal communities and, presumably, looking at greater access to financing, et cetera.

One of the real concerns—I know this came up at a workshop that I attended with the Northern Manitoba Economic Development Commission—was the fact that it is not that there are not the ideas in a lot of communities but even if the ideas are in any remote sense viable there is a real problem in terms of financing. You know, people just cannot go to a bank, and then you run into the criteria—and I realize that CEDF and other organizations have to look after their own interests as well.

You know, CEDF is not in the business of providing loans to everyone that wants a loan. There has to be some prospect of success, but the concern is out there that the network of government funds, et cetera, and the banks is insignificant relative to the real needs in many communities.

I do not mean that as a criticism towards CEDF. I think if anything CEDF, as I said despite our disagreements over some of the things that have been happening or agreements and others, I think CEDF has a relatively good record.

So I would hope that the minister might want to look at maybe an aggressive approach with the banking industry that would point out I think their obligation to provide better service. I do not just mean consumer customer services. It is fine to put in cash machines in communities, but what really drives the banking system, what drives the economy in communities is the ability to get funds for venture capital purposes, to open businesses or to continue operating businesses that were in existence.

As I said, some very well-established business people in my own community cannot get loans, period. If they cannot get loans, I can just imagine what it is like—I do not have to imagine, I know. I have talked to people in remote communities that do not even bother trying because they have given up.

With those comments—I have a lot more questions, but I think the Liberal member might have some questions.

Mr. Gaudry: Mr. Chairperson, you have indicated—

Mr. Chairperson: I wonder if you could bring the mike up a little closer to yourself, please.

Mr. Gaudry: Mr. Chairperson, you have indicated that you have helped certain people that have requested loans from CEDF and that you have worked out so that they could go to a financial institution and get a loan. How many of these were there that you have worked with and why was this done? Was it that they were a risk to CEDF?

Ms. Clarke: Actually CEDF is not to make a loan unless we have bank refusal letters, because we are not here to compete with the banks. So when we get an application, we say, have you, you know, been to the bank? Some people have the impression that maybe, just go somewhere and get a bank refusal letter. If we felt the project should be supported by the bank, we would rather see people dealing at the banking level, which is the way that society operates.

As I told the banking association, we consider ourselves the training school for business people to mature to be able to deal with a bank. Sometimes we get an applicant that we know could deal with the bank if we help them apply in a proper manner, and so that is when we have taken that initiative with them and they have occasionally been successful to get financing that way.

Mr. Gaudry: Mr. Chairperson, you indicated in your mandate here it is for economic development of northern and rural Manitoba. Does this comprise of all rural Manitoba, southern or eastern, western Manitoba?

Ms. Clarke: The lending area we have—the Northern Affairs boundary for the Department of Northern Affairs says anything north of the northern boundary of the 21st township and then it does exclude a lot of LGDs and communities. We do not exclude those communities, so if you take the northern boundary of the 21st township, it sort of runs from, I think, Riverton over to Eriksdale and sort of across McCreary in the top portion of the Riding Mountain. In the area north of that there are relatively few credit unions. In the southern portion of the province there is the option with banks and credit unions. Where we operate is actually in the

Northern Affairs boundaries without the exclusions, and that is our lending area.

* (2030)

Mr. Gaudry: The other two things that amazed me are the two firms that started the business and never got off the ground, the service station and Canadian pickle. How would this happen, a \$250,000 loan or whatever and the company would not even get off the ground?

Mr. Downey: Mr. Chairperson, that is prior to taking over of the current administration. The loan, I believe, for the pickle company was \$150,000, but all costs that were incurred to try and recover that added up to some \$280,000. The other one likewise—this is the service station—was a similar \$150,000 loan, but it did operate. The pickle company never did open its doors. I cannot answer that. That was prior to our administration, and that was in 1986 and '87 that those loans were made.

Mr. Gaudry: Mr. Chairperson, what was the recovery on those two accounts because to me they are substantial accounts?

Ms. Clarke: On the service station, actually the property sold for \$40,000, but by the time we paid off something like \$19,000 in outstanding taxes on the property and legal fees, we recovered \$17,000. It was up for sale for a considerable amount of time before it did sell at that price.

The Canadian pickles one, monies were never recovered because we had nothing to recover monies on. The business never opened. That was before I was there and the details I guess—there was equipment ordered from Ontario, things like that. Now we have a disbursement—I should maybe explain our disbursement procedure. We never disburse to somebody unless we have a bill to pay now. At one time in CEDF there was not a disbursement policy, so if you borrowed \$50,000 you could actually get \$50,000 to buy whatever you are going to get. It has been probably since around 1987 that there was a policy put in. In 1987, I think, the policy was put in that disbursements had to be disbursed to the dealer you were buying the equipment from or whatever instead of going directly to the person.

Mr. Gaudry: Mr. Chairperson, also in here they are talking about the lending agency for the Fishermen's Loan Program, under Part 3 of The Fisheries Act. Is there any amount of loans that have gone to fishermen in this report?

Mr. Downey: No, Mr. Chairperson.

Mr. Cliff Evans (Interlake): Well, okay, not on this report and I can appreciate that, but CEDF has been the agency, so there has to be some numbers and some figures. What are they?

Mr. Downey: Mr. Chairperson, I guess the committee traditionally—and we will try and provide as much information as possible—would not speak to that at this report. We would wait until next year when the report is in. We will try, to the best of our ability, to assist the member with some information at this particular time.

At the outset, if the member recalls, I did make the statement that by combining the two, there is a saving of some \$800,000 in administration charges that are now currently being accomplished by the amalgamation of the two programs.

Mr. Cliff Evans: Can the minister or the department then indicate how the transition has been since CEDF has taken over?

Mr. Downey: Mr. Chairperson, unless there is some information to the contrary that I am not aware of, it is my understanding that it has gone relatively well. There has been a lot of hard work and effort put forward by the management of CEDF and the employees of CEDF and MACC to make it happen. To my knowledge, it has worked successfully.

Mr. Cliff Evans: Since the transfer from MACC to CEDF, how many applications has the department received and approved?

Mr. Gordon Wakelling (Manager of Finance, CEDF): Our latest number was effective January. We had 895 applications for the year period. Our approval rate was approximately 72 percent.

Mr. Cliff Evans: As far as sum, a total amount—money.

Mr. Wakelling: At the end of December of this year, which again is the last number we have for disbursement totals, we had approved approximately \$2.7 million in loans.

Mr. Cliff Evans: Please correct me if I am wrong. Is that not substantially lower or is it the same?

Mr. Wakelling: I am sorry, that is for only a nine-month period, as opposed to one-year periods. In relation to the year ending 1992, the same period ending in 1991 effectively, the rate was approximately \$2.95 million. So it was down roughly 10 percent.

Mr. Cliff Evans: Now with the changeover, and this is where I would like a little information, can the minister indicate the procedure now and how it has changed, if it has. If it has, what changes has the department implemented for fishermen to apply and/or receive monies?

Ms. Clarke: Procedure has not changed. We have the same field people that we had before. We still maintain an office in The Pas, in Winnipeg and in Gimli which were where the offices were. In addition, we do have a head office now, so we also accept applications in Thompson which was never done before.

The procedure is the same. The application is filled in. It is sent right away to head office. Approvals are done by the Director of the Fish Loans Program, Mr. Wakeling, and they are handled in the very same manner as they were handled before, other than the fact that now loans are approved based on past history performance instead of on future projections, and so the size of the loan that the person may qualify for is based on past history.

Mr. Cliff Evans: So things have not changed that much. There are still the field people in different areas. Correct me if I am wrong, but from what I am gathering from fishermen, the procedure under MACC proceeded a lot quicker than it is right now.

Mr. Wakelling: We have had similar complaints, we have worked to improve our service. In the period when we took on the program we had significant delays as a result of moving the administration around from Winnipeg, as you may appreciate, to Thompson. In recent periods we were approving loans within two weeks, which is roughly the same period that MACC has. In addition to that, we instituted a fast-track program for emergency repairs incurred during the season for the fishermen, for their benefit in order to get them back on the water basically within a 24-hour period. That service was not previously available.

Mr. Cliff Evans: Now you are saying you can receive and approve a loan, and a fisherman can receive his money within two weeks. Is that what you are saying now?

Mr. Wakelling: The fisherman would not receive the money, the money would be advanced to a supplier. But, yes, effectively the fisherman can receive the loan within two weeks.

Mr. Cliff Evans: How far back is that two weeks been in line?

Mr. Wakelling: Our experience has been basically since the end of the summer season entering into the fall season. The member may appreciate that we were instituting systems and software systems in Thompson prior to that. That system has basically been within the last four- to six-month period.

Mr. Cliff Evans: Then it did create a problem for fishermen and suppliers during that transition period.

Ms. Clarke: No, I would not say it created a problem for the fishermen. Any time they had a problem and they contacted us, we would prioritize anybody who contacted us. The procedure for people who were applying for the next season, their loans were being processed as quickly, but I would think there may be about four or five incidents that I know of. I had a call that we had to address the situation and move it up through the system faster. We never kept any fishermen off the lake during that time. They may not have had their approval processed as quickly, but it would have been for the next season's fisheries. Any time there was an inconvenience and they called us, we addressed it in that transition period.

* (2040)

Mr. Cliff Evans: You are indicating to me—and I have not been able to speak to the people that I was getting the complaints from in the last month, and I will check with these people again. Basically, is everybody caught up that has applied, approved? How long do suppliers have to wait for their money?

Mr. Wakelling: . . . within 10 days of receipt of the invoice.

Mr. Cliff Evans: Ten days of receipt of invoice, okay. So you will agree and admit there was a problem, say, in the first three to six months of transition to—

Mr. Downey: I would think it is fair to say that the staff were under a lot of—in the transition period. It was a transfer and there probably were some inconveniences, which I certainly apologize for, but it was very short-lived. As you have heard the management say, they put every effort through that was brought to their attention to try and correct that problem, and I think they went above and beyond their call to do that. Currently, from what I am hearing and have heard from people involved in the industry, now that that is behind us, things are working as they would expect them to. If it is not, I

would invite the member to bring any difficulty forward to my attention.

Mr. Cliff Evans: Yes, well, I certainly will, and I think I had indicated to the minister—

An Honourable Member: And he did not do anything. Is that what you are saying?

Mr. Cliff Evans: Well, I am not one of the members who likes to really throw that dig in, but there was not anything done about it, no, but it was brought to your attention.

Okay, so now, for the future, just so I understand better, if someone in Riverton goes to Gimli for a loan application, past performance is fine, quota is fine, licence is fine, you are saying to me now that it should not take anymore than two weeks?

Mr. Wakelling: Yes, I can and I will use that. I mean, I am from the Riverton area, and I have had a lot of complaints this year, not only from some of the Fisher River people, some of the Riverton people, that the whole process was so difficult at times to be able to get answers that I do hope the matter has been ironed out.

Ms. Clarke: I would like to invite Mr. Cliff Evans to contact us whenever he does have a complaint, because we do like to keep our clients happy. There was a change in the procedure for approving, because we were looking for more accountability. I think some of the billing was—they were used to getting paid without sending a proper invoice, and so part of the problem was our system was a little bit different in that we required a proper invoice to be received at the head office before we would make a payment.

Mr. Cliff Evans: Just one further question. I am sure that you are talking about on approval of a fisherman to get his loan. I wonder if I may be sent some information as to criteria, policy regulations as to—because I know I am going to get, and I am sure the minister is aware that I am going to get calls, why can I not get approval?

Mr. Downey: Yes, Mr. Chairperson, we will attempt to spell out the policy and assist the member with any difficulties he has.

Mr. Ashton: I have some further questions on the fishermen. The member has dealt with the question of delays. It is a concern that I certainly picked up. What I would like to ask is in terms of the criteria you use in terms of the loans to fishermen. I just wanted to know what the criteria are in terms of those who

are eligible and those who are not. One concern that has been expressed to me is from individuals who are fishermen but have been classified as hobby fishermen because they have other income. Is that a barrier at all? I am just wondering what the general criteria are.

Mr. Wakell: Firstly, I am not familiar with the term "hobby fishermen." We do not classify people as hobby or part-time fishermen. Secondly, there are three basic criteria. Fishermen must be over the age of 18 to hold a valid commercial fishing licence and be a resident of Manitoba. Having said that, the fisherman must then be able to demonstrate from past performance, past production, the financial ability to repay the loan within the useful life of the asset, using no more than 25 percent of his income to make the payment.

Mr. Ashton: Well, I think that is where the difficulty comes in. When I say "hobby fishermen," I am using it in the context of "hobby farmers," that classification being those whose income is greater from other sources than it is from fishing.

I point out that the difficulty in a number of communities is that because of economic pressures, it is becoming increasingly difficult for people to make as clear a living as they have in the past, and it may affect the loan criteria. It is still very much a way of life in a number of communities in northern Manitoba.

I would say that a lot of the frustration is not so much with the loans but is with the Freshwater Fish Marketing Corporation. I know the minister has had a meeting recently, or at least arranged—I am not sure if the minister attended, but I know he had arranged for a meeting—[interjection] Well, whether he was there—[interjection] No, I am being nice here. I am saying he arranged it. I mean that in a positive way.

Quite frankly, the reaction of many northern fishermen is, when you mention the words Freshwater Fish Marketing Corporation, usually not very positive, to say the least. There is a great deal of frustration in the North, and there is a sense that the whole system is biased against northern fishermen.

In fact, they recently had a review from an individual who was not even originally going to bother—a consultant I believe was hired—holding any meetings in northern Manitoba. I think that lasted as long as the people in northern Manitoba were

unaware of it. As soon as they found out, this developed in that particular case.

I am wondering if there is any communication with the Freshwater Fish Marketing Corporation and with the clients, with the fishermen themselves, in terms of some of the pressures that are increasingly being felt, particularly in northern communities.

I would point out that there are communities where fishermen are saying that within three or four or five years, there will not be any commercial fishing left at the current rate. That is how drastic a decline there has been in what up until recently was a very significant activity in a number of northern communities.

Mr. Downey: Mr. Chairperson, I can appreciate there have been some concerns raised. I have been part of discussions recently, but I do not think that the member is advocating that we do away with the Freshwater Fish Marketing Corporation. Is that what he is saying at this meeting? Maybe he could give me some clarification. Is that what he is advocating?

Mr. Ashton: I appreciate that the minister may be practising for being an opposition critic again here by asking questions. If that is what he wants to do, that is fine.

My concern is that the Freshwater Fish Marketing Corporation does not adequately represent the concerns of northerners. It never has, and to this point does not, period. If you talked to most northern fishermen—I am not saying all, but most northern fishermen would like to see some significant changes. If the minister is asking the question, should it be gotten rid of, I think the answer is, should it be made into a corporation that reflects the needs of all commercial fishermen? The answer is yes on that. That is a big difference in what is happening currently.

The reason I used the example of the consultant here was because I was trying to give the minister a little bit of credit. I know he arranged a meeting because commercial fishermen were upset, and they were upset because the Freshwater Fish Marketing Corporation was not even going to bother meeting with them, this consultant.

In fact, maybe I will ask the minister if he could perhaps outline the results of that meeting. Maybe I will give him a chance to answer questions here, and we will keep it fairly balanced. We can ask each other questions the rest of the night.

* (2050)

Mr. Downey: Mr. Chairperson, as the members knows, CEDF does not play a role in the direction of the Freshwater Fish Marketing Corporation. I do appreciate his comments though.

Mr. Ashton: I am getting very good advice from my colleague from the Interlake and, as I said, it is important to ensure that the concerns are dealt with in terms of northern fishermen. I did outline and I think the answer is fairly clear that a lot of people are increasingly, because of economic pressures, not able to qualify for loan assistance because of the deterioration in the economic circumstances. That means, and I think the minister has to recognize that the first reaction is to blame CEDF, but in actual fact it may be a case of the general economics because of Freshwater Fish Marketing and other factors.

That is why I would urge the minister, and I mentioned the meeting because I know that he is aware of the concerns. I would urge the minister, who does have the interesting position of being the Minister of Northern Affairs and being the Minister responsible for CEDF, to perhaps use those various other roles to seriously look at the future of commercial fishing in northern Manitoba because, as I said, I can point to communities in my own constituency where there will not be any commercial fishermen left in a number of years. It is that serious. When you look at communities that have virtually no other economic base or are faced with pressures on the existing economic base, it is a very serious situation.

Which brings me to another series of questions, and that is in regard to CEDF and Repap. I am just wondering what role CEDF has played in terms of Repap's change in the operations of its woodlands division, in particular what role it has played in the financing of acquisition of equipment by contractors who were formerly employees.

Mr. Downey: Mr. Chairperson, I will make a brief comment and the manager can further add to it. It is my understanding that the individuals who are wanting to operate chippers of their own or systems of their own have made application to CEDF to get funding to go into businesses on their own and, to the best of my knowledge, that has worked very successfully. The product which they produce is contracted to the Repap pulp company.

Maybe Ms. Clarke has further information in this regard, but we believe it has given people an

opportunity to get into small business operations rather than depending on the supplying of those jobs directly with the corporation.

Ms. Clarke: When the individuals came to us who were being displaced and they were being given the first option to be the contractors, CEDF sat down with them and we worked out with them business plans. We have financed the individual contractors and we have provided them a considerable amount of business assistance since they are new business operations. We did organize a workshop with these people with a local accounting firm to go out and give them some expertise on how to set up a business, and we have provided ongoing support to them as far as their business management is concerned as well as financing.

Also, the aboriginal people have been able to get some grants through AEP to assist in the purchase, and CEDF has worked very closely with the individuals to make sure that they could establish contracting businesses.

Mr. Ashton: How many people have received assistance?

Ms. Clarke: With the new in-bush chipping we provided loans to 11 individuals. We certainly have existing clients in that same system that have been clients and contractors prior to that as well. So we probably have about 22 clients, I think, in the Wabowden-Nelson River district as clients as well as many other skidder loans and forestry loans throughout Manitoba.

Mr. Ashton: I am just wondering if all applications are approved, or were some rejected?

Ms. Clarke: I believe we rejected two individuals who had bad credit ratings and all the contracts were filled. We did finance someone for each contract, but there were two individuals that because of prior credit history were not recommended.

Mr. Ashton: Were these individuals formerly employed with Repap?

Ms. Clarke: They were, and they are currently employees of the new contractors. So they still have jobs, but they have not financed any equipment.

Mr. Ashton: I appreciate the role that CEDF has been playing in that particular area right now. I must say it has been difficult for people in Repap. It has been difficult in the sense that they did not have much choice. They were given basically an

ultimatum. I was involved in terms of some of the initial contacts, and I appreciate the role CEDF has been playing although I want to indicate on the record that I would be less charitable towards Repap, which quite frankly in my mind has a rather poor record in northern Manitoba. I think quite frankly they have conned a lot of communities.

I look at Wabowden in particular, which I represent and which I was just in last week; I look at the difficult times in Wabowden that people have faced and also some of the big risks that people have now entailed going from being employees to, as was pointed out, being owners of small businesses. It is a new experience for many people, and I know the concern in some cases was expressed that they felt forced into it to maintain their jobs. I do not mean forced by CEDF, I am not saying that, but forced by circumstances by Repap, and you know I think that some record should be made of those concerns.

In fact I would like to ask the minister whether he at any time has met with Repap officials either in the capacity as Minister of Northern Affairs or in terms of CEDF in regard to some of the things they are doing which to my mind fly in the face of the kind of guarantees they made to northern communities, the kind of statements they made.

I attended public meetings in Wabowden and in Thompson at the time they sent their consultants around, before they signed the deal with the government, when they obviously still had to try and impress a few people. I have seen the difference between what they said at the time and what they have done since.

I am wondering if the minister has had any conversations at all with Repap to outline the concerns of many northern communities and particularly communities I have mentioned here about the kind of policies that Repap has been introducing.

Mr. Downey: Mr. Chairperson, I cannot say that I have had any meetings directly relative to this particular issue, but I can say that I am pleased with the work that CEDF has done to support individuals who want to get into business on their own to provide a supply of product to Repap. So I cannot say that I have had any specific meetings regarding this. I am not aware of any dissatisfaction in a major way from the community people, because they have in fact been provided the opportunity to get into

businesses. So I cannot say that I have had that same reaction from the communities as to its relationship to Repap.

Mr. Ashton: I realize perhaps the minister has not had the same opportunity to talk to people directly that I might, and I am talking specific contact with individuals that have expressed that concern to me.

I am wondering if the minister can undertake, if not directly, perhaps through the minister responsible, the Minister of Finance, who I believe is still the minister responsible for negotiations I guess now with Repap, to express the concern.

I will take a vote, for example, there is ongoing concern about direction of employment in that community. Wabowden has had a tough time in the last number of years. I was just in, as I said, about a week ago and people tell me and I know it to be a fact, living in a neighbouring community, having seen former times that in Wabowden, it is going through some of the toughest times it has ever been in. There is a real concern in the community.

* (2100)

As I said before, I was not in any way, shape or form criticizing CEDF. I believe they did the only appropriate thing, and it was the kind of thing that was requested by people and was certainly a request that my own office made both of CEDF and also the Aboriginal Economic Development program, because I met with many of the people affected.

What I am asking is perhaps if the minister, through the Minister of Finance (Mr. Manness), can try and get the message through to Repap? I point out that we are still presumably, as a province, involved in the process of negotiations with Repap, because they have not lived up to the terms of the agreement and both Repap and the province have given notice of intent to renegotiate the original agreement.

So I am asking if the minister can perhaps relay that concern and have the Minister of Finance raise it directly with Repap.

Mr. Downey: Mr. Chairperson, I am prepared to discuss the issue with the Minister of Finance (Mr. Manness) and to see what discussions may or may not have taken place.

Mr. Ashton: I appreciate that and, as I said, it is an ongoing concern. There is very real concern about long-term employment in terms of Repap in northern

Manitoba, and I appreciate the role that CEDF has played in the last period of time in very difficult circumstances. As I said, when I talk to people who were concerned, they were not critical of CEDF per se, but there was a feeling they had no other choice, and I think they appreciate the assistance of those that stepped in and prevented people from ending up being without any kind of employment. Even though there is concern about the kind of risks that they have had to assume, I think that is obviously a better alternative for most people than unemployment, which is unfortunately increasingly the case in places like Wabowden.

Mr. Clif Evans: Mr. Chairperson, these two questions are basically just more out of curiosity than anything else. On the loans approved for the year '91-92, \$43,340, and \$23,250 given to an Andrew G. Young. Could someone explain to me used furniture. What—it seems strange to me. Is this a used furniture store? What is it and how is it progressing? It seems like a fair amount of money to loan out for used furniture.

Ms. Clarke: This business was an application that came through us through the Aboriginal Economic Development program. He is a treaty Indian from the reserve at The Pas who opened a used furniture store and also had a delivery van. That was about \$27,000 involved in this.

Mr. Clif Evans: You were saying earlier that there is a line basically across the province.

Mr. Downey: Yes, it is the Northern Affairs boundary line.

Mr. Clif Evans: Well, thank you very much. I appreciate the minister's input.

Does Russell fall into that line?

Mr. Downey: No.

Ms. Clarke: I would like to answer that also our loans provide that we can assist aboriginal people with loans outside of the boundary throughout all of Manitoba. Again, this is an aboriginal loan that came through AEP for a flower and gift shop in the Russell area, so the loan was approved because they were aboriginal people who are applying and that is why they qualified.

Mr. Clif Evans: I would just like to close and also say that hopefully the CEDF does take good care of our fishermen and the loans and certainly you will get my support if, in fact, I do not get any bad vibes from my constituents or concerns. But I wish you

well, wish you luck and hopefully the program will continue to be a success. Thank you.

Mr. Ashton: Just a few closing comments, actually, because there is some information that I hope the minister will provide at the earliest opportunity which I think is important . . . perspective. My hope is that CEDF, after the turmoil it has gone through, some positive, some negative, the last few years, will be able to recover in terms of the degree of activity that it had previously.

I expressed this concern a number of years ago, Mr. Chairperson, and will continue to express it. We have had a number of lost years, 1989 being the most particular example of that because of some of the reorganizations that took place, and the figures speak for themselves. We have seen a very significant decline in the number of loans approved and amounts approved, and the evidence is only this year that it is beginning to recover. I assume a significant part of that would be from the Repap activity which is positive and I appreciate that.

My concern is that—I believe CEDF is well managed. I believe the decentralization is in the long term a positive initiative, so I am not being critical of either the staff or that particular move—

An Honourable Member: Or the minister?

Mr. Ashton: Well, I do not know if I would go that far, Mr. Chairperson, and I note even in the report that rent, for example, had decreased dramatically. I assume that is partly the result of moving to northern Manitoba. I always felt that the kind of space that was occupied previously by CEDF was inappropriate for an agency that was dealing with northern Manitoba. So, okay, on that one I might agree with the minister. I think I said that when he made the announcement. I think it is about the only time in the last 11 years I have agreed with the Minister of Northern Affairs on anything.

By the way, while the minister is at it, if he would still like to move up the other jobs that were promised to Thompson, like the Energy and Mines jobs—

Mr. Downey: Stay tuned.

* (2110)

Mr. Ashton: Stay tuned? We are still staying tuned; we have been waiting for about three years, Mr. Chairperson, but I think he will find that there might be suitable space made available by people in Thompson as well for a similarly inexpensive

price. There is a certain irony too, in terms of who is CEDF's landlord right now, given what this government is doing in other areas.

Mr. Chairperson, as I have said, I am still concerned. I want to see CEDF recover to its traditional levels of activity, and when I say that, that is given any changes that have taken place in terms of geographic focus or in terms of loan criteria, because I really believe CEDF can play a key role. I would go even further and say that when the minister is looking at the recommendations of the Northern Manitoba Economic Development Commission, he might want to review the role of CEDF and perhaps look at expanding the role.

I do not want to see CEDF become a declining pattern or in a relatively narrow role. I think it has a significant role to play. The minister and I can trade figures back and forth in terms of its loan portfolio, but for a lender of last resort—and just take a look at page 7 of the report and look at the communities that are being served and the types of ventures that are involved, many of which are in the service sector, hotels.

These are high-risk industries to begin with. I would say you would probably find the commercial banks would be hard-pressed to come in with loan default rates much different in these particular sectors. By definition, CEDF is not dealing with loans to the more secure investments. That is just not within its mandate.

I think we should be concerned about the relative decline in the number of loans and pleased that there has been some recovery this current year. I think the government should, in conjunction with the commission, when it makes its report, review the role of CEDF, and I would say probably look at a significant expansion.

I think the term that the Northern Manitoba Economic Development Commission is using in its draft plan of "community-driven" economic development is a good place to start. There is a lot of potential out there and a lot of communities that

have not traditionally been served by CEDF. A lot of that has to do with difficulties in the case of reserves, in terms of loaning procedures. I think that can be overcome.

I would say in many Northern Affairs communities as well, more needs to be done, and I think, particularly in remote northern communities, you will find that in recent years, there have been very few loan applications made to begin with. I am not saying that it is the fault of CEDF per se, but there are many good ideas in the communities that are remote, that do not have access to banking and just are not getting into the system. The only way to get those people to be part of the system, to my mind, is to expand the role of CEDF.

So with those comments, thanks again from our side to the staff for the excellent work they have been doing, and we look forward to seeing the results next year.

Mr. Gaudry: Yes, Mr. Chairperson, I have just one question. Russell was mentioned here, and then they mention that any town in Manitoba of aboriginal descent, I guess it could be southeastern Manitoba or southwestern Manitoba, that these loans would be available as a last resort or would help them to finance their business.

Mr. Downey: That is correct. When I commented about Russell—basically, the line is Northern Affairs boundary, the exception being aboriginal loans south of that line.

Ms. Clarke: In conjunction with an AEP grant, we do not just—it qualifies if the AEP program CAEDS decides that it is part of a program.

Mr. Gaudry: Just to say thank you to the staff again for being here, and I appreciated their comments.

Mr. Chairperson: Shall the Annual Report for the Communities Economic Development Fund for the fiscal year ending March 31, 1992, pass—pass.

The time being 9:22 p.m., committee rise.

COMMITTEE ROSE AT: 9:22 p.m.