

LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, 16 May, 1985.

Time — 8:00 p.m.

COMMITTEE OF SUPPLY

SUPPLY - CO-OPERATIVE DEVELOPMENT

MR. CHAIRMAN, C. Santos: Committee please come to order. We are still on Item 1.(b)(1) and 1.(b)(2), Executive Support: Salaries, Other Expenditures - Mr. Minister.

HON. J. COWAN: Before the supper break, the question was asked respecting whether or not there has been general improvement following the loan agreement of 1982 and the provisions that were put in place to strengthen the credit union and caisse populaire system and increase its viability.

I can indicate that since the end of 1982, which is the time the agreement started, the deficits had been reduced by approximately 18 percent.

This is due to a number of factors including improved loan policies and practices; staff and board training for the credit unions and the caisses populaires themselves; the financial assistance which was provided through the province; the examination program of credit unions and caisses populaires; the performance improvement programs that are taking place through the funds at the local level on the individual credit unions and the central; stabilized interest rates; the growth and system overall.

I think as important as any of those is the improvement in the way in which the system approaches loans and credit in the committees that have been struck to deal with those issues.

So I hope that provides the type of indication of the trends that are ongoing at the present time. The system is strengthening, it is becoming more viable, the deficits are reducing and there are a number of provisions in place that we hope will lead to the type of strengthened system over time, which I know is the goal of everyone in this room and within the movement itself.

MR. CHAIRMAN: The Member for Roblin-Russell.

MR. W. McKENZIE: Mr. Chairman, I'll accept the Minister's comments on the subject matter. It's public money and that's what concerns me, that we should have it out on the table as to what kind of dollars we're talking about. I accept the Minister's figures in good faith, so we'll leave it at that.

The number of credit unions under supervision - can I have any idea of how many there are?

HON. J. COWAN: There are 31 credit unions under supervision and three that are caisses populaires. I think I might have used a figure of five earlier.

A MEMBER: Three.

HON. J. COWAN: Okay, there are three - the actual figure for deficits is three.

MR. W. McKENZIE: Can I ask the Minister if there were any additions in 1984 or any that were released from supervision?

HON. J. COWAN: There were two releases in 1984 and one addition. That's with the credit unions and the caisses - I'm sorry, both that are under supervision.

MR. W. McKENZIE: I wonder, can the committee have a list of those?

HON. J. COWAN: You want those that were released?

MR. W. McKENZIE: No, the 31 and the ones that were released as well.

HON. J. COWAN: The consensus is that we will be able to provide you with a list, but we'll have to get a list and forward that to you. That's not withstanding any last minute legal requirements that we not release it, but our sense right now is that will not be the case.

MR. W. McKENZIE: Mr. Chairman, the same rule applies. It's public money and we're here to examine the expenditures of public funds, and it becomes very difficult to start drawing lines here and there. Either we lay the guidelines down - there's none available, or else . . .

HON. J. COWAN: I appreciate the fact that what we are dealing with is the significant sum of public money that was provided to the system through the loans in 1982, but what we're also dealing with is a system that has an institutionalized and a well-accepted reporting mechanism, not only to government, but also to its membership. Our role is to make certain that the information, which is provided to us under certain circumstances and under certain criteria, is dealt with in a fair way.

I don't see a difficulty in providing that information right now. As I indicated, I'm not a lawyer, and there may be something I'm missing and we'll have to make that determination by checking with legal counsel; but my information and my advice right now from staff is that we will probably be able to release that information. We'll forward it. But I certainly appreciate the intent of the questioning and the fact that we are dealing with a significant sum of public money and there has to be some accountability to this committee and this Legislature.

MR. W. McKENZIE: Can I ask the Minister, how many credit unions received assistance in '84?

HON. J. COWAN: We'll just find that information. It's in one of the reports. Twenty-three credit unions, during the last year, and three caisses populaires.

MR. W. McKENZIE: Mr. Chairman, how many employees are involved in the credit unions and caisses populaires? Is that figure available?

HON. J. COWAN: Yes, it is - 1,100 in the credit union system and 100 in the caisse populaires system, for a total of 1,200.

MR. W. MCKENZIE: Does the Minister have the figure for the co-operatives?

HON. J. COWAN: About 3,800 for the co-operatives, directly.

MR. W. MCKENZIE: Was there any jobs lost in the year past or is it about the same figure as last year?

HON. J. COWAN: The additions and reductions would be statistically insignificant. There is probably a slight reduction in the number of co-operatives and a stable number in the credit unions and caisses populaires, but it would not be a major amount.

MR. W. MCKENZIE: Can I ask the Minister, what kind of dollars from the Jobs Fund is provided to credit unions, caisses populaires or the co-ops?

HON. J. COWAN: We wouldn't have a centralized accounting by the department of the amount of money that is forwarded to them through the Jobs Fund for projects. However, I can indicate to you that whenever a program does become available, we make them aware of it and then it's up to them, just like any other business or economic organization, to take advantage of the program through their own application.

I have not heard any concerns if they are not being dealt with fairly and we certainly advise them - I do personally in a number of instances by correspondence - of the availability of those programs.

MR. W. MCKENZIE: I wonder can the Minister give me an idea of the profit and loss statements of the fishing co-ops in 1984?

HON. J. COWAN: The net income for the fishing co-ops in 1984 was \$179,890; total assets in 1984 was \$1,149,828; members' equity in 1984 was \$1,020,123.00. There was 6,888,973 pounds of production by the fishing co-ops and \$4,643,778 in sales.

MR. W. MCKENZIE: There were no losses then?

HON. J. COWAN: One fishing co-op had a minor loss last year. It's undergone some changes and we expect that it will pick up a profitable position again next year.

MR. W. MCKENZIE: Mr. Chairman, did the government purchase the co-op building in Dauphin?

HON. J. COWAN: No, the government has not purchased that building, although there have been discussions ongoing in respect to a possible government involvement with that building, but there has been no purchase made to date.

MR. W. MCKENZIE: Mr. Chairman, last year I was favoured with the Annual Report of Federated Co-op. I wonder if somehow I could get on their mailing list.

I appreciate getting it, but I didn't receive it this year and I don't know how . . .

HON. J. COWAN: We anticipated the question and have got copies here, which we can pass out to members of the committee.

As well, I think it would be a good idea if we would make recommendation that they be mailed automatically to the critic and we'll undertake to suggest that to Federated, so that in the future it comes directly to him.

MR. W. MCKENZIE: I wonder, Mr. Chairman, maybe the Minister - I tried to attend the annual meeting of CCSM in the city. I phoned all over that day. I phoned maybe seven or eight credit unions and they all referred me back to a certain place. I called that place twice and they never called back. What does a person like myself have to do? I was on the board at one time. Is it that you have to be elected by the local credit union as a delegate or otherwise you can't attend? Maybe that was the problem that I ran into.

HON. J. COWAN: Certainly, the primary method of attendance is through delegation by the local credit union. However, we can check to see if there is an observer status available and report back to you and certainly advise them of your concerns.

MR. W. MCKENZIE: Mr. Chairman, I was in contact with the Minister last November regarding an accounting firm in the city that had been requested to make application to audit the books of one of the city credit unions and of course, the Minister recalls, it was turned down. Is there any change in that policy?

HON. J. COWAN: The policy that exists now may well be a part of the new legislation which is being developed and at that time there might be changes. Until such a time though, the audit policy is as was outlined in my response to you. That is a matter under review with the legislation.

I might just go back very quickly to the member's opening remarks when he did address the matter of legislation and had some questions as to whether the legislation is necessary and how it's going to impact upon the autonomy of the credit unions system. I certainly appreciate his comments in respect to that autonomy and the impact of legislation might have. What we've said very clearly to the credit union system, through the central and the Federation and the phone and the fund, and the individual credit union members and executives and boards with whom I've had conversation, is that the legislation has to meet their needs. It has to provide protection for their membership; it has to provide protection for the public interest because that's the purpose of legislation. But most importantly, it has to respect the principles of co-operation and credit unions and caisses populaires and it has to meet the needs - what we're all working toward - and we're working toward it together, is a system that's healthy and can grow and can strengthen.

So we have been in discussion with them for over a year now, well over a year, and at many different levels in the system we've undertaken those discussions.

I think we've reached a stage where there's a pretty fair consensus on a good 90-95 percent of the issues. We're still discussing the last few issues and I think when we come forward with a package, which I hope to do in the near future, if we can resolve those outstanding issues, it will have that sort of respect for autonomy and, at the same time, respect for the public interests.

I think we've been able to develop a pretty good consensus which doesn't mean that everybody is in perfect harmony and agrees with everything in the legislation, but on balance, the package will be acceptable and I would believe welcomed by most as it is in the best interest of the system overall to have the best legislation possible. His concerns, I know, are sincere and have been forwarded to me by others as well. We're trying to take that into account as we undertake the discussions.

MR. W. MCKENZIE: Mr. Chairman, for the Minister, these concerns were expressed to me all the meetings have been held and so I put them on the table in good faith and we'll see what happens when the legislation arrives on the table.

HON. J. COWAN: Just to answer that. After the meetings were held and we were aware that there was a fair amount of concern out there, and that's why the meetings were held in the first instance, we sat down again with the representatives of the committee that was working on the legislation which represents a different interest in the system and said, okay, how do we resolve those concerns.

There had been some significant modifications in a number of areas where there was a disagreement since that time. As I say, there's a few outstanding items that have to be addressed and if we can address them, I think we will have dealt with most of the concerns. That's not to say there may not be specific interests that have some concerns or instances where there is a problem, but we will have a package that on balance meets those concerns. The member is absolutely right, there was that type of concern after the meetings.

MR. W. MCKENZIE: For the Minister and the Committee's interest, the credit unions that were in touch with me, all private credit unions are in good shape, they're well managed, they're buoyant and they're on the move. They wonder if some little thing, such as the bureaucrats moving in, will upset that harmony and the flow of it they've enjoyed. On the other hand, we have the other types of credit unions that are a problem. So, maybe the legislation will resolve some of those problems.

Can I ask the Minister, the agricultural economy doesn't seem that it's going to improve the year ahead. The retail co-ops are facing real serious problems in many cases. Has the Minister or his staff met with some of these co-operatives, the retail co-ops, and sat down to see if there some way that their problems, at least, correct some of them or should we as legislators be concerned and offer advice, or are they able to manage themselves? There's been all kinds of different opinions and thoughts expressed to me such as long-time co-op members don't support their local co-ops, because

of the retail industry is very, very competitive in a lot of the larger towns and they're sharp operators. The co-ops competing with them across the street, they have a problem on their hands.

I wonder, to the Minister, is there anything that the committee or some of the things that they've discussed with them to see if we can't help them solve some of their problems?

HON. J. COWAN: We have entered into discussions with specific co-ops over certain problems from time to time. That's done at both the staff and ministerial level - usually at the staff level, however - but where it is a specific incident or where there is a request by one or more of the parties that I involve myself, I've always tried to be available for those discussions and to meet with the parties.

Yes, we should be concerned about the increased competition that co-ops face, the fact that there are questions as to membership loyalty, which is one of the primary components of a good co-operative being able to meet the competition head-on. It's a matter of, I think, reflecting back upon the things that made a co-op happen in the first instance and that was usually a group of people with a common bond and a collective will coming together to make something happen. I found that in times of crisis that sort of collective willpower re-emerges and exhibits itself again. Sometimes it's too late and that's unfortunate. Other times it's within enough time to make the necessary changes.

While I hesitate to get involved directly and the department hesitates to get involved directly in the affairs of an individual co-op, what I have said to them on almost every occasion, was that my first advice to them is to go back to the membership, to sit down and talk with the membership, to say this is a problem that we have, these are the reasons we believe we have a problem and what sort of advice can you, as members, give to us in order to meet this new challenge, just as the members got together in the first instance to meet a challenge.

There have been times when they have asked us for specific assistance and we have attempted to see if there were ways to provide that assistance - in some cases have and other cases have not been able to provide assistance - but in every instance we've said to them that we believe they should be treated fairly like any other business enterprise in the province and therefore if there are government programs available generally, they should be available to them and if they meet the criteria, they should be taking advantage of them.

We've also again said that it is a matter for the membership in the last instance, and we've also worked with FCL and others and they've been providing assistance. We consult and meet with them on occasion over general trends and concerns and specific incidents.

MR. W. MCKENZIE: I thank the Minister. Can I raise some questions on the merger of Co-op Implements and Vicon Incorporated?

HON. J. COWAN: Please.

MR. W. MCKENZIE: Where is it at? What has taken place?

HON. J. COWAN: Well, there's a whole history which I don't think it's necessary to go into, that got us up to the last year. I think what's more of interest to us is what's happened in the last year. Of course Co-op Implements, on the basis of its economic projections, decided that it had to do something of a significant nature in order to survive. That's what we're talking about in this instance is survival in itself.

They went and entered into discussions with a number of other businesses as to how they might merge and whether or not there was that opportunity. They talked with a fair number and the Provincial Government assisted in trying to identify potential contacts and also acted as a facilitator where possible.

It ended up that Vicon, a Netherlands firm, purchased the majority of the manufacturing assets of C.I. in February and, at that time, indicated they would be undertaking an operation to construct equipment and to supply the dealer network which is still out there. There have been some modifications in the dealer network throughout the province, but certainly the bulk of the dealerships are in place.

One of the concerns, of course, with C.I. was the individuals who had already bought their product needed parts over a period of time and also needed a dealership and a service network, so they wanted to maintain that portion of their operation. Vicon seemed to offer an opportunity to do that. There were then discussions held with the union in respect to transition and they, like any other discussions, had their good times and their bad times, but in the end, those issues appear to have been successfully resolved; and it's my sense that we will be hearing some relatively positive news in respect to that merger in the very near future.

The discussions are nearing their final stage. It's our hope that the operation will stay in the province and that Vicon will locate here and run a manufacturing - actually, what they run is an assembling operation, rather than a manufacturing operation, and the sub-components are manufactured locally and the dealer network will stay in place through C.I.

All I can indicate to the member is that a definitive answer will be forthcoming very shortly, after a long wait, and it's my sense that it will be a positive announcement and I'm optimistic to that effect.

MR. W. MCKENZIE: I thank the Minister, so likely the Minister has no more idea about it than I have what the merger involves. Does it involve the ownership of the retail stores, the head office, the parts distribution? Is Vicon going to handle all that?

HON. J. COWAN: C.I. still will maintain the network, the dealer network, the marketing arm and the retail and the service. The plant itself, the infrastructure, the building will probably not be used by Vicon. As the member knows, that was probably one of the problems in respect to the size of the operation and being able to keep it operating at capacity.

Vicon will be assembling components. It's dependent upon the deal being finalized, but if everything happens in the way in which it's anticipated, they will be assembling the components, they will be subcontracting out of all the manufacturing of the parts and the components, there will be a parts operation that will

be maintained so that the machines that are out there now can be serviced. My understanding is they will be manufacturing C.I. equipment and C.I. will continue as an equipment distributor.

I don't think it's so much a matter of not knowing fully all the facts. It's just a matter of these announcements have to be undertaken in co-operation with the other parties and, as I'm trying to indicate to the member, I think that announcement will be forthcoming in the very near future; but until the other parties have decided exactly what it will be comprised of and when to make it, I'm not at liberty to provide what is basically their information.

MR. W. MCKENZIE: Can the Minister advise the committee, the CCIL lost some \$10 million. The losses of CCIL, how are they going to be handled or the debts? I guess there's three prairie governments and the feds are involved.

HON. J. COWAN: What this was all meant to do, this agreement, merger and restructuring, was to allow C.I. to continue operations and over a period of time, hopefully, to be able to work itself out of that debt position; so as I indicated to the media some time ago, our primary concern is not with the loan or the loan guarantee at this time, our primary concern is helping C.I. through this difficult period of time so that they can have an opportunity to pay that back over a period of time. So there's always a possibility, when one loans money and one guarantees loans, especially in these sorts of circumstances, that you've lost that money. We knew that when we entered into it.

What we're saying now is that we believe there is an opportunity here for that money to be paid back over the longer term, rather than the shorter term, and are prepared to take that risk.

MR. W. MCKENZIE: I don't see how they can possibly ever pay back the debt. It must be \$50 million or more and they got \$2.2 million up front, so that matter is going to have to be dealt with by government because a lot of the money is that the three prairie provinces and the Federal Government - I was led to believe that the Federal Government feels that CCIL have broken their agreement because they promised to go out and raise X numbers of dollars. I wonder, has the Minister had any communication with the Federal Government if they intend to hold fast to . . .

MR. CHAIRMAN: The members' conversation is louder than the member on the floor. — (Interjection) — Speak up, the Member for Roblin-Russell.

HON. J. COWAN: We have representation on the board, along with the Federal Government and the other parties to the loan package, and those discussions have been held at that level. I have not been advised of any major concerns in respect to the Federal Government's position. I did attempt, when there was a change in government shortly thereafter, to contact the Minister of Agriculture in respect to this matter. Failing to do so, staff and the Minister of Agriculture, rather myself, were in contact with them and did have some very brief discussions; but I am not directly aware of any specific

concerns, although I think everyone has basically said that things might have worked out differently and that would have been better.

However, things having worked out the way they have, our best option now is to try to keep the C.I. operation, the network going, and at the same time provide for some manufacturer of farm equipment of the C.I. line here in the province and that's what we've attempted to do.

MR. W. McKENZIE: Can I ask the Minister if there's been any discussions regarding the shares. It seems to me there's close to 30,000 shares among farmers in Western Canada in CCIL. How will they be handled?

HON. J. COWAN: At the annual meeting in 1982, delegates approved a 20 percent equity write down amounting to just under \$2.5 million; and in '83, members equity was reduced to \$100 per member and members who had less than 100 lost their membership and equity, unless they increased their equity to 100 by October 31 in 1983.

That's standard procedure in respect to equity write downs of that nature.

MR. W. McKENZIE: So the shares will likely be a write off, I expect. Has the Minister any idea of what the losses were in CCIL for '84?

HON. J. COWAN: I think the best thing to do there would be to use my office to contact C.I. to forward that information directly to the Member for Roblin-Russell, if that's acceptable to him.

MR. W. McKENZIE: Can I ask the Minister then, has there been any discussions regarding disposition of the building?

HON. J. COWAN: My understanding is that there have been some very general discussions, although the market for a building of that nature isn't very positive right now and they have not been fruitful; but certainly that's an objective seeing that it will most likely not be suitable for use by Vicon if an agreement is finalized.

MR. W. McKENZIE: I'll look forward to the announcement because there are a lot of farmers, shareholders in that out in the country who are just wondering what's going on. I'm glad to hear that the retail stores will be maintained and that the flow of parts and that equipment will be channelled through those outlets and that there will be some type of head office. I guess, Vicon will be the head office for those that have Co-op implements to deal with and that there will be a parts distribution centre so that they can purchase repairs for the equipment that they've bought from CCIL.

HON. J. COWAN: I'm not saying that all the depots in all the provinces will be maintained, but there will be a depot/dealer network out there that will be maintained; there may be some rationalizations and the parts will be maintained for a certain number of years according to the agreement. If they're parts of a particular line of manufacturing that is enjoying

success, then they'll be maintained as part of the normal practices.

MR. CHAIRMAN: 1.(b)(1) - the Member for Roblin-Russell.

MR. W. McKENZIE: Manco. — (Interjection) — Well, Manco has had its problems like some of the other co-operatives, Mr. Chairman. They've closed the plants in Swan River and Shoal Lake and moved the accounting operations from Rossburn to Dauphin. People like me used to be able to go into the Dauphin plant and buy a lot of cheese there. I'd take eight and ten of those ten-pound blocks at a time because there were a lot of customers. Now, you have to go to the store and place your order and then the store will have the truck bring the cheese the next time they come around. They've certainly lost a market.

Then, of course, Mr. Chairman, we have the problems at Pilot Mound as well. Can the Minister give us some idea if Manco's got all these problems resolved?

HON. J. COWAN: I wish I could say that they had all the problems resolved. In my earlier comments, I said that co-operative enterprises are not immune to problems of this sort, that the membership and the board of directors and the managers have to make some difficult decisions from time to time based on what they believe to be the best interests of the co-operative, overall.

It's my understanding that the projection for markets for cheese products is good. There is some change in staff and there are signs that a combination of factors are going to bring about positive results. Some of those factors, some of those changes, while they may be positive for the central organization, for the co-operatives as a whole, may have a negative impact on certain parts of the operation or certain communities. That has happened before. My understanding of the cheese plant in Pilot Mound is that it's undergone a couple of changes in ownership over a period of time and this is certainly not something that it looks forward to, but something with which it has been able to deal in the past and, in fact, may have similar solutions this time around. However, it is unfortunate that that decision had to be made. It is a decision of the co-operative. It would be inappropriate for me to try to second-guess that.

The charter by-laws were amended to open membership to all milk producers in Manitoba, another change with which I'm certain the member is familiar. There have been, I think, over a period of time, competitive market prices which the member addressed in this and other instances that have forced Manco to increase its efficiency in the best way that it knows how in order to be able to compete in its major markets. I regret the influence that may have on specific communities. On the other hand, it is a decision that they had made in the best interests of their membership and, for that reason, deserves our support from the perspective of a co-operative having its own autonomy and making its own decisions.

MR. W. McKENZIE: My friend, the Member for Niakwa, wanted to know if the Minister ever tasted some of the Rossburn cheese. I used to bring it into the city.

HON. J. COWAN: I have a question then, Mr. Chairman. The next time some is brought in if he just might send a Page over. The last time he sent the Page over, I received a gift from him - this time, maybe a nice big piece of cheese.

MR. A. KOVNATS: Don't you care for squab?

MR. W. McKENZIE: Well, it's quite possible the subject matter we were talking about, the co-operatives, that Manco have recognized that they need to do some belt-tightening and get their productivity in line with their equipment and the marketplace as well. They made this decision and I certainly hope it goes the way that they expect.

It's rather interesting today that we hear the regulations regarding the quota of milk which has been cut back. Farmers, when their quota was filled, used to be able to phone over to their neighbour who had some spare quota and he could take the quota off their hands. Now, that's been closed up as I understand yesterday, this week. I'm sure that the closure of these plants will have some bearing on the dairy industry in the province, but if Manco can't make a profit and keep the plants going, they are possibly taking the right route.

Can I ask the Minister about the number of break-ins or robberies there have been in the credit unions or caisses populaires in the year past?

HON. J. COWAN: I apologize. I should have that information available because it was a question that was asked last year - and I don't. I'll have to get it for the member. Last year we talked about the security provisions. I know it was a concern and I should have forecast that question and had the information available; I'll get it to you.

MR. W. McKENZIE: Thank you.

I raised a question in the House some two or three weeks ago about Petrocan riling up the co-ops in the province and the Minister did give me an answer that was satisfactory. I wonder, nothing further has developed, Petrocan's not trying to move in again and take over some of the co-op assets in Manitoba, Saskatchewan, I suppose is what their target was.

HON. J. COWAN: To my understanding there have been no new attempts at that. If there were, they would be greeted with the same sort of response that they were in the first instance. I think the co-operative, as a whole, took the appropriate stance in respect to their autonomy in maintaining their presence.

MR. W. McKENZIE: . . . I wonder if the Minister familiar with . . . It's a crude oil and a natural gas exploration and the co-ops across the province have shares in it. I wonder any idea what kind of shares Manitoba would have in the corporation? I think it was established in 1982. I think the wheat pools put much money in it and I think the feds matched the pool. They put up \$58 million or \$60 million, the Federal Government matched it.

HON. J. COWAN: We're familiar with the operation, but not with the detail that the member requests. It's

our understanding that Federated has some involvement as well as some larger co-ops. I'll try to get that information to the member.

MR. W. McKENZIE: Can the Minister give me any advice, where Red River Co-op stands at the present time? I think they're moving back into the home supply sales. They were out of it for three or four years.

HON. J. COWAN: Yes, basically, as we're aware, they had closed all three of their city stores and the store in Stonewall and Teulon as a result of some losses - relatively heavy losses in many instances - that they had suffered over the past six years, maintaining of course the petroleum services. There was a task force of Co-op and some other representatives to examine the possibility of developing new co-operatives, however that task force did not report as to what those successful ventures could be.

Following that there was the write down of the equity which we discussed at last year's Estimates. Since that time, effective May 1st of this year, the Co-op will be opening a distributor service which will provide hardware, furniture and appliances. This service will be located, if I can just put a plug in, at 1960 Notre Dame Avenue, which is at the rear of the FCL offices at the corner of King Edward and Notre Dame. I'm certain the member is familiar with that location.

My understanding is that the orders will be available in most instances for pick-up within 48 hours and advertising will be by flyer advertising and prices, as with co-ops generally, will be very competitive, hopefully the lowest in many instances in the city.

So a little bit of an advertisement along with an answer.

MR. W. McKENZIE: I wonder, can the Minister give me a breakdown of the Dauphin Co-op? Where is at now? They've closed out a lot of their operations. I think they had an auction sale of a lot of their garden equipment and hardware items, light hardware things. What are they operating now? Are they a grocery outlet, a gas station?

HON. J. COWAN: I was just suggesting that the last time I was there, which was not that long ago, they were talking about closing down the home centre there and since that time have done that, and it is closed down.

That's a building which was discussed earlier. I've indicated there have been some discussions in respect to use of that building by the government.

The retail downtown operation is still going. I was just trying to check to see whether or not the pumps were still operating. I believe they are, but I believe the garage itself is - we're not certain about the garage.

MR. W. McKENZIE: Mr. Chairman, Paramount Feed & Livestock, a feed manufacturing plant went into receivership. Did they owe any money to the credit unions?

HON. J. COWAN: I don't know in the first instance, to be perfectly honest, but secondly, it would probably be a matter between a loan between them and the

credit unions and would be for that reason restricted information. We would not normally be made aware of it unless it was a significant problem.

MR. W. McKENZIE: Mr. Chairman, a contact was made to me that Heritage Credit Union had substantial sums of money involved. I was just wondering, in cases like that, the credit union - do they come in first when they go into receivership, or what claim has a credit union or a caisse populaire?

HON. J. COWAN: it actually, like any other loan, depends on what type of security they have on the loan and it may, in some instances, be in the first order, it may in other instances not.

MR. W. McKENZIE: Depending on the mortgage?

HON. J. COWAN: Yes.

MR. W. McKENZIE: I was wondering if maybe the Minister can get that information for the committee?

The other question - the Minister announced the other day that the credit unions were not red lining. Has he had any more discussions on that subject matter? - because it's been brought to my attention again.

HON. J. COWAN: Actually I had discussions directly with the individual who had suggested at the meeting that there was a red-line policy in place and asked him to forward to me the document from which he was reading and basing that information. When he did forward that document to me, what it said basically is that credit unions are the most flexible in their response to applications for loans from the core areas, much more flexible than the banks and the other financial institutions, probably because, in large part, they have their membership in that area.

There was some criticism that loans and mortgages were hard to come by in the core area, but overall the report very clearly indicated that the problems were less significant with the credit unions than they were with the other financial institutions.

Upon hearing of the concern, the department contacted Credit Union Central and they were advised at that time that the loan policies are the responsibility of the individual credit union, but that they were not aware of any such discriminatory practices.

Then I asked staff to contact some of the credit unions that operate in the north end of the city in order to determine their policies. We contacted three of them and none of them indicated that they were familiar with the so-called red-line zone. They indicated that they provided mortgages for core area properties; that the mortgages were not restricted solely because of the basis of geography.

Of course one has to take into account the viability of the operation. If it's a loan to a business, one has to take into account the ability of an individual to pay back. If it's a mortgage, one has to take into account the appraised value of the operation against which money is being borrowed. Those are all standard practices in giving out loans.

There are going to be differences across the city, across the province, from area to area, based on the

perception and the viability of that operation to pay back the money. That's what credit unions and caisses populaires are in the business for in respect to loans, to provide sources of financing and get a return back on them.

So one cannot say definitively that the core area does not have an impact on the decision of credit unions to loan money to individuals, but I have been informed, and I have every reason to believe, that there is no red-lining policy in place which restricts loans from a certain area or excludes loans from a certain area, just on the basis of that being a specific geographic location.

MR. W. McKENZIE: One more - and I have a lot of glowing reports from credit unions here, but the ones that I'm drawing to the Minister's attention, the ones that are creating some problems - I wonder if the Minister has any input into Westman Media Co-op in Brandon, the company that was licensed for cable and pay television services for Brandon and a host of western Manitoba communities, and it's had its share of problems in the last few years.

There was a flare-up amongst the staff and I wonder, is everything resolved? I think they've had two rate increases, have solved their financial problems. What stage are they at at the present time? Some discussions are held that are telling me Westman should try to decentralize some of its support services. I don't know if there's any validity or not. It's a sort of regional concept co-op and if you start pulling it in, some of the communities that are already getting service will naturally . . . But I wonder, is the cash flow adequate at the present time? Have they got that problem solved?

HON. J. COWAN: My understanding is that at the end of the last fiscal year they did have a small operating surplus, so it would appear as if they have that situation under control. Only time will tell as to whether or not that operating surplus continues to be small or large or in fact continues to be a surplus. But certainly, if one takes a snapshot of where they're at now, there is cause for some optimism.

There were considerable deficits incurred during a number of years and the co-op is recovering from those, as the member indicated, primarily due to a gradual monthly subscriber rate increase. Still, all in all, it's not that healthy or that onerous a monthly rate, but it is increasing over time.

In respect to the employee/employer relationships there, the co-op did recently appear before the Labour Board and the Labour Board ruled in favour of a number of employees who had complained about unjust dismissal. The employees were reinstated and action has been taken since that time in respect to that reinstatement and I would probably anticipate, although it's only anticipation on my part and not direct knowledge, that there may be further action taken by the employees in respect to the whole situation. So I would say that the matter may not have been resolved completely in respect to the employee/employer relationships, but the operating surplus, on the other hand, gives cause for some confidence.

MR. W. McKENZIE: I thank the Minister. Some of the concerns that are addressed to me regarding the

regional access services that were being provided and they did establish these committees in these local communities to operate the access outlets and some of them now have packed it up. They're just fed up with the problems that they've been experiencing. Grandview, which is in my constituency, is an example. That community media committee disbanded, I think, last fall, after only one year and so maybe the thing will resolve itself and they can get back and provide the services that they want. So the whole operation is monitored by your department in some capacity or other, or is it not?

HON. J. COWAN: I think monitoring might be too specific a functional description. We are in contact with them. I, myself, have met with individuals who are involved with that a number of years ago; we're aware of the circumstances there through contact with our staff. From time to time we have provided advice, sometimes solicited, sometimes perhaps unsolicited, but advice nonetheless, and we try to deal with the types of problems that the Member for Roblin-Russell has outlined, while at the same time, respecting the autonomy of the operation and the fact that they have to deal with those problems as best they can as a co-operative structure.

We don't really have the authority to go in and impose ourselves upon them, although I think sometimes we've recommended our services and other times they've asked for our services.

In respect to what's happening in the regional centres, I would share the member's hope that once they have worked their way through the central problems, they can direct some of their energies and some of their time to expanding that regional network or at least setting in place a mechanism so that those communities can have services that would flow, either out of this co-op or in conjunction with this co-op. It's extremely important that the smaller communities have access to services that a co-operative of this sort can provide.

MR. W. MCKENZIE: It provides an excellent service for the local communities when those access stations are functioning because they can perform their own thing.

There is an Order-in-Council on the 6th of March authorizing the Minister to advance 70,000 to co-op loans and the Loan Guarantee Board. Can the Minister advise what that's for?

HON. J. COWAN: That is to the Lakeshore Metis - I'm trying to think of the exact name - Land Improvement Co-operative. Basically, it's an agricultural co-op, a group of individuals who want to clear some land and put some land into productive use for cattle production, who came to us and asked for some assistance in developing a co-op. We worked with the Department of Agriculture to make certain that those concerns were addressed and entered into some discussions with them and provided them with funding to enable them to start the co-op.

MR. W. MCKENZIE: Where are they based?

HON. J. COWAN: They're based in Kinosota. I think there is a lot of opportunity for these types of agricultural

co-ops to provide a service to the agricultural community, in respect, in this particular instance, to clearing and land and seeding for pasture and developing the land.

There's also, as the member is well aware, an opportunity not only for success, but an opportunity for failure in a lot of these areas, because you're working in some instances with marginal land. The best way that one can reduce the potential for failure, I think, is try to gain the greatest efficiencies and you can do that by banding together.

But I think what we have to do when approaching these requests for assistance is use the mechanisms of government that are available to us to provide the same sort of assistance we would provide to other marginal businesses, to give them a chance, knowing that we're going to enjoy some very good successes and from time to time we're going to have to deal with problem situations; but the main thing to do is to make certain that the opportunity is available to groups that want to improve their own productive capabilities through co-operative action.

Of the \$70,000 that was flowed, it's my understanding that \$36,000 will be recovered from DRIE and the balance will be repaid by the members over time if the co-operative is productive, and we believe that should be the case.

MR. W. MCKENZIE: We wish them well, Mr. Chairman. Under '84-85 Capital Authority Requirements, there's Co-ops Loan and Guarantee Board, \$500,000.00. Could we have a breakdown - non-budgetary programs.

HON. J. COWAN: It's basically just the authority to provide that amount of money in loans and I understand that we also have \$1 million in authority for loan guarantees.

MR. W. MCKENZIE: The housing co-ops. We look forward with keen interest to the establishing of these new housing co-operatives that the releases come out on.

One thing that came across my mind the other day when this fire was in the City here is that so many of these houses, they only have the one exit. We have several of them in the village where I live of these. I know that's a different department altogether, but maybe the Minister can take a look at the plans before they are finalized and see if there isn't some possible way to put another exit. We have five in the village where I live, and there's only one way out of these. They are senior citizens that live in these.

HON. J. COWAN: When were they built?

MR. W. MCKENZIE: About three years ago.

HON. J. COWAN: How long?

MR. W. MCKENZIE: About three years ago, four years ago. They are senior citizens that are living in it, but there is only one door. I don't think when they're planning these type of housing units and maybe the plan's already in if there's two exits, but maybe some of them there aren't. This fire the other day in the city

here brought it to my mind when they said there was only one exit.

HON. J. COWAN: I think that's a good point. Of course, they have to meet the building codes and the building codes provide for the basic minimums, but certainly one would want to have the safest structure possible. We found, generally, where you have a group of people working together and plans for their own co-operative, just the same as when you have an individual working on the plans for their own house, they pay more attention to those sorts of details. You would probably have less of a problem in a co-operative house than you would in a house that was built for people where they didn't have the opportunity to participate in the development of the plans themselves. I think it's a good point and well taken.

I just might add that over the supper hour we had an opportunity to present a cheque. Representation from the Federal Government was there, as well as the Provincial Government, for the first continuing housing co-operative in downtown Winnipeg in the core area. It's 44 units, I believe. The group was there tonight. They were enthusiastic as only people who have worked for a couple of years on their own housing co-op can be. We believe that it provides for new initiatives in the core area of the city for housing co-operatives and we look forward to many more.

I might also add that Manitoba this year should take some pride, and all co-operators should take some pride, in the fact that we led the country in respect to housing co-operative unit starts on a per capita basis. That's just another part of the long history of positive and productive use of the housing co-operative model for Manitoba.

MR. W. MCKENZIE: Mr. Chairman, I ask the Minister, the co-operatives now - and Parkway is the one I'm referring in my constituency - are advertising that they're in a position now to make equity to the estates of deceased members. There's a backlog, as well, of citizens who have reached 70 years. I wonder is that a local policy of the local co-op. We had it here last year. The Member from Swan River brought it up, that he had - I guess his equity was written down; he had 18,000 and it was written down to 100. These are the ones that have shares and they pay them to the estates and when you reach 70 . . .

HON. J. COWAN: That would be by charter bylaw and would be determination of the membership itself. It is entirely possible and is a legitimate use of the by-laws.

I'm informed that they have their own schedule of repayments, which would accommodate that sort of system.

MR. W. MCKENZIE: Well, that's been a problem of the co-operative movement. I was in the retail food business for 25 years or more, and we used to handle eggs and I shipped eggs to co-ops for years. I had a difficult time to get that. I had all this paper, but I was out of the store business five or six years before it finally got settled. That may be one of the other reasons why the co-operatives are having problems, their efficiency in matters. It's in a minor thing, but nevertheless it's part

of doing business with the public, and it may be something that should be discussed with them to see if they couldn't make it more efficient with the world that we're living in today.

Mr. Chairman, I don't have very many more questions for the Honourable Minister. It looks like from today's paper that the sugar industry may be looking at the possibility of establishing a co-op. There was an interesting article in today's paper by Jack Francis, who is quite familiar with the problems that industry is having, and that might be a solution to their problem, because the Americans have been able to make their co-ops work in handling the sugar beets.

I don't basically have any more question, I don't think. We could go through the Annual Report of the Loan Board, but I only got them today at two o'clock. I don't like to ask questions that have already been asked. If I could have them next year, if we're here, at least a week in advance of dealing with the Minister's Estimates, I'm sure I could go through it in a better way.

HON. J. COWAN: I assume full responsibility and apologize and will endeavour to make certain that they are provided earlier next year.

MR. CHAIRMAN: 1.(b)(1)—pass; 1.(b)(2)—pass; 1.(c)(1)—pass; 1.(c)(2)—pass.

There'll be no resolution on Item No. 1.

2.(a)(1)—pass; 2.(a)(2)—pass; 2.(b)(1)—pass; 2.(b)(2)—pass.

Resolution 39: Resolved that there be granted to Her Majesty a sum not exceeding \$1,376,800 for Co-operative Development, Co-operative and Credit Union Development and Regulations, for the fiscal year ending the 31st day of March, 1986—pass.

3.(a)—pass; 3.(b)—pass.

Resolution 40: Resolved that there be granted to Her Majesty a sum not exceeding \$4,774,900 for Co-operative Development, Interest Forgiveness, for the fiscal year ending the 31st day of March, 1986—pass.

Back to the Minister's Salary, Item No. 1.(a) - Mr. Minister.

HON. J. COWAN: If I can just take this opportunity to thank the opposition critic for his comments and his suggestions. We don't always agree on all of them, but I've found that from time to time there have been areas where we had been able to agree, and I think that's in the best interest of the co-operative sector generally, and appreciate his comments about the presentation of the material sooner next year than they were this year.

MR. W. MCKENZIE: Mr. Chairman, all I can say is that we on this side of the committee wish the co-ops, the credit union and the caisses populaire every success for the future.

MR. CHAIRMAN: 1.(a) - the Member for Elmwood.

MR. R. DOERN: Mr. Chairman, could we end by singing "For We Are Jolly Good Fellows?"

MR. CHAIRMAN: 1.(a)—pass.

Resolution 38: Resolved that there be granted to Her Majesty a sum not exceeding \$439,400 for Co-operative Development, Administration and Finance, for the fiscal year ending the 31st day of March, 1986—pass.

What is the pleasure of the Committee?

SOME MEMBERS: Committee rise.

MR. CHAIRMAN: Committee rise. Call in the Speaker.

IN SESSION

MR. DEPUTY SPEAKER, P. Eyle: The Honourable Member for Burrows.

MR. C. SANTOS: Mr. Speaker, the Committee of Supply has adopted a certain Resolution, directs me to report progress of the same, and asks leave to sit again.

I move, seconded by the Member for Thompson, that the Report of the Committee be received.

MR. DEPUTY SPEAKER: Is that agreed? (Agreed)
The Honourable Government House Leader.

HON. A. ANSTETT: Thank you, Mr. Speaker.

I beg to move, seconded by the Honourable Opposition House Leader, that the House do now adjourn.

MOTION presented and carried and the House accordingly adjourned and will stand adjourned until 10:00 a.m. tomorrow (Friday).