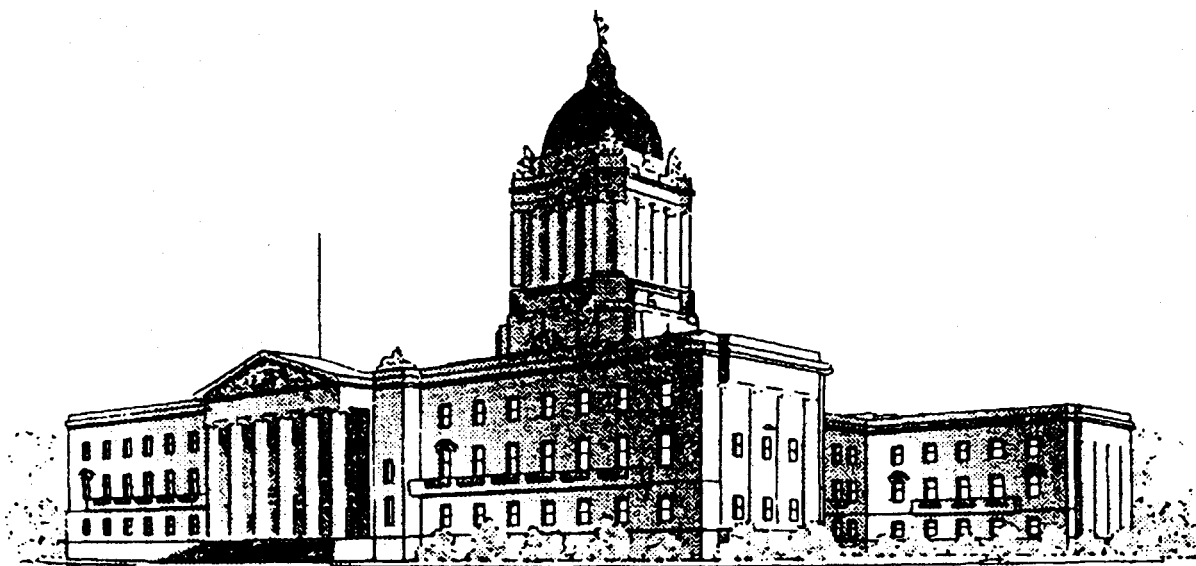




Second Session - Thirty-Sixth Legislature  
of the  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
on  
**Economic Development**

*Chairperson*  
*Mr. Peter Dyck*  
*Constituency of Pembina*



Vol. XLVI No. 2 - 10 a.m., Friday, September 27, 1996

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Sixth Legislature**

**Members, Constituencies and Political Affiliation**

<u>Name</u>	<u>Constituency</u>	<u>Party</u>
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
CUMMINGS, Glen, Hon.	Ste. Rose	P.C.
DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary	Concordia	N.D.P.
DOWNEY, James, Hon.	Arthur-Virden	P.C.
DRIEDGER, Albert, Hon.	Steinbach	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
ERNST, Jim, Hon.	Charleswood	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
McGIFFORD, Diane	Osborne	N.D.P.
McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David	Riel	P.C.
PALLISTER, Brian, Hon.	Portage la Prairie	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
RENDER, Shirley	St. Vital	P.C.
ROBINSON, Eric	Rupertsland	N.D.P.
ROCAN, Denis	Gladstone	P.C.
SALE, Tim	Crescentwood	N.D.P.
SANTOS, Conrad	Broadway	N.D.P.
STEFANSON, Eric, Hon.	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin	N.D.P.
SVEINSON, Ben	La Verendrye	P.C.
TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.

**LEGISLATIVE ASSEMBLY OF MANITOBA  
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**

**Friday, September 27, 1996**

**TIME – 10 a.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Peter Dyck (Pembina)**

**VICE-CHAIRPERSON – Mr. David Newman (Riel)**

**ATTENDANCE - 11 – QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Downey, Praznik

Messrs. Ashton, Dyck, Maloway, Newman, Pitura,  
Mrs. Render, Messrs. Sale, Sveinson, Ms.  
Wowchuk

**WITNESSES:**

Mr. Gordon Wakeling, General Manager and Chief  
Executive Officer

**MATTERS UNDER DISCUSSION:**

Annual Report for Communities Economic  
Development Fund for the year ending March 31,  
1996

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**Mr. Vice-Chairperson:** Good morning, would the Standing Committee on Economic Development please come to order. I have before me the resignation of Mr. Radcliffe from the Standing Committee on Economic Development, effective September 27, 1996. As Mr. Radcliffe was the Chairperson of this committee, the committee should proceed to elect a member to fill the position of Chairperson.

Are there any nominations?

**Mr. Frank Pitura (Morris):** I nominate Peter Dyck, the honourable member for Pembina.

**Mr. Vice-Chairperson:** You would accept that, Mr. Dyck?

**Mr. Peter Dyck (Pembina):** Yes, I would.

**Mr. Vice-Chairperson:** Mr. Dyck has been nominated. Are there any other nominations?

Seeing none, Mr. Peter Dyck is duly elected as Chairperson of the Standing Committee on Economic Development. I, as the Vice-Chair, will now step down. Mr. Dyck, would you please assume the Chair.

**Mr. Chairperson:** Good morning, and thank you, Mr. Newman.

We have before us the following report for consideration this morning: The Annual Report for Communities Economic Development Fund for the year ending March 31, 1996. If any members require a copy of the report, there are extra copies available, and the Page can provide you with one.

Does the committee wish to establish now what time it will sit to, or shall we see how the committee proceeds with its business?

**Mr. Steve Ashton (Thompson):** I say we play it by ear; perhaps we can assess close to noon. I do not think we will probably go much longer than that, but just in case there are a few questions left.

**Mr. Chairperson:** Is that the will of the committee? [agreed]

I would now invite the honourable minister responsible for the Communities Economic Development Fund to make his opening remarks. Please, Mr. Minister.

**Hon. Darren Praznik (Minister charged with the administration of The Communities Economic Development Fund Act):** Mr. Chair, I am pleased to present the 25th Annual Report of the Communities Economic Development Fund for the year ending March 31, 1996.

In attendance, and I am perhaps jumping ahead of myself somewhat, but our staff who are here today, we have Mr. Mark Sinclair, who is a member of the board

of directors. Regrettably, the chair of the board of directors was unable to be here today, so Mr. Sinclair is representing him and the board. We also have Mr. Gordon Wakeling, who is our new general manager and chief executive officer, as well as Miss Eileen Bray, who is the manager of finance.

For 25 years, the fund has exhibited an understanding of northern Manitoba, permitting it to work with entrepreneurs in developing goods and services that might not otherwise be available. During 1996, the fund enjoyed its most active year of operations, approving 64 loans, totalling \$6.1 million and creating or maintaining approximately 252 jobs.

In addition to its small business activities in northern Manitoba, the fund is responsible for delivery of the Fisherman's Loan Program under part 3 of the Fisheries Act, providing a vital source of capital to this industry throughout the province. Advances to fishermen under the program exceeded \$3.1 million, a significant increase from the previous year.

The fund's activity in the last year reflects the continued need for capital and business support services to prevent northern entrepreneurs to participate in the benefits accruing to Manitoba from our growing provincial economy, particularly in the mining and forestry sectors.

Although it is a development lender, assuming more risk than conventional sources of capital, the fund continues to manage the portfolio prudently. The risk is reduced by spending time with clients before, during and after loan approval, ensuring that clients understand the demands of their businesses and are able to develop strategies to overcome the unexpected challenges. Managing our accounts well, I think, is a very important part of reducing the risk of the loans that we take on.

The management and staff are knowledgeable, dedicated professionals receiving direction, advice and counsel from a very capable board. The fund's head office is located in Thompson, Manitoba, with branch offices in Gimli, Swan River, The Pas and Winnipeg. I would also like to note that this year our former General Manager Mr. Gerry Offet retired from this particular position to take on new challenges in another

particular area. We were very pleased that we were able to, after a fairly extensive competition, recruit from within. Mr. Gord Wakeling takes over in that capacity and we are delighted that he was the candidate to succeed Mr. Offet; he is a very capable individual and is doing an excellent job.

We are now prepared, Mr. Chair, after other statements, to take any questions.

**Mr. Chairperson:** I would like to thank the honourable minister. Does the critic of the official opposition have an opening statement? Please, Mr. Ashton.

**Mr. Ashton:** Yes, I certainly do.

I look forward to getting into some discussion about CEDF this year. I want to indicate that I am pleased that the number of loans is recovered from the depths we reached in '91 and '92, during which there was a lot of reorganization at CEDF. I think the fact that the number of applications now is approaching the level it was in the mid-1980s and 1987, 1988, is indicative that CEDF is back on track.

I know that one of the factors in that has been the role CEDF has assumed on the forestry side, particularly with the move by Repap towards a system whereby the operators themselves are essentially responsible for purchasing equipment, operating equipment, and I am very pleased that CEDF has stepped in to ensure that local northern residents have been able to benefit.

\* (1010)

I will be asking some questions about the general direction of CEDF and, in particular, questions about where its portfolio is presently located and the success of any efforts to move further into many of the aboriginal communities, particularly treaty communities, because I know that has been an area that has been raised in the past. In general, I look forward to asking a number of questions about an organization that has become part of the North, and I think has shown over the years now, going back to 1972 when it was started under the Schreyer government, that it does play a significant role.

It undertakes a higher risk portfolio of loans perhaps than most lenders do, but it does in a way in which the risk is managed, what support is given to the individuals who do receive the loans, and I think has an admirable record, particularly when one looks at the percentage of defaults relative to successful loans. That is not to say that there are not defaults. Obviously that happens, but I think in general CEDF has been very well managed and has a significant role to play in the future of the North. Thanks.

**Mr. Chairperson:** I would like to thank the honourable member for his comments.

The committee will now begin consideration of the report. Did the committee wish to consider the report in general or specifically? [interjection] In general. Okay.

**Mr. Ashton:** I have mentioned that the number of applications the year we are dealing with has increased fairly significantly, certainly compared to even 1994 both in terms of the amount of loans, et cetera. I note that by my count approximately 20 are in the forestry sector so it does not relate very much, at least partially, to what I was talking about just in my opening remarks, the shift in the forestry sector generally towards the operators themselves undertaking the capital investment in equipment.

I just wanted to ask what the experience has been in terms of the number of loans we are dealing with that have been in default perhaps in the year we are dealing with here and the previous year and if we can get some indication of the amount and also the percentage. I note that there are figures in the back in the audited statements in terms of the doubtful accounts, but I wonder if we could get some indication if there has been any shift in the number of doubtful accounts, the percentage of accounts.

**Mr. Gordon Wakeling (General Manager and Chief Executive Officer):** The fund is experiencing ongoing success in managing these accounts. The bad debt expenditure for the year is above last year's expenditure but reflects a volume variance to the portfolio growth and the policy we have for making allowance for doubtful accounts. You will notice that the write-offs are significantly lower and in relation to the activity the

fund has undertaken, which is significantly higher than preceding years, I think the fund is managing well.

**Mr. Ashton:** Could we get a list of loans that are in default. We do have a list of the loans which were granted but perhaps could we get an indication if, for example, any of the loans in 1995-96 are currently in default?

**Mr. Wakeling:** Are you asking which loans are in collection activity or which loans are experiencing difficulties?

**Mr. Ashton:** I am not so much concerned about those that are in difficulty; obviously, that is still being worked out. But where it is in collections, that is the only item I am requesting. I am not trying to invade on the privacy of ongoing loans where people are trying to work out arrangements.

**Mr. Wakeling:** In terms of those loans, at the end of March in 1996, 10 loans were in the category we consider to be legal, that is to say, in collection; 17 loans were considered to be in arrears and 104 loans were deemed to be current. I am afraid I do not have specific names for those loans, but if you wish I could undertake to provide them.

**Mr. Ashton:** That would be appreciated. I am more interested in the sector that is involved as well rather than the individuals involved, whether there has been any pattern, how for example the forestry loans are doing relative to others, whether some of the other ventures are facing greater difficulty than others.

**Mr. Wakeling:** I can state that the fund is cognizant of the issues related to the sectoral lending, and in fact our experience in all sectors has been equitable.

**Mr. Ashton:** What is the percentage, the current percentage that is in—perhaps, let us deal with it in noncollectible status as a percentage of the overall portfolio.

**Mr. Wakeling:** A percentage less than 10 percent as stated.

**Mr. Ashton:** Has there been any change in that the last two, three years, either up or down?

**Mr. Wakeling:** The fund emerged from a period when it was cleaning up its portfolio in the early '90s, and through the mid-'90s, that number has remained relatively stable.

**Mr. Ashton:** The reason I am asking is because I have raised this in the past. While there is a higher percentage in default perhaps than a standard bank loan situation given the relatively high risk of loans in the North—you know, we have a significant degree of unemployment in many communities—you have many people who do not have a lengthy business background necessarily simply because there has not been the opportunity in many communities for people to develop that kind of background. The percentage that is actually in arrears is quite remarkable and particularly the fact that the portfolio now as—I mean, even compared to 1994, which was one of the worst years in recent years, where you have ended up with a situation where you are dealing with up to four times the volume, in fact three times the number of loans that have been granted. Basically, we are dealing with the situation where the percentage then has not changed? Would that be a fair statement, percentage in arrears?

**Mr. Wakeling:** Yes, it would.

**Mr. Ashton:** One thing that should be noted for the record, too, because I know on and off, over the years, there have been some critics of CEDF, some at times questioned whether it is relevant, particularly when there has been a drop in the number of loans granted.

I think it is indicative that even with a dramatic increase the last number of years, this being the highest number of loans since 1988, in terms of numbers of loans granted, we are still not basically moving away from the balance that CEDF has always had of taking on higher risk loans without getting to a situation where you have a great degree of losses. I would say, if you are dealing with under 10 percent now, given the type of loans you are dealing with, that is quite remarkable.

**Mr. Praznik:** Just on that point, I think what has been key to kind of the turnaround at CEDF has been very much hands-on intensive management of the portfolio. The member for Thompson (Mr. Ashton) has flagged, I think, a very important component of the portfolio.

You have individuals who may not be well experienced in business, maybe taking on new ventures, do not often have access to the other kinds of financial assistance resources in making their decisions that they would have in other areas. So a good deal of hands-on management of accounts before people take on loans, making sure that business plans are properly prepared, details are thought through, managing them on a day-to-day basis with people, keeping in touch when business is going well, as well as they get in trouble, having an open-door relationship there, and when they do get into some difficulty, even the ones who do get from time to time in arrears, often we are able, I am told, to bring them back into a stable situation because of that hands-on relationship that is fundamental.

One other point I just raise for the member for Thompson, of interest, is particularly in the forest sector, where we have had just great growth in the last while in the area of the member for Swan River (Ms. Wowchuk), the member for The Pas (Mr. Lathlin) and the member for Flin Flon (Mr. Jennissen). We have had quite a lot of activity, and given the nature of that business, the amount of capital needed to get into it is significantly higher than it used to be and often outside the ability of this fund to handle. So one of the innovations that the fund has started and just begun—it is not something they do every day now, but there has been a couple of instances where they have actually syndicated loans where CEDF has taken part of it. They have managed to arrange other lenders to take pieces of those loans.

That is an interesting development and, I think, a positive one. It obviously spreads the risk, but it means that there is an agency in the North from which someone can, for a larger-sized loan, contact, who can put together the syndicated loan with other lenders in order to make the deal come about. So that is an interesting development in the last year or so.

\* (1020)

**Mr. Ashton:** I think that is positive too because there are other lending agencies in the North, and there are other types of structures of loans that are available. I know, for example, that CEDF just a short period of time ago was involved in attempting to promote the

concept of loan circles. There are other agencies, both government, obviously the private lenders as well, so I think there is some considerable potential there.

I wanted to ask the minister or perhaps staff if there has been any attempt to address the fact that most of the loans, essentially, in Northern Affairs' communities or urban communities—just in fact, in looking at the list, they are perhaps maybe—I am just trying to run through the communities—one or two loans that are on treaty communities or on reserves. I know this has been an ongoing concern. In fact, I had discussed it with Mr. Offet before his departure, and I realize there are some difficulties related to the legal aspects in terms of collateral, although in many cases, I think, it also gets back to what I was talking about earlier, which was the need for business development education to allow people in communities that do not have a great deal of historical sense of business—in fact, in some reserves, you have virtually no private businesses other than the northern store, so no history of business development in the community. I am wondering if there has been any attempt to address that since obviously, from the loan portfolio we are looking at today, there are not a large number of loans in treaty communities.

**Mr. Wakeling:** In terms of the breakdown of loans that we have made during the preceding year, 12.5 percent of our loans have been in First Nations communities or to First Nations enterprises. I think it is an important distinction to note that many of the First Nations enterprises are not specifically located on reserve, and they are looking at participating in the industrial mainstream.

The issues the member raises, of course, remain. The ongoing debate, this week particularly as Indian Affairs starts to look at changes to the Indian Act, it is an issue that the aboriginal community generally is addressing, and we continue to facilitate as many loans as we are able to within the existing parameters of legislation. But I think we have worked extensively with groups that have come to us, and it is important to note, as I say, that many of the First Nations businesses are now coming off the reserve, particularly in the area of forestry and in mining, which are not necessarily on-reserve holdings.

**Mr. Ashton:** I understand that, but I think if one looks at the portfolio, essentially most of the loans that we are dealing with apart from—there is one larger loan based in Cross Lake—are people who live in Northern Affairs communities and have lived in Northern Affairs communities for some time, whether they may be Metis, they may be nonaboriginal, they may be treaty, but historically they have lived in those communities.

My concern is more with the reserves where you are dealing with a situation where, as I said, and I acknowledge and people in the communities have acknowledged, there has not been a great experience of private business.

In fact, if one looks at the statistics in northern Manitoba, you will find that even amongst aboriginal business people the vast majority have been Metis. That has changed somewhat with C-31, but in fact the vast majority of business people in northern Manitoba outside of nonaboriginal business people are either Metis or people who have status through C-31, people who have lived in Northern Affairs communities and have developed the expertise off reserve.

So I am wondering if there is any specific initiatives to deal with I think the tremendous potential in many of the communities. I know a couple of years ago there was talk of even small loans, and there were some taking place in one of the communities in my area, Split Lake, where people were interested in reselling pizzas, so there is a lot of potential in a lot of the communities for that kind of small consumer-type activity.

There are communities like Split Lake, Nelson House, which are larger communities, for example, that I know are looking at malls—I know Nelson House is currently looking at one—and part of the question, obviously, if you do look at building a mall is if there is some ability of people in the community to engage in business activities, and obviously financing becomes a key factor.

So I am wondering if there are any specific activities, either with CEDF acting independently or perhaps working with some of the federal agencies that do have some ability also to provide loans and assistance.

**Mr. Wakeling:** The number of loans we see from First Nations communities of course is a function of the fact that we are basically a demand-driven organization. As demand comes to us from those communities we address it, as I said before, we make loans within the parameters, the security parameters that are available to us under current legislation.

The member should also be aware of course that there are a significant number of federal programs both at the community-driven level through economic development organizations and at the departmental level through aboriginal capital corporations, which do provide funding for First Nations communities and First Nations projects.

Yes, in part answer to the member's comments, we do work extensively with those organizations, and frequently we will see situations where the party realizes that there is a more comfortable source of financing other than the fund, but we do not exclude, and certainly we work hard with people who come to us to develop businesses. One of the key things, I think, in developing these businesses—we talked about hands-on before—is helping people understand their business plans and understand their goals and objectives and we have certainly worked extensively with people in that regard.

**Mr. Ashton:** Well, I appreciate that fact, and I think one thing that is needed in northern Manitoba, and I do not mean this necessarily through CEDF strictly, and I do not mean this as a comment that relates only to the provincial government, is a recognition of the unique circumstance, in particular in many aboriginal communities, many treaty communities that have limited experience. I mean, we have had a great deal of experience the last 25 years in training social workers, teachers, nurses. I think the next focus on education and training in northern Manitoba should be on business skills, on accounting, that whole area, and I think there is a great demand.

I know in the communities I represent, especially with self-government now, you are dealing with larger amounts of money. There is a great deal of demand on the accounting side, but there is also a great deal of potential on the business side. You have three

communities that have settled on the Northern Flood Agreement. Obviously, they will have access to funds under the flood agreement, and I think there is a great deal of potential.

I direct this comment as much really to the minister, because I realize, I recognize CEDF traditionally is there to respond to existing demand. It has taken some initiatives. I note the loan circles being a good example of that, and I think there is a lot more potential, but part of the problem we run into is there just is not the critical mass, if you like, of people out there that have any real experience with business or have any training in business.

There are some programs out there and there are certainly college business administration programs, but I do not think we have reached the point yet where we have the equivalent of the social work program, the BUNTEP program or the other programs I referenced where you understand that you are starting from a situation where you have to provide special supports in a different delivery model, and I would certainly encourage the minister to do that.

I think there is a great deal of potential for internal business development in a lot of aboriginal communities. Right now, a lot of the money in treaty communities goes out of the community. That is the case actually in all outlying communities. My own community of Thompson benefits greatly from it, but it is unfortunate, I think, to a large extent when you see people spending money which could be spent in their own community, creating jobs in their community.

I think there is a great deal of potential, particularly in the larger communities. I am thinking of Cross Lake, Norway House, where they are already—I think those two communities have the greatest degree of business development, if you look at it, but when you get into some of the other communities—Nelson House, Split Lake being two good examples of where you have fairly large communities that have virtually no private business sector whatsoever, you have a northern store and that is about it.

It is not that there is not activity out there. I mean, all you have to do is visit any of those communities, and



you will find people renting videos, selling confectionery, et cetera. What happens in a lot of cases, there is a lot of demand for that, but there is just not the ability to get it from that level to the next level, which could just as easily be economically viable and do more than just provide limited supplementary income but perhaps provide employment as well. So I would certainly encourage the minister to pursue that.

The reason I am using CEDF to raise this is because I think CEDF has a lot of experience and credibility in this particular field and could use the example of some of the experience in Northern Affairs communities because, if you look through the list of loans that have been approved, that is essentially where the prime focus is and should be for CEDF.

\* (1030)

Just looking through my own area, I know Wabowden, with what has happened with the forestry and the significant work that CEDF has done there—but if you run through the other communities, they are virtually all Northern Affairs' communities, the high percentage, and it was not that long ago that they were in a similar situation to the treaty communities, different legal situations, but with very limited business experience.

Wabowden is a good example where there is a significant number of people now who are essentially operating their own business, creating their own employment, and many of them in the forestry sector but other areas as well, trucking being the most obvious example. Apart from a few people that have run into difficulties, most of them have done reasonably well, so I think there is a great deal of potential there.

I just wanted to ask if there had been any other changes at CEDF other than a change of the CEO position since last year.

**Mr. Wakeling:** In general terms, there has been change as you noted at the CEO level. As that was an internal hiring, I have recruited recently for a new director for the Fisherman's Loan Program, and that person will be joining us within the week.

**Mr. Ashton:** On the Fisherman's Loan Program, basically it is an authority that was delegated to CEDF. There were some concerns a while ago. I know that the processing now has essentially been dealt with. I am wondering if there has been any change from last year in terms of the processing time involved and if there has been any shift in terms of the number of loans that have been extended.

**Mr. Wakeling:** As noted in the minister's opening comments, the fund has increased the number of loans it has made during the past year. That is reflective, I think, of an upswing in the fishery primarily related to the increase in price and the better deliveries on certain fisheries. Fishermen have been reinvesting.

Our number of clients has stayed relatively stable, and I think our service delivery, we continue to tune it. We have received few, if any, complaints.

**Mr. Ashton:** I can second that, too. I know that there has been an upswing, and I have not received complaints, unlike a few years ago. I think that is because of the efforts CEDF has put in place to deal with the system, get the system operating appropriately. I mean, there are always people that are unhappy if they do not get what they want, but that is par—[interjection]

**An Honourable Member:** They call their MLA.

**Mr. Ashton:** They call their MLA. That is right, or they call the minister. I recognize that is part of the difficulty when running any kind of loan program.

I do have a couple of other questions, but I know my colleague the member for Crescentwood (Mr. Sale) has some questions as well, so I will pass the floor to him.

**Mr. Tim Sale (Crescentwood):** Just a couple of questions about interest rates. I notice that there is a fairly wide variation in the interest rates this year. Could you explain the level of fluctuation, what the policy of the fund is in regard to the varying interest rates?

**Mr. Wakeling:** The fund establishes its interest rates on a monthly basis based on its own cost of borrowing funds from the Finance department. The fluctuation

you see is reflective of the rate slide during the year. Rates did drop off dramatically during '96 and continue to do so for the fiscal '97 year. Some of the fluctuation between rates is related to risk lending. The fund takes a higher margin on equipment loans, for example, which tend to be higher risk than real estate loans, which tend to be low risk.

**Mr. Sale:** I understand that there has been an interest rate slide during the year. Obviously it has benefitted all governments and business in general. This is a fairly large slide. I think we are looking at about 400, 450 basis points from the looks of this. So is it mostly the interest rate change, or is it mostly risk adjustment?

**Mr. Wakeling:** It is mostly the interest rate change. As you may have noted on last night's news, mortgage rates have hit on a 30-year low. We see that is showing up in our rates.

**Mr. Sale:** I notice that the Ethelbert wood pallet Sustainable Fuel Systems program is at prime plus two. Is this a new policy, or is this a floating rate obviously?

**Mr. Wakeling:** It is a policy effective fiscal 1995 that we offered our clients the ability to tailor their own interest rate. It is reflective of the degree of sophistication of the client. If they wish to treasury manage for themselves, we will permit that to happen.

**Mr. Sale:** So then is the policy that the fund establishes the risk premium at one and a half or two or two and a half or three points above prime and then offers the client the option of a fixed rate or a floating rate? Is that how you do that?

**Mr. Wakeling:** That is correct.

**Mr. Sale:** Mr. Chairperson, there are a number of companies here. I can point to Gilbert, I suspect, Sustainable Fuel, although I will ask, obviously. The Imichimac [phonetic], I am not sure whether I am pronouncing that correctly— you perhaps can help me with that—that I suspect have other government loans from other sources in them. I am aware of Gilbert having a Grow Bond, for example, and it is one of the companies where there is some default. I am not sure

whether it is in collection or in arrears or in suspension or what it is, but could you, first of all, indicate how the fund goes about a loan situation where there are other public sector monies involved and what the mechanisms are for dealing with that situation?

**Mr. Wakeling:** There are a variety of mechanism when we are dealing with other agencies, both public and private. The general trend for us is to move to what we call a pari passu agreement, where we are sharing the security by virtue of the extent of our involvement. In other situations, we will find that we are the lender on a specific piece of equipment, and therefore we take security in that specific piece of equipment or in that specific property, so it varies dependent upon. Of the businesses you mentioned, it is Pimichimac [phonetic], and it is Cree for Cross Lake. In that instance, I am not aware of other funding, with the exception of aboriginal business programs. Gilbert International, as you mentioned, is a Grow Bond issue. Sustainable Fuel did have some early involvement from Western Diversification, and that project did not go ahead.

**Mr. Sale:** First we could deal with them one at a time and make it clear. Let us start just alphabetically, or not alphabetically, but in the order they come down. Could you indicate the current status of the Gilbert International situation, and what is happening between the Grow Bond office and yourselves and the status of the company itself?

**Mr. Wakeling:** Gilbert International is in production of product in the Arborg factory. There is a syndicate of investors' money involved at the creditor level and at the equity level, and they are in that phase of start-up when we expect to see—they just recently, in fact, made some investments on their production line—and we expect to see them move forward from this point. As relates to ourselves and the Grow Bonds, as I say, we are part of a syndicate which also involves community futures, local development corporations and a couple of private sector corporations.

**Mr. Sale:** Mr. Chairperson, have any of the public sector funds related to Gilbert been written off, written down, partially forgiven, or are they all current? What is the status of the public sector investment in Gilbert?

**Mr. Wakeling:** I am afraid I cannot speak for the other public sector organizations. In our case, no, to any of those. We have not written down or forgiven.

**Mr. Sale:** Are they current in their obligations to the fund, Mr. Chairperson?

**Mr. Wakeling:** Yes. So far, they are meeting a schedule that we have established for them which will commence this fall.

\* (1040)

**Mr. Sale:** Perhaps it is unusual but—perhaps, it is not unusual—the first loan, the \$50,000 loan to Gilbert is a two-month loan. Clearly, that is a cash flow problem. It cannot really be a loan in the normal sense of the word unless there is some very special situation here. The other one is a three-year, but the two-month one seems very unusual.

**Mr. Praznik:** If I just may for a moment, and I appreciate the point that the member is making, but as someone who has some training in the law, a loan is a loan whether it be for a day or a hundred years. It still has the same effect. The question is whether it is a short-term loan, a very short-term loan, or longer-term financing. I would just like to make sure that is clear because I do not accept the premise that something short term is not necessarily a loan. Mr. Wakeling will give a fuller explanation, but I think it is worth noting that point.

**Mr. Wakeling:** The short-term loan which we approved is a bridge financing component to the larger component which follows and is . . . .

**Mr. Sale:** In general, at the bottom, there is a comment, loans approved withdrawn. Presumably, it means subsequently withdrawn. In other words, they were approved, but they were not then actually ever taken out.

**Mr. Wakeling:** That is what that means.

**Mr. Sale:** I think I have the answer that that is correct.

**Mr. Wakeling:** Yes, that is correct.

**Mr. Sale:** I wonder if the minister and Mr. Wakeling would be willing to consider a format change. I have gone back through a number of years and the format has not changed much for a number of years, but in organizations in which I have had some role or sat on the board where we are loaning money or dealing with accounts, we generally have some form of overview. Really the only overview page here is the total approved over the 24 years or 25 years number of applications and reference to the jobs involved.

Those are useful, but I think it would be very helpful if there was a table, form of a matrix, that said loans that have been made this year, loans that are currently active. They might be, you know, anywhere from part of last year to back 10 years: Loans that are active but in arrears. Loans that are in collection. Loans that were written off. Total loans made with the dollars attached, so that you had some sense of the progress of the fund over time and what this picture of risk/reward is in a broader sense in terms of undertaking what I think all of us agree are very useful essentially venture or quasi-venture capital development kinds of work in an area that needs this kind of support and obviously has benefited from it under both governments over the last 25 years.

So I do not think any of us question the value, but I think it would help everyone to have a sense of the picture of what has happened if we had more information, historical information, that brought us up to the current time. I would be interested in the minister's and Mr. Wakeling's comments on that.

**Mr. Praznik:** Yes, Mr. Chair, I would like to thank the member for that comment because like him I am of the view that the better mechanisms reporting the better to make the case for the continued existence of the fund or to deal with problems that may arise in the course of its operation. Often these things sometimes take a little bit of nudging or a chance to take a step back and have another look at the way things happen, and sometimes that happens when staff changes, et cetera. Mr. Wakeling, who will respond a little bit further, I think is in the process of undertaking a review and a redesign of our reporting mechanisms just for that point. So I appreciate the member's comment. It is extremely timely.

**Mr. Sale:** For a change.

**Mr. Praznik:** Well, I disagree with his comment. I think often many things are more timely than he may give us credit for, but I will turn things over to Mr. Wakeling, and he will give fuller detail to my colleagues.

**Mr. Sale:** I was referring to my own comments and their timeliness—

**Mr. Praznik:** Oh, I am sorry.

**Mr. Sale:** —and not to the minister's. The minister should not be defensive, this is a good program.

**Mr. Praznik:** I thank the member for the clarification, and the point is appreciated in his comment. Just one point I make that comes to mind from his comment about supporting the program, ultimately this is not a self-sustaining program, that ultimately the portfolio of CEDF is not large enough to produce enough income, no matter how well managed, to cover its operating. So there is a subsidy from the taxpayers through the Department of Northern Affairs to the operation of this—not through the Department of Northern Affairs, but a subsidy from Treasury to the operation of this. One certainly can justify it on its social need and also the fact that it has become a very effective program, but it is important to maintain that support that the program is well run and achieving its objectives if support for that kind of subsidy remains. So his point is, again—I would argue he is timely again with that comment. So, Mr. Wakeling.

**Mr. Wakeling:** I also would like to thank the member for his comments. As an accountant I tend to be sensitive to reporting, and it is a timely comment. We are entering our strategic planning session for the next period of time, and one of the issues on the table is our report structures and addressing some of the effect and impact that our program has and trend analysis as you have related to. So we will take those comments to heart as we approach that process.

**Mr. Sale:** Mr. Chairperson, then is it reasonable to expect that there will be a change in format with that kind of information in next year's report?

**Mr. Wakeling:** I think it is reasonable to assume that, yes.

**Mr. Praznik:** Mr. Chair, I have to indicate that with my full concurrence the board is undertaking that change in format, and I hope that barring some unforeseen circumstance that next year when we are in this committee that the member might be more pleased with the format. Again, the point, very important point to be made, is that from the loan portfolios to this company, this loans fund, we can get a good idea of a lot of things that are happening in northern Manitoba.

The briefings that I get on a regular basis are very interesting because we have seen the growth in the forestry industry, and I am not talking about necessarily in the overall picture of Repap and Manfor in Pine Falls and spruce products, but what we have seen is the growth in the number of local operators that are getting contracts and working in the forestry field and whose level of sophistication and capitalization have been increasing dramatically. That is, you know, a very positive sign, and it comes through this fund because we are part of that capitalization. So a lot of those kinds of things, if they can be included in the kind of overview that the member is suggesting, I think gives one not a complete picture but a snapshot of some of the economic activity, problem spots and good spots in the North at any one time. I am curious to see that in written form as well. So I hope the member will be pleased with the changes that will be made that we will have here for him next year, members of the committee as well.

**Mr. Sale:** Mr. Chairperson, just a concluding comment. The government has a number of different programs, loan programs and support programs, which are similar. They have their differences. One of the differences is that here we are dealing with many, many small businesses, often one or two people, sometimes larger, but a lot of small businesses.

We have a Grow Bonds Program which I have some significant trouble with the level of support available to Grow Bonds issuers. The government mechanism that was chosen was a Grow Bonds corporation for each Grow Bond. I think we have seen some evidence—I am not levelling any blame here—that the Grow Bonds

corporation as a mechanism does not work very well because it is not a staffed, supported entity to help the new start-up companies where they most need it which is, you know, quick on the phone or quick come down and help me with a business planning problem or a cash-flow management question. You know, give me some tools, steer me to some help quickly, because the Grow Bonds corporation is essentially made up of volunteers and not really in a position to offer that kind of help. The office itself is managing a portfolio that has grown quite substantially, but the office staff with the capacity to do the kinds of things that your office does I think just is not adequately supported by the current level of staffing.

There are other loan programs in government, and I wonder whether there is some move to recognize that it is not that we need more bureaucracy at the approval stage, we need more hands-on support after the actual loan has been made, to manage the growth and development of the company and to get it quickly in touch with resources that small businesses need when they are in their start-up and early plateau stages, which is where most run into problems. So I am wondering if there is a move, and the minister may be able to answer, is there a move towards some overall government approach to pulling together how we deal with the start-up phase of businesses in which we have made investments, given that they are spread among I, T, and T, Rural Development, Northern Affairs, at least.

There may be some other programs that I am missing. It seems to me there is a lot to be learned from this program. It has a long and honourable history, but we need some sort of corporate approach here to give the kind of support that CEDF has given to its clients that I do not think all clients of government are getting in that critical start-up stage.

\* (1050)

**Mr. Praznik:** The member for Crescentwood has raised some interesting observations and some interesting points that I think are very legitimately asked as to what happens out there with, some may argue, a plethora of programs, and I would even add to his question or his case another observation that, in addition to what we have provincially, there are a host—and this

is where I think really the plethora of programs develop—of federal programs. In my region we have two Community Futures organizations, one in the eastern part of my constituency, one in the west, one based out of Selkirk, one based out of Lac du Bonnet. We have the unemployment insurance program which provides for business start-up as an alternative, just to name two, and often those Community Futures organizations have a physical presence in the community. They have business development officers, business plan development, et cetera. So you start layering all these things, and is there some co-ordination? Well, between two governments it is often difficult.

On the provincial side, though, I think over the last few years I know Mr. Downey has worked, the current minister and past ministers, have worked hard to try to see how we can make these things work more efficiently. His observations with respect to the Grow Bond Program, the comment I would make there is the Grow Bonds, from my experience in seeing them in operation in my region of the province, have tended to be in support of larger programs and for lack of a better word, a more sophisticated, tend to have more sophisticated investors and business team, so the need for the necessary, the kind of hands-on relationship that a CEDF would provide to many in our portfolio is really not the same category of investor. The amount of money involved, the size of the project, the sophistication or knowledge of the proponents of the project in that industry tend, to be very, very different often than people getting into a first-time or more traditional resource-harvesting business or upgrading their equipment. So to some degree, and there are always exceptions to this, I admit there are always exceptions to some degree, it is very different audiences that are being addressed.

In the case of some of the other programs, I know at my constituency office we regularly refer people to the first-time business start-up loan program, which is the \$10,000 loan guarantee for small businesses, and they often get a fair bit of assistance, either through our Community Futures organization or from the department, in preparing a business plan. One does not want to sound negative on these things from time to time, but I know, from my own experience, there are

many times I have had people in my office who have a business idea and have not sat down and worked out the numbers. When they have done it, they have decided not to pursue it because, quite frankly, it was something that would never work, but the point, as I think the member might suggest, is that is good information to have. It is better to decide something is not going to work before you have invested everyone's money in it, and if you do get into something that you do have ongoing help.

There have been questions raised from time to time about the sophistication of support that is out there. I know in some experiences we have had with Community Futures—development of business plans, some basic questions not being fully investigated in a business plan and leading to problems in the business later on. I had that experience recently with a constituent looking at setting up a restaurant operation and counting on, in the business plan, just to hook up from a hydro line nearby, only to discover that that line was a much higher voltage of what have you than could be tapped and that they had to bring power in six kilometres away at an \$80,000 cost. The whole project is on hold while they work this out.

Well, this business plan was reviewed by a Community Futures office and approved. The point is nobody checked the detail. The theory was great, but the detail was not there. So that kind of help is always necessary, I think, particularly in small businesses, where you are not going through the more serious—what would be the term for it?—review by large commercial lenders, et cetera.

I think we are very cognizant that there is a lot happening out there. There are different programs that apply to different levels of sophistication of investors. That is a reality. There are always exceptions to it, but I think the member's point is one we should always be cognizant of in ensuring that we try to minimize the number of people who are out helping, make sure they are targeted. The point that I would take from his comment, that I would agree wholeheartedly with, is whenever one does have a program, particularly for less sophisticated new business people in a new venture who are really feeling their way through this, maybe for the first time in their lives, and the kind the member for

Thompson (Mr. Ashton) pointed out in many of our First Nations communities this is the case. If there is not hands-on management from the financial lender, the chances of success start to become much, much less, and the Communities Economic Development Fund—this is one of the things we prided ourselves on—in my opinion, justifies that kind of community development. That kind of support justifies the public contribution to the operation of the fund.

It has worked very successfully, and I think is carried out and repeated to some degree by the Department of Industry, Trade with their smaller business programs for new-time investors, but again they are competing with Community Futures and other groups who are providing information over which we have no control. So his comment I appreciate. It is advice we should always keep in our minds when we are setting these things up.

I am most encouraging of CEDF to play that kind of active role. They were a sponsor of our mining opportunities workshop in Thompson this year, a participant in that, where we have been trying to get people aware of where there are opportunities in the mining industry for small business and supply and service and again always working with people to keep their loans. So I appreciate his comment and I know my colleagues also do. It is something we keep in mind, but we do not always have total control over it, as I am sure he appreciates, because of the federal jurisdiction and their programs.

**Ms. Rosann Wowchuk (Swan River):** Mr. Chairman, Mr. Sale raised briefly the interest rates, the variation in them, and I want to ask if those interest rates vary just according to the bank interest rates or whether there is risk tied to it, if there is a higher interest rate, for example, that is tied to a forestry industry or fishing industry, whether there is a variation there or whether there is a risk or a higher interest rate tied to the risk of the person's record. Also, the second part of the question is, where you are now offering prime plus two, whether that is available to all people who are taking out loans, and whether that is something that is well known and offered to all applicants, because, certainly, that is a great saving if they have the opportunity, particularly at this time when interest rates are as low as they are.

**Mr. Wakeling:** I will try and respond to all of this. To recapture, our interest rate policy is risk based on the type of loan we are making related to what we are lending for. Bricks and mortar loans, as we call them, mortgage loans, tend to be relatively easier to secure and have more stable valuations. They attract a lower rate than, for example, an equipment loan where there is a relatively high depreciation, especially during the first year. So there is a premium paid by operators for that.

The fish loans program is different and distinct from this in that our loans are prime plus two set quarterly, and that is a relatively stable rate. Capturing the risk associated with the borrowers themselves, clearly there are going to be those candidates who would be stronger candidates for a loan, but that is not captured in our interest rate structure. It is generally captured in how we manage the loan thereafter.

I am not sure if I am capturing all of your questions there.

\* (1100)

**Ms. Wowchuk:** Can you also then tell me how you negotiate the term, because I look at some of the loans here and, for example, \$65,000 to Parker Burrell gets 120 months to repay, and an equivalent one for \$58,000 is 36 months. So I am wondering how you negotiate some loans, that they get such a long term to pay off and then other people have a much shorter term to pay off their loan.

**Mr. Wakeling:** The term of the loan is driven by the business plan it is related to. Clearly a loan for a plant facility, as was the case with Mr. Burrell—

#### Point of Order

**Ms. Wowchuk:** Mr. Chairman, on a point of order, please. I am having difficulty hearing. If the honourable member, Mr. Sveinson, has comments to make on the loans, I would ask him to take a mike rather than babbling across the way, please. I am having great difficulty hearing.

**Mr. Chairperson:** Mr. Sveinson, on the same point of order.

**Mr. Sveinson:** It was a very slight conversation going between myself and another member. There was no babbling that I heard, other than when the other member that had the floor started to speak. Thank you, Mr. Chairman.

**Mr. Chairperson:** On the same point of order, the honourable minister.

**Mr. Praznik:** I do not know, Mr. Chair, if this is on the same point of order. You know, I appreciate that the member for Swan River (Ms. Wowchuk) is raising the name of a member who used to be the member for Swan River, a member of this House, and had also been a member of the board of directors of CEDF before he resigned from that position, and if I just might say that I think it is perfectly legitimate to ask that question to ensure that there is no special treatment for Mr. Burrell because his name is one that is a public figure.

I am certainly comfortable that Mr. Burrell is treated like any other citizen, and I think it is the right of a member to ask that question to determine that, just so that there is no public perception or belief that there was favouritism, and I appreciate the member asking that question. Mr. Wakeling and the staff who handle these things will respond with the answers, and I think members will be satisfied that everyone is dealt with fairly. There is certainly the right to ask and the right to respond, and I think the matter then is one that is dealt with. The public would be satisfied.

**Mr. Chairperson:** I do appreciate those points of order. On the other hand, though, I would encourage all members present to have the courtesy to allow those who are giving the answers to respond, so that everyone present can understand.

\* \* \*

**Mr. Wakeling:** To repeat, the term of the loan is driven by the business plan. A fixed asset of a building, the premises, will tend to have a longer term than, for example, a loan for equipment which may have a shorter life span or useful life. The member may note there are three loans with 120-month terms there, all of which are related to buildings.

**Ms. Wowchuk:** As you have indicated, this is a former member of the board, but he is also a constituent of

mine, and many of these people who have gotten loans are constituents of mine— there is a large number of them—and I appreciate these loans being available and having the opportunity for economic development in the Swan River area.

You said the terms were longer term when they were for buildings or—[interjection] less depreciation, okay. Can you tell me then what that particular loan was for? Was it for equipment or was it for building a new building, again referring to the Mafeking loan for a fish packing plant for Mr. Burrell.

**Mr. Wakeling:** I believe Mr. Burrell's loan was made in conjunction with several upgrades that he had made to the fish packing shed at Dawson Bay. I had recent occasion to visit that facility. It is a very good facility for the Winnipegosis fleet and for the winter fishermen both there and in the surrounding fisheries at Pelican and Red Lake.

**Ms. Wowchuk:** Mr. Wakeling talked earlier about the comeback in the fishing industry. That is actually not consistent with what is happening in our area. In fact, the fishing on Lake Winnipegosis is quite desperate, and many fishermen this summer had a real difficult time. Hopefully, things will improve during the winter months.

Can you give me some indication as to what is happening with the loans to fishermen in that region and whether or not you have had to foreclose on any or whether the people who have loans have been able to continue making their payments?

**Mr. Wakeling:** The Winnipegosis fishery is two distinct fisheries, a winter fishery which is primarily carried out with small equipment, such as skidoos. That fishery has been marginally viable, and we have exhibited the patience that the lender of our nature has to exhibit in situations where the natural resource harvest has declined. We have had occasion where we have made settlement which has included the repossession of equipment, but, in general, we have exhibited a kind of patience as we go through that fishery's problems.

The summer fishery, on the other hand, is secured in part by quota entitlement and by larger boats, the 46-

foot steel whitefish boats, which have an inherent value and therefore being more patient with those loans is advantageous to us and the fishermen because that equipment does not lose its value. We are holding security on the loans.

The fishery, in this case, has actually had a bit of resurgence, because the Freshwater Fish Marketing Corp. has been very successful in marketing mullet. Mullet has traditionally been a large portion of the harvest on Winnipegosis, and during the last year they will pack something of the order, I believe, of 10 million kilograms of mullet at FFMC, and that gives a base level of earnings for Winnipegosis fishermen. It has been a positive move.

**Ms. Wowchuk:** Mr. Chair, is Mr. Wakeling saying that it has not been necessary to foreclose on any of the fishermen on Lake Winnipegosis?

**Mr. Wakeling:** Those fishermen here exhibiting an effort and working within the limited harvest that has been available to them, we continue to work with. There are those fishermen who have defaulted by virtue of not participating in the industry, and we have taken appropriate measures to recover our loan in those cases.

**Ms. Wowchuk:** Can you tell me how many, then, in that region, how many failures there have been and how many loans you have had to foreclose on in the fishing industry?

**Mr. Wakeling:** I am afraid I would have to undertake to get that information for you.

**Mr. Praznik:** Mr. Chair, I just think to expedite time I will undertake to have Mr. Wakeling provide that by way of letter, with a copy to me, to the member for Swan River.

**Ms. Wowchuk:** The other area where there has been a tremendous increase in loans has been in the forest industry, and lots of activity out of the Swan River office. Can Mr. Wakeling indicate whether there is a sense of any of these people feeling difficulty? What I am wondering is whether there has been an overanticipation of the amount of work that would be available. I know there was some difficulty last year



with a few people when they had to shut down early because of an oversupply of wood at Louisiana-Pacific, so I am wondering what the status is of the people who have taken loans out either for logging or for forestry work. I know there is work in the North for Repap, as well, and if you can just give us an overview of what is happening. Are you feeling comfortable that these people are secure and will be able to fulfill their commitments to their loans?

**Mr. Wakeling:** In the member's constituency and area there has been a move by a lot of people to join the industry as owner-operators, people who have previously been employees of other corporations, and I think, as with all start-ups, there is a dual effect here. There is a start-up of Louisiana-Pacific's facility and the start-up of these organizations, and I believe it would be early yet to say whether or not we have reached a comfort level with our particular clients. There has been some delay, as the member is aware, in terms of harvest, and these delays are working their way through the system now. Many of our clients are now getting back to work and have begun deliveries to the facility. So I believe it would be a little premature to comment on them.

(1110)

**Ms. Wowchuk:** In the negotiations of a loan, when a person is getting into the forestry industry, is one of the requirements to get a loan that the person applying for the loan has a contract signed either with Louisiana-Pacific or with Repap or some other organization guaranteeing that they have employment?

**Mr. Wakeling:** At this stage of the proceedings, no such contracts are available for the most part. The fund has been working with operators to put equipment in place with letters of intent which are significantly different from a contract, of course.

**Ms. Wowchuk:** When a person gets a letter of intent, are you requiring that they get a letter of intent for one year, or is it a long-term letter of intent that is required, that you are working with the operators?

**Mr. Wakeling:** The form of the letters of intent tend to be an agreement to receive wood from a contractor, and the inherent assumption is that so long as the contractor

provides quality product on time, then it would be an ongoing contract in later years.

**Ms. Wowchuk:** I only have one more question, and that is to do with the Swan River office. I understand that there is a lot of activity at that office at the present time because of the growth in the industry. Is it the corporation's intention to keep that office open, or are there plans to move that office to The Pas?

**Mr. Wakeling:** There are no such current plans.

**Mr. Praznik:** Mr. Chair, I would appreciate the advice of the member for Swan River and the member for The Pas (Mr. Lathlin) on that particular issue. If they would like to provide it to me in written form, it would be most appreciated.

**Ms. Wowchuk:** The office is at Swan River at the present time, and I understand it is serving the people very well, but there have been rumours that it is the intent of the corporation to move, and I am just trying to clarify that rumour.

**Mr. Praznik:** Mr. Chair, there are no plans to move it, but I have said if the member for Swan River and the member for The Pas jointly would like to give me some unified advice on that point, I would be very pleased to accept it.

**Mr. Jim Maloway (Elmwood):** On page 20 of the financial statement, the Schedule of Operating Expenses, there is an indication of Directors' Fees and Expenses of \$58,727 this past year, and I wondered if you could provide us with a breakdown of the fees and the expenses and the types of expenses that the board members would incur.

**Mr. Wakeling:** I am unable to provide a specific breakdown, but our board members are paid an honorarium of approximately \$250 per month, and the rest relates to transportation and accommodation costs. Our board is widespread, drawn from a wide base within the northern community and the Winnipeg community.

Our board also attempts to meet regularly in the communities which we serve with a view to both

familiarizing those communities with our program and familiarizing our board with those communities.

**Mr. Maloway:** Well, perhaps the minister could provide us with a written breakdown between the honorariums and the expenses, because at \$250 a month over the course of a year, each member would have about \$2,000, \$3,000 in honoraria, and there are five members, so we are talking about \$7,000 in expenses. I would like to know what they are.

**Mr. Wakeling:** A point of clarification, there are seven members to our board. The chair receives an additional honorarium of \$200 which represents his chairman's fee.

The breakdown in general terms, I have just been provided. Directors' fees represent approximately \$29,000. That is the honoraria paid to members of the board. The rest is related to travel and accommodations.

**Mr. Maloway:** I would like to ask a question about the government vehicles. I do not know how many government vehicles you have, but you are in a position to be leasing these on the private market sometime this fall. Could you give us an indication as to what the current situation is, the number of your vehicles and what you are planning to do about them.

**Mr. Wakeling:** Our fleet of three vehicles represents two trucks and a car. The car is utilized in our Swan River office by our field officer there—[interjection] To drive to The Pas. Our trucks are utilized by our fish loans field officers for the extensive field work they perform, much of it in relatively remote communities.

As the member has alluded to, with the special operating agency status of the Fleet Vehicles Branch, the corporation is able to make business decisions and would do so at the point of replacement of its vehicles. I believe that replacement in general will not come up until next spring.

**Mr. Ashton:** Yes, I just wanted to conclude by reiterating once again, in terms of the CEDF, that I think it is on track. I am pleased to see that it has recovered to the level of loans we are seeing today, and I also want to commend not only the minister, because

I know he has taken an interest in this—and I think one has to recognize, too, that a number of years ago it was a very difficult period at CEDF, and I was quite critical of the minister at the time, not this minister, but the previous minister. I was very concerned about the future of CEDF at the time, given the disruptions that had taken place, and I think that this is far more in keeping with the faith that many of us have had.

I also want to commend CEDF on its selection of the new CEO, Mr. Wakeling. I have had a chance to get to know Mr. Wakeling both in his professional capacity and in the community as well, taking our kids to music lessons, et cetera, and I think it was a wise move to hire within and hire someone of significant ability. I think that is important, because it is important that CEDF have from the top level on down a clear northern direction and a northern sense, and in the time that Mr. Wakeling has been in northern Manitoba, I think he has demonstrated that, so I am very pleased with that.

I do want to indicate again, too, that I remember about a year or two ago when I made some complimentary comments about CEDF, I took the unusual step, I know, of an opposition member, of putting together a press release which I issued to the local paper. I think it was the only press release they did not publish that year because I was told that the editor thought it was a PR piece for CEDF, which I thought was somewhat unique.

So sometimes it is not that we do not have the ability to make positive comments, and sometimes even when we do make positive comments the media does not cover them. I do not know if I will put a press release out this year, but it would say much the same because I am a strong supporter of CEDF, and I am very pleased to see the fact that we are now at the kind of level of loan portfolio and activity that I think CEDF is capable of. I think actually there is a great deal more potential, and I am prepared to provide all sorts of ideas and scenarios that I have a significant interest in myself.

I think, though, that CEDF is well on track and is doing a good job, and if it goes no further than being recorded in the Hansard of this committee, I think that is fine, although it is a shame in a way that in the media in northern Manitoba this could not be recorded,

because I think it is important for people to know that and basically recognize that CEDF is available for a wide variety of business purposes.

I think partly that is the next potential. I think the degree of potential—you know, the more that people are aware of that, the more promotion CEDF does, the better. I would anticipate that there is potential for even more loans in the future, a higher portfolio level, without extending the risk beyond what it is currently today.

So with those few words, I think CEDF is on track.

**Mr. Praznik:** I appreciate the comments from the member for Thompson (Mr. Ashton) and other colleagues at this table. I know the member alluded to the difficult times that the corporation underwent in a period when it was really cleaning up its financial house, and my predecessor, the former Minister of Northern Affairs, now the Minister of Industry, Trade and Tourism (Mr. Downey), took significant criticism at that time, but I think the efforts that were made in getting this financial fund into a strong position, cleaning up some of the issues that were outstanding and focusing on what it was intended to do, have paid great dividends, I think, for the North, and as the new minister, I get to reap those benefits, I guess, in having a fund that is well managed and operating. But I think it should be noted that it does take sometimes some significant effort, and one has to stand by the criticisms in order to move it forward.

One point that the member for Thompson (Mr. Ashton) does make that I find very interesting—I think it ties in with some of the things that we have been doing—and that is for getting more business education and getting more understanding and role models, particularly in First Nations communities as they grow and develop, and I think on that point, we are on the same track.

How one goes about and does that, given self-government going on, federal jurisdiction, and all of those things poses a number of hurdles, but I could not

agree more with him, and I think that that is the new wave in the North, and it has to be, and that evolution is taking place.

\* (1120)

I know the Cross Lake mineral resources recently coming to agreements with Gossan, working through their land settlement to exclude the mine area, they are prepared now to get on with developing that facility.

It is just one example of First Nations people getting into the business world. Sometimes it is a very rude awakening because it is a totally foreign world, as the member has pointed out.

But these are all good signs, and they have to be looked after and watched and managed and worked through because what we need, we all need as Manitobans, are those successes in the First Nation community, where people can go on and build sustainable communities and sustainable lifestyles and have the economic sustainability to build a future, and that is ultimately what we all want to see, and we share in that goal.

So I appreciate his comments, and it has recharged me to hear his view that that is the direction, and we all, I think, continue to work in that direction in northern Manitoba with First Nations people, and I look forward to having more discussions with him on this topic as we deal with other Estimates and other debates and other bills and issues over the next year or so.

Thank you very much, Mr. Chair, and I would like to thank my staff, as well, for their excellent work over the last year.

**Mr. Chairperson:** The Annual Report of the Communities Economic Development Fund for the year ended March 31, 1996—pass.

This completes the business before us today. The committee shall rise. Thank you.

**COMMITTEE ROSE AT:** 11:22 a.m.