

Third Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Legislative Affairs

Chairperson
Mr. Daryl Reid
Constituency of Transcona

Vol. LVI No. 10 - 6:30 p.m., Tuesday, June 7, 2005

ISSN 1708-668X

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Eighth Legislature

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AGLUGUB, Cris	The Maples	N.D.P.
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HAWRANIK, Gerald	Lac du Bonnet	P.C.
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON LEGISLATIVE AFFAIRS

Tuesday, June 7, 2005

TIME – 6:30 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Daryl Reid (Transcona)

VICE-CHAIRPERSON – Mr. Tom Nevakshonoff (Interlake)

ATTENDANCE - 11 QUORUM - 6

Members of the Committee present:

Hon. Messrs. Rondeau, Selinger, Smith

Messrs. Eichler, Jennissen, Loewen, Maloway,
Mrs. Mitchelson, Messrs. Nevakshonoff, Reid,
Mrs. Taillieu

Substitutions:

Mr. Maguire for Mrs. Taillieu

APPEARING:

Mr. Denis Rocan, MLA for Carman

MATTERS UNDER CONSIDERATION:

Bill 51–The Labour-Sponsored Investment
Funds Act (Various Acts Amended)

* * *

Mr. Chairperson: Good evening everyone. Will the Standing Committee on Legislative Affairs please come to order. The first order of business is the election of a Vice-Chairperson. Are there any nominations?

An Honourable Member: I nominate Mr. Jennissen.

Mr. Chairperson: Mr. Jennissen.

An Honourable Member: I nominate Mr. Nevakshonoff.

Mr. Chairperson: Mr. Nevakshonoff has been nominated. Are there any further nominations?

Mr. Denis Rocan (Carman): I would like to nominate the honourable Member for Flin Flon (Mr. Jennissen).

Mr. Chairperson: It is my understanding that Mr. Jennissen has declined, with thanks to his nominator.

Seeing no further nominations, Mr. Nevakshonoff is appointed as Vice-Chairperson of the committee.

Committee Substitutions

Mr. Chairperson: Mr. Loewen, with committee changes.

Mr. John Loewen (Fort Whyte): With the unanimous consent of the committee, I would like to make the following membership substitutions effective immediately for the Standing Committee on Legislative Affairs, Mr. Maguire (Arthur-Virden) for Mrs. Taillieu (Morris).

Mr. Chairperson: Is there a unanimous consent from the committee that the Member for Arthur-Virden be replaced by the Member for Morris?

An Honourable Member: The other way around.

Mr. Chairperson: Oh, the Member for Morris replaced the Member for Arthur-Virden.

An Honourable Member: No.

Mr. Chairperson: Mr. Maguire has been substituted onto the committee for Mrs. Taillieu.

An Honourable Member: Thank you, agreed.

Mr. Chairperson: Any further committee changes?

**Bill 51–The Labour-Sponsored Investment
Funds Act (Various Acts Amended)**

Mr. Chairperson: Seeing none, this evening the committee will be considering Bill 51, The Labour-Sponsored Investment Funds Act (Various Acts Amended), clause by clause.

Does the minister responsible for Bill 51 have an opening statement?

Hon. Jim Rondeau (Minister of Industry, Economic Development and Mines): This bill is designed to respond to the Auditor General's investigation and audit of The Crocus Investment Act. What it is doing is ensuring that there is better representation on the board and on the board committees, better reporting, more focus. What we have done is focussed it so that the rate of return is one of the focusses of the plan. It is not multiple bottom lines. It is rate of return, but they also can have a social mandate after focussing on rate of return.

It is also important to note that what we are trying to do is look at the governance reporting structure and the disclosure in all the cases. I think it is appropriate that we are doing that to, again, pass it quickly, to instil greater confidence in the venture capital market, in the markets in Manitoba to ensure that business can go forward.

Mr. Chairperson: We thank the honourable minister for the opening statement.

Does the critic for the official opposition have an opening statement?

Mr. John Loewen (Fort Whyte): I will keep my comments short. I will save them for the House. I know we have had a long night last night due to this government's inability to manage committees, keeping people here till one o'clock in the morning.

I will echo the comments that we heard at committee from the presenters. This bill is useless for the most part. It is window dressing. The horse is out of the barn. The minister wants to talk about the saving of the category, the labour-sponsored venture capital corporations, and to attribute this bill to have anything to do with that is completely erroneous. The member from Brandon East and the Finance Minister—sorry, the member from Brandon West and the Finance Minister had more to do with destroying venture capital in this province for the next generation of entrepreneurs that are going to be looking for it, than anything. They should be totally ashamed of their inaction and their lack of ability to monitor this fund.

There are two issues in this bill which will reflect the Auditor General's recommendations. That has to do with the formalizing and the encapsulation of gross assets at \$50 million as opposed to net

assets, and the information in clause 8.2 which amends the government's legislation to make it apply to cost as opposed to fair market value.

As I have said, most of the rest of this bill is simply window dressing. You cannot legislate profit. It is incredibly hypocritical for this government to come to this table and say that they want the priority of labour-sponsored venture capital corporations, particularly Crocus, to be the focus on profit. It goes against everything they have done in the last two and a half years with regard to their heavy-handed pressure on pension funds, on the Workers Compensation Board, to make co-investments with this fund in spite of the fact that red flags were raised and they were aware of them, and in spite of the fact that two of their own departments, the Department of Industry and the Department of Finance, were telling their ministers specifically that this fund needed to be investigated.

You know, it will all come out in the wash. The truth will come out. It may take a public inquiry. It may take some of these ministers finally putting their hands on the Bible and swearing to tell the truth, as the former minister has indicated that she is more than willing to do.

I would just recommend to the member from Brandon East and the minister—the member from Brandon West. I keep confusing it, and I apologize to the member of Brandon East. *[interjection]* Well, the member wants to talk about things I have confused. I certainly would remind him that it was under his watch in the last year and a half, prior to the minister taking office, that most of the damage was done. He has messed up so many files in his short tenure in government that it is unspeakable.

In any event, he will deal with that at some point, and the public will deal with him, I am sure. But we should get on with just passing the clauses in this bill at this committee, and we will speak more to it in third reading.

Mr. Chairperson: We thank the critic for the official opposition for the opening statement.

During the consideration of a bill, the enacting clause and the title are postponed until all other clauses have been considered in their proper order. Also, if there is agreement from the committee, the Chair will call clauses in blocks that conform to

pages, with the understanding that we will stop at any particular clause or clauses where members may have comments, questions or amendments to propose. Is that agreed? *[Agreed]* Thank you.

* (18:40)

Clauses 1 and 2—pass; clauses 3 through 5—pass; clause 6—pass. Shall clauses 7 through 9 pass?

Mr. Rondeau: I have an amendment to clause 8.

Mr. Chairperson: Is it the will of the committee to proceed with clause 8 first, or clause 7, pardon me?

Clause 7—pass. Shall clause 8 pass?

Mr. Rondeau: I have an amendment for clause 8(2)(c). They are being handed out now. What this is doing is the change is "not to acquire a hold directly or indirectly in an entity other than a wholly-owned subsidiary of the fund that is engaged in selling or promoting the sale or shares of a fund, or in another entity that is related to such an entity."

So, if it is a wholly-owned subsidiary that would be all right, but if it is an investment in the third party—

Mr. Chairperson: It has been moved by the Honourable Mr. Rondeau,

THAT the proposed clause 11—dispense?

An Honourable Member: Dispense.

Mr. Chairperson: The amendment is in order.

*THAT the proposed clause 11(2)(f) of **The Crocus Investment Fund Act**, as set out in Clause 8(2)(c) of the Bill, be amended by striking out "an investment in an entity" and substituting ", directly or indirectly, an investment in an entity, other than a wholly-owned subsidiary of the Fund,".*

Mr. Rondeau: The amendment, what it is trying to do and what it is doing is it is allowing an investment that is fully owned so it is part of the operation. They are allowed to be part of, or sell the fund, or acquire or be engaged in the selling or promoting or sales of the funds. What it is not doing is allowing a third party that has investments that the venture capital corporation has company investments in, or loans to, to sell or promote, and the purpose of this

amendment is to encourage that there is not any conflict of interest, or any proposed or potential conflict of interest.

Mr. Loewen: Well, I appreciate the minister responding to comments I made during second reading, with regard to the fact that this clause simply does not work as originally written.

It is a well-known fact that Crocus has an investment in its lead broker, Wellington West, and has for quite some time. I am not in disagreement about the conflict of interest, but the problem here is that, and the minister has assured me that we will have another amendment regarding timing so that the unitholders of Crocus are not further damaged by the fact that they will now be put in a position where they are forced to see one of the investments sold when the person on the other side of the table knows they have to be bought out which would definitely put that party in control of any negotiations.

So, on the basis that the assurances from the minister that that timing issue will be dealt with, we will not have a problem with Crocus being forced to divest another of its investments at fire-sale prices. We will agree to this one and thank him for recognizing that this was an issue that was raised in debate and second reading, and responding to it.

Mr. Chairperson: Shall the amendment pass?

An Honourable Member: Pass.

Mr. Chairperson: The amendment is accordingly passed.

Clause 8 as amended—pass; clause 9—pass; clauses 10 and 11—pass; clauses 12 and 13—pass; clauses 14 and 15—pass. Shall clauses 16 and 17 pass?

Mr. Rondeau: I have an amendment for clause 17.

Mr. Chairperson: Clause 16—pass. Shall clause 17 pass?

Mr. Rondeau: In this case, this is an amendment that has been discussed. We had been in discussion with the two funds, and what—sorry.

I move

THAT Clause 17 of the Bill be amended

(a) in the proposed subsection 5.5(3), by replacing the second sentence with "But the chair of a committee and a majority of its members must be board members."; and

(b) in the proposed subsection 5.5(4), by striking out "and" at the end of clause (a), adding "and" at the end of the clause (b) and adding the following after clause (b):

(c) a person cannot be the chair of the board and the chair of the committee at the same time.

Mr. Vice-Chairperson in the Chair

Mr. Vice-Chairperson: It has been moved by the Honourable Mr. Rondeau,

THAT Clause 17—

An Honourable Member: Dispense.

Mr. Vice-Chairperson: Dispense?

The amendment is in order.

Mr. Rondeau: What we are doing in this case is in a transition period, What we are doing is allowing after discussions with the funds, the venture capital funds, a transition period where the current chairs can remain as chairs for a short period of time, in a transition, so that they do not have to immediately have further changes in their management structure, in an immediate sense. They understand that this will be enacted in a short period of time in the future, but what we are trying to do is give them a little bit of time so that there is not a huge transition and huge management issue.

Right now, it is a difficult time for the fund. So with consultation with the funds, they have suggested we do this amendment so they have a little bit of transition time for management.

Mr. Loewen: Once again, the minister is responding after the fact to clauses in the bill that should have been discussed with the existing funds, particularly ENSIS, prior to the bill coming out, but we recognize that this is a necessary amendment because of some problems with the wording of the bill as it was presented to the House.

I would just, once again, for the record, remind the minister that, you know, these funds, both

ENSIS and Crocus, have had committees of the board. In the case of ENSIS, they seem to have served the business very well because they had the proper board structure in place and their board clearly understood that it was their responsibility to oversee the business, not the committees. One of the big problems with the Crocus Fund is that, as the Auditor General has pointed out, due to a lack of knowledgeable board members on corporate governance, they struck committees and immediately, basically, absolved the board of responsibility and allowed the committees to have free rein. Those committees then just brought decisions back to the board for rubber stamping, basically negating the purpose of the board being there in the first place.

So legislating committees in a board does not make for good governance. Ensuring that you have well-qualified people on the board at all times who understand, clearly, that the board is responsible for the actions of the fund, that the board, each and every board member, has the same responsibility for the decisions of the board as they do for the decisions of each and every committee that is taken. It is only through that mechanism that the board will be able to function and perform its fiduciary responsibility.

So, again, as has been indicated in committee, this is really just window dressing. Any board worth its salt that has the right combination of people on the board and the right understanding of board governance and understanding of the industry would automatically set up committees, once the fund reached a certain size that that was of value, the value being that some work could be delegated to the committees, but it would not be the committees' responsibility to make the final decision. That is and should always rest with the board, and unless that is very clearly spelled out, which it is not in this particular piece of legislation, and I am sure that the committee that minister has struck to look at this over the course of the summer will likely come back with improvements to this.

I would just reiterate, as well, what I said in the House, that there are times during the start-up phase in the fund where this may be too onerous and may not be needed and may not provide any advantage to the fund to have all these committees struck, because the business does not warrant a committee structure yet and the minister is simply adding some unnecessary overhead to the start up.

But, having said that, we are prepared to move on to other parts of the bill.

Mr. Vice-Chairperson: Amendment—pass; clause 17 as amended—pass; clause 18—pass. Shall clauses 19 through 22 pass?

Mr. Loewen: Well, I understand, I hope the minister has an amendment to clause 8(2), because this is one of the possibly worst examples of lack of ministerial oversight that I have seen in all my years in this Legislature, in terms of allowing a bill to come to the House which is completely unworkable.

* (18:50)

For the benefit of other committee members, 8(2) presently reads, "No person shall, in a workplace, engage in advertising or promotional activities for the sale of Class A shares," which basically means, if you go to your financial planner's office or to a credit union and ask them to purchase shares of a venture capital fund, you are in their workplace, and it is illegal.

So, hopefully, the minister has recognized, after this was raised by members of the opposition, of the unworkable nature of this clause, and has an amendment to present to this committee.

Mr. Rondeau: I have an amendment to section 20.

Mr. Vice-Chairperson: Clause 19—pass. Shall Clause 20 pass?

Mr. Rondeau: I have two amendments. The first one, I move

THAT the proposed clause 8(d) of The Labour-Sponsored Venture Capital Corporations Act, as set out in Clause 20(b) of the Bill, be amended by striking out "an investment in an entity" and substituting ", directly or indirectly, an investment in an entity, other than a wholly-owned subsidiary of the corporation,".

Mr. Vice-Chairperson: It has been moved by the Honourable Mr. Rondeau

THAT the proposed clause—

An Honourable Member: Dispense.

Mr. Vice-Chairperson: Dispense.

The amendment is in order.

Mr. Rondeau: What this is doing is ensuring that there is no potential or perceived conflict of interest in investing in a company that is the investment dealer or making money off the transactions with the Crocus or ENSIS Funds. So it mirrors the clause in 11(2) being added to The Crocus Investment Act which we earlier discussed, and it is preventing the appearance of conflict of interest.

Mr. Loewen: Just the wording in this is a little difficult to put together on this short notice. So I am just—you have to bear with me for a minute, but would the minister confirm that this would make the entity known as Crocus Capital back onside? Is that the attempt to do this?

An Honourable Member: Yes, that will make Crocus Capital onside.

Mr. Vice-Chairperson: Mr. Loewen still has the floor.

Mr. Loewen: So, just again, for clarification, I appreciate that from the minister that the Crocus Capital will be able to continue to exist as it has existed in the past, which is, basically, to act as the arm of the corporation that deals with the sale of the shares, and there will not be any need to wind that up or change the method of operation. It will just be able to continue on exactly as it has in the past.

Mr. Rondeau: What would happen is that, at this point, we would not have any additional changes in the marketing structure in the Crocus Capital at this point.

Mr. Loewen: Just for clarification, I am just curious if this is intended to deal with the issue of Wellington West with regard to the disposal of Wellington West, or is there another clause that we will be dealing with that, another amendment?

Mr. Rondeau: There is another amendment in the future that deals with the timing.

Mr. Vice-Chairperson: Shall the amendment pass? *[interjection]* Sorry.

The question before the committee is the amendment moved by Mr. Rondeau

THAT the proposed clause 8(d)—

An Honourable Member: Dispense.

Mr. Vice-Chairperson: Dispense. Thank you.

Amendment—pass.

An Honourable Member: I have another amendment.

Mr. Rondeau: I move

THAT the proposed subsection 8(2) of The Labour-Sponsored Venture Capital Corporations Act, as set out in Clause 20(c) of the Bill, be amended by striking out "No person" and substituting "Subject to the regulations, no person".

Mr. Vice-Chairperson: It has been moved by the Honourable Mr. Rondeau

THAT the proposed subsection 8(2)—

Some Honourable Members: Dispense.

Mr. Vice-Chairperson: Dispense.

The amendment is in order.

Mr. Rondeau: For the committee members, what this does is it allows people to conduct business in different workplaces, in various financial institutions, et cetera. As was pointed out, we wanted to make sure that there is clarification in this issue, and in order to ensure that we have not made any errors by regulation we can allow sales of these in other institutions should be by regulation.

Mr. Loewen: Is the minister intending that this regulation will allow individuals to buy labour-sponsored venture capital funds in their own workplace, in other words, in the business where they work at?

Mr. Rondeau: One of the examples that we discussed, Mr. Chair, was an example of someone who is working in the credit union as a clerk or a teller and wants to buy investment funds from the mutual fund salesperson in the back room. That was one example of where this might come into play where a person who is working as a clerk in Investors Group might also be interested in purchasing in the same workplace. So, what we have meant to do is ensure that, if you are a clerk working

for Astra Credit Union or a credit union, you can go to the back room, go to the financial planner and purchase in that regard. That is where the regulations will be drafted for that type of scenario.

Mr. Loewen: Well, I just need some clarification here because the minister, I do not think, is completely understanding the point that I am getting at here; that is, it is not uncommon practice in many businesses in Manitoba for the financial planner to come to the business as opposed to having to set up individual appointments with all of the owners or the executive to come to financial planner's office. I would expect the minister, given his background in financial planning, would understand this. That would involve an individual, perhaps a credit union employee who is selling funds or a financial planner going to ABC company and dealing with all 15, or 50, or 100 employees at that work site.

What I would like to have assurance from the minister is that those financial planners who have practised business in that fashion will be able to go to a workplace, provided that they are a properly registered individual to sell these funds, and sell their product. The clause, as written now, would exclude that, and the clause as amended would exclude that, unless there were specific regulations to allow that, in which case, if the government continued to allow the Securities Commission to regulate stewards on shop floors, it would put them in the same category.

So the issue is not that funds were sold at workplaces. The issue is who sold those funds at workplaces. I think what we need to accomplish here is wording that will allow financial planners—you know, it is not just individual planners; there are companies, some sizable companies in this province, that sell group plans, and part of those group plans is the purchase of self-directed RRSP vehicles done on a group basis. Those companies and those individuals must be allowed to have access to workplaces of any type to go in and market their product. Otherwise, we again will be back in the dark ages in terms of the sale of these types of investment product because everybody will have to go to the financial planner's office.

Mr. Rondeau: Part of the reason why we have gone the way we have, Mr. Chair, is that it is a very complex area; the wording was rather complex. When we were made aware of it by the members of

the opposition, we realized how complex it was, so that is why we are doing it with regulations. The process will be as the transition team and the implementation team will give us recommendations on this, and I do not mind sharing the regulations with the member opposite to ensure that we have not in any way caught something that we were not supposed to. So, again, what this is doing is enabling a number of scenarios to take place rather than spell out in detail in legislation. What we have done is that we have allowed it in regulations so that it can be a much better tool.

* (19:00)

Mr. Loewen: What I would recommend to the minister is that he accept a friendly amendment to strike this clause from the legislation, period. Most of labour-sponsored venture capital funds are sold in a specified part of the year, and if his committee that he is striking is tasked with doing their work over the summer, I would feel much more comfortable if they would come back with their recommendations, and then a determination be made whether that should be in regulation or in legislation. So I would suggest that, for the purposes of this bill, it would probably be more expedient to just delete this clause and avoid any kind of gnashing of teeth within the industry and allow your implementation committee to come back and tell you what should happen here. I believe they will ultimately tell you that the problem is not the selling of the fund at the workplace, the problem is who is selling the fund and the fact that the people who were selling Crocus Fund, in particular, were not knowledgeable enough after receiving only a day or two days training with regard to financial planning instruments, and that is what has really led to the problem here, not the fact that they were sold in the workplace, but who sold them.

Again, I just reiterate that, given that the fund is not up and selling it, that most of these sales will not take place until after January, that we just get this clause out of there and let you task your committee to come back with a solution to that particular problem, because this is unworkable, I think, and any way that you try and write the regulations, you are going to run into trouble.

Mr. Rondeau: The intent of this clause was to capture the workplace co-ordinators and do exactly what you have just mentioned, where it was capturing the workplace co-ordinators, capturing people selling to co-workers, et cetera. It is not meant to stop the certified financial planner or

financial investment advisor. What it is meant to do is to stop a person who is working in the same workplace to sell to each other, and the regulations, I can assure you, will be drafted accordingly. So it is not going to stop group plans. It is not going to stop a person who is working in a credit union selling to a co-worker, or an investment advisor selling to a co-worker in a credit union. It is not going to stop a person from Investors Group who is a clerk buying from a person that she works with as a certified financial planner.

What it is meant to do is to stop the workplace co-ordinators, which was a bad practice in the past. In hindsight, it might have been better done when it was initially set up, but we are cleaning up the system. The focus is, basically, and if you look at the spreadsheet, the focus is on promotion, and that is the promotion. The focus of this act is on the promotion, not necessarily the sales. The focus is on the promotion and that is one of the areas that was mentioned by people in the media where they were being sold by friends, sold by co-workers, and we want to end that practise, or at least limit it.

Mr. Loewen: Well, again, the minister does clearly not understand the complexity involved around what is happening with this clause. I can appreciate that because, I think, unless you have been on that side of the business you do not understand how complex it is.

Again, from my past experience in the payroll business, there were funds like this sold through payroll deduction as the Crocus Funds are. They were sold, and in that case, I am sure the funds in ENSIS and Crocus will tell you they need to have promotional material that is at the workplace to make people aware that the product is available. The issue is not, again, the promotion of the product. The issue that the minister is trying to correct, and that the Auditor General correctly pointed to, is the selling of the product by those individuals who do not have enough knowledge to counsel their clients in an adequate fashion, and that is why we have had so many people invest a far greater part of their retirement income than they should have in a venture capital fund.

So, again, I would just urge the minister to completely delete this clause and leave it up to his committee to come back to him because these funds, the way it is going in this day and age, they are being sold over the Internet, there is marketing material over the Internet. So somebody goes on the Internet

and goes into the Crocus Fund, is that promotion at a worksite? You know, there is material that goes out and gets displayed, whether it is in a form of a stuffer in a payroll envelope or whether it is a poster in a place of work. It is not the promotional effort. You do not want to hamper the funds. I mean, enough damage has been done to venture capital in Manitoba.

You do not want to damage the funds further by restricting their ability to promote their product. What you want to make sure is that the people who are selling the product are doing so in a knowledgeable fashion, understanding the risk involved in this type of fund, and the fact that there should be, for most people, a very, very small portion of their retirement income, I would argue, possibly not any at all, wrapped up in venture capital.

Mr. Rondeau: The one amendment that we do have is the proclamation date, where we can have this affixed as a proclamation date on Order-in-Council should there be any issues. What we do is we have some flexibility on the boards, as I explained. We had some flexibility on the implementation of some of the other amendments. We could have flexibility based on this proposal in the enacting clause.

Mr. Loewen: Just for my own comfort level here, could you give me a little more indication of what type of—I mean, are you looking at after the committee has had a chance to review and reported back to you, or are you looking at next February? I would just like a little more.

Mr. Rondeau: It would be after the committee reported to me.

Mr. Loewen: And have you set a time frame on that committee to report to you?

Mr. Rondeau: Not a precise time frame, but we understand that it will be before September. We are hoping for it to be before September.

Mr. Loewen: So, is the minister suggesting that this particular clause, 8(2), would come into force at a time different than the rest of the bill as described in clause 24?

Mr. Rondeau: I am saying, yes, that is the case, where we would take it out, we are doing that with the committees, where they have flexibility on

changing the committees, so we do not disrupt the board governance at this point.

Mr. Loewen: And would we have that amendment tonight, or is he going to do that in report stage?

Mr. Rondeau: Yes, you are getting it tonight.

Mr. Loewen: Well, I thank the minister for that clarification, and, on that basis and on his word, we will agree to this amendment, but I do believe that the minister, once he gets into it with his implementation committee, will come back and find that this clause is basically unworkable in its existing form. I am sure they will have a better solution for him. We trust that he will implement it at the time.

Mr. Vice-Chairperson: Okay, the question before the committee is the amendment as moved by the Honourable Mr. Rondeau,

THAT the proposed subsection 8(2)—

An Honourable Member: Dispense.

Mr. Vice-Chairperson: Dispense.

Amendment—pass; clause 20 as amended—pass; clause 21—pass; clause 22—pass. Shall clause 23 pass?

Mr. Rondeau: Mr. Chair, I move

THAT Clause 23(1)(b) of the Bill be amended by adding the following after the proposed clause (o.2):

(o.3) limiting the application of subsection 8(2);

Mr. Vice-Chairperson: It has been moved by the Honourable Mr. Rondeau—

An Honourable Member: Dispense.

Mr. Vice-Chairperson: Dispense.

The motion is in order.

Mr. Rondeau: The purpose of this clause is to ensure that some of the other changes we have taken place fit within the bill and they are going to be coming in in Section 24, all the things that are coming into delaying the actual proclamation and the changes in the bill to allow both ENSIS and Crocus

time to be flexible so that we do not disrupt their governance further.

* (19:10)

Mr. Loewen: We are seeing the challenge of having a knee-jerk, politically driven bill brought before the House and before this committee. It is simply designed in a desperate attempt to take the Minister of Finance (Mr. Selinger), off the hook and the member from Brandon West off the hook. Again, we are seeing a totally flawed bill that has not been well thought out. It just does not make any sense whatsoever, but, you know, having said that, again, within the spirit of trying to correct this incredible mess that the member from Brandon West is responsible for and that the member from St. Boniface, the Minister of Finance, is responsible for, we are certainly willing to see this bill go through at this time.

Mr. Vice-Chairperson: The question before the committee is the amendment, as moved by the Honourable Mr. Rondeau,

THAT Clause 23—

An Honourable Member: Dispense.

Mr. Vice-Chairperson: Dispense.

Amendment—pass; clause 23 as amended—pass. Shall clause 24 pass?

Mr. Rondeau: In discussion with both ENSIS and Crocus and members of the opposition, what we have done is the amendment will delay the coming into force of three provisions. The two provisions that prevent LSIFs from investing in the brokerage firm that sells its shares, this has to do with—

Mr. Vice-Chairperson: Mr. Rondeau, you have to move your amendment, and then we will get into discussion.

Mr. Rondeau: Okay. I move,

THAT Clause 24 of the Bill be replaced with the following:

Coming into force

24(1) Subject to subsection (2), this Act comes into force on the day it receives royal assent.

Coming into force – certain provisions

24(2) The following provisions come into force on a day to be fixed by proclamation:

(a) clause 8(2)(c);

*(b) clause 5.5(4)(c) of **The Labour-Sponsored Venture Capital Corporations Act**, as enacted by section 17 of this Act;*

(c) clause 20(b) and (c).

Mr. Vice-Chairperson: Okay. The amendment, as moved by the Honourable Mr. Rondeau—

An Honourable Member: Dispense.

Mr. Vice-Chairperson: Before I dispense, I just want to clarify that at the bottom there under 24(2)(b) that the minister did in fact say clause 5.5(4)(c).

Mr. Rondeau: Yes.

Mr. Vice-Chairperson: Okay, that has been confirmed. The amendment is in order.

Discussion.

Mr. Rondeau: Sorry, about the previous moving the bill too early and discussing it. This amendment will delay the coming into force of three provisions, the two provisions that prevent LSIFs from investing in the brokerage firm that sells its shares. So this is a timing the member had mentioned that it was important to not force a fire sale price of the investment that Crocus has or ENSIS has in their broker or Crocus has in their brokers.

That provision that prevents one person from being the chair of the board of a labour-sponsored venture capital fund and the chair of a committee of the board at the same time, again, in discussions with the funds, what they have said is they wanted some transition time and that would be appropriate for good governance. It also has to deal with being the chair of the four committees. So the chair of the board cannot necessarily be a chair of a committee. At the present, they wanted some transition time to implement that provision.

They also will come into force by proclamation. This will be in discussion with the transition team. The government will allow Crocus Investment

Fund and ENSIS Growth Fund a reasonable time to implement any of these organizational changes required to comply with the provisions.

Some Honourable Members: Oh, oh.

Mr. Vice-Chairperson: Order.

Mr. Rondeau: It will also delay the whole provisions on the workplace, as you had mentioned, Mr. Loewen. So what that does is allows us to develop regulations and get that information to the transition team to ensure a decent transition.

I might point out what this is trying to do. The bill was drafted. We had contact with members of the opposition, members of the industry. What they have said is that they believe that this is a good bill as far as the regulations, but they needed some time to implement it. That is what this is doing. So a lot of the amendments go together to ensure that there is time.

Mr. Loewen: I appreciate the amendments that the minister has brought forward with the assistance of the staff. I certainly appreciate the work that the staff has done on this bill, particularly given the very critical time frame that it was under and the fact that it mostly resulted from the scathing report delivered by the Auditor General.

I just, in final comment, have to reflect on how much better the unitholders would have been served had the member from Brandon West allowed the process staff undertake to take action on legislation that would have provided more monitoring, openness and more accountability to the fund instead of putting the political hammer down, as he was instructed by the Minister of Finance (Mr. Selinger) and the Premier (Mr. Doer). If he had simply followed through on his responsibility of minister

when he was appointed and allowed staff to do their job in terms of responding to the issues they were seeing when the red flags were raised, then perhaps there would be 34 000 Manitobans who would be able to take a lot more comfort that their retirement income was well looked after by this government.

An Honourable Member: I think Jim would have been a little more responsible if he had been there.

Mr. Loewen: I am sure the current minister would have been more responsible.

Mr. Vice-Chairperson: The question before the committee is the amendment, as moved by the Honourable Mr. Rondeau,

THAT Clause 24 of the Bill be replaced with the following:—

An Honourable Member: Dispense.

Mr. Vice-Chairperson: Dispense. Shall the amendment pass? *[Agreed]*

Clause 24 as amended—pass; enacting clause—pass; title—pass. Bill as amended be reported.

This concludes the business that is before this committee.

The hour being 7:18 p.m., what is the will of the committee?

Some Honourable Members: Rise.

Mr. Vice-Chairperson: Committee rise.

COMMITTEE ROSE AT: 7:18 p.m.