

**Fifth Session - Thirty-Eighth Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Public Accounts**

*Chairperson*  
*Mr. Leonard Derkach*  
*Constituency of Russell*

**Vol. LVIII No. 4 – 7 p.m., Thursday, March 8, 2007**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Eighth Legislature**

<b>Member</b>	<b>Constituency</b>	<b>Political Affiliation</b>
AGLUGUB, Cris	The Maples	N.D.P.
ALLAN, Nancy, Hon.	St. Vital	N.D.P.
ALTEMEYER, Rob	Wolseley	N.D.P.
ASHTON, Steve, Hon.	Thompson	N.D.P.
BJORNSON, Peter, Hon.	Gimli	N.D.P.
BRICK, Marilyn	St. Norbert	N.D.P.
CALDWELL, Drew	Brandon East	N.D.P.
CHOMIAK, Dave, Hon.	Kildonan	N.D.P.
CULLEN, Cliff	Turtle Mountain	P.C.
CUMMINGS, Glen	Ste. Rose	P.C.
DERKACH, Leonard	Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary, Hon.	Concordia	N.D.P.
DRIEDGER, Myrna	Charleswood	P.C.
DYCK, Peter	Pembina	P.C.
EICHLER, Ralph	Lakeside	P.C.
FAURSCHOU, David	Portage la Prairie	P.C.
GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin	Steinbach	P.C.
HAWRANIK, Gerald	Lac du Bonnet	P.C.
HICKES, George, Hon.	Point Douglas	N.D.P.
IRVIN-ROSS, Kerri, Hon.	Fort Garry	N.D.P.
JENNISSSEN, Gerard	Flin Flon	N.D.P.
JHA, Bidhu	Radisson	N.D.P.
KORZENIOWSKI, Bonnie	St. James	N.D.P.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar, Hon.	The Pas	N.D.P.
LEMIEUX, Ron, Hon.	La Verendrye	N.D.P.
MACKINTOSH, Gord, Hon.	St. Johns	N.D.P.
MAGUIRE, Larry	Arthur-Virden	P.C.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McFADYEN, Hugh	Fort Whyte	P.C.
McGIFFORD, Diane, Hon.	Lord Roberts	N.D.P.
MELNICK, Christine, Hon.	Riel	N.D.P.
MITCHELSON, Bonnie	River East	P.C.
NEVAKSHONOFF, Tom	Interlake	N.D.P.
OSWALD, Theresa, Hon.	Seine River	N.D.P.
PENNER, Jack	Emerson	P.C.
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REIMER, Jack	Southdale	P.C.
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SALE, Tim	Fort Rouge	N.D.P.
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SCHULER, Ron	Springfield	P.C.
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SMITH, Scott, Hon.	Brandon West	N.D.P.
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STRUTHERS, Stan, Hon.	Dauphin-Roblin	N.D.P.
SWAN, Andrew	Minto	N.D.P.
TAILLIEU, Mavis	Morris	P.C.
WOWCHUK, Rosann, Hon.	Swan River	N.D.P.
VACANT	Kirkfield Park	

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**Thursday, March 8, 2007**

**TIME – 7 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Leonard Derkach (Russell)**

**VICE-CHAIRPERSON – Mr. Andrew Swan (Minto)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

Hon. Messrs. Gerrard, Selinger

Messrs. Aglugub, Cummings, Derkach, Hawranik, Maguire, Martindale, Sale, Santos, Swan

**APPEARING:**

Mr. Kevin Lamoureux, MLA for Inkster

Hon. Dave Chomiak, MLA for Kildonan

Mr. Hugh McFadyen, MLA for Fort Whyte

Mr. Ron Schuler, MLA for Springfield

Hon. Scott Smith, MLA for Brandon West

Ms. Carol Bellringer, Auditor General of Manitoba

**MATTERS UNDER CONSIDERATION:**

Auditor General's Report – *Examination of the Crocus Investment Fund* – May 2005

\* \* \*

**Mr. Chairperson:** Good evening, ladies and gentlemen. Will the Standing Committee on Public Accounts please come to order.

Our first order of business this evening is to elect a Vice-Chairperson. First of all, are there any nominations?

**Mr. Doug Martindale (Burrows):** I nominate Mr. Swan.

**Mr. Chairperson:** Mr. Swan has been nominated. Are there any other nominations?

Is it agreed that Mr. Swan be the Vice-Chair?  
*[Agreed]*

Mr. Swan has been nominated as the Vice-Chair for this evening and will only act for this evening. Corrected. He is Vice-Chair until another Vice-Chair is elected.

This meeting has been called to consider the Auditor General's Report – Examination of the Crocus Investment Fund, dated May 2005. Before we get started, I would like to indicate that there has been an agreement between myself as the Chair and the House Leader of the government that the committee has agreed to sit until 10 o'clock this evening and that at 9:15 or at 9:30 there will be an availability of Mr. Scott to answer questions. He is the Minister of Competitiveness, Training and Trade. The first portion of the meeting is then dedicated to asking questions of the Auditor General, also of the Minister of Finance (Mr. Selinger) and, in addition to that, the Deputy Minister of Finance.

Is the committee agreed to what I have just laid out before it? *[Agreed]*

Thank you.

**Mr. Gerald Hawranik (Lac du Bonnet):** I have a motion to present to Public Accounts.

I move

THAT questions and answers at Public Accounts Committee this evening be restricted to a maximum of four minutes for each question and each answer.

**Mr. Chairperson:** Do you have that motion written down?

The motion is in order.

***Motion presented.***

**Mr. Kevin Lamoureux (Inkster):** Mr. Chairperson, I do believe it is a motion worth supporting for the simple reason that, given the very nature of what it is that we are going to be discussing this evening, part of the concern is that there is no sense of filibustering, that answers as questions be put straightforward so that we can accomplish as much as possible this evening in the short period of time that we do have.

**Mr. Andrew Swan (Minto):** I don't agree with restricting questions and certainly answers to

four minutes. Existing rules, which I should note, have been agreed upon by all parties in this Legislature, allow 10 minutes for a question and 10 minutes for a response. There are going to be questions which may require a full and complete answer by any witnesses that are here tonight, and it would be inappropriate, at this meeting, to suddenly restrict that to four minutes.

I should add that I expect it's going to take the Leader of the Opposition (Mr. McFadyen) and someone from the Liberal Party more than 10 minutes to apologize to the Minister of Finance (Mr. Selinger) and to Manitobans for the misinformation that has been—

**Mr. Chairperson:** Order, Mr. Swan. *[interjection]* Excuse me, Mr. Swan, if we're going to have a productive meeting this evening, I expect you to respect the Chair. When I've asked for order, I expect you to comply with that.

Now, we may proceed, but I ask you to contain your comments to issues that are relevant to the motion.

**Mr. Swan:** Thank you, Mr. Chair. As I've indicated, there are a number of varied and sundry reasons why limiting comments to 10 minutes would not be appropriate for this meeting.

**Mr. Hawranik:** I would like to speak to the motion. Certainly, Mr. Chairperson, we've had difficulty in the past at Public Accounts. We've seen nothing but rambling answers to questions that we've posed to various ministers. It would speed up the process and we've got many questions to ask tonight. We're going until 10 o'clock this evening and there are only three hours to get those questions out. We want to get to the bottom of the issues that are relevant I think to Manitobans who have been affected by the Crocus scandal. The four minutes will force ministers to be concise and be to the point.

I can tell you, Mr. Chairperson, that we've seen long answers both in Question Period and in this forum and we've gotten absolutely nowhere in terms of answers. We want to get to the bottom of it and I think four minutes is clearly enough for a clear and concise answer and a full answer to any question that we're about to pose this evening.

**Hon. Dave Chomiak (Minister of Justice and Attorney General):** Mr. Chairperson. I think we've had six or seven meetings where we've discussed Crocus. We've heard the same questions and the

same answers, and now we're in our seventh or eighth meeting.

I might indicate that the last meeting I thought was a breakthrough for this committee wherein we seemed to work collaboratively and we moved toward some working together collaboratively.

I suggest that, since there's not agreement on changing the existing rules, we just proceed to questions and answers and get as much work as we can done as quickly as possible, Mr. Chairperson, and get down to the business of dealing with the questions and the answers, because I have questions and all members have questions with respect to certain comments that have been made in the last two weeks by individuals, that I think deserve an apology. So I think we should get right down to it.

**Mr. Chairperson:** Okay, thank you for your input. I will read the motion one more time.

THAT the questions and answers at Public Accounts Committee this evening be restricted to a maximum of four minutes to each question and each answer.

That was moved by Mr. Gerald Hawranik. Is the committee prepared to accept the motion?

**Some Honourable Members:** No.

**Some Honourable Members:** Yes.

#### Voice Vote

**Mr. Chairperson:** Those who are in agreement with the motion, will you please indicate by saying yea.

**Some Honourable Members:** Yea.

**Mr. Chairperson:** Those who are opposed, please say nay.

**Some Honourable Members:** Nay.

**Mr. Chairperson:** In my view, the Nays have it.

I'm sorry, Mr. Hawranik?

**Mr. Hawranik:** No, go ahead.

**Mr. Chairperson:** Okay, the motion is defeated.

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**Mr. Chairperson:** I thank the honourable members for their participation here. Now, we will turn our attention—I'm sorry, Mr. Hawranik.

**Mr. Hawranik:** Yes, I have a further motion to present to the Public Accounts Committee.

I move

THAT the Public Accounts Committee hear the witnesses scheduled for this evening's meeting under oath.

**Mr. Chairperson:** The motion is in order.

***Motion presented.***

**Mr. Hawranik:** I would like to speak briefly to the motion. I refer to section 37(1) and 37(2) of The Legislative Assembly Act.

Under section 37(1): "Any standing or select committee of the Legislative Assembly to which any bill, or other matter or cause, has been referred by the assembly, may examine witnesses upon oath upon matters relating to the bill, matter or cause."

Under section 37(2): "The chairman or any member of the committee may administer the oath to any witness."

\* (19:10)

I present this motion to the committee, Mr. Chairperson, because we certainly want to get to the bottom of what's behind the Crocus scandal. Certainly, if members opposite are truthful in their answers, there's absolutely no consequence, there's absolutely nothing to be afraid of; and, certainly, if they have nothing to be afraid of, they ought to be supporting this motion. If they don't intend to answer correctly or will not answer truthfully, then, of course, they won't support the motion. So I would ask members opposite, if you've got nothing to hide in respect of answers that are given at this committee, that all witnesses who are going to be testifying here at this committee be put under oath.

**Mr. Chomiak:** I have been a member of the Legislative Assembly for 17 years and stood in the House, and I've heard it said over and over again that we're all honourable members and we all are supposed to bring matters to the Legislature which we know to be factual. In fact, we have witnesses like the provincial auditor that members opposite have the audacity to say ought to be under oath, Mr. Chairperson.

When the Leader of the Opposition said, and I quote, on Tuesday, February 27, talking about the Premier and the Minister of Finance: "He had a duty to disclose information and he didn't. . . It's the most cynical, manipulative coverup," that "Greg Selinger

and Gary Doer failed to disclose the November 2000 cabinet memo." The Leader of the Opposition was told that he was wrong, and he has not yet apologized for putting inaccurate information on the record. Now they have the audacity to come to this committee and ask to be under oath.

I have been a part of this Legislature and accepted people like Don Orchard who works in the Leader of the Opposition's office and I heard his words for years and years and years and never asked Don Orchard to go under oath, though I could have wanted to and perhaps should have in the past. We are all honourable members.

The Auditor is respected by the House as an independent member of this committee. And the members want us to put the provincial auditor under oath, Mr. Chairperson? As a witness, I find that abhorrent. I find that typical of members opposite to go after individuals, to go after procedures when their facts are proved inaccurate and they have been over and over and over again. Members opposite attempt to bring up procedural issues and attack personalities rather than deal with the issues at hand.

There are 33,000 people who are affected by this, and members opposite are trying to use that to their political advantage instead of getting on to the business of trying to maximize returns for those individuals and at the same time, Mr. Chairperson, dragging this out by ringing the House bells for 16 days, going to committee seven, eight, nine times asking the same questions, putting inaccurate information on the record. And they have the audacity to come to this Chamber and ask that members who've been part of this Chamber for decades be put under oath. I find that to be both inappropriate, inaccurate, and I think that the very fact the member brought that motion on a procedure matter and would dare have the provincial auditor, who is appearing as a witness, be put under oath is just a testament to what level they will stoop to make a political point. I just—[interjection]

I know the member very much likes moot court and likes to play it like a court, but these are issues affecting people's lives. It's not cute statements, it's not fancy statements, it's real issues. You ought not to play games with people in this Chamber. Have some respect for what people say in this Chamber as honourable members and not play it like a courtroom where you think you can cross-examine. Members are grown up enough here and have been in this Chamber long enough and been elected long enough,

they don't have to be put under oath by the newly elected member and play cute games.

With that, Mr. Chairperson, I will not vote in favour of this motion because it's another cynical attempt to move procedure ahead of facts when the members are afraid of the facts. They've been proven wrong in the facts last week and are not ready to apologize for inaccurate statements. The Leader of the Opposition said the provincial auditor ought to have seen the letter. When he was corrected, he never came forward and said: I was wrong. That letter was on file. If the Leader of the Opposition is prepared to apologize and the Leader of the Liberal Party, perhaps we'll be prepared to accept some of their recommendations. Thank you, Mr. Chairperson.

**Mr. Chairperson:** Just a point of order, ladies and gentlemen. It's not a point of order from me. However, I would like to clarify that the Auditor General is not here as a witness. The Auditor General is here to provide advice and to give answers but not to appear as a witness. This is in accordance with rule 114 of our rule book.

**Mr. Lamoureux:** Mr. Chairperson, the Government House Leader knows full well that this has nothing to do with the provincial auditor. The motion that's being put forward is put forward because we have asked dozens, if not hundreds, of questions of this Minister of Finance, whether it's Question Period, Public Accounts, you name it, and this Minister of Finance has intentionally misled the Legislature and this committee. We're going to likely be dealing with that, and we want—

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** Excuse me, Mr. Lamoureux.

#### Point of Order

**Mr. Chairperson:** There's a point of order.

**Mr. Swan:** I believe that the Member for Inkster has just used the words "intentionally misled," which is unparliamentary language, and I would ask him to withdraw those comments.

**Mr. Chairperson:** Order, please. Ladies and gentlemen, if we're going to get anywhere tonight, I would ask that members around the table at least recognize the Chair in terms of trying to keep some order in this Chamber and some order around the table.

I regret that I did not personally hear the comments that were made by Mr. Lamoureux, and

so, therefore, I'm going to take this matter under advisement, but I would caution members around this table to make sure that they use language that is appropriate for the discussion at this table.

With that, Mr. Lamoureux, I will allow you to continue, but as I've indicated I will take this matter under advisement.

\* \* \*

**Mr. Lamoureux:** Mr. Chairperson, all we ask is that Manitobans and the Crocus shareholders want the truth, and if this motion is going to assist Manitobans and Crocus shareholders in getting the truth it is worthy of passing. For that reason, I believe that it would be advisable, if the government has nothing to hide, why would they not allow it to pass? Why would they oppose it? I don't understand why they would oppose a simple motion of this nature if they've got nothing to hide, of course.

**Mr. Swan:** Mr. Chairperson, maybe I will take your invocation to take it down a step or two. That's fair enough.

Certainly, one of the concerns is that if someone is put under oath and that becomes evidence given under The Manitoba Evidence Act, as every member around this table is aware there is an existing lawsuit that's been filed in the Court of Queen's Bench of Manitoba. Those issues have not yet been resolved. The government will be defending that claim on behalf of Manitoba taxpayers, and if there are questions and answers that could very well impact the course of that lawsuit it could very well impact the defence of that claim. It could very well impact other parties to this lawsuit, perhaps those representing certain investors who are unhappy, perhaps affecting some of the other parties to this lawsuit such as a large brokerage firm that I know my friend across the table is well aware of, other parties, the auditors, other parties who aren't here and who aren't represented at this hearing.

If there is going to be evidence led which could have an impact on a lawsuit of that magnitude and of that importance, I think we should be very, very careful, Mr. Chair, about an errant question, about an answer impacting not only Manitoba taxpayers, impacting not only Crocus shareholders, but potentially other parties who are interested in this lawsuit who are not here, who don't have standing to come forward and speak to this committee.

We need to have those matters dealt with in a very proper way, and I'm very disappointed to hear

the Leader of the Opposition chirping from across the table. He, like I, has completed his law degree. We both worked at the same law firm and I thought had received a pretty good education. He should know that by allowing matters to get off the track by improper questions and answers being made that that could very well impact this lawsuit.

I am expecting that when my friends across the table reflect on that fact they'll realize that what seems like a very punchy political thing to say tonight is not in the best interest of Crocus shareholders; it's not in the best interest of Manitobans; and it's unfair to the other parties.

So those are the reasons, Mr. Chair, that I will not be supporting the motion that's been put forward. Thank you.

\* (19:20)

**Mr. Chairperson:** Thank you, Mr. Swan.

Seeing no other hands up, I will read this motion one more time:

Moved by Mr. Gerald Hawranik

THAT the Public Accounts Committee hears the witnesses scheduled for this evening's meeting under oath.

Is the committee ready for the question?

**An Honourable Member:** Question.

**Mr. Chairperson:** The question before the committee has been read now. Shall the motion pass?

**Some Honourable Members:** No.

**Some Honourable Members:** Yes.

#### Voice Vote

**Mr. Chairperson:** Those who are in favour of the motion, please say yea.

**Some Honourable Members:** Yea.

**Mr. Chairperson:** All those opposed, please say nay.

**Some Honourable Members:** Nay.

**Mr. Chairperson:** In my opinion, the Nays have it.

#### Formal Vote

**Mr. Hawranik:** Mr. Chairperson, I would like to have a recorded vote.

**Mr. Chairperson:** A recorded vote has been requested. Will the Clerk please count the hands. *[interjection]*

Okay, we'll repeat the procedure in terms of asking for the Yeas and Nays.

*A COUNT-OUT VOTE was taken, the result being as follows: Yeas 4, Nays 6.*

**Mr. Chairperson:** The motion is accordingly defeated.

#### Point of Order

**Mr. Chairperson:** A point of order, Mr. Hawranik?

**Mr. Hawranik:** Yes, a point of order, Mr. Chair. I would just like to let the record read that all Progressive Conservative and Liberal MLAs voted in support of the motion and all NDP MLAs voted against.

**Mr. Chairperson:** Mr. Hawranik, that is not a point of order.

\* \* \*

**Mr. Swan:** I would also like to introduce a motion, Mr. Chair. The motion reads:

THAT we urge the Leader of the Official Opposition and the Leader of the Liberal Party to withdraw their public statements that the Minister of Finance withheld documents from the Office of the Auditor General and to apologize to the Minister of Finance for making those public statements.

**Mr. Chairperson:** The motion is in order, and I will read it. It's moved by Mr. Swan

THAT this committee urge the Leader of the Official Opposition and the Leader of the Liberal Party to withdraw their public statements that the Minister of Finance withheld documents from the Office of the Auditor General and to apologize to the Minister of Finance for making those public statements.

**Mr. Swan:** Mr. Chair, with the heightened political sense that I believe many people have—there are a great number of people that are present tonight—I'm certainly concerned about various attempts that have been made by the Leader of the Opposition and the Leader of the Liberal Party to make misleading statements that have perhaps affected certain people's view of this situation.

The first point is that these two gentlemen unfortunately misled the public by claiming that the—  
[interjection]

**Mr. Chairperson:** Order, please.

**Mr. Swan:** Thank you, Mr. Chair. By claiming that the November 2000 Cabinet submission was, and I use their exact words, "withheld and hidden from the Auditor General." While every member of this Legislature received a letter from the Auditor General's office a couple of days ago, February 28, 2007, and the Auditor General stated, and I quote: "The November 2000 submission referred to above was included in the documents obtained during the course of the audit and contributed to the audit evidence used to reach the conclusions reported in May 2005." So that's issue No. 1. I would urge the Member for Springfield (Mr. Schuler) to listen carefully.

The second point is that the Leader of the Opposition and the Leader of the Liberal Party misled the public by claiming that Cabinet ministers had previously denied direct knowledge of potential—  
[interjection]

**Mr. Chairperson:** Order, please. Let's have one speaker at a time, please. Mr. Swan has the floor.

**Mr. Swan:** Thank you, Mr. Chair. I'll begin again. The Leader of the Opposition and the Leader of the Liberal Party misled the public by claiming publicly that Cabinet ministers had previously denied any direct knowledge of the potential for a liquidity problem at Crocus, a liquidity problem that never actually came to pass.

The facts, and I would urge the members of the Conservative Party to open their ears and to listen. In fact, the following statement was made by the former Minister of Industry in the Legislature on June 1, 2005, and that is just one example where these comments are proven false. The minister said on that day, June 1, 2005: "If you're asking about whether there were questions about liquidity, the Premier, the Minister of Finance and myself have been clear. We had discussions with both Crocus and ENSIS regarding liquidity and pacing."

The third item which is a matter of concern and gives rise to the reasons that we are urging these gentlemen to apologize is that, again, the Leader of the Opposition and the Leader of the Liberal Party misled the public by asserting that the contents of the November 2000 Cabinet submission, quote, would have produced different finding in the Auditor's final

report, end quote. The facts on this matter, in fact, the former Auditor General, Mr. Jon Singleton, said in the media and I do quote: "There's nothing about this document that wasn't covered in our report." And that was printed in the *Winnipeg Sun* on February 26, 2007.

The fourth item which is very concerning is that the Leader of the Opposition and the Leader of the Liberal Party misled the public by claiming that the November 2000 Cabinet submission is inconsistent with the time line outlined in the Auditor General's report. I would refer the members across and the Member for Arthur-Virden (Mr. Maguire) can listen as well. On page 145 of that report, the Auditor General stated and I quote: The Crocus Investment Fund was very up front with the Department of Industry, Economic Development and Mines "as early as mid-2000 on the fact that they would run into liquidity problems if pacing continued to be based on 70 percent of gross sales."

Fifth, Mr. Chair, the Leader of the Opposition and the Leader of the Liberal Party misled the public by asserting, again publicly, that the potential liquidity problems identified in the November 2000 submission led to the collapse of the Crocus Fund. In fact, the facts are the Auditor General stated on page 123 of the lengthy report and I quote: "The Fund has met the minimum liquid reserve requirements as set out in The Crocus Investment Fund Act."

So, Mr. Chair, we have five statements that have been made by the Leader of the Opposition and made by the Leader of the Liberal Party. All five of those have been shown by the Auditor General, the current Auditor General, the previous Auditor General and, indeed, any review of *Hansard* from statements made by the Premier, by the Minister of Finance, by the Minister of Industry have been shown to be untrue. So that's why I'm going to ask this committee to urge those individuals to make an apology for those misstatements. If that happens and they choose not to, we can only urge them to do so. We think it's the right thing to do. Come forward and state that you were incorrect. Apologize to the Minister of Finance and, effectively, to Manitobans.

Let's get on with questions and answers. We have the Minister of Finance here ready to answer questions. We have the Auditor General and her staff here ready to answer questions. Let's move on, but first, let's clear the air and I'm going to give those two gentlemen the chance to apologize for the untrue



statements they've been making publicly for the past two weeks. Thank you, Mr. Chair.

**Mr. Tim Sale (Fort Rouge):** Mr. Chair, I'm going to take a slightly different tack on this and just tell the leaders of the opposition parties that when I was a rookie MLA in 1995, I'm pretty passionate about things and can get fairly excited and perhaps the member who is also retiring from that wonderful place of Neepawa, will remember this. He may remember this, but I made an intemperate remark in regard to the former Finance Minister, Mr. Stefanson. Your former member whom you hounded out of his seat in Carman, Mr. Rocan, whom you had your friend defeat as a—

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** Mr. Sale, let's be relevant. Thank you.

\* (19:30)

**Mr. Sale:** —Mr. Chair, and I'll link it up immediately. He came to me as an old hand in the Legislature and he said: You know, you need to get up on your feet and apologize right away. I did. I got up on my feet and I apologized. I said I was wrong. I made an intemperate and incorrect statement and I withdraw it.

That's one of the rules of this Legislature is that when you are completely wrong, as you have been shown to be by officers of this Legislative Assembly, impartial officers in whose appointment you had a hand, you then have a duty as an elected official to say, look, I want to get at the substance of the issue I'm concerned about but I was wrong on this issue; I said things that were intemperate and wrong, and I apologize for that because my integrity as the leader of a political party depends on people being able to count on my truthfulness and my willingness to take responsibility for what I say in public.

Perhaps you will learn that over time. Some of us learn it more quickly than others, but you made a very bad mistake. You not only impugned the Finance Minister, you impugned others, as well, by making statements that are clearly, on the record, incorrect.

The same is true of Mr. Gerrard. He has no excuse of being a rookie. He has no excuse of not understanding how this Legislature works. You may have an excuse because you're relatively new at the game. All you have to do is apologize, and it's remarkable how the issue goes away. You're not

embarrassed anymore. You don't have to look foolish. You don't have to defend yourself to Channel 5 and say, you know, obviously you were wrong. So why don't you just apologize? It's a simple motion and I suggest, Mr. Chair—

**Mr. Chairperson:** Order, please. Mr. Sale, excuse me. I would caution all honourable members to place their comments through the Chair rather than directly to each other across the table. Thank you.

**Mr. Hugh McFadyen (Leader of the Official Opposition):** Mr. Chairperson, I would just ask that, in the absence of other comments from members of the committee, we put this to the vote. I have an opening statement I would like to make in which I will deal with some of the issues of integrity, competence, management of the public purse and other related issues. I look forward to getting on with that opening statement and getting by the time wasting that we're engaged in presently.

**Mr. Chairperson:** Is the committee ready for the question?

**Some Honourable Members:** Question.

**Mr. Chairperson:** The question before the committee is as follows:

Moved by Mr. Swan

THAT that the committee urge the Leader of the Official Opposition and the Leader of the Liberal Party to withdraw their public statements that the Minister of Finance withheld documents from the office of the Auditor General and to apologize to the Minister of Finance for making those public statements.

Shall the motion pass?

**Some Honourable Members:** Yes.

**Some Honourable Members:** No.

**Voice Vote**

**Mr. Chairperson:** Those in favour of the motion, please say yea.

**Some Honourable Members:** Yea.

**Mr. Chairperson:** Those opposed to the motion, please say nay.

**Some Honourable Members:** Nay.

**Mr. Chairperson:** In my opinion, the Yeas have it. The motion is accordingly passed.

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**Mr. Chairperson:** We will now turn our attention to the questioning of the Minister of Finance, and I would ask the Minister of Finance to take the Chair, or you can stay there. It doesn't matter. Wherever you feel more comfortable, sir.

Does the honourable minister wish to make an opening statement?

**Hon. Greg Selinger (Minister of Finance):** Not at this time. I'm ready for questions.

**Mr. Chairperson:** Thank you. Does the official opposition have an opening statement?

**Mr. McFadyen:** I do, Mr. Chairperson.

When Crocus ceased trading over two years ago, it left 34,000 Manitobans with losses that are today estimated at \$100 million. Because these shareholders couldn't get justice, Mr. Chairperson, they have now brought a lawsuit against the government of Manitoba claiming \$200 million. Interest is running on the compensatory part of that claim, which is \$150 million, at the rate of roughly 5 percent which means that we have interest running on that claim, in the event it is successful, in the range of tens of thousands of dollars per day.

Mr. Chairperson, as the official opposition, whether we like it or not, we have to ask questions about what went wrong in Crocus and what the government did to either address or not address the issues that were then being brought to their attention. We regret that the government has responded with attacks just as they did with the former Member for Fort Whyte in 2002 when he raised concerns, and in the end the former Member for Fort Whyte was vindicated.

He was vindicated in the face of attacks and a comment by the former minister, the NDP minister Ms. Mihychuk, that he had launched a smear campaign. The sort of attacks that we saw against Mr. Loewen at the time are a modus operandi of this government and we see them happening again tonight. We see the counteroffensive, the personal attacks, the impugning of integrity and the counteroffensive that has been launched by this NDP government. We've seen it before. It's like a bad movie and we're seeing it all over again.

Mr. Chairperson, this isn't about the Minister of Finance (Mr. Selinger) and his feelings or my feelings or anybody else's. I know they want apologies from members who are advancing questions and demanding answers, but the issue is

that there are 34,000 Manitobans who are sitting on losses of \$100 million.

Mr. Chairperson, we have agreed to and we have been calling for a full public inquiry where all of us would be prepared to go under oath to talk about what we knew, when we knew it and what we did when we came across the information, and the only people who are fighting a full public inquiry are the NDP ministers and members opposite.

Tonight we see again they are unwilling and unprepared to go under oath and one can only ask why that is. Well, Mr. Chairperson, we have lots of important questions. Why didn't the government trust Manitobans in 2000 with the information that it had within its possession that Crocus was facing pending liquidity problems and that Crocus was not doing what its prospectus said it would do? Why didn't they demand an immediate review to see if the liquidity issues that they were warned about in 2000 were a sign of other problems such as valuation problems? We now know that a proper review in 2000 would have begun to uncover the issues that eventually led to the collapse of Crocus four years later.

So why do we need answers to these questions, Mr. Chairperson? For several reasons. We need to do what's right for Crocus shareholders. Secondly, we need to protect Manitoba taxpayers from this \$200-million unnecessary lawsuit.

Mr. Chairperson, this isn't about blaming individuals, whether it be the Premier (Mr. Doer) or anybody else. It's about our province. It's about our ability to move beyond Crocus. It's about creating an environment where young people want to stay in Manitoba as a result of people investing in and creating jobs.

We have a black cloud over our capital markets today, Mr. Chairperson, a black cloud over our capital markets, and it could have been moved away if this government had simply had the courage to come clean in 2004 and call an inquiry. It could have been over 18 months ago and we could have been on with the job of moving forward as a province. Instead they have stonewalled for two years. They've provided misleading and deceptive responses. They've refused to answer direct questions and this is why we are where we are today.

So let's not get into an issue whether the Finance Minister has hurt feelings. Let's talk about the \$100-million losses on the part of Manitoba taxpayers and investors, and let's have an inquiry. Let's all put our

hands on the Bible and say what we know, including all of those who were involved with the audit, and if it turns out at that stage that mistakes were made, Mr. Chairperson, I know all of us will be prepared to be held accountable. But why won't they have an inquiry? Why are we prepared to submit ourselves to accountability and to the facts but members opposite seem to be hiding behind a wall of procedural diversions and legalistic responses?

If past history is any indication, we won't get much closer to the truth after tonight than we have after all these months and years of asking questions of this government, and that's because this committee doesn't have the powers it needs to get the responses that Manitobans deserve. It's because we can't compel witnesses to attend. We know Hugh Eliasson, an outstanding civil servant, a respected civil servant, who was the government's appointment to the board of Crocus, cannot be compelled to attend; Charlie Curtis, John Clarkson and others who can shed light on what went on in terms of their knowledge of what happened at Crocus and their discussions with members of the government and what direction they received and what the nature of those conversations were. We can't force ministers to respond under oath because the members opposite from the NDP caucus have said they're not prepared to submit themselves to responding to questions under oath.

Well, Mr. Chairperson, we will do our very best in this very political theatre tonight to move forward. We are prepared to go under oath and respond to questions and to be held accountable, and that is in stark contrast to what we've had from the groups across.

\* (19:40)

Now, Mr. Chairperson, we're going to hear a lot of legalistic deflection of arguments. The Member for Minto (Mr. Swan), whom I've great respect for in his legal tactical skills, will be raising points of order tonight in order to shut down questions from members on this side of the House. He'll be using every procedural trick in the book to prevent us from getting at the facts, and that's why we need a full public inquiry.

We certainly look forward to asking questions of the Minister of Finance (Mr. Selinger) and others. We look forward to getting on with it, Mr. Speaker, but I can say that if tonight turns out the way all of the past occasions have gone with members opposite—

**An Honourable Member:** You haven't even been here.

**Mr. McFadyen:** I have been reading the transcripts. I have been reading the transcripts, and what a tale they tell. I was in the House on November 30, you may recall. The Member for Kildonan (Mr. Chomiak) may recall November 30, just three months ago, when I put a question to the Premier (Mr. Doer) about what he was advised about Crocus, and the Premier's response was: Any representation to us was that Crocus was strong. That was what the Premier said on the record on November 30.

I noticed the Premier isn't here tonight and that's okay. We certainly won't draw any adverse inferences from the fact that the Premier couldn't be with us here tonight, but we do look forward to getting on with the meeting. We look forward to hearing more procedural delay tactics from members opposite, and, ultimately, we look forward to a full public inquiry where all the facts will be put on the table. We'll put our hands on the Bible and tell the truth. We are prepared to be held accountable. And if apologies are called for at that time, we will certainly be held accountable. Thank you very much, Mr. Chairman. We look forward to the questions.

**Mr. Chairperson:** Before we proceed, a couple of points. Number 1, I would like to caution all members to pick their words carefully. The term "deceptive" is not parliamentarily accepted here, and I would caution members from using that term. Additionally, please do not make any reference to members who are or are not present at tonight's meeting.

I would ask whether the Auditor General has an opening statement.

**Ms. Carol Bellringer (Auditor General of Manitoba):** Thank you, Mr. Chairperson, I do.

At the December 6, 2006 Public Accounts Committee meeting, I disclosed at this committee that I was on the board of the Crocus Investment Fund from May 12, 2005 to June 29, 2005. That was subsequent to the audit, subsequent to the former board resigning from the Crocus Investment Fund.

Regarding attendance at the Public Accounts Committee, I'm required by the rules of the committee to attend the committee when requested to do so, and only the Auditor General is named in the rules, not a representative of the office. Previously, I had disclosed to the committee that in the event I was unable to act, the Deputy Auditor General had

all of the powers of the Auditor General. At the time, it seemed prudent to merely defer all questions regarding the Crocus Investment Fund audit to the Deputy Auditor General since she could act in my place. It also solved another dilemma, and that was that neither The Auditor General Act nor the rules actually contemplate a situation where there is a new Auditor General, and where there's a new Auditor General who did not author the reports being discussed at the committee. So, at the previous Public Accounts Committee meetings, the Deputy Auditor General had a better understanding of the details of the audit than I did, and so it was also convenient to have her answer your committee's questions.

The Deputy Auditor General is no longer with the office. Several senior staff members who participated on the audit are here today, including Mr. Norm Ricard, on my right, who's the executive director, Strategic Initiatives; Mr. Ron Oswald; Mr. Greg MacBeth; and Ms. Maria Capozzi. With their help, I'll do the best that I can to answer any of your questions of our Office.

Just one other matter. There was some reference to a document being included in our working papers, and I do have a briefing note that was prepared by Mr. Norm Ricard, the executive director, Strategic Initiatives, in our office, who participated in the audit. He provides me with additional information about the Cabinet submission which he had filed during the Crocus audit, should you wish to receive any further information.

**Mr. Chairperson:** Thank you, Ms. Bellringer. The floor is now open for questions.

I'm sorry, excuse me.

**Hon. Jon Gerrard (River Heights):** I would request leave to make an opening statement, please, Mr. Chairperson.

**Mr. Chairperson:** Is there leave of the committee for Mr. Gerrard to make an opening statement?  
*[Agreed]*

**Mr. Gerrard:** Thank you. The essential question which is posed by the Auditor's report on the Crocus Investment Fund was that there was a huge problem in how this fund was managed and that it went downhill and then crashed in 2004. What is particularly relevant to today is not only the situation of Crocus investors as I travel around the province and hear, for example, of an elderly lady who invested her retirement savings, being patriotic, in

the Crocus Investment Fund and now, because of what has happened, has to live essentially in poverty because her retirement savings have vanished and are inaccessible. But the problem that we must face today is also that we have recently acquired information in a Cabinet document from November 27, 2000, which shows very clearly that the government knew in considerable detail that the Crocus Investment Fund was going to be running short of cash in 2002 and 2003, and yet stood by while people continued to invest and lost large amounts of money. So we have some major questions which need to be raised, and those questions, in particular, need to be directed at the Minister of Finance (Mr. Selinger).

**Mr. Chairperson:** Excuse me, Mr. Gerrard just completed his opening statement.

Mr. McFadyen had his hand up. The floor is open for questions. We are now in the question part of the committee deliberations, and, Mr. McFadyen, you have the floor for the first question.

**Mr. McFadyen:** Mr. Chairman, I just want to begin with a couple of questions to the Auditor General or her staff who are present. Going back to the *Hansard* from the Thursday, December 8, 2005, meeting of the Public Accounts Committee, the former Auditor General, Mr. Singleton, indicated that he cannot be specific as to what Cabinet did or did not know because he didn't interview anybody in Cabinet with respect to Crocus. Ms. Lysyk also indicated that they didn't inquire into correspondence with respect to Cabinet communications in the course of the audit.

My question is whether Auditor staff can just confirm, in fact, that that is correct.

**Ms. Bellringer:** Yes, those facts are correct, and the briefing note indicates that the documents were obtained through the department.

**An Honourable Member:** Through the department of?

**Mr. Chairperson:** Just conclude, please.

**Ms. Bellringer:** IEDM. So Industry—help me with what it means—Economic Development and Mines.

**Mr. McFadyen:** Just as a follow-up then, can the Auditor General just confirm that it wasn't within the scope of this audit to examine Cabinet knowledge and Cabinet deliberations with respect to the collapse of the Crocus Fund? That was not part of the scope of this audit.

**Ms. Bellringer:** It's correct that the scope of the audit didn't extend to specifically seeking out Cabinet documents, but there were certain Cabinet documents included in the department files as in the November 2000 submission, for example.

**Mr. McFadyen:** Mr. Chairman, if somebody was looking for a comprehensive understanding of what Cabinet knew and what Cabinet deliberations took place, what Cabinet actions float out of those discussions, would this Auditor General's report provide them with a full and clear picture on all of those sorts of issues?

#### Point of Order

**An Honourable Member:** A point of order.

**Mr. Chairperson:** A point of order, Mr. Swan?

**Mr. Swan:** Well, the Leader of the Official Opposition, rather than asking the Auditor General what the staff working on the audit or what anybody did find, what they asked for, what they received, what was refused, although we haven't heard anything of that, instead there has been a hypothetical question posed to the Auditor General. If I recall, we dealt with this point two or three meetings ago and, indeed, this committee determined that its practice was that hypothetical questions would not be put to the Auditor General.

\* (19:50)

Certainly, the Leader of the Opposition and any other member can ask any questions they want to the Auditor General, and she will consult with her staff about what was seen, what wasn't seen, what was done and what wasn't done, but the intention of this committee is not to allow the Leader of the Opposition (Mr. McFadyen) or anybody else to simply go on a fishing expedition.

**Mr. Chairperson:** Well, members of the committee, with regard to the issue of hypothetical questions, our rules and the procedural authorities do not offer direct guidance in regard. However, previous committee chairpersons have allowed for those questions to be asked and answered. So I will allow the question, but I would remind the committee, ministers and witnesses that they are not obliged to answer all of those questions.

\* \* \*

**Ms. Bellringer:** Mr. Chairperson, I'll avoid any comment on what someone might be looking for, only because I don't know what that particular

individual might be looking for. But certainly the scope of the audit and the objectives set out in the audit report were not designed to seek out what Cabinet did or did not know.

**Mr. Hawranik:** Yes, Mr. Chairperson, I have a motion to present to the Public Accounts Committee. I move

THAT the Public Accounts Committee report to the—[interjection]

**Mr. Chairperson:** Order, please. Mr. Hawranik has the floor.

**Mr. Hawranik:** I move

THAT the Public Accounts Committee report to the Legislative Assembly that, in relation to the activities of the Crocus Investment Fund and its consideration of the Auditor General's report on the matter, the committee is of the opinion that it would be in the public interest for the government to call a public inquiry into the matter and recommends to the Premier that he call such an inquiry pursuant to Part 5 of The Manitoba Evidence Act.

**Mr. Chairperson:** The motion is in order.

#### *Motion presented.*

**Mr. Chomiak:** Mr. Chairperson, I don't expect the Leader of the Opposition (Mr. McFadyen) to pay attention, but let me just point this out. In his dialogue, his monologue, his court appearance here earlier, he said: The NDP would use procedural motions; we want to ask questions. The member promptly went and asked one series of questions, and then they put their third motion of the night on the floor. It's now five to eight. We've been here for 55 minutes. One set of questions by the Leader of the Opposition when he made the point during his introduction that they wanted to be here to get answers to questions—by the way, the same question which has been answered in the report over and over again as, in fact, referenced by a document provided by the Auditor General tonight. I want to make that as point 1. Talk about procedural matters, 55 minutes and the members opposite have put three motions on the floor.

Motion and point No. 2, Mr. Chairperson, is we have opportunity to ask questions. The member said, try to ask for a motion for four minutes. The Leader of the Opposition went for eight minutes and then he did his questions. I suggest, and the Member for Lac du Bonnet (Mr. Hawranik) has not asked a question. He has put three motions on the floor. I say that the

facts of the handling of this committee speak for themselves.

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** Order, please. Mr. Chomiak has the floor.

**Mr. Chomiak:** Yes, thank you, Mr. Chairperson. Now, we have debated this in the Legislature. The members rang the bells for what was it, 16 days. The members asked hundreds of questions. The Auditor provided a comprehensive 245-page report on this issue. The Leader of the Opposition said, it talks about Cabinet knowledge. I want to quote from something said. Let me quote Stu Murray, former Leader of the Conservative Party, February 15, 2002: We are comfortable with the way that Crocus does their valuations. Yes, we are. The bottom line is we're satisfied with the valuations.

February 14, John Loewen: "We received information this morning that satisfies us that the share price they are selling at today is a fair valuation." In fact, Loewen and Murray went much further than the Crocus prospectus would allow government to go. The Crocus prospectus states that none of the Securities administrators or any other department or agency of government has assessed demerits of an investment in the fund. The Securities administrators and the government have made no recommendation concerning such an investment and assume no liability or obligation to any investor of the fund.

Wellington West, the prospectus people, your friends, made that statement. John Loewen made that statement. Stu Murray made that statement.

We're before this committee. We're saying ask the questions. The minister is here ready to give the answers again and again, and we'll do it again and again. We have the responsibility to provide those answers. We've provided them. The Auditor is here. We're here tonight. We came before this committee for the seventh or eighth time on the same issue to a report that's several years old, Mr. Chairperson, on an issue that there are matters concerning that we want to get to the bottom of. Let's deal with matters of the province. Let the Crocus matters be sorted out. We have the answers in front of us in the Auditor's report. We have the Auditor here. We have the Minister of Finance here. Let's go to questions and answers and stop playing the procedural games that the member himself said in his opening statement ought not to happen. Thank you.

**Mr. Selinger:** Yes, I've been patiently waiting for my first question. I note members opposite have said they wanted to get to the answers as quickly as possible in their opening statement, and they haven't actually asked a question yet to myself.

Now the member opposite makes the claim that we need a public inquiry to get to the bottom of the story, but they refuse to acknowledge the fact that The Auditor General Act was changed in 2001 to give specific powers to that office to be able to investigate labour-sponsored venture capital. That has resulted in a report that it's not clear that the members have actually read it yet. It's a report that's well over 200 pages. I think it runs to 245 pages, with a number of recommendations that have been put in place there. That allowed the public interest to be served more efficiently by using the skilled resources of the Auditor General's office to get into the fund and investigate any issues related to counting value for money procedures and all the matters that they deal with in their report.

\* (20:00)

So that allowed a more efficient mechanism to get there with recommendations which have in turn been followed up on by an implementation committee that was co-chaired by an outside citizen with senior accounting experience in the province with a number of recommendations, which have in turn been brought forward as two pieces of legislation, which have been passed in the Legislature. All those recommendations that have been made have been followed up on in the Auditor General's report. So the idea that we need the public inquiry at this stage, after all this work has been done, is really a make-work project by the members of the opposition for their lawyer friends. What they want to do is spend more taxpayers' money.

The interesting thing about a public inquiry is could it provide any compensation or remedy for the shareholders? The answer is no. It could only make recommendations. What could provide a remedy or compensation to the shareholders? That's the class action legislation that we have put in place in this province, legislation the members opposite never had the courage to put in front of the Legislature when they were the government, and that class action legislation is very constructive in this sense. It automatically includes all the shareholders in any action that is taken in the courts and brings them into the suit. In addition, the judge can supervise the costs of the lawyers to make sure that the shareholders do

not have an excessive bill imposed upon them by the people defending them. So the class action legislation is a better remedy than a public inquiry because it allows for compensation or damages to be awarded in the courts, which a public inquiry couldn't do.

So the call for a public inquiry is redundant to the powers that we've given to The Auditor General's Act, and it is less effective than the class action legislation that we have put in place which shareholders are now taking advantage of. So it's very clear that the members opposite really only want a public inquiry for the political theatrics they think they can extract from it and the job creation that they can create for their friends in the legal profession.

With that, I recommend we vote the motion down.

**Mr. Swan:** Mr. Chair, I think we need to take a step back and really gain some perspective on independent offices of this Legislature and what they mean. The Auditor General's office is one of a select group of offices that we trust to perform very important tasks for this Legislature and, more importantly, for the people of Manitoba.

In addition to the Auditor General's office, of course there's the Ombudsman, there's the Children's Advocate, there's Elections Manitoba, all of whom don't report to the party in power. They report to this Legislature and to every member of this Legislature.

We talk about the Auditor General but it's not just the person. It's not just the current Auditor General who holds that chair. It's really the office of the Auditor General, being an organization which is entitled, pursuant to legislation, to go and do such investigations, such audits, such work as that office believes is necessary to fulfil their duties.

As the Minister of Finance has indicated, in 2001 this government decided it was appropriate to greatly expand the ability of the Auditor General to go ahead and investigate anything that they deemed appropriate. Those matters are within the discretion of the Auditor General's office. The Auditor General is appointed by a committee composed of members from all political parties in this Legislature. I was very pleased to be involved in the process that got the current Auditor General before us, but it's bigger than that.

In 2001 that act was changed to allow the Auditor General more discretion to "follow the

money," to use that term, to go and pursue any investigations. The government does not direct the Auditor General's hand in terms of what they should look at, where they should go, where they should stop.

It's very interesting, of course, that the one or two questions that the Leader of the Opposition asked, he didn't put to the Auditor General so she could confer with her staff to ask whether the government prevented anything from being provided. Indeed, everything we've heard before this committee from the start is that the government provided everything requested by the Auditor General, that this government co-operated with any request of the Auditor General, provided access to any documents the Auditor General requested and did not obstruct in any way the work of this independent office.

I recognize now that this may be inconvenient for the members across the way. Perhaps they haven't read the 245 pages of the report. Perhaps they haven't been listening to hear the great steps the Minister of Finance, the Minister of Industry and their departments have taken to do the best to comply with the recommendations set out in this report. But what's very important to remember is that the Auditor General's office has had complete freedom to pursue this investigation as they saw fit. Neither side, not the government side nor the opposition parties, should really question the effort that has been made by the Auditor General's office to get to the bottom of this.

It would be very different, frankly, Mr. Chair, if the Auditor General came back and said that there had been something withheld, that there had been a Cabinet minister refusing to co-operate. It would be very different if that were the case, but, in fact, that is not what has happened. We've had a very complete, a very full report. We've had a very full and complete effort to comply with what the Auditor General has recommended. I'm hoping we can get to some questions on that issue. If the opposition stops raising motions, perhaps we can get there.

It is disappointing, Mr. Chair, that, by taking this approach—and certainly what we've heard over the past few weeks is that really the opposition parties have stepped over the line. It is a great concern that, rather than come to this committee tonight, ask appropriate questions of the Minister of Finance (Mr. Selinger) and get on with any other investigations they want, they've effectively stepped into criticizing

an independent officer of this Legislature and, instead of asking questions and getting moving, have chosen, once again, to tie this committee in more procedures and more difficulties. Certainly, we're still waiting for the apology that has been urged upon the Leader of the Liberal Party, the Leader of the Conservative Party. If they choose not to do that, that's fine, but let's get on with the questions. Let's get on with the realities here. Thank you, Mr. Chair.

**Mr. Gerrard:** What's very clear from what we already know from the Public Accounts Committee tonight is that the Auditor General's review did not deal with Cabinet issues and policy issues, and as a result of that and as a result of the many Manitobans who are asking questions because of the disclosure of the Cabinet submission, which shows very clearly that the Cabinet knew that the Crocus Investment Fund was heading downhill, that people who were investing after November 2000 were investing in a sinking ship, it is very clear that the only way we're going to get to the bottom of this fully is with a public inquiry. Therefore, I think it is imperative if we're going to answer the questions that Manitobans are asking, and that is: Why on earth would this government not disclose that this fund was heading downhill? Why would it continue to promote a fund which was going downhill and mislead investors so that they would lose a lot of money?

What's clear is we need a public inquiry to get to the bottom of this. We've got more questions we want to ask today, but let's support this resolution. I support this resolution. Let's get a public inquiry.

**Mr. McFadyen:** We know very clearly now from the leaked Cabinet document of November 2000 that the Minister of Finance—

**An Honourable Member:** Sitting in the files.

**An Honourable Member:** Sitting in the hands of the Auditor General?

**Mr. McFadyen:** Well, all of the media said it was leaked, so you're saying they're wrong? Okay.

In any event, the Minister of Finance knew in November of 2000 two important things. One is that Crocus was running into liquidity problems, and the second is that Crocus was not doing what its prospectus said it would do. These are both serious issues that the Minister of Finance brought to Cabinet. Until such time as the document entered the public domain at the end of last week, Manitobans, certainly members opposite, and I would presume backbench MLAs for the New Democratic Party,

were unaware of the level of knowledge and involvement of this Finance Minister, the Premier, and their Cabinet colleagues, going all the way back to November of 2000, four years before the fund collapsed, as to the pending problems.

Now, Mr. Chairman, the Auditor General has just confirmed that the Auditor General's report did not go into the issue of Cabinet knowledge, Cabinet deliberations and action. That is something that we knew from reading the report and is certainly consistent with everything that the previous Auditor General and the Deputy Auditor General had put on the record previously.

So we have a gaping gap in knowledge in terms of what happened within government, in terms of what happened with the government at the Cabinet level. The people who were directing the activities of the civil servants, some of whom served on the board of Crocus, the people who were directing and receiving reports in terms of the activities and knowledge of those board members that they were in contact with, such as Mr. Curtis, who was a financial adviser to the Finance Minister all the while he was a member of the Crocus board. So we know that we have a significant gap in knowledge and what's been disclosed publicly.

\* (20:10)

Now this Cabinet document sheds some light on what government knew, and the reason for all the controversy over the last number of days since this document came to light is that this is the first time we had clear and unequivocal confirmation that Cabinet was involved and knew what was going on at Crocus, Mr. Chairperson.

We've had answers to questions in the Legislature like the one given by the Premier (Mr. Doer) on November 30, 2006, where he said and I quote: Any representation to us purported that it, Crocus, was strong, end of quote. This is what the Premier said three months ago on November 30, 2006. That obviously has been demonstrated to have been a false statement, Mr. Chairman. So we now know that, when the Premier has responded to questions on Crocus, he has put false statements on the record.

We now know, we've been able to witness the Maxwell Smart routine of the Finance Minister and his stand-up comedy act that he's been so good at engaging in every time he's been asked questions in the Legislature on the issue. All of these things



together, Mr. Chairman, cry out for a public inquiry so that we can get straight answers, so that we can get beyond the Maxwell Smart routine, so that we can get beyond the statements from the Premier that he didn't know anything about problems at Crocus, that everybody told him that it was strong. We know the Auditor General didn't look into the issue of Cabinet knowledge.

Let's talk about the issue of a lawsuit versus a public inquiry. We know from past experience that a public inquiry can be up and down within six months with a report on the issues that matter. It can be even faster if the government co-operates, if they don't need to have answers and documents dragged out of them with every procedural trick that they decide to employ. So, if government co-operates, if we set up a commission of inquiry, we can get all the answers we need. We can open up the Cabinet files. We can get to the bottom of what Cabinet knew and what they did or didn't do in response to the information they were provided.

So we have, Mr. Chairman, the need for an inquiry to bring speedy resolution to this issue. We know that class action lawsuits often last up to six, seven or eight years. This lawsuit has now been underway. The government was added as a party in May of 2006. They're at very preliminary stages in terms of the court proceedings. They're certainly at this stage dealing only with preliminary matters such as the certification of the class, and so we know that this lawsuit will drag out for years. As long as the lawsuit is outstanding, as long as Crocus shareholders have not received justice in a fair hearing, the black cloud over our capital markets will be with us. We have the threat now of a lawsuit with interest running in the tens of thousands of dollars a day on the \$150-million claim that relates to compensatory damages, so we have urgency here.

The way to deal with the urgency of the issue is set up an inquiry today. Be forthcoming with what you know, get a response from the commissioner of inquiry, so that we know what all the facts are and then for the government to do what's right, to do justice to shareholders, to protect taxpayers against the \$200-million lawsuit which is entirely unnecessary and could have been avoided if the government had chosen to be forthcoming.

Now the Minister of Finance talks about his 2001 amendments to The Auditor General Act about the way he deserves, I think he thinks he deserves a medal because he opened up Crocus to inquiry and

review by the provincial auditor. But what he doesn't mention, what he leaves out is the fact that there was another little amendment that the Finance Minister brought in six months after the Cabinet discussion and that amendment added section 18(3) of the current provincial auditor's act which provides that the Auditor General shall not have access to Cabinet documents without the permission of Cabinet. That is a new provision introduced six months after the Cabinet discussion by this Minister of Finance in June of 2001. So he opened up Crocus, he closed off Cabinet. That is what he did with his amendment in June of 2001. So, while he wants to sit there and take credit for opening up Crocus to an audit, why not take the blame for shutting down access to Cabinet without Cabinet's permission?

So, Mr. Chairman, this speaks to the need for a public inquiry. We know we've got a government that will put up every wall it possibly can to prevent Manitobans from getting at the truth. Manitobans deserve the truth. Let's support this motion. Thank you.

**Mr. Sale:** Mr. Chairman, I'm very troubled by the approach that the opposition is taking in regard to this motion that's before us because the clear implication of their motion is that they do not have confidence in the Auditor General. This, I think, is given substance by a transcript from CKSB on February 28, in which the Leader of the Opposition indicates that he has no confidence in the Auditor General and I think that's a shame. What he actually said was, and I will quote his words, Mr. Chairperson: "Now it turns out that the auditor's office was in on the secret after they received the document."

What a thing to say about an Auditor General that we have just said thank-you to and a new Auditor General to which we have provided a rather strange and a rocky welcome.

Mr. Chairperson, the whole notion that somehow a class action lawsuit actually has the power to actually deal with what the shareholders lost, they actually have the power to apportion damages, that the Securities Commission who, under their act, have far-reaching powers to act, to take appropriate action against those people who may or may not have made incorrect statements, for example, Wellington West, in regard to the prospectus. There is appropriate power in the hands of the civil courts because we strengthened that legislation.

There is appropriate power in the hands of the Manitoba Securities Commission which has wide, wide-ranging powers, and the member opposite is a lawyer. He knows that. So where is the most appropriate place for action to take place? Action, not words, not trying to sort of cloud the issue, but where can shareholders actually get relief? They can get relief at a class action suit. Where can appropriate discipline come to the industry that may have some culpability and responsibility or may not? I don't know because the Securities Commission hasn't yet adjudicated that. That's where the power actually is to actually deal with the issues that you seem so anxious to raise.

A public inquiry can make recommendations, and that's the end of it. During that public inquiry, Mr. Chairperson, what's going to happen? We're going to spend an enormous amount of money on lawyers representing every side of this issue defending or prosecuting every side of the issue.

**Mr. Chairperson:** Order. Let's show some courtesy to the speaker, please.

**Mr. Sale:** I would just put a little bit of history in here. When Chief Justice C. Rhodes Smith presided over the Churchill Falls inquiry, some almost 40 years ago now, a very interesting inquiry which made a lot of young lawyers very rich, at the end of that the Law Society of Manitoba presented the Honourable C. Rhodes, who is a wonderful man and a Cabinet minister in a government long gone but a wonderful man—he was actually the chair of my board when I was CEO of the Social Planning Council. There is a lovely bust of Oscar Reiser and Kasser facing each other, a bas-relief bust that C. Rhodes had on his living room wall, and it said: They served the law profession of Manitoba better than they knew.

Now, that's what public inquiries do. They serve the law profession extremely well. But class action lawsuits actually result in damages. Securities Commission hearings, where there's culpability, result in brokers and sometimes their employees, as was the case in regard to the sale of MTS shares, being disciplined for acting improperly in regard to the sale of MTS.

So I think that the member opposite should recognize, as a lawyer, that the remedies that could actually help the 34,000 people are the class action lawsuit and the Securities Commission, and that's what we need to get on with. We've had a full Auditor's report in which the Auditor had access to

every document the Auditor asked for. No one said no. No requests were made that were turned down, Mr. Chairperson. If anyone can put anything on the record to the contrary, I will certainly apologize for that just as I expect the member who is the Leader of the Opposition to apologize both for impugning the reputation of the Auditor saying they're in on a secret.

Frankly, Mr. Chairperson, everything that is done by the Auditor is done in confidence and with our confidence. When they have documents before them, they keep them confidential. That's not a secret; that's the way they do business. That's how you have to operate when you're a public official. You don't have a press conference every time you meet with somebody and if that person has an issue or a concern, you don't run out and say, hello, we just met with a company. Boy, they had interesting things to say. That isn't how you do public business. So we will not be supporting this motion.

\* (20:20)

**Mr. Selinger:** Well, we're back to the favourite hobbyhorse of the opposition for a public inquiry. They have tried to undermine the Auditor General's office in the statements they've made publicly. We support the Auditor, the autonomy and the independence of the Auditor General's office. They tried to argue that the Cabinet submission changed everything and required a public inquiry, and then when the Cabinet submission was available to the Auditor General's office, well, it didn't really change everything but we still want a public inquiry. They tried to ignore the fact that class action legislation has been put in place in Manitoba which includes all the shareholders unless they specifically opt out and actually provides for a remedy.

They've tried to ignore the fact that we have followed up on the Auditor General's report by inviting the RCMP to launch an investigation. That's certainly not sufficient for them either, even though they have the ability to bring charges under the Criminal Code, which apparently isn't sufficient for them either.

We've also made a referral to the Canadian revenue collection agency on any matters relating to affairs with respect to taxation which was not requested of us or suggested to us. So we went beyond the recommendation in the Auditor General's report. Of course we have the Manitoba Securities Commission which is a quasi-judicial body which is

fully available to review valuation issues, and that's not good enough for them.

They want to spend more public dollars to hire their friends' lawyers to have a show trial to make political hay in Manitoba. That's what they're really about. They don't respect the RCMP investigation. They don't respect the Canadian revenue collection agency. They don't respect the Manitoba Securities Commission. They don't respect class action legislation, which I believe they voted for, nor do they respect the additional powers put in The Auditor General's Act which they voted for.

There is no point in this motion other than to defeat it.

**Mr. Glen Cummings (Ste. Rose):** Mr. Chairman, I only have one point that I'd like to make and that is that all of the arguments we're hearing from government avoids government responsibility.

**Mr. Chairperson:** Thank you.

Is the committee ready for the question?

**An Honourable Member:** Question.

**Mr. Chairperson:** The question before the committee is, moved by Mr. Hawranik

THAT the Public Accounts Committee report to the Legislative Assembly that, in relation to the activities of the Crocus Investment Fund and its consideration of the Auditor General report on the matter, the committee is of the opinion that it would be in the public interest for the government to call a public inquiry into the matter and recommends to the Premier (Mr. Doer) that he call such an inquiry pursuant to Part 5 of The Manitoba Evidence Act.

Shall the motion pass?

**Some Honourable Members:** Agreed.

**Some Honourable Members:** No.

#### Voice Vote

**Mr. Chairperson:** Those who are in favour of the motion, please say yea.

**Some Honourable Members:** Yea.

**Mr. Chairperson:** Those who are opposed to the motion, please say nay.

**Some Honourable Members:** Nay.

**Mr. Chairperson:** In my opinion, the Nays have it.

#### Formal Vote

**Mr. Hawranik:** I request a recorded vote.

**Mr. Chairperson:** A recorded vote has been requested.

*A COUNT-OUT VOTE was taken, the result being as follows: Yeas 4, Nays 6.*

**Mr. Chairperson:** The motion is accordingly defeated.

#### Point of Order

**Mr. Chairperson:** Mr. Hawranik.

**Mr. Hawranik:** Yes, a point of order, Mr. Chair.

Let the record read that all Progressive Conservative and Liberal MLAs voted for the motion and all NDP members voted against.

**Mr. Chairperson:** Mr. Hawranik, that is not a point of order.

\* \* \*

**Mr. Swan:** Mr. Chair, I would like to introduce another motion.

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** Order please. Mr. Swan has the floor.

**Mr. Swan:** Thank you, Mr. Chair. I believe the chatter from the other side highlights the need—*[interjection]*

**Mr. Chairperson:** Mr. Swan, I recognized you for the motion, please.

**Mr. Swan:** Thank you. I move

THAT this committee recognize and reaffirm the independence and the autonomy of the Office of the Auditor General; and

THAT this committee reaffirm its support for the findings and recommendations of the 2005 audit of the Crocus Investment Fund conducted by the Office of the Auditor General.

**Mr. Chairperson:** Excuse me. Ladies and gentlemen, the motion is in order.

*Motion presented.*

**Mr. Swan:** I won't repeat all of my comments earlier this evening about the respect that every member of this Legislature should have and must have for the independent bodies which report to this Legislature,

of which the Auditor General's office is certainly one.

We have seen tonight, we've seen over the past several weeks, in fact we've seen for the past many months or even years that unfortunately the opposition has chosen not to do things which they can do to the extent of their abilities, which is to really get into this very lengthy report. It's within the powers of the opposition within this committee, in the Legislature elsewhere, to ask every tough question you need to ask about this report, about what the government is or is not doing to implement the recommendations of the Auditor General's report and, if they wish, to make whatever political statements they may wish when it comes to the Minister of Finance (Mr. Selinger), when it comes to the Premier (Mr. Doer), any member of the government.

But, frankly, Mr. Chair, I think it's pretty clear that the opposition has crossed the line in this case. Very recently, of course, we've been hearing the statements that have been thrown around by the Leader of the Opposition and the Leader of the Liberal Party. They've been proven wrong by the Auditor General. On February 28, 2007, by a letter to every member of this Legislature, the Auditor General confirmed that what the opposition called a, quote, "leaked Cabinet document" was, in fact, entirely available to the Auditor General during the audit, and it contributed to the conclusions reached by the Auditor. I quote: "The November 2000 submission referred to above was included in the documents obtained during the course of the audit and contributed to the audit evidence used to reach the conclusions reported in May 2005."

So we have a very clear statement from the Auditor General. Despite the fact that that letter was received by every member of this Legislature, despite the fact that this committee has already tonight urged the Leader of the Opposition and the Leader of the Liberal Party to apologize and despite the fact that each of them spoke on other matters after that time, neither one of them chose to follow the urging of this committee. That is very disappointing and, frankly, I think that the Auditor General's office, being one of the independent offices of this Legislature, is entitled to more respect and more dignity from each member of this Legislature than we've seen tonight.

You know, you do follow what happens in the media and it is very interesting. There was a news

story in the *Winnipeg Free Press* just on March 3, 2007, in which the opposition admitted they really didn't care about the details. They didn't care about the facts. They're just playing politics and, indeed, the *Free Press* reported a comment from a Liberal insider. The exact quote was: "This isn't about the details . . . From a political perspective, we stopped worrying about the details a long time ago."

Well, shame on the Liberals. Shame on the Conservatives for playing politics with an independent office of this Legislature.

Further, this government has taken full responsibility for its role in the Auditor's report. The report identified Crocus's repeated requests for legislative changes to deal with a potential liquidity challenge as something which should have been noticed, and, indeed, this government, on the very day the Auditor's report was released, accepted responsibility. The Premier (Mr. Doer) stated on May 31, 2005: We accept full responsibility for those red flags.

But it's important to remember, Mr. Chair, those red flags were not about the critical issues of fund performance and fund valuation which the Auditor General's office has made abundantly clear in this report were not the responsibility, were not the ambit of the government of the day, whichever government that happened to be.

Frankly, Mr. Chair, the opposition has been trying to discredit the Auditor's report. *[interjection]* I hear the Leader of the Official Opposition saying no. Frankly, it's quite embarrassing to have the Leader of the Official Opposition going on the radio in Winnipeg and making the following comment, quote: "Now it turns out that the auditor's office was in on the secret after they received the document."

\* (20:30)

It's very disappointing to have the opposition trying to put words into the mouth of an independent officer of this Legislature. Indeed, the Auditor has made it quite clear. The former Auditor, Jon Singleton, made it very clear and said, quote: "There's nothing about this document that wasn't covered in our report."

Frankly, the opposition is trying to mislead Manitobans. They're trying to pretend that the potential liquidity problem at Crocus, like a potential liquidity problem at any other business that may come to the government looking for support, somehow caused the later funds with valuation at the

Crocus Fund. One fact, the liquidity problem never happened. This is set out in pages 122 and 123 of the Auditor's report: "The Fund has met the minimum liquid reserve requirements as set out in The Crocus Investment Fund Act."

Certainly, we believe on this side of the House that these independent offices of the Legislature are entitled to the utmost respect. Certainly, the opposition may not agree with things that the Auditor General or the Elections Manitoba officials or the Ombudsman say at any given time. The government, frankly, may not necessarily be pleased with every recommendation an independent officer makes, but our government anyway has made every effort to implement any recommendation, any request which is brought forward by these independent bodies because we respect their importance to this Legislature. We respect the importance that we place on these institutions doing their work without being caught up in the political back and forth which, unfortunately, we're seeing at its worst here tonight.

So for those reasons I believe it's very important for members of this committee, whether they're New Democrats, Conservatives or Liberals to take a step back and, at the very least, respect the role that these independent officers play. Tonight it's the Auditor General and her office. Another time it may be the Ombudsman; another time it may be the Children's Advocate. But I think, even though we will continue to fight and there are places for partisan political fights—we'll have many more of them in the months and the years to come—this is a night when I think we should take a step back and affirm our commitment to respecting the Auditor General and her staff. Those are my comments, Mr. Chair.

**Mr. Chomiak:** Yes, thank you, Mr. Chairperson, and I, too, join in the comments of the Member for Minto (Mr. Swan) with respect to the issues raised. The Auditor's office was called in to review the circumstances that occurred in the Crocus matter and provided a 200-page report. Now members opposite, who have tried desperately to find a political issue for the past seven years, are clinging to this report, and they're clinging to this reed as their lifeline in terms of a political opportunity. There's no question of that.

If you look at Question Period, the majority of questions by members of the opposition didn't do with health care or Connie Curran or Hydro. It's not a priority for them. It's about Crocus. While we admit

it's an issue, the Auditor General has spent over 200 pages and hundreds of hours and thousands of dollars have been spent investigating what went wrong and what could be improved in the future. That is what we do. The members opposite who believe in prospectus, who believe in free enterprise, do they believe the government is supposed to sit in the boardroom of Crocus and make decisions?

The member said to tell the truth. Will the member apologize for his misleading statements last week saying it's a leaked document, saying the auditor was in on the secret? That kind of discussion brings down the validity of all of the member's comments in respect to this particular matter—

**Mr. Chairperson:** Excuse me, Mr. Chomiak. I just ask you to make your comments through the Chair. Thank you so much.

**Mr. Chomiak:** Thank you, Mr. Chairperson, and I think you're doing a commendable job under the circumstances.

**An Honourable Member:** I think we can all support that.

**An Honourable Member:** Can we have a motion?

**Mr. Chomiak:** I say it's unanimous.

**Mr. Chairperson:** Let's just get on with the business of the—

**Mr. Chomiak:** I agree.

So, Mr. Chairperson, every day, every week companies come to the government of Manitoba seeking financial aid, seeking financial assistance. Does the Leader of the Opposition, who said he worked for Mike Harris, who said he was the policy adviser to Filmon in '95, expect us to go public every time a company comes? Does he expect us to put out those documents into the public? Does he expect them to make them public?

Mr. Chairperson, we have a note that has been provided by the Auditor tonight that said that the Auditor discussed—looked at the Cabinet submission, and "The Cabinet submission states: 'The possibility of liquidity problems is very real . . .'

"On page 145 of the OAG report, as part of the . . . 'red flags' or events that IEDM was aware of we state: 'CIF was . . . up front with IEDM as early as mid-2000 on the fact that they would run into liquidity problems if pacing continued to be . . . on 70% of gross sales."

"We concluded on page 146: 'There were sufficient "red flags" to justify a detailed review (by IEDM) in the latter part of 2002.'"

How clear do you want it? The Auditor reviewed it; the Auditor made recommendations, Mr. Chairperson. Now the members want to make more work and have a public inquiry and bring it into a—because this is the only political reed the member who worked for Mike Harris and who launched the Filmon campaign in '95 can raise as a political issue. It is an issue for a lot of Manitobans, and we think the courts and we think that the process that's in place to recovery and the legislation that puts in place will assist the shareholders in dealing with it. But the member making it a political scapegoat or a political shelter for their entire party does not—in fact, what it has done is by virtue of attacking the media and attacking the Auditor and attacking the Minister of Finance (Mr. Selinger) and attacking the Premier (Mr. Doer), you have lowered the estimation of everyone's views vis-à-vis this situation.

The Cabinet document was provided to the Auditor; the Auditor stated so. You ought to admit that you've made a mistake, and the Leader of the Liberal Party ought to admit they made a mistake, and we should support the Auditor in this regard. Thank you, Mr. Chairperson.

**Mr. Chairperson:** I just want to take a moment to remind all honourable members on both sides of the House to please put your comments and your questions through the Chair. It just helps the decorum of the evening.

The next on my list is Mr. Sale.

**Mr. Sale:** I want to go right to the heart of why this is a critical motion that we should not actually have to debate for very long. It's a no-brainer I think in terms of why it's important that this committee go on record.

The Auditor General has an absolutely critical role in any legislative assembly and the Auditor General previously made, I think, significant submissions to this committee that we needed to evolve the committee's role and work so that it became less of a political football game and more of the kind of careful inquiry into reports of the Auditor General that was somewhat less political. Now, Mr. Chair, this opposition has gone to unprecedented lengths to politicize even further this committee. I think it's critical that they vote unanimously for this motion and recognize that in so doing they are

moving forward specifically the debate that they've raised under a previous leader who apparently was satisfied with the work of the Auditor General, that this committee needs to do its work differently.

So I think it is critical that the impression that was left very clearly with the listeners to CKSB at 5:05 p.m. on Wednesday, February 28, be corrected by this motion and be done so absolutely unanimously. Let me say why that is.

First of all, the newscaster indicated that he had spoken to the Conservative leader and says he had talked to the former Auditor General about being in possession of a document from the Doer Cabinet about the Crocus Investment Fund that he may not have had access to while working on his report. Monday, Monday, McFadyen, the member called for the reopening of the Crocus file by the Auditor General, Carol Bellringer. Today, he is calling for an independent review. The government has reacted to McFadyen's change of heart. Jean-Pierre Allard has the story.

He reports then being quoted: Monday the Conservative leader, the member opposite, asked the Auditor General to have to begin another investigation into the Crocus issue. And then we hear the Leader of the Opposition: We're calling on the current Auditor General to conduct a renewed investigation. This was Monday. This news story is Wednesday, Mr. Chair. Forty-eight hours later, the reporter says, this investigation is no longer necessary. It would even be futile, according to the member opposite who is named in the study, Hugh McFadyen. In the meantime, it's become clear that the former Auditor General, Jon Singleton, did have the Cabinet document on the Crocus Fund that advised that Crocus was facing some serious financial difficulties. How is it, asked McFadyen, that a document like this, Jon Singleton made no mention of it in his report? McFadyen, quote: Why was there no reference to it in the report? Reporter: Hugh McFadyen heard that Jon Singleton remained silent on this confidential document. McFadyen: "Now it turns out that the auditor's office was in on the secret."

\* (20:40)

That's why this motion is so important. Because the member opposite, Mr. Chair, by his actions Monday and Wednesday, clearly by Wednesday, believed that the Office of the Auditor General had somehow become complicit in his fabricated notions of cover-up.

So let him now vote for this motion, reaffirm the very important principle that the Auditor General is above the Legislative Assembly, reports to it and serves all of its members, Mr. Chair. That is why this motion is critical. That is why all members need to vote for it, and I am happy to have the vote. I think we should get on with it. But that is why it is so important because Monday to Wednesday this member opposite clearly was operating under the belief that the Auditor General past was in some kind of complicity. That is an odious situation for him to be in. He needs to clear the record on that one, too, as well as the apology he has not yet tendered the committee.

**Mr. Chairperson:** Thank you, Mr. Sale. I would just like to once again caution honourable members around the table on the language that they are using in the committee today. There are certain words that I think we know that are unparliamentary and we should avoid using them in committee.

**Mr. Martindale:** I'll decline. Question.

**Mr. Chairperson:** Thank you. Is the committee ready for the question?

**Some Honourable Members:** Question.

**Mr. Chairperson:** The question before the committee is as follows.

It has been moved by Mr. Swan

THAT this committee recognize and reaffirm the independence and autonomy of the Office of the Auditor General; and

THAT this committee reaffirm its support for the findings and recommendations of the 2005 audit of the Crocus Investment Fund conducted by the Office of the Auditor General.

Shall the motion pass? Agreed? [*Agreed*]

#### Formal Vote

**An Honourable Member:** Mr. Chair, call for a recorded vote.

**Mr. Chairperson:** A recorded vote has been requested, Mr. Clerk.

*A COUNT-OUT VOTE was taken, the result being as follows: Yeas 11, Nays 0.*

**Mr. Chairperson:** The motion is accordingly passed.

#### Point of Order

**Mr. Ron Schuler (Springfield):** Just on a point of order, those of us who sat and didn't vote, it's because we're not on the committee. It's not that we don't support the Auditor. It is just we don't have a right to vote. We would have voted yea.

**Mr. Chairperson:** Thank you for that clarification, Mr. Schuler.

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**Mr. McFadyen:** I just am ready now to proceed to questions with the Finance Minister. Now that the members opposite have voted down taking testimony under oath, they have now voted down having a public inquiry, the Minister of Finance (Mr. Selinger) seems to be indicating that that is because they are under RCMP and Securities Commission investigation already, that the Auditor General's report dealt with the matter, which is clearly contradicted by what the Auditor General has just said.

So coming back to the issue of the Cabinet document dated November 2000, that document, as we all now know, states that—

#### Point of Order

**An Honourable Member:** Mr. Chair, a point of order.

**Mr. Chairperson:** Point of order, Mr. Sale.

**Mr. Sale:** Mr. Chairman, I may have misheard the member opposite, and I wonder if you might ask him to repeat his comment, that the Auditor General's report did not deal with the matter. I think that is what he said, but if you would be so kind, with my hearing I am not always sure I hear properly. Perhaps he would like to restate that.

**Mr. Chairperson:** Thank you, Mr. Sale. That is not a point of order, but I will allow Mr. McFadyen, if he chooses, to repeat that.

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**Mr. McFadyen:** The Auditor General's report did not deal with the matter of Cabinet knowledge and deliberations. So we now have a Cabinet document, Mr. Chairman, dated November of 2000, that indicates right in the opening paragraph that the Province must be concerned—and this is a quote: The Province must be concerned with the safety of the retirement savings entrusted to them by thousands of Manitobans, the majority of whom are neither

wealthy nor sophisticated investors. That is the end of the quote from the opening paragraph.

The Cabinet document goes on to provide a warning to Cabinet, the document signed by the Minister of Finance (Mr. Selinger), on two salient issues, one being the fact that Crocus was headed toward possible liquidity problems, and, secondly, that Crocus wasn't doing what its prospectus said it would do.

My question to the Finance Minister is: Why didn't you warn Manitobans?

**Mr. Selinger:** Mr. Chairperson, in the second paragraph—actually not the first paragraph that the member quotes from—it's very clear that average Manitobans did invest in the Crocus Fund. There were two procedures that the previous government allowed that we decided to make illegal. The first one was stuffing pay envelopes with information to promote Crocus. That practice was undertaken when the member opposite was a member of the Filmon government. We stopped that practice.

Secondly, there were workplace sales. That practice was also stopped by us. So it's very clear that we had to clean up some of the more egregious practices that the member opposite allowed while he was in government.

Thirdly, the member speaks to the question of whether or not there was an obligation to warn the public about a potential liquidity problem. It's very clear that there is an obligation to protect the confidentiality of information brought forward as to a downstream potential problem by a private corporation. Private corporations approach government all the time with potential problems. As it turned out in this case, there never was a liquidity problem at any time before the fund stopped operating. So it's likely the case that if the member would have done what he's suggesting we would have done, he would have exposed the government to a lawsuit for breaching confidential information about something that had not materialized as a problem and never did materialize as a problem.

**Mr. McFadyen:** Mr. Chairman, we know that the 2002 payday loan from Solidarité that the fund obtained was the reason it was able to stave off liquidity issues. My question to the Finance Minister is that he has indicated that he feels that he had no obligation to advise the public as to a pending liquidity problem at Crocus. So is the Finance Minister through that statement indicating that he felt

that the privacy of liquidity problems at Crocus was more important than ensuring that all Manitobans had all material facts related to their hard-earned investments in the Crocus Fund?

**Mr. Selinger:** Well, first of all, the member makes a glib statement about the investment from the Solidarité fund being a payday loan. I should just point out to the member, we're the first government in Canada to introduce legislation to control payday loans. I hope the members will support it and vote for it instead of delay it like they did in the Legislature by walking out of the Legislature and holding it up for so many days by ringing the bells. So, if you're really concerned about payday loans, you wouldn't have halted the business of the Legislature. You wouldn't have held up the legislation, and you still haven't actually gone on the public record yourself as to whether or not you support that legislation, although I am happy to report that some of your colleagues in Ottawa have supported it. It's now in the Senate, and I hope it will be brought into effect very soon.

Now, on the specifics of that specific Solidarité transaction, it's very clear that that transaction, that money made available to the Crocus Investment Fund was characterized in a way that the Auditor General's report says was not accurate. That was done by the people at the Crocus Investment Fund, and it was attested to by their auditors. The Auditor General's office when they reviewed that felt that that transaction, that money, should be characterized in a different manner. That's why it was not known to the public, including members of the Legislature.

**Mr. McFadyen:** Just back to my question. Is it the minister's position that he felt he had an overriding obligation to maintain the confidentiality of pending liquidity problems at Crocus and that overrode the right of the Manitoba investing public to be aware of that information? Could he just respond to that point?

\* (20:50)

**Mr. Selinger:** As I said, the member doesn't like the answers, so he asks the question again. The reality was that there was not and never was a liquidity problem. So if the member is suggesting that, based on a problem that did not materialize at any point, based on the reality that the potential liquidity problem did not materialize at any point during the operating life of the fund, we should have notified the public about something which didn't occur, I suggest to him that he really doesn't understand the



obligation of government even though he served in government, and I am sure he had many opportunities to be aware of potential problems in private corporations. Did he go public on all of those problems? Surely not. Surely he didn't. Surely the member opposite who had colleagues of his sitting on the Crocus board appointed by the Cabinet meetings that he sat inside—he appointed his own colleagues, professional colleagues to the board of the Crocus Fund. He is saying that he knew nothing about the problems. He is saying that he didn't do any declaration to the public because he knew nothing about the problems and then he is asking us to operate by a different standard. At a minimum that is hypocrisy, if not wilful ignorance.

**Mr. McFadyen:** So the Finance Minister, I think, is confirming that he felt it was more important to keep confidential potential liquidity problems than it was to warn Manitobans.

I just want to move on to another question. When he advised Cabinet that Crocus wasn't doing what its prospectus said it should do, did he report that information to the Manitoba Securities Commission, and if not, why not?

**Mr. Selinger:** If the member has read this document carefully, he will note that the Securities Commission was contacted with respect to this Cabinet submission, and he will know that the prospectus issue—and it's actually documented in the Auditor General's report. The prospectus issue was whether or not they were following through on generating liquidity through crystallizing investments that they had made in various companies. It's very clear that on page 184 of the Auditor General's report, and I would ask the member to turn to that page if he hasn't read it already. Starting on the last word on page 183: "Crocus indicated that it had a range of options including a more aggressive disposition of investments and changes to the investment pacing rules in The Income Tax Act. Crocus indicated preference for changing the investment pacing rules but expressed confidence that it could deal with the challenges."

In other words, Crocus was always of the view that they could fulfil the terms of their prospectus but they preferred other changes that they were requesting from us. So the short answer is that when it came to the question of the prospectus, Crocus was very clear that they would follow their prospectus in the absence of the changes they were requesting from us.

**Mr. McFadyen:** If that is what Crocus indicated, why did the minister put in his Cabinet document that Crocus wasn't doing what it said it would do?

**Mr. Selinger:** Well, if you read the sentence very carefully in the Cabinet document, this is because Crocus has not done what its prospectus says it will do which is to arrange its investment portfolio so that funds are made available through liquidation of investments to fulfil requests for redemptions. Page 184 indicates that they could deal with redemption issues through exactly what they said they could do here through liquidation of investments to address redemption issues. They said they always had confidence that they could do that, even though they were discussing with us potential downstream liquidity problems.

**Mr. McFadyen:** Mr. Chairman, the minister seems to be saying that Crocus was doing what its prospectus said it would do at the time. He drafted the document, so I am just wondering: Is he suggesting, then, that he signed a document that has an error in it?

**Mr. Selinger:** I note the member has a habit of trying to put words in the mouths of others. He should really just take responsibility for his own words, instead of trying to put words in the mouths of others. That is one of those things you learn how to do as you mature. *[interjection]*

**Mr. Chairperson:** Order, please. Let's stick to the facts if we don't mind, please.

**Mr. Selinger:** Thank you, Mr. Chairperson. The facts are clear here that Crocus was indicating that it did not wish to follow its prospectus, which was to arrange its investment portfolio so that funds are made available through liquidation of investments to fulfil requests for redemptions. They also, after the Auditor General's report made it very clear that they were able to do that, they had confidence they could do that, but they preferred other alternatives. It was very clear from us that we weren't prepared to give them what they asked for and therefore they had to follow their prospectus.

**Mr. McFadyen:** So you are saying that some time after this document, it's your view and you refer to a report that Crocus brought itself within the terms of its prospectus. What I am wondering, then, is at the time when you said in your document that Crocus wasn't doing what its prospectus said it would do, whether that was a mistake at the time, and I just

wonder if you would just respond directly to that point.

**Mr. Chairperson:** Just before Mr. Selinger answers that, I'd just like to ask the committee to place their questions and answers through the Chair.

**Mr. Selinger:** Well, I believe I've answered the member's question, saying very simply here that we were concerned that they weren't following their prospectus. It's very clear that they always expressed confidence that they would follow it in the absence of other changes they were asking for and I've put that on the record.

Now, if the member wishes to get the nitty gritty details of that, I'm prepared to make my deputy minister available on the actual discussions on the ground that were occurring between officials of the government and officials of the Crocus Fund, as well as officials in the other government departments. I'm prepared to do that, but I want to make it very clear to the member that in this document to Cabinet, we warned them of potential problems and we made sure that those problems didn't occur, and in fact they did not occur. The liquidity problems did not occur.

**Mr. McFadyen:** Just to be clear then, it's the minister's position that if he is aware of potential liquidity problems in a fund that's issuing shares to the public and if he's aware of a warning that the fund is potentially not operating within its prospectus, he views it as appropriate then to keep that information within Cabinet and at the fund and not share it with the investing public. I think that seems to be what he's saying, and I wonder if he would just confirm that that was his judgment at the time.

**Mr. Selinger:** Well, as I indicated earlier to the member, the liquidity problem never became a problem. One could imagine what would have happened if a government official or elected official or otherwise would have gone directly to investors and said to them: I think there's problems with your fund based on a potential problem that had been identified to the government and changes attached to that. The result of that would have likely been actually worse for investors. It would have actually eroded confidence in the investment fund even more, because it would have actually created the atmosphere that the fund was in trouble, when it very clearly made the case to us that it had a concern about a downstream problem but didn't have trouble at that time.

So the member has to ask himself was the remedy that he's demanding and saying should have been done would have actually been worse. It's very likely that it would have been worse. It's very likely that it might have undermined confidence in the fund before a problem had even occurred. How would that help the investors other than to deteriorate their investment and their share value even more?

**Mr. McFadyen:** Mr. Chairman, we have a remarkable situation here where the Finance Minister thinks that a \$100-million loss was work well done on his part by allowing people to continue to buy into the fund for four years after the warning about liquidity issues which were only dealt with by the Solidarité loan in November of 2000. Those liquidity issues were indicators of potential valuation problems which apparently nobody decided to look into.

So what I want to just ask the minister is whether he's aware that under securities legislation that applies to companies that issue shares to the public, that there is a requirement of full, true and plain disclosure and that includes forward-looking disclosure. That includes disclosure of potential problems so that investors can determine whether they think those potential problems are relevant to their investment decision and they have the benefit of all information that's available to the company and to other insiders, including the Cabinet.

So, is he aware of that requirement which is a requirement at law but which is also a moral obligation? How can he say—it's the height of arrogance to say that we couldn't share information with Manitobans because they might have made some bad decisions that would have driven the value of the fund back in 2001.

Well, Mr. Chairman, to make the statement in full public view that he doesn't trust Manitobans with relevant information, I find unbelievable. I want to ask the minister whether he's aware that there's a legal requirement to disclose all matters including projections and potential downstream problems with publicly traded companies.

\* (21:00)

**Mr. Selinger:** Well, the member has done a number of things in his question. First of all, he has shifted time. He's trying to suggest that what we know in hindsight should have been known in November of 2000 when there was only a potential problem which actually never materialized. So he should try to keep

himself in one time frame instead of time-shifting back and forth. That is the first mistake he's made.

He's also suggesting that when a company comes to government, when a private corporation comes to government with information about a potential problem, that the government has an obligation to disclose that information and take that information back to the investors. Would any company ever approach government under those kinds of conditions? Would any company ever approach government for changes in legislation or for other forms of assistance to help them grow their company inside of Manitoba?

I suggest to you that if that was the operating philosophy of the member when he was in government, which it clearly wasn't, otherwise many of the companies that did collapse we would have known about earlier, including strawboard manufacturing companies and millwork companies out of southeastern Manitoba and medical device companies—all of those companies were in discussion with government. All of those companies were being co-invested in by the member's former government. They were co-investing in those companies. They knew those companies were in trouble.

As a matter of fact, it cost Crocus shareholders \$32 million in losses. The member didn't disclose that to the public. No member of his former government disclosed that to the public. He seems to want to have a higher and a different standard when he's in opposition than what he practised when he was in government.

And I would have to say that his allegation that investors would have made bad decisions, that is really gratuitous because very clearly it's important that companies that are struggling for whatever reason or have potential problems are able to approach government on remedies and solutions, including legislation that will help them thrive in Manitoba without the threat of immediate disclosure to the public about something that didn't occur and has never occurred to date.

**Mr. McFadyen:** The minister has confirmed that he doesn't think government had any obligation to disclose relevant information, and he doesn't seem to understand the difference between a private and a public company. Crocus shares trade publicly. Individual Manitobans can buy shares in Crocus, and they're entitled to all the information that Crocus insiders have.

He doesn't think he had an obligation to tell the public, Mr. Chairperson. So I wonder if he thinks that his board appointments to the Crocus board, Hugh Eliasson, John Clarkson and then Charlie Curtis who was appointed by the Manitoba Federation of Labour but who acted as his financial adviser through the relevant period, did his board appointments have any obligation to the public with respect to internal problems at Crocus?

**Mr. Selinger:** I want to, first of all, complete my answer to the last question. The member asked whether it's the responsibility of the broker, Wellington West in this case, to give full, plain and true disclosure, and the answer is, yes, they had that obligation.

Then on the other part of the question, on the question of board appointments, the member was part of the government that crafted the legislation that placed an individual within government on the board of the Crocus Investment Fund, and there was a very distinct shift in how that worked between the Conservative government that the member served in and the government that we serve in.

Under the Conservative government, the people who were appointed to the Crocus board were highly placed, politically directed officials. The people that we appointed to the Crocus Investment board were professional civil servants with expertise in investment and financial affairs. There was a dramatic difference in the way we related to the Crocus Investment board.

But in either case, those members who were appointed by both governments were informed that they were not there as a delegate of the government. They were there to represent shareholders and to operate in the best interests of the owners of that corporation, and the member knows that.

**Mr. McFadyen:** So the minister has made it clear that he doesn't think it was his job to warn Manitobans.

I just want to see if he'll answer the question. Does he think it was the job of Crocus board members to warn Manitobans?

**Mr. Selinger:** Well, once again, the Auditor's report is very clear on what they thought some of the responsibilities of the board—*[interjection]* But you are interrupting the question, and you should have at least the civility to hear the answer.

**Mr. Chairperson:** Order, please. *[interjection]* Mr. Selinger, let's not get distracted and let's not use unparliamentary language. Would you please answer the question. Thank you.

**Mr. Selinger:** Well, Mr. Chairperson, the member continues to try to interpret comments in a way that puts words in the mouths of members in this room, including people acting in their professional capacity.

It's very clear that the Auditor has gone on the record as saying it's normal for people to accept attestations by auditors for the corporation in question, Crocus Fund, as well as brokers such as Wellington West, on their full, true and plain disclosure. Those are the statements that investors take when they decide to make a decision. Those attestations are done by the auditors hired by the investment fund. Those statements are made by the brokers hired by the investment fund to market their products and those statements always affirmed confidence in the fund and said that it was operating appropriately.

**Mr. McFadyen:** Certainly, if board members receive attestations from auditors, they are entitled to rely on them, but if they have added information, such as the fact that there are pending liquidity issues and that the fund is not doing what its prospectus said it would do, which was contained in your Cabinet document of November 2000, the question is: If they obtain information independent of what the auditor may tell them, which indicates that there are problems, do they have an obligation to disclose it to the public or not?

**Mr. Selinger:** Well, once again, the member is suggesting that the government may have had information that was not available to the auditors. The auditors had full access to the books of the fund in a way that nobody else had. They had complete access on an annual basis to the books of the fund.

The brokers made an annual declaration about full, true and plain disclosure on behalf of the fund. They were working on behalf of the fund, and they put their reputation as a broker on the line by saying there would be full, true and plain disclosure.

Once again, we were aware of potential liquidity problems which actually never occurred before the fund shut down, and if the member is suggesting that any corporation, whether trading shares or not, who approaches government about a potential problem should immediately go to the public and say that they

have potential problems, I think he would be exposing the government that he was in charge of, if he ever is in charge of one, to very serious lawsuits which would cost the taxpayers even more money.

**Mr. McFadyen:** Mr. Chairman, the directors of public companies, if they become alert to downstream problems, have an obligation and would normally under normal practice retain independent counsel and get advice as to how the information should be publicly disclosed in a way that ensures that unsuspecting investors have all material information. And the board members of Crocus are roundly criticized throughout the Auditor's report, the board is roundly criticized in several places through this report for ignoring red flags and failing to follow up on certain issues, follow on investments and a whole bunch of other issues that were occurring at the level of management within the fund.

So my question to the minister, again, because he seems to not want to reply as to whether board members had any obligation to the public, in light of the fact that the board members of Crocus, which include his government's appointments, were roundly criticized throughout the Auditor's report for their lack of diligence and their failure to make proper disclosures and take proper steps, given that they were roundly criticized, is it the minister's view that his board appointments lived up to the standards that would be expected of people who serve on a board such as Crocus?

**Mr. Selinger:** Well, once again, it's important to remember that the legislation that governed Crocus was designed by the previous government that the member served in. It was their legislation that crafted the governance model—

**An Honourable Member:** You were their adviser.

**An Honourable Member:** And your point is.

\* (21:10)

**Mr. Selinger:** Yes, the legislation—I know you're nodding, I know you may not be aware of it, but the reality is that in 1993, 1994, it was the Conservative government that the member served in as a senior official that brought forward The Crocus Investment Act. That's a matter of record. I know the member would like to deny that, but that's a matter of record. In that governance document there was provision; in that legislation that was brought forward there was provision to place a person in the provincial government on the board of that fund. I've already

explained to the member that, under the former Filmon government that the member served in, the officials that were placed on that board were high-placed officials with strong political connections that were involved in co-investments between the Filmon government and the Crocus Fund and those investments lost \$32 million. That's a matter of public record now, and that, when we came into office, we changed that practice. We put an official, a professional civil servant on that board from within the department of IEDM who had a long and lengthy record of experience in the banking sector, in financial services, who we thought could serve the investors, the shareholders of Crocus Investment, which was their obligation. They weren't there as a proxy for government. That was never the intention when the members opposite crafted the legislation. They were there to serve the shareholders. The member is fully aware of that, and if he's not, I hope he is now.

**Mr. McFadyen:** That was the most bizarre non-answer to a question that I have heard, and we've heard some pretty strange ones over the past number of months. I just want to ask the minister whether the civil servants whom he and his government had sit on the Crocus board through the relevant time period are still in the employment of his government.

**Mr. Selinger:** Sorry, I'm going to have to ask for that question to be repeated.

**Mr. Chairperson:** Mr. McFayden, would you please repeat the question?

**Mr. McFadyen:** Are the civil servants who sat on the Crocus board as the government's appointment still within the employment of his government?

**Mr. Selinger:** I believe they are. Yes.

**Mr. McFadyen:** The Auditor General's report indicates that board members are expected to reflect the priorities and values of the stakeholders which they represent and that they are expected to be reliable, allow appropriate factors and considerations to influence their judgment, including consideration of the effect of their decision on others. Given how roundly criticized the Crocus board members were in the Auditor's report and given the fact that they continue to work for his government, does the minister want to just confirm that those board members reflect the priorities and values of his government?

**Mr. Selinger:** Well, this is a very common trick of the huckster salesman that the member has just put in

front of us. It's called the bait-and-switch tactic. On the one hand, the legislation that was crafted by his government was intended to have the government official sitting on the board, as he has just stated, be accountable to the stakeholders, the shareholders, the people that had equity in the fund. Then, on the other hand, he tries to do a bait-and-switch and say: Does it reflect the values and priorities of the government? Clearly, the responsibility of any appointee to a Crocus Investment board was to reflect the interests of the shareholders. You can't bait and switch unless you want to be a huckster salesman.

**Mr. McFadyen:** Is the minister saying that his board appointments did a good job?

**Mr. Chairperson:** Order, please. Mr. Selinger, I would like you to reconsider your comment at the end of your last statement and consider whether you would choose to withdraw that particular statement.

**Mr. Selinger:** Mr. Chairperson, to set an example for the members opposite on apologies, I'd be happy to do that and apologize to the members opposite. I would only ask that they extend the same courtesy when they may have stepped over the line.

**Mr. Chairperson:** I thank the minister for that, and that is certainly a standard we would like to adhere to at this table.

**Mr. McFadyen:** The minister has made it clear that he didn't think it was his job to warn the public. He has yet to indicate whether he thinks it was the job of his board members to warn the public. We know that his board members were roundly criticized for a variety of things in the report and yet he has just confirmed that they still work for his government. So I just want to ask the minister again: Is it the normal practice of him and his government to employ people who are roundly criticized in an auditor's report for demonstrating utter incompetence?

**Mr. Selinger:** Mr. Chairperson, I'm going to use part of the phrase that I used before. If you think it is inappropriate, I'd like you to know right away I'm not going to characterize the strategy of the member, but I am going to say that he continues with a bait-and-switch strategy. I've made it very clear and it's clearly understood and the member actually quoted it from the Auditor General's report themselves that any appointment to the board of the Crocus Investment Fund was there to represent the interests of the stakeholders. They were not to represent the interests of government. They were there to represent the interests of stakeholders. That's very clear.

So for the member to now continue to try and reverse that understanding and to suggest that it's his or government board members acting on the instructions or on the will or in any way on the interests of government, they were there as independent board members to bring their professional expertise to the board, at least the appointments we made. The appointments you made may have been there for other purposes. The appointments we made were strictly to add the kind of expertise that we thought would be helpful to the governance of the fund in the interests of the stakeholders.

**Mr. McFadyen:** Mr. Chairman, the three individuals I referred to, Mr. Clarkson and Mr. Eliasson, who were government appointees, who are deputy ministers currently within the government and who served on the board of Crocus through the relevant time period, and then Mr. Curtis, who served on the board of Crocus through appointment by the Manitoba Federation of Labour and also served as the Finance Minister's adviser through the entire period, are all, in our view, extremely competent, eminent individuals. Yet they're roundly criticized in the report for failing to take appropriate action.

It's interesting that they continue to be in the employment of this government. I wonder if the minister would just confirm whether the reason that they continue to be employed by this government and the reason they have such outstanding reputations in our community is that they actually did do their jobs. They did warn the minister, they did warn the Premier (Mr. Doer), and the matter was simply not acted on by the minister or the Premier and Cabinet.

**Mr. Selinger:** Well, once again, the member continues with actually the exact same practice that I identified earlier. He's trying to suggest that the board members, whoever they were under our government, were somehow reporting back to government, acting on the instructions of government, providing inside information to government. I've made it very clear, and it was made very clear to everybody appointed to the Crocus board. The member himself quoted it from the Auditor General's report that any board member, regardless of what source they came from, was there to act on behalf of the interests of the stakeholders which is clearly the shareholders and the people who had purchased equity within the Crocus Investment Fund.

I would agree with the member, and that's why I'm disturbed by him suggesting that somehow they played some sort of a dual role. They acted in that capacity professionally. They had no special relationship with Executive Council. They were professional civil servants. The members of the former government that you were a part of, that sat on that board, were clearly senior officials within the former government that acted on many of the co-investment files. So there's a very different role that our members played. Our members played the pure and simple role on acting on behalf of the interests of the stakeholders.

**Mr. Chairperson:** Thank you, Mr. Selinger. I'm going to interrupt proceedings at this time. I think there was a general agreement that we would move to questions to Mr. Smith, the Minister of Competitiveness. Is that the will of the committee at this point?

**An Honourable Member:** We agreed to it.

**Mr. Chairperson:** It was agreed to in the beginning and, therefore, I would think that we should adhere to that because Mr. Smith has made himself available.

#### Point of Order

**Mr. Chairperson:** Mr. McFadyen, a point of order?

**Mr. McFadyen:** Mr. Chairman, if I could just go one more question to the minister and then we'll move on to Mr. Smith.

**Mr. Chairperson:** Is there leave of the committee to allow for one more question of Mr. Selinger?

**Some Honourable Members:** Leave.

**Mr. Chairperson:** Is there leave of the committee for one more question?

**Mr. Gerrard:** I would ask for leave of the committee to ask several questions up until 9:30, after Mr. McFadyen's question.

**Mr. Chairperson:** Ladies and gentlemen, at the beginning of the meeting we had indicated that at 9:15, we would switch to asking questions of Mr. Smith. If there are no questions of Mr. Smith, then we will revert to the Minister of Finance, but I'm asking the committee and so, therefore, there's still time for Dr. Gerrard to place questions to the minister after Mr. Smith's questions have been concluded.

At this time, I'm asking for leave of the committee as has been requested by Mr. McFadyen to ask one more question at this time of Mr. Selinger.

Is there leave?

**An Honourable Member:** No.

**Mr. Chairperson:** Leave has been denied. I heard a no at the table so that means that leave is denied at this time.

\* \* \*

\*(21:20)

**Mr. Chairperson:** So, at this time, I will call on Mr. Smith to take the chair. The floor is now open for questions of Mr. Smith.

Questions now to the Minister of Competitiveness, Training and Trade (Mr. Smith). I see Mr. Maguire's hand up, followed by Mr. Chomiak.

**Mr. Larry Maguire (Arthur-Virden):** Mr. Chairman, I appreciate the opportunity to ask questions of the minister at this time.

Mr. Minister, you obviously have had—*[interjection]* Yes, Mr. Chair, the minister has obviously had other portfolios besides being the Minister of Competitiveness, Training and Trade that he presently is. His first responsibility in Cabinet, I believe, in the fall of '03 when he became a minister, was that of Industry, Economic Development and Mines.

He came into government as a minister following the retirement or, pardon me, not the retirement but the change in ministerial appointments, being preceded by Ms. Mihychuk, the minister that preceded him. Can the minister confirm that they were both ministers who were in charge of the Crocus Investment Fund as well as the Manitoba Securities Commission?

**Hon. Scott Smith (Minister of Competitiveness, Training and Trade):** Mr. Chair, the member's half right as I've seen with a lot of questions and answers here tonight on this side.

When I first came into Cabinet, I came into Cabinet as the Minister of Consumer and Corporate Affairs in 2001. I proceeded in that for a couple of years and then went into the Ministry of Industry, Economic Development and Mines, it was called at that time, and, yes, the Securities Commission was the responsibility of Consumer and Corporate Affairs at that time.

That's now been rolled into Finance, as the member may know or may not know. Certainly, the Securities Commission is in Finance now. It was in Consumer and Corporate Affairs. It wasn't in Industry and Economic Development.

**Mr. Maguire:** Mr. Chair, my question was, of course, to the time when the minister was first appointed minister, and that was then the responsibility for Crocus and the Manitoba Securities Commission that he had at that time.

**Mr. Smith:** Mr. Chair, again I'll try to speak to the member and say when I was first appointed to Cabinet, yes, it was in 2001, not 2003. It was also in the Consumer and Corporate Affairs ministry which at that time had the Securities Commission.

**Mr. Maguire:** Mr. Chair, I am correct when I stated that he did follow Ms. Mihychuk in the Industry, Economic Development and Mines portfolios.

**Mr. Smith:** Yes, when Minister Mihychuk left, I was in Transportation, I believe, at that time. I had been transferred over into Transportation. Minister Wowchuk followed Minister Mihychuk at that time, and then when the Premier (Mr. Doer) made the appointments and changes of a few ministries, I did move into Industry, Economic Development and Mines.

**Mr. Maguire:** Mr. Chair, when the new minister comes into a portfolio, it's the normal course that he's briefed by the department on the issues arising in that department. Can the minister tell us just how he was briefed in regard to the issue of the Crocus Investment Fund at that time?

**Mr. Smith:** Sure, I can give you a general synopsis of a ministry and how it operates and how it works when you first come in.

When you first come into a ministry, you look at usually the briefing books that you have, which are many, the different portfolios that you are responsible for and you take the time with your staff from the most senior levels, at deputy minister through the acting deputy ministers and depending on which department it is, the pertinent staff and directors for a lot of different issues that you deal with within a department.

If it was the Department of Health, for instance, it would be quite extensive and meeting with a lot of people and dealing with a lot of issues. Myself, with the different portfolios that I've had, which are four,

it has been varied in dealing with the different issues that are out there.

Obviously, the legislative responsibilities that you have within that department are key and prior to many of the other briefings that you have, and the briefings continue. The briefings continue even as we all sit at this table on issues that emerge from day to day, from time to time, and you're made aware of many issues that are the responsibility of your department.

**Mr. Maguire:** Can the minister tell us, in the briefing that he got on the Crocus Investment Fund when he became the minister, as to whether or not he was aware of the liquidity problems that have been pointed out in the Crocus Investment Fund?

**Mr. Smith:** The question has been answered, I believe, at the last eight meetings that I know of certainly, regarding this issue. Not only was I aware when I went in as minister of some of the issues of Crocus and ENSIS and others we were looking at and some of the liquidity and pacing problems that they had identified and addressed, but I was aware of that far before by reading the newspapers and talking to people generally in the public on that particular matter.

The liquidity issue was something that has been raised, and it has been raised by the Auditor General's report on numerous occasions, and certainly those issues were brought forward along with a lot of other issues from not only Crocus but from ENSIS and others dealing with a partial component, that being some of the liquidity issues that they were dealing with.

**Mr. Maguire:** Earlier, the minister indicated, Mr. Chair, that he was a minister in 2001. I stand corrected on that. It makes the question I am going to ask even more important, and that is: When the minister became a minister in 2001, was he aware of the November 27, 2000, Cabinet report that was leaked recently? Was he aware of that document, as it states that all Cabinet ministers were aware of it?

**Mr. Smith:** You know, the terminology I won't dispute, Mr. Chair, leaked. The report that you're talking about certainly is a report that I know both the leader of your party and the Leader of the Liberal Party ran ranting down the hallway, and quite frankly, that report was considered and taken into account in the 245-page report that we're considering and looking at here now tonight.

Unfortunately, considering that, and as you've asked that question, the misinformation that was brought out by your leader and by the Leader of the Liberal Party attacking the integrity of someone who absolutely did not deserve that attack, which was ill-informed, reckless and immature, quite frankly, that report was considered by the Auditor. It was a report that was considered in the 245-page report, and it's absolutely nothing that's new news. The only consideration, I believe, is an apology that should be brought forth misconstruing information regarding that dealing with liquidity that was also dealt with by the Auditor and in the report that had absolutely nothing to do with the government.

It was pretty clear, and crystal clear, not only did you have a leader of an opposition that wasn't leading, he was actually following somebody that he shouldn't have been following.

**Mr. Chairperson:** Order, please. I would like to remind the honourable minister that remarks should be kept relevant to the matter and the question raised. Our rule 40 states that speeches shall be directed to the question under consideration.

**Mr. Smith:** Thank you, Mr. Chair. It is always good to have those rules clarified. I believe the member had asked about this specific report, end quote, and I am answering to the best of my ability, so I'll continue with that answer.

In that report, and it's been stated tonight by our Finance Minister, it's been stated previously by the Auditor, that that report is nothing new. That report was considered in the audit. That report incorrectly was brought forward as being withheld by this side of the House, which is completely false, and I didn't hear an apology by yourself, your leader, or the one next to you on your right.

**Mr. Chairperson:** Mr. Minister, I'm going to remind you that answers should be placed through the Chair, and reflections on the Chair are not accepted in this committee.

\* (21:30)

**Mr. Maguire:** The only accountability that I'm trying to get to the bottom of is the credibility of this government to Manitobans and the accountability of this government to the Crocus Investment Fund investors. So, Mr. Chair, that's why I'm asking this minister, as a new minister coming in, was he aware, or even before he became a minister, or was he aware, as the minister responsible for the Crocus



Fund, of the Minister of Finance's document of November 27, '07, the Cabinet document?

**Mr. Smith:** Mr. Chair, the question being asked is, was the liquidity concerns of Crocus raised prior to the previous government, to our government, to government officials and staff over a period of time. Yes, those issues were raised over a number of years.

The Leader of the Opposition would like to probably speak and is speaking out of turn will probably get a chance to raise that question. It is nice to see him here tonight. It's nice to see him after the number of meetings that I've been here over the last period of time, and it would be very beneficial to actually have him hear information as opposed to getting secondary information that he may be running down the hall with that's incorrect and be able to use that information clearly. Now—

**Mr. Chairperson:** Mr. Smith, Mr. Minister, up until this time this evening we have had no difficulty in having ministers and members who are questioning ministers stick to the script and stick to the matters at hand. I would caution you for the second time to please keep your remarks relevant to the question that is asked. Thank you.

**Mr. Smith:** Thank you, Mr. Chair. I'm trying to focus on factual information, and, quite frankly—

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** Order, please.

**Mr. Smith:** It's very hard to hear, Mr. Chair. The member has been answered. He's been answered a number of times. The questions have been recycled a number of times and, quite frankly, we'll wait for the next question. I know as I listen tonight, there's an expediency to get into asking questions. It took till about 25 after eight, but, certainly, this side of the House is here to answer questions.

**Mr. Maguire:** Mr. Chair, I'd just like to point out that I, too, am glad to see the minister showed up tonight to appear before this committee. I'm pleased to see that he's at least making some attempt at—

**Mr. Chairperson:** Order, please. Ladies and gentlemen, I have cautioned this committee before not to reflect on the presence or the absence of individuals at this committee.

**Mr. Maguire:** My apologies to the concern, Mr. Chair. I was just pointing out that it was a situation where I was very pleased to see that the person who was called before the committee came before the

committee, but I just want to point out the contradiction before I turn it over to my honourable colleague to ask questions.

In the House when we were asking questions on Crocus in the last session, the minister was asked 26 direct questions and the answers were 26 complete blanks and no answers at all from this minister. I am only pleased to have the opportunity that we have before us tonight to ask him some questions and see if we can't proceed with answers. I assume from the answers that he's given that he did know about the November 27 document. Thank you.

**Mr. Smith:** Yes, to that question, Mr. Chair. Obviously the member is using the same tactics as the Leader of the Opposition. Immaturity is not something that I respect. It should not be putting words in the mouth of others and, quite frankly, that was not said.

The questions are the prerogative of the House. Obviously, the expertise in different ministries answer questions as asked in the House. Every question asked was answered here and in the House.

Mr. Chair, the members may not have caught the changes in legislation in 2001 and then again in 2004 where changes were made, allowing obviously the Auditor and others more discretionary power and as well allowing the ability for auditors to go in and to strengthen legislation.

The member may not have recognized as well some of the changes from the report that were recognized by this government in splitting some of the responsibilities between promotion and monitoring from Finance and from the old Department of Industry and Economic Development, now at the CTT Department that I have authority over. And that was changed. So, when you're talking about Crocus and you're asking pertinent questions, when you subdivide them, look at the responsibilities within departments. You may want to do your homework and you may want to consider which department is responsible for which authority.

**Mr. Gerrard:** Yes, I am asking the minister who was responsible for a time for the Manitoba Securities Commission what the practice was in the government where there was an issue which related to the Manitoba Securities Commission.

Would, for instance, the Minister of Industry communicate directly with the Manitoba Securities

Commission, or would they communicate with the Minister responsible for the Manitoba Securities Commission?

**Mr. Smith:** I believe that's something that should be very self-explanatory. I'm not sure in federal politics exactly how that works, but I certainly know in provincial politics that the autonomy of the Securities Commission is beyond reproach, and they have an incredible group of people in there that do a job. They have full control in their department. There's not answering to a minister depending on subjects. Obviously there's briefings, and you talk to committees. But certainly their investigations, for instance, would be fully the responsibility within that department as, I might mention, is the autonomy, the authority and the responsibilities of the Auditor General, which is absolutely beyond reproach and of incredible value.

**Mr. Gerrard:** If there was an issue, as was raised in the Cabinet submission of November 27, 2000, which dealt with Crocus, has not done what its prospectus says it will do, where there was a concern over the accuracy of a prospectus in a company that the government knew about, would the Minister responsible for the Securities Commission be made aware of that concern, and would the Minister responsible for the Securities Commission communicate concerns to the Securities Commission?

**Mr. Smith:** I would like to thank the member for that question because it raises a very good point. The information that is passed on from anyone should be accurate, and obviously accurate information and factual information is incredibly important.

It's interesting to note certainly, as a minister, information that is relevant to your portfolio and information that is certainly in legislation within the province of Manitoba is identified very clearly, quite clearly. Information that is brought forward that's inaccurate, information that's brought forward without substance, information that is brought forward speculatively and hypothetically, as you're doing now—but I listened very carefully to the Chair's ruling on this matter, so I believe I do have some leeway in answering this question—is something that is very important and taken of high regard and importance in this government.

I believe that information that was brought forward by you without factual benefit in a smear campaign against a Finance Minister with no accuracy deserves, certainly at the very least, an apology.

**Mr. Gerrard:** I would ask Minister Smith, who was responsible for Crocus for a while, whether the minister at any point held or members of his family held shares in the Crocus Investment Fund.

**Mr. Smith:** Again, Mr. Chair, the information from all members, every member around this table, is identified clearly with the Clerk's department. Every member around this table is trusted and should be and are. It's certainly there for the reading, it's there for you to consider, it's there for you to look at, and it's there for public information.

The accusations, which are many and have been flying from the seat of the pants by a few lately, are like an analogy of a barking dog, not really saying anything but certainly making noise, and quite frankly, not something that shows a lot of maturity. It's not something that shows accuracy. Certainly, anything that I have is available on public record.

\* (21:40)

**Mr. Gerrard:** In the documents which all members submit at the beginning of each legislative session, investments are not disclosed if they're in retirement savings plans. I would ask you, therefore, did you hold Crocus shares either inside or outside of retirement savings plans or did members of your close family?

**Mr. Chairperson:** Just a caution, Dr. Gerrard, through the Chair, please.

**Mr. Smith:** The truth is that it's all disclosed. *[interjection]*

**Mr. Chairperson:** Order, please. Mr. Smith has the floor.

**Mr. Smith:** As the member struggles for media beside the member asking questions, it's fully disclosed. Everything is disclosed from every member that's here and, quite frankly, no, I didn't nor do any of my family.

**Mr. Gerrard:** That completes my questions of Minister Smith, and I pass this back to Hugh McFadyen.

**Mr. McFadyen:** Mr. Chairman, I would like to recall the Minister of Finance (Mr. Selinger) in a few minutes, but I just want to ask this minister: He's indicated that the information in 2000 about problems at Crocus was speculative. In light of what we now know happened in 2004 with the collapse of the fund, do you think the speculation was accurate or inaccurate?

**Mr. Smith:** The interesting component of the member of the opposition is the amount of years that he must have spent in legal wrangling and trying to twist the facts around. The facts are that this had been identified over a great number of years back into the late '90s. It's been identified as a potential possible problem of liquidity, problems that may occur or may not occur. It was very clear in the Auditor's report that liquidity had absolutely nothing to do with the eventual discontinuance of the Crocus Fund.

Liquidity and pacing, as the member knows, are completely different than performance and valuation. The member knows that. The general public has been made aware of that, in fact, in an excellent and newsworthy report by Dan Lett and by Curtis Brown over the last period of time. Although Tom Brodbeck does great work—

**Mr. Chairperson:** Order, please. Mr. Smith, I think you're going a little beyond the bounds of what we do at this table, so I'd like you to come back to the relevant issues before you.

**Mr. Smith:** The relevant issues are getting to that point, Mr. Chair, in not confusing liquidity and pacing, which has been fully identified, and certainly the member knows. The member knew when he was advising Premier Filmon to sell MTS that liquidity in Crocus was something that certainly was being raised. There were other concerns being raised by ENSIS and others. Liquidity and pacing are completely contrary to performance and valuation. That was identified in the Auditor's report. The possibility of something down the road, looking into a crystal ball, in many companies in liquidity is a concern very often.

The government prior had questions raised regarding liquidity. This government, through bureaucrats and people that we had working in our system had their questions raised. Yes, that has been identified. Yes, it has.

**Mr. McFadyen:** Mr. Chairman, the minister and the Minister of Finance have tried to create the impression that there is some complete disconnection between liquidity and valuation issues. Liquidity means the fund didn't have enough cash because it wasn't able to redeem shares when they came due with the cash on hand.

The reason it didn't have enough cash—and this is identified in the Auditor's report. It has indicated that the fund raised cash by either receiving dividends or

by the sale proceeds of the companies that the fund has invested in. So to make it even simpler, because they don't seem to understand the linkage between these two issues, if you don't have enough cash to meet your obligations, it might be a sign that the assets that you own aren't valued sufficiently in order to be able to sell those assets to generate the cash to meet your obligations. It's a pretty direct relationship, and the Auditor General's report very clearly indicates that it should've been a sign that led to a review. It doesn't necessarily mean there are valuation problems, but it means that there may have been valuation problems that should have been looked into at the time the liquidity issues came up.

So we had a situation where they were being told they might not have enough cash in a couple of years. The Auditor General's report indicates that perhaps that should have prompted a review at the time that that information became available because it may have been the case that there wasn't enough value in the underlying assets to generate the cash to meet its obligations. It's a very direct relationship.

So I just want to ask the minister because he's made the very amusing comment that they were looking into a crystal ball or the crystal ball in 2000 wouldn't have told them what was going to happen in 2004, which is just an astonishing thing to say. I mean, you don't need a crystal ball; you need about a grade 6 education in mathematics and business to know that there's a relationship between liquidity and valuation.

So I just want to ask the minister if he still thinks—and I want to come back to the question. He said the information in 2000 was speculative. Given that we know that the fund collapsed four years later, does he think the speculation was accurate or inaccurate in 2000?

**Mr. Smith:** I believe that when the previous leader of his party was shook down, as he put it, they believed that the value was identified, as did John Loewen at that time. They obviously believed fully in the prospectus. They believed fully in the audited statements. They believed in Wellington West and others who were giving them information, and certainly that was relayed on to the government.

The consideration of liquidity is something that members keep throwing out as a possibility, a maybe, it could have happened, and basically this is something that went from the previous government to this government, discussions and considerations for potential changes in both ENSIS and potential

changes certainly in Crocus. Considerations were put out there, and it's also identified in the Auditor's report if in fact all those changes had been made, it would have actually weakened the government's role in its responsibilities for dealing with issues that it has to deal with.

Now, when you confuse the monitoring or the consideration of who made investments and why, the board and others, with the government's responsibility, which you've tried to do on many occasions, certainly the liquidity that you're trying to confuse and pacing with performance and valuation is something that's very, very relevant here. The potential or possibility in considerations of what might happen you can hear from any company that you talk to that's out there. Many companies run into liquidity problems, work them out and solve them, as could have happened. In fact, to confuse the actual demise and the end of Crocus and the end of trading had nothing to do with liquidity. In fact, it didn't have anything to do with liquidity. That's identified. I trust the report that I read, the 245-page report that I read. That's identified in there on numerous occasions.

Now, to confuse liquidity or the potential liquidity problems and four years later which wasn't the problem, quite frankly is an injustice to getting relevant information out to Manitobans that you should be doing.

**Mr. McFadyen:** The Auditor has indicated that liquidity problems may have been a sign of valuation problems, and it was valuation issues that led to the cease-trade decision at the fund four years later. I just want to ask the minister because he's making the point that it was all speculation back in 2000 that there might have been problems. I just want to ask him again: Do you think the speculation was accurate or do you think it was just wild, crazy speculation that had no foundation?

\* (21:50)

**Mr. Smith:** I don't think about it; I deal with facts, and quite frankly the facts are that the opposition was and is trying to mislead Manitobans both with the inaccurate statements that they've made regarding a document from 2000 that you followed the Liberal leader on, stole his bang for the buck, but you followed not actually understanding the true facts. The fact is that when the demise happened, when shares stopped trading, it was not a liquidity problem. The liquidity problem never happened, so that's a fact. The fund had met the minimum liquid

requirements set out in the Crocus act. That's a fact. The *Winnipeg Free Press* again confirmed there's no evidence the liquidity issues played a role in the downfall of Crocus and that none of these issues had anything to do with the collapse of Crocus. That's a fact.

Now, to confuse Manitobans with liquidity and pacing and potential and possible is not accurate. The accuracy is liquidity problems were not the problem with Crocus. We know what the problems with Crocus were, and they're coming out now with the multiple of reports that we're seeing. But the liquidity problems and the potential; going back, what you should do is apologise for the misinformation that you put on the record regarding the Finance Minister.

**Mr. Chairperson:** Mr. Smith, please have your comments go through the Chair.

**Mr. Smith:** Thank you for the reminder, Mr. Chair.

**Mr. McFadyen:** Mr. Chairman, we now know why the government didn't want this minister responding to questions in the House.

I just wonder if we could recall the Finance Minister just for a couple of final questions before 10 p.m.

#### Point of Order

**Mr. Chairperson:** Point of order, Mr. Swan.

**Mr. Swan:** I am wondering. This minister has now been before this committee several times, and I'm wondering if now that the Leader of the Conservative Party and one of his backbenchers, as well as the Leader of the Liberal Party who has had another attempt to ask questions tonight, are they now confirming that, for the purposes of this report only, they are now finished with Minister Smith? If they aren't, then let's ask the questions and let's get moving on this.

**Mr. Chairperson:** Mr. Swan, that is not a point of order.

\* \* \*

**Mr. Chairperson:** Ladies and gentlemen of the committee, I had indicated earlier this evening that if questions had been completed of Mr. Smith, to conclude the three-hour time limit that we had agreed to we would allow Mr. Selinger to come back and answer questions as Finance Minister. Is Mr. Selinger here?

**An Honourable Member:** Yes.

**Mr. Chairperson:** Mr. McFadyen. Or, I'm sorry, Mr. Gerrard. Are you on? Who had his hand up? I'm sorry.

**Mr. McFadyen:** I just had one question. The Finance Minister has indicated that his board appointments had acted completely independently of government to the Crocus board and we know that Charlie Curtis was his financial adviser from shortly after the time he became Finance Minister through the relevant period and that Mr. Curtis was also on the board of Crocus as the Manitoba Federation of Labour appointment. So I just want to ask the minister: Does he expect us to believe that he never had a conversation with Mr. Curtis between 2000 and 2004 with respect to Crocus?

**Mr. Selinger:** Once again, the short answer is yes. He should believe that because it didn't, in fact, occur. The appointment by the Manitoba Federation of Labour of a very respected, retired civil servant, a long-time deputy minister of Finance, his responsibility was to the stakeholders. It was to the shareholders and he acted in that regard. Why would he be talking to anybody else about something? That's just not in his character. He's a man of great integrity, and he was acting on behalf of the stakeholders of the fund.

**Mr. Gerrard:** My question to the Minister of Finance: The information the Minister of Finance had on November 27, 2000, was financial dynamite. That is to say that the Crocus Investment Fund was described as having problems; looming, serious ones, indeed, a looming crisis. Anyone owning Crocus shares who knew what the minister knew at the time of November 2000 could clearly see that this company was heading for problems, and if they held shares that they should cash out as soon as they could or they're likely to lose their shirts. *[interjection]*

**Mr. Chairperson:** Order, please.

**Mr. Gerrard:** No—*[interjection]* Just a minute. Wait for my question. Given that the Cabinet is hardly leakproof, why did you take the major risk of trying to keep the information behind closed doors, risking that it would leak out to some investors and not others? Why would you not ensure that investors after November 27, 2000, had a balanced perspective on the funds so that all Crocus shareholders, current and future, would have equal information to make a financial decision? Why run the serious risk that some investors might get leaked inside information that other shareholders did not?

**Mr. Selinger:** Well, the member has asked multiple questions, but I think the essence of what he's asking was, should any member of Cabinet or, in this case, myself have taken what was described as a potential liquidity problem and go to shareholders and say there's a potential liquidity problem? I've answered this question earlier tonight. When a corporation or an individual approaches government with a potential concern, there's a presumption of privacy that they expect when they bring these matters forward, and that presumption of privacy is one that stays there unless there's a compelling and immediate problem that would put somebody else at very serious risk, such as a public health concern, et cetera.

In this case they assured us from the get-go that their problems were potential and were manageable through a variety of solutions, including following their prospectus, but that they preferred some other changes which at the time we didn't think were advisable and did not proceed with.

**Mr. Gerrard:** Nevertheless, the actions taken by the government after November 27, 2000, had the effect, intended or not, of being of major benefit to shareholders who had bought before '97 who cashed out and caused major problems for those who invested after November 27, 2000, because they were investing into a situation in which, as we now know, they lost a great deal of money.

Some Crocus investors have said: Look, I invested after November 27, 2000; from this document it looks like I invested into what was described to me as a trap, regardless of how you interpret it.

As I say, intended or not, the government's action had the effect of benefiting some investors but not others.

I would ask the minister to comment.

**Mr. Chairperson:** Mr. Selinger. *[interjection]*

Mr. Selinger has the floor, please.

**Mr. Selinger:** Well, there was a lot of noise. Could he just repeat his question part of the statement he made?

**Mr. Chairperson:** Dr. Gerrard, would you please repeat your question part, and I would ask the members at the table to allow or give the member the courtesy to ask the question so that the minister can hear.

**Mr. Gerrard:** What—

**Mr. Chairperson:** Just your last part of your question.

**Mr. Gerrard:** I would defer to Gerald right now.

**Mr. Chairperson:** Mr. Hawranik, are you on a question or are you on a point of order?

**Mr. Hawranik:** No, I'm on a question.

**Mr. Chairperson:** Then I have to give latitude to the minister to be able to respond to the question that was asked by Dr. Gerrard.

**Mr. Selinger:** I really would like to respond to the question, but I would like to actually hear what the question was, so could we get the question on the record, please?

**Mr. Chairperson:** Dr. Gerrard, could you please repeat your question?

**Mr. Gerrard:** We have a motion, I believe, that Mr. Hawranik would like to bring forward—

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** Order. Ladies and gentlemen, I will extend the period of this sitting for a couple of minutes so that we can sort out this issue.

The issue before us right now is a question that was asked by Dr. Gerrard. We cannot deal with another motion until the minister has had the opportunity to respond. The minister did not hear the

question. I am asking Dr. Gerrard to repeat his question to allow Mr. Selinger the opportunity to respond.

**Mr. Gerrard:** The actions of the government on November 27, 2000, and subsequent in which the government continued in a variety of ways, and this Minister of Finance, including in the budget speech of 2003, to say positive things about the Crocus Investment Fund, whether the actions were intended or not, they had the net effect of being of major benefit to those investors who had invested before '97 who had felt that Crocus was in trouble and pulled their money out at a profit compared to investors who invested after November 27, 2000, who were investing into a situation where, as we now know, they lost a great deal of money.

In hindsight, it's quite clear that the actions of the government were of major benefit to some investors but not of other investors. If the minister had the wisdom of hindsight, would he have done anything different?

**Mr. Chairperson:** The hour being 10 o'clock, committee rise.

**An Honourable Member:** A point of order, Mr. Chairperson. A point of order.

**Mr. Chairperson:** It's 10 o'clock. Committee rise.

**COMMITTEE ROSE AT:** 10 p.m.

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