

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

MANITOBA PUBLIC UTILITIES BOARD

Re: TO DETERMINE ALLOWABLE FEES  
FOR CASHING GOVERNMENT CHEQUES

Before Board Panel:

Graham Lane	- Board Chairman
Monica Girouard	- Board Member
Susan Proven	- Board Member

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba  
December 19th, 2006  
Volume I  
Pages 1 to 244

APPEARANCES

1  
2 Anita Southall ) Board Counsel  
3  
4 Byron Williams ) CAC/MSOS  
5 Bev Froese )  
6  
7 Paul Edwards ) Money Mart  
8  
9 Allan Foran ) North West Company LP  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1	TABLE OF CONTENTS	
2		Page No.
3	List of Exhibits	5
4	List of Undertakings	7
5	Opening Comments	8
6		
7	Opening Comments by CAC/MSOS	30
8	Opening Comments by Money Mart	39
9	Opening Comments by North West Company LP	51
10		
11	Motion by CAC/MSOS	62
12	Response by North West Company LP	76
13	Submission by Money Mart	83
14	Reply by CAC/MSOS	87
15		
16	Decision by Board on Motions	92
17		
18	CAC/MSOS Panel:	
19	JERRY BUCKLAND, Sworn	
20	(VOIR DIRE COMMENCED)	
21	Examination-in-Chief by Mr. Byron Williams	99
22	(VOIR DIRE CONCLUDED)	
23	Examination-in-Chief by Mr. Byron Williams	102
24	Cross-Examination by Mr. Paul Edwards	174
25	Questions by Ms. Anita Southall	184

1	TABLE OF CONTENTS (cont'd)	
2		Page No.
3	Re-Examination by Mr. Byron Williams	
4		
5	Money Mart Panel:	
6	PATTI SMITH, Sworn	
7	NORM BISHOP, Sworn	
8		
9	Evidence by Money Mart	
10		
11		
12		
13		
14		
15	Certificate of Transcript	244
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	PUB-1	Notice of Public Hearing.	26
4	PUB-2	Legislation including amended Consumer	
5		Protection Act and Regulation 1-91 of	
6		2006.	27
7	PUB-3	Procedural Order in this matter of	
8		1-60-06.	27
9	PUB-4	Public Utilities Board Book of	
10		Documents.	27
11	CAC/MSOS-5.1	Pre-filed evidence of Consumers	
12		Association of Canada, Manitoba	
13		Society of Seniors.	27
14	NW-6.1	The pre-filed evidence of North	
15		West.	28
16	CAC/MSOS-NW-6.2	North West's responses to the IR as	
17		posed by CAC/MSOS, Items 1 to 16.	29
18	MM-7.1	Money Mart's pre-filed evidence.	29
19	CAC/MSOS-MM-7.2	Money Mart's responses to	
20		the IR as posed by CAC/MSOS, one (1)	
21		to twenty (20).	29
22	8	Reserved.	30

23

24

25

1	LIST OF EXHIBITS (Con't)		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CAC/MSOS-5.2	Letter dated December 18th with	
4		seven (7) documents including Dr.	
5		Buckland's CV.	38
6	CAC/MSOS-5.3	Document sent on December 18th with	
7		ten (10) tabs.	38
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1		LIST OF UNDERTAKINGS	
2	NO.	DESCRIPTION	PAGE NO.
3	1	CAC/MSOS to provide Board with a larger,	
4		colour copy of Dr. Buckland's graph.	171
5	2	CAC/MSOS to provide Board with information	
6		on whether financial services are tracked	
7		by Statistics Canada as part of the	
8		Consumer Price Index, and what that data	
9		shows historically for the statistics	
10		related to financial services, if it's	
11		been tracked, to 1982.	193
12	3	CAC/MSOS to provide Board with FCAC	
13		study.	208
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon commencing at 10:00 a.m.

2

3 THE CHAIRPERSON: ...and on the Board's  
4 Panel with me are Ms. Monica Girouard and Ms. Susan  
5 Proven, both longstanding members of the Board.

6 We are assisted today by Ms. Christine  
7 Swanke (phonetic) to the right who is our Board's Office  
8 Manager and is acting secretary today. Counsel Anita  
9 Southall of -- of Fillmore Riley, we expected her by now  
10 but I'm sure she'll be coming shortly and she can assist  
11 us when she arrives.

12 This Hearing is held to assist the Board  
13 in its initial determination of the maximum amounts to be  
14 allowed to be charged for cashing Federal and Provincial  
15 Government cheques as well as cheques issued by  
16 designated government agencies. According to recent  
17 amendments to the Consumer Protection Act Manitoba, the  
18 Board must - and by a Board Order - fix the maximum  
19 amount or establish a rate formula or tariff for  
20 determining the maximum amount that may be charged. They  
21 may be charged required or accepted as a cheque cashing  
22 fee.

23 The Hearing today is, as were earlier  
24 hearings at Thompson and Brandon, to allow interested  
25 parties an opportunity to provide the Board evidence and



1 advice.

2 By way of introduction, the Consumer  
3 Protection Amendment Act, the government cheque cashing  
4 fees, was passed into law in June of this year. It  
5 confers on the Public Utilities Board authority to set  
6 the maximum amounts to be charged by companies,  
7 organizations or individuals for cashing cheques issued  
8 by the Government of Canada, the Province of Manitoba and  
9 designated government agencies.

10 By Manitoba Regulation 1-91-2006 the  
11 following government agencies have been initially  
12 designated to be subject to the Board fee determinations:  
13 the Manitoba Housing Authority, the Manitoba Housing and  
14 Renewal Corporation, the Manitoba Public Insurance  
15 Corporation and the Worker's Compensation Board. More  
16 agencies may be added at a later date.

17 Notice of the Board hearings into this  
18 matter were published in all major Manitoba newspapers.  
19 We apologize for the late start today for those who  
20 weren't aware of the delay.

21 Ahead of the Hearing, public hearings were  
22 held in the following locations; in Thompson, Manitoba  
23 last week on December the 14th and yesterday in Brandon.  
24 Those hearings were to allow public input to the Board on  
25 the issue of government cheque cashing fees.

1                   In Thompson the Board heard from two (2)  
2 presenters, a Leo Sorenson (phonetic), Sorenson's Loans  
3 to Payday, and Sherry and Brian Cougar (phonetic) of Cash  
4 Plan, representing two (2) firms that are involved in  
5 cheque cashing; one, making payday loans, the other  
6 indicating an interest in doing so.

7                   We were advised at our Thompson Hearing by  
8 both presenters that cheque cashing for a reasonable fee  
9 provides a useful service to the public, in particular,  
10 to communities and individuals lacking a bank or credit  
11 union. We were also advised that the service also was of  
12 use to individuals requiring funds in Thompson though  
13 residing in a community outside of Thompson and coming to  
14 town for shopping or other reasons.

15                  Neither of the Thompson cheque cashers  
16 cashed first-party cheques; both charged in the range of  
17 two dollars (\$2) flat, or 2.99 percent.

18                  The Board was advised by one of the  
19 presenters of cheque cashers issuing debit cards for use  
20 with ATM's rather than providing cash for cheque  
21 presented for cashing. We were advised that some cheque  
22 cashers were charging seven dollars (\$7) for the debit  
23 card and five dollars (\$5) for loading it and also  
24 received one-third (1/3) of the transaction fees when the  
25 debit cards were used, all reducing the net cash back to

1 the client.

2 The Board was also advised that the ATM's  
3 that provided cash produced only twenty dollar (\$20)  
4 bills, as a result balances were left on the cards and  
5 could not be used by the holder without returning to the  
6 cheque casher to have more funds added with more fees.

7 Presenters at Thompson also advised the  
8 Board of the presence of other merchants and individuals  
9 within Thompson, their names not being provided, they  
10 were charging 30 percent or more for cashing a government  
11 cheque. Thompson presenters indicated that reasonable  
12 fees were required against the risk of a government  
13 cheque not being honoured by the government -- by  
14 government.

15 Thompson presenters indicated that some of  
16 their clients lacked the identification prerequisites  
17 required by banks and credit unions increasing the risk  
18 to the cheque cashers.

19 One Thompson presenter indicated that  
20 regularly cheque presenters had no idea at all and this  
21 justified higher fees for the cheque casher to compensate  
22 for the extra risk.

23 One of the Thompson presenters indicated  
24 that they verified cheques with third-party issuers in  
25 the presence of the cheque presenter that did not seek

1 any confidentiality release. The other presenter  
2 indicated they made no effort to verify the validity of  
3 the cheque or the presenter other than questioning the  
4 presenter and creating a file for each.

5 The Board was advised in Thompson that  
6 cheque cashing was not a viable business on its own and  
7 that other services such as money transfers, payday loans  
8 and income tax services including instant refunds  
9 provided the volumes and margins necessary to allow the  
10 cheque cashing service to be provided.

11 In Thompson the Board was advised that the  
12 clients of the firms represented at the Hearing were  
13 pleased with the service being provided to them. At  
14 Thompson one of the presenters indicated that their  
15 clients had family income higher than the average while  
16 the other indicated their clients tended to be below  
17 average income earners with many on social assistance  
18 and/or cashing child support cheques; that presenter  
19 indicated charging a flat fee of 6.95 percent for the  
20 first use of the service.

21 At Brandon the Board had but one (1)  
22 presenter, a Ms. Freeman (phonetic) of Fast Cash of a  
23 cheque cashing and payday loan operation. And the Board  
24 was provided an oversight of their business practices and  
25 observations.

1                   The Board was advised of a dollar ninety-  
2   nine (\$1.99) flat fee plus 2.9 percent charge for cashing  
3   government cheques and payroll cheques.

4                   The Brandon presenter indicated their  
5   operation did not cash first-party cheques and only  
6   cashed government and payroll cheques. The Board was  
7   advised that their operation also offered payday loans,  
8   income tax and pre-refund advances and wire transfers to  
9   Western Union.

10                  The Board was advised that in the case of  
11   a client seeking to make a wire transfer with the fund  
12   source being a cheque, a cheque fee would be applied  
13   followed by the wire transfer charge.

14                  The Board was further advised that the  
15   charge would be sixteen dollars (\$16) on a hundred dollar  
16   (\$100) transfer with the rate falling by the size of the  
17   transfer and that the operation in Brandon would only  
18   receive about one dollar (\$1), the rest of it going to  
19   Western Union.

20                  The Board was advised that cheque cashers  
21   were not necessarily the same as wire transferees nor  
22   were they necessarily the same as payday loan customers.  
23   They tended to vary.

24                  The Board was advised that wire transfers  
25   were often by clients seeking to send money overseas,

1 remittances to assist relatives and things of that order.

2                   The Board was advised that cheques were  
3 not cashed without ID and that ID required a photo ID and  
4 one (1) other document. The Board was advised that no  
5 charge was levied of a cheque for cashing was to be  
6 applied against an existing loan

7                   The Board was advised that the Brandon  
8 operation had been solicited to use debit cards for  
9 clients but had not adopted that approach to the point.

10                  The Board was advised that the clientele  
11 of the Brandon presenter ranged from working and young,  
12 to unemployed, to pensioners. The Board was advised that  
13 a record was kept of each client but that no picture was  
14 taken of the client.

15                  The Board was advised that payroll cheques  
16 for the firms not known to the cheque casher were checked  
17 with the issuer prior to cheque cashing but known  
18 employer cheques were not called. The Board was advised  
19 that when calls were made to verify cheques, this was  
20 made known to the client but no confidentiality release  
21 was required or obtained.

22                  The Board was advised that clients using  
23 the service were appreciative of the convenience and when  
24 volunteering reasons for coming to the service provider,  
25 provided a range of many reasons for using the service

1     rather than attending a bank or credit union.

2                     The presenter suggested that reasons would  
3     include no bank account, not sufficient ID, bank holds  
4     seven (7) to ten (10) days, having existing overdrafts at  
5     a financial institution or concern over funds being  
6     applied to other debts when the deposit was made.

7                     Brandon presenter indicated that cheques  
8     ranging from less than a hundred dollars (\$100) to in the  
9     thousands were presented for payment. The largest  
10    cheques being MPI cheques for vehicles that had been  
11    settled after an accident. Brandon presenter indicated  
12    that the two point nine nine (2.99) variable fee did not  
13    change with the size of the cheque.

14                    Brandon presenter suggested that bad debts  
15    on government cheques were a rarity. The operation had  
16    only one (1), albeit a large one, in several years of  
17    operation.

18                    The Board was further advised that their  
19    hours of operations were seven (7) days a week, a number  
20    of hours per day varying from 10:00 to 4:00, 4:00 being  
21    on Sunday.

22                    No written presentations were provided to  
23    the Board at either Thompson or the Brandon Hearing. And  
24    one of the presenters suggested Members of the Board  
25    attend an office of the firm to observe the conduct of

1 the business, which we have not done to date.

2 For today's hearing in Winnipeg, the Board  
3 received and approved Intervenor applications from North  
4 West Company, CAC, Canadian Association and Consumers and  
5 Manitoba Society of Seniors and Money Mart.

6 These organizations, I believe, are in  
7 attendance today and have indicated interest in providing  
8 evidence. One has indicated the desire to test evidence  
9 provided by others and to make submissions to the Board.

10 The Notice of the Public Hearing also  
11 invited the participation of presenters, so, there may  
12 also be presenters in attendance today and they are most  
13 welcome.

14 A few words on process. This proceeding  
15 varies from the Board's normal experience. Traditional  
16 hearings, for example, MPI, Centra Gas, Water and Sewer,  
17 Utilities, Manitoba Hydro involved applicants seeking  
18 direction, rates or relief in various forms. In this  
19 case there is no applicant. Instead, the Legislature has  
20 charged the Board with the responsibility to determine  
21 maximum chargeable fees for cashing cheques issued by  
22 specified government bodies.

23 In order to fulfill its mandate, the Board  
24 sets out to seek information from the industry, its  
25 clients and interested parties. While the Board will



1 generally follow its rules of practices and procedures  
2 which can be found on our website, there will be  
3 latitude.

4 We'll exercise latitude to best ensure  
5 that we understand the industry, the clientele and the  
6 general context and to ensure all relevant and available  
7 evidence and information is before us.

8 Board staff gathered information for the  
9 Board ahead of this Hearing and to ensure fair process, a  
10 package of material has been sent to all registered  
11 Intervenors, some additional material has been received  
12 since. As well, a copy of this background information is  
13 available here today for those interested. If anyone  
14 here hasn't got that copy, if you just raise your hand  
15 our acting secretary will bring it to you or you can go  
16 up to her during the break if you wish.

17 Given the importance of the matters before  
18 us, we have changed our minds on this and decided to  
19 transcribe the proceedings. But given the unavailability of  
20 Digi-Tran for today, they were called away to somewhere  
21 else, we will record the proceeding and provide the  
22 record to Digi-Tran who will then transcribe it for us;  
23 thus to ensure the points made and information provided  
24 can be carefully considered by the Board rather than us  
25 just making notes before we render a decision and also to

1 allow public record of this proceeding. Public records  
2 of our proceedings are posted on our website.

3 In summary, the Board's responsibility is  
4 set the maximum amount or establish a rate formula or  
5 tariff for determining the maximum amount that may be  
6 charged for cashing Federal, provincial and some  
7 provincial agency cheques. Setting a maximum does not  
8 imply any charge has to be levied. It simply means if  
9 charges are to be levied, they cannot be more than  
10 approved by the Board.

11 In short, we do not want to encourage fees  
12 being charged when they are not now charged; this being  
13 the general case when cheques are presented in payments  
14 for goods and services.

15 The Board is required to set maximums that  
16 are just and reasonable. The Board's objective is to  
17 determine the maximum amount to be charged taking into  
18 account the interest of all affected parties including  
19 those that's offered a service.

20 Through this Hearing and hearings held  
21 already in Thompson and Brandon, the Board seeks to  
22 expand its knowledge in the area of cheque cashing and  
23 its overall context; this in order that the Board's  
24 decision in the end will serve the public interest.

25 I'll now call on Ms. Southall, our

1 counsel, to provide her opening remarks and to outline  
2 the proceedings for today, if you don't mind.

3 MS. ANITA SOUTHALL: Thank you, Mr.  
4 Chairman and good morning. I apologize for my late  
5 arrival. I was in a court hearing this morning and I --  
6 I've just managed to complete that so thank you very much  
7 for allowing me to step in just a few minutes after the  
8 commencement of proceedings this morning.

9 And once again, good morning, Mr.  
10 Chairman, Board Member Girouard and Board Member Proven.

11 For the record, my name is Anita Southall  
12 and I appear as counsel for the Board in this Public  
13 Hearing where the Board is considering the allowable fees  
14 for cashing government cheques.

15 As noted by the Chairman in his opening  
16 remarks, there has been amendment to the Consumer  
17 Protection Act that requires the Board to issue an order  
18 setting a just and reasonable cheque cashing fee. As  
19 mentioned by the Chairman, that fee may be a maximum fee  
20 or it may be a rate formula or tariff for determining the  
21 maximum amount to be charged, required or accepted as a  
22 fee for the cheque -- pardon me, for cashing government  
23 cheques.

24 The Legislation also defines government  
25 cheque to include a cheque drawn on an account of the

1 Government of Canada or the Government of Manitoba or a  
2 government agency defined by regulation or a local  
3 government body defined by regulation.

4 Government agencies have now been defined  
5 specifically by regulation under Manitoba Regulation 19-  
6 1-2006, registered September 13, 2006. And I did note  
7 that the Chairman listed those agencies in his opening  
8 remarks.

9 The legislation provides assistance to the  
10 Board by indicating a number of factors that the Board  
11 may consider in establishing a just and reasonable  
12 government cheque cashing fee. And those factors include  
13 the business operating requirements of persons who cash  
14 or negotiate cheques for a fee, the financial risks taken  
15 by persons who cash or negotiate government cheques for a  
16 fee, any data that the Board considers relevant, as well  
17 as any other factors that the Board considers relevant  
18 and in the public interest.

19 The legislation also incorporates Part 1  
20 of the Public Utilities Board Act granting the powers and  
21 procedure thereunder for the making of orders.

22 The Board has the power to set its own  
23 rules of practice and procedure and has published its  
24 current rules dated June 1, 2006. The Board can  
25 determine the procedures to apply to the conduct of a

1 proceeding and has done so for the purposes of this  
2 proceeding today and we will now review the outline of  
3 proceedings.

4 As counsel for the Intervenor, and the  
5 Board may be aware, I've taken the liberty of preparing  
6 an outline of the proceedings to take place today and I  
7 will now ask you to turn to that.

8 If anyone needs a copy, I have several  
9 extra copies and can provide those if it's useful.

10 THE CHAIRPERSON: We'll take one (1) more  
11 up here.

12 MS. ANITA SOUTHALL: Sure.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: Ms. Southall, if I  
17 could get one for my client as well, that would be great.

18

19 (BRIEF PAUSE)

20

21 MS. ANITA SOUTHALL: So I'll let Mr.  
22 Williams just distribute his copies.

23

24 (BRIEF PAUSE)

25

1 MS. ANITA SOUTHALL: Thank you, Mr.  
2 Chairman. And so if -- if you would look at Item 2,  
3 wherein the section of the proceedings identified as  
4 Opening Comments. And following my opening comments, Mr.  
5 Chairman, I suggest you turn to the Intervenors for their  
6 opening comments and brief introductions.

7 The Intervenors, please, suggest be called  
8 on in alphabetical order. We've identified Consumers  
9 Association of Canada as -- as the first Intervenor to  
10 address the Board.

11 Secondly, we've given the moniker Money  
12 Mart to National Money Mart Company which is the  
13 abbreviation used in the procedural order; that would be  
14 the second Intervenor speaking.

15 And finally, North West Company LP which  
16 has been identified as North West in the procedural  
17 order. The third Intervenor would then make opening  
18 comments and -- and brief introductions.

19 Then, Mr. Chairman and Board Members, I  
20 anticipate that there may be two (2) preliminary matters  
21 for the Board to deal with before getting to the evidence  
22 of the various witnesses. I will only briefly review  
23 those items and then I will leave it to respective  
24 counsel to identify the preliminary matters in their  
25 opening comments.

1                   But I suggest those preliminary matters  
2     only be addressed upon completion of the opening comments  
3     of all Intervenorors and we suggest that you may want to  
4     call upon presenters as well before you move on with that  
5     process as it may take a bit of time to work through.

6                   The first preliminary matter we expect  
7     will be a motion by CAC/MSOS for better disclosure of  
8     evidence by North West. The outline of procedures sets  
9     out a suggested approach to hearing such a motion. And  
10    here we would be looking at Item 4 and it's sub (a) that  
11    you would see at page 2 of the outline of proceedings;  
12    that is the suggested format for consideration of that  
13    motion.

14                  The second preliminary matter may be a  
15    motion by North West to provide evidence in-camera,  
16    meaning only in the presence of the Board Members, its  
17    staff and counsel. And you will see that as Item 4(b),  
18    again on page 2. Again, the suggested process for  
19    consideration of that motion in the outline of  
20    proceedings.

21                  Following those preliminary matters, the  
22    Board may want a short recess to determine whether they  
23    can adjudicate on those motions and then provide an oral  
24    indication to the parties present as to their  
25    determination. I do expect the Board's determination on

1 these motions may impact the evidence that the parties  
2 intend the Board to consider in determining an  
3 appropriate cheque cashing fee.

4               Following the preliminary matters, the  
5 three (3) Intervenors have each indicated that they will  
6 be presenting evidence to the Board for each of the  
7 witness panels put forward. It may be only a panel of  
8 one (1) if only one (1) witness is being called.

9               And following direct examination of the  
10 witnesses, there will be an opportunity for cross-  
11 examination, firstly by other Intervenors and lastly by  
12 Board counsel. And again, the process for the calling of  
13 evidence then if you look at the bottom of page 2 and  
14 onto page 3, is the anticipated and suggested taking of  
15 evidence of the Intervenors and cross-examination  
16 process.

17               Mr. Chairman, Board Members, following the  
18 oral evidence, closing submissions are to be provided and  
19 it -- it is open to the Board to hear oral submissions  
20 from the Intervenors at that point in time.

21               It is also open to the Board to consider  
22 requesting written submissions from the Intervenors. And  
23 in that respect the Intervenors when the Board's made its  
24 determination in that regard will -- will no doubt look  
25 forward to your direction in that respect.



1                   If oral submissions are required, we do  
2 anticipate there may be some issue with concluding those  
3 oral submissions today just given the amount of evidence  
4 and the process that we've got before us, timing wise.  
5 And so I have attempted to canvass the Intervenor's where  
6 no -- we don't have sort of consensus on when we might be  
7 available this week nor do we know from the Board whether  
8 or not anyone on the Board Panel has conflicts that may  
9 make that unworkable.

10                   So I suspect that as we proceed through  
11 the day and take our -- our breaks, hopefully we'll be  
12 able to -- to receive your direction and get those  
13 particular attendance issues sorted.

14                   As for exhibits, I will suggest that they  
15 now be entered as follows. And again, if anyone wishes  
16 an exhibit list in terms of the current state of the  
17 exhibits, I have them available here.

18                   I would ask that Exhibit Number 1 --  
19 pardon me, that the Notice of Public Hearing be entered  
20 as Exhibit Number 1, that the Legislation including the  
21 amended Consumer Protection Act and the Regulation 1-91  
22 of 2006 be marked as Exhibit Number 2.

23

24 --- EXHIBIT NO. PUB-1:           Notice of Public Hearing.

25

1 --- EXHIBIT NO. PUB-2: Legislation including amended  
2 Consumer Protection Act and  
3 Regulation 1-91 of 2006.  
4

5 MS. ANITA SOUTHALL: Exhibit No. 3 will  
6 be the Procedural Order in this matter of 1-60-06.  
7

8 --- EXHIBIT NO. PUB-3: Procedural Order in this  
9 matter of 1-60-06.  
10

11 MS. ANITA SOUTHALL: Exhibit No. 4 will  
12 be the Public Utilities Board Book of Documents.  
13

14 --- EXHIBIT NO. PUB-4: Public Utilities Board Book  
15 of Documents.  
16

17 MS. ANITA SOUTHALL: Exhibit No. 5.1 will  
18 be the Pre-filed Evidence of Consumers Association of  
19 Canada, Manitoba Society of Seniors.  
20

21 --- EXHIBIT NO. CAC/MSOS-5.1:  
22 Pre-filed evidence of Consumers  
23 Association of Canada, Manitoba Society of  
24 Seniors.  
25

1 MS. ANITA SOUTHALL: It's my  
2 understanding on that point that Mr. Williams has  
3 additional documentation that he's provided to the  
4 Intervenors and to the Board that he may be wishing to  
5 have introduced as evidence.

6 Mr. Williams, are you intending to  
7 introduce that further evidence upon the start of your  
8 evidence?

9 MR. BYRON WILLIAMS: Yes, Mr. Chairman,  
10 I'll -- I certainly have spoken with Mr. Edwards in terms  
11 of his position on that. I haven't had a chance to speak  
12 with Mr. Foran yet so I'll canvas his views and then --  
13 we've provided it to the Intervenors and to Board  
14 counsel.

15 We've left, you know, the Board in abject  
16 ignorance until I get the consent of My -- My Friends as  
17 to whether we can provide that to you.

18 MS. ANITA SOUTHALL: Thank you very much  
19 for that, Mr. Williams.

20 So then the next exhibit would be Exhibit  
21 6.1 that is the pre-filed evidence of North West.

22

23 --- Exhibit No. NW-6.1: The pre-filed evidence of  
24 North West.

25

1 MS. ANITA SOUTHALL: And then Exhibit 6.2  
2 will be North West's responses to the IR as posed by  
3 CAC/MSOS. And if we could identify those as CAC/MSOS-NW  
4 for North West, and it would -- they would be Items 1 to  
5 16 for the purpose of the record.

6

7 --- Exhibit No. CAC/MSOS/NW-6.2:

8 North West's responses to the IR as posed  
9 by CAC/MSOS, Items 1 to 16.

10

11 MS. ANITA SOUTHALL: Exhibit 7.1 will be  
12 Money Mart's pre-filed evidence.

13

14 --- Exhibit No. MM-7.1: Money Mart's pre-filed  
15 evidence.

16

17 MS. ANITA SOUTHALL: And Exhibit 7.2 will  
18 be Money Mart's responses to the IR as posed by CAC/MSOS.  
19 And I suggest those be designated CAC/MSOS-MM and one (1)  
20 to twenty (20) based on the -- the number of IR's  
21 presented.

22

23 --- Exhibit No. CAC/MSOS/MM-7.2:

24 Money Mart's responses to the IR as posed  
25 by CAC/MSOS, one (1) to twenty (20).

1

2 MS. ANITA SOUTHALL: Exhibit Number 8 was  
3 originally anticipated to -- to denote a written  
4 presentation submitted to the Board but we don't have any  
5 written presentations I take it that have been filed  
6 prior to today for -- for the Winnipeg Hearing.

7 THE CHAIRPERSON: No, we do not.

8 MS. ANITA SOUTHALL: Then -- then Exhibit  
9 No. 8 would be open, Mr. Chairman, for any further  
10 exhibits which are unrelated to the Intervenor and  
11 somehow would be required to make their way before the  
12 Board on the record.

13

14 --- Exhibit No. 8: Reserved.

15

16 MS. ANITA SOUTHALL: Those conclude my  
17 opening comments and subject to any questions the Board  
18 has of me, I suggest you turn to the Intervenor at this  
19 time for their opening comments before canvassing the  
20 audience to see if we have any presenters today who wish  
21 to appear before the Board and make their submissions.

22 And finally, if at any point in time I can  
23 be of assistance to the Board or the parties in respect  
24 of the outline of proceedings, please feel free to call  
25 on me and I'll be happy to do my best to assist. Thank

1 you.

2 THE CHAIRPERSON: Thank you, Ms.  
3 Southall. Okay we'll now turn, following the outline of  
4 proceedings to opening comments and introductions. First  
5 up would be Mr. Williams for CAC/MSOS.

6 Mr. Williams...?  
7

8 OPENING COMMENTS BY CAC/MSOS:

9 MR. BYRON WILLIAMS: Good morning. Good  
10 morning, Mr. Chairman and Ms. Girouard, Board Member  
11 Girouard and Board Member Proven. It's a pleasure to be  
12 here today on behalf of the Consumers Association of  
13 Canada Manitoba branch and the Manitoba Society of  
14 Seniors.

15 I have a few members of my fan club in  
16 attendance here today. Immediately behind me is Ms. Bev  
17 Froese, one of the bright young lights of the Public  
18 Interest Law Centre. And behind her as well is Daniel  
19 Remple (phonetic) who's also a -- an articling student as  
20 well with the Public Interest Law Centre.

21 And one of my numerous bosses, Ms. Laurie  
22 Hunter (phonetic) is the Executive Director of the  
23 Manitoba Society of Seniors. She's in row 2 hopefully  
24 smiling and not glowering at me.

25 As well, in the front row, two (2) seats

1 over from Mr. Remple is Dr. Jerry Buckland who is  
2 appearing as an expert witness here today provided he's  
3 qualified.

4                   Again, I do want to state right at the  
5 outset on behalf of CAC/MSOS that they are pleased and  
6 honoured that they've been granted the opportunity to  
7 appear as Intervenor before the Board. It's an  
8 important issue and judging from the Chairman's comments  
9 regarding Thompson and Brandon there hasn't been many  
10 consumer voices before the Public Utilities Board so we  
11 hope to provide both expert evidence and a consumer  
12 perspective to this important issue.

13                   The Board noted and I -- in Board Order --  
14 Procedural Order 1-60-06 that the proceedings are new and  
15 unusual for the Board. And I want to say on behalf of my  
16 clients, that they heartedly concur in your point of view  
17 about the unusual nature of these proceedings.

18                   And perhaps the most unusual part of these  
19 proceedings which were after all focussed on the  
20 determination of a just and reasonable rate for the  
21 purposes of cheque cashing fees, at least in regards of  
22 government cheque cashing fees, is the lack or derth of  
23 information on the public record relating to the actual  
24 costs faced by the industry in Manitoba with regard to  
25 the provision of government cheque cashing fees.

1                   And that's not withstanding Money Mart and  
2     its intimate connection with its American owner Dollar  
3     Financial Group and the -- the thousands -- over a  
4     thousand (1000) stores Dollar -- Dollar has throughout  
5     United States, Canada and the United Kingdom.  
6     Notwithstanding that, Money Mart's position is that it  
7     does not have any estimate of the costs associated with  
8     cheque cashing versus the cost of providing other  
9     services.

10                   And we note that Northern Stores, with its  
11    twenty-seven (27) outlets in Manitoba, indicates -- or we  
12    -- suggested it's developed a methodology for determining  
13    costs but our understanding is that it's not prepared to  
14    put either the methodology or these calculations on the  
15    public record.

16                   So essentially the only information on the  
17    public record is that provided by the Intervenor  
18    CAC/MSOS. And even that information is lacking in some -  
19    - to some degree. It's focussed primarily on US data or  
20    analogies that we might draw from information from the  
21    payday loan industry rather than the cheque cashing  
22    industry in Canada.

23                   So my in client's respectful submission, a  
24    threshold question which this Board must ask itself is  
25    whether the current record is sufficient to make a



1 determination of whether -- of what a just and reasonable  
2 maximum fee is.

3                   And we think it's the critical threshold  
4 question because as this Board's all experienced members  
5 are well aware, the concept of a just and reasonable rate  
6 necessarily invites a consideration of costs. What those  
7 costs are whether they're reasonably and prudently  
8 incurred.

9                   And on the public record there's very  
10 little information to do with that before the Board. Now  
11 my clients anticipate that my learned friends on behalf  
12 of their clients North West and Money Mart will seek to  
13 comfort the Board about the lack of information on the  
14 public record.

15                   But it's suggesting that with the  
16 exception of a few outliers -- rogue outliers the current  
17 market is already functioning well and that the absence  
18 of any meaningful cost information on the public record  
19 can be alleviated by simply trusting in the market.

20                   So a second critical question my clients  
21 would pose for the Board is whether, given the absence of  
22 any reliable and publicly testable data presented by the  
23 industry, whether the Board can merely rely on market  
24 forces to provide it with guidance in setting just and  
25 reasonable rates.

1                   Put another way, in the context of the  
2 City of Winnipeg, can the Board rely on market forces for  
3 guidance notwithstanding the dominant position enjoyed by  
4 the two (2) largest service providers, Money Mart and  
5 Rent Cash.

6                   In the context of northern and remote  
7 communities, can the Board rely on market forces for  
8 guidance in setting just and reasonable rates  
9 notwithstanding North West's admission that for a number  
10 of these communities it is the only meaningful game in  
11 town.

12                  Assuming that the Board considers the  
13 market given its current imperfections to be an  
14 inadequate proxy for a just and reasonable rate, what  
15 then is left for the Board?

16                  My clients will suggest in the course of  
17 the Hearing that the -- the evidence remaining is largely  
18 the evidence put on the record by the expert Dr.  
19 Buckland, the one truly objective and independent witness  
20 before this Board.

21                  CAC/MSOS anticipate that Dr. Buckland's  
22 evidence will focus both on the relatively high cost of  
23 alternative or fringe cheque cashing services and the  
24 imperfections in the current market, and especially as  
25 those imperfections impact low income consumers who he

1 will suggest disproportionately use these services.

2 CAC/MSOS expect that Dr. Buckland's  
3 evidence will also show the rapid growth of the  
4 alternative or fringe financial section -- sector, and  
5 the healthy returns being enjoyed by efficient service  
6 providers within this industry.

7 His evidence is also expected to  
8 demonstrate that the relative risk associated with the  
9 cashing of government cheques is quite low.

10 At the end of the day CAC/MSOS anticipate  
11 that this Board will be left with a third fundamental  
12 question. Based on the record of this proceeding has it  
13 been established that the current fees for government  
14 cheque cashing services charged by firms such as Money  
15 Mart are just and reasonable.

16 As a final note, another unusual element  
17 of this procedure at least from my client's experience is  
18 the difficulty they have experienced in getting what they  
19 consider to be relevant information on the public record  
20 via the Information Request process.

21 As you will be aware, my clients are  
22 battle hardened veterans of the regulatory processes both  
23 within Manitoba before the Public Utilities Board and  
24 also in a more competitive context before the CRTC where  
25 long distance and local competitors fight it out in terms

1 of both the regulatory process and in terms of  
2 information they consider to be confidential for  
3 competitive purposes.

4 And on behalf of my clients, I can  
5 confidently say that never have so many Information  
6 Requests been posed with so little response forthcoming.

7 So a fourth critical question that my  
8 clients would submit for this Board is in a scenario  
9 where industry players appear not as applicants but as  
10 volunteers and we commend them for coming forward.

11 Can the regulatory process work in a way  
12 that is public, accountable, transparent and gives all  
13 interested parties a meaningful and -- opportunity to  
14 participate in the debate.

15 Again on behalf of my clients, I wish to  
16 thank you for the opportunity to appear. I've -- while  
17 Ms. Southall was talking I did the discourtesy of  
18 canvassing with My Friend, Mr. Foran, whether he had any  
19 objections to -- to providing the two (2) additional  
20 pieces of material that CAC/MSOS provided on the -- as  
21 exhibits and his indication to me was that he did not.

22 So I'm going to ask, Mr. Chairman, that  
23 two (2) additional CAC/MSOS exhibits be provided. I  
24 would suggest that number and I'm assuming that the  
25 number would be appropriately CAC -- or 5.2. And I would

1 suggest that that be the thicker document and we'll ask  
2 the -- the Board's secretary to provide it to the -- to  
3 the Board.

4                   There's two (2) documents I think you can  
5 provide now. The -- the thick one and the thin one. And  
6 I'll wait for those to be before the Board. I'm sure you  
7 anticipate with greater pleasure the thin one rather than  
8 the thick one.

9                   Mr. Chairman, I would suggest that the  
10 thicker one, the one that's making your arm sore which is  
11 a letter dated December 18th with seven (7) attachments  
12 including the CV of Dr. Buckland as well as a number of  
13 articles referred to in his evidence be marked as Exhibit  
14 5.2

```

15             And that the thinner one which is again a
16 -- a document sent on December 18th which has ten (10)
17 tabs be marked as 5.3.

```

18 THE CHAIRPERSON: Okay, Mr. Williams.

19  
20 --- EXHIBIT NO. CAC/MSOS-5.2: Letter dated December  
21 18th with seven (7) documents including  
22 Dr. Buckland's CV.

24 --- EXHIBIT NO. CAC/MSOS-5.3: Document sent on  
25 December 18th with ten (10) tabs.

1                   MR. BYRON WILLIAMS:    Thank you, Mr.  
2   Chairman.

3  
4                                   (BRIEF PAUSE)

5  
6                   MS. ANITA SOUTHALL:    It's now in order to  
7   receive Money Mart's opening comments I believe, Mr.  
8   Chairman.

9                   THE CHAIRPERSON:    We're just waiting for  
10   Mr. Williams to come back because I have a question for  
11   him.

12                   MS. ANITA SOUTHALL:    Thank you.

13                   THE CHAIRPERSON:    Mr. Williams, do you  
14   have an extra copy of your thin and thick submission that  
15   you could leave with the acting secretary in case a  
16   member of -- another member of the public that happens to  
17   be here could peruse it during our break?

18                   MR. BYRON WILLIAMS:    Yes, I do and I  
19   apologize for not being at my -- my chair.  But yes, I  
20   certainly will do that.

21                   THE CHAIRPERSON:    You're allowed to go  
22   for water, that's fine.  It may be an unusual proceedings  
23   but we're not inhumane.

24                   Okay, Mr. Edwards, for Money Mart.  Would  
25   you mind making your opening comments and introductions?

1 OPENING COMMENTS BY MONEY MART:

2 MR. PAUL EDWARDS: Thank you very much,  
3 Mr. Chair, and greetings to you and thank you very much  
4 for allowing National Money Mart Company to be an  
5 Intervenor. I represent them.

6 My name is Paul Edwards and greetings to  
7 you as well to the Board Members, Mr. Proven and Ms.  
8 Girouard.

9 By way of introduction with me, to my  
10 right is Mr. Norm Bishop. Mr. Bishop is a lawyer from  
11 Edmonton and has been involved in the industry and with  
12 the National Money Mart Company for over thirty (30)  
13 years.

14 And I'm going -- he is going to be one of  
15 the panel of witnesses for -- twenty (20). I'm sorry,  
16 you're not that young. You started when you were ten  
17 (10).

18 He's going to be one of the panel of  
19 witnesses but also if -- if the Board allows, I would  
20 like him to sit with me at the counsel table.

21 THE CHAIRPERSON: No problem.

22 MR. PAUL EDWARDS: Thank you very much.  
23 Behind me at the back of the room there are two (2)  
24 individuals. There's a woman whose name is Patty Smith  
25 and she is a Vice-President of Operations for the

1 National Money Mart Company and has responsibilities both  
2 in Canada and the US. Ms. Smith will be joining Mr.  
3 Bishop as a witness.

4 And beside Ms. Smith is Mr. Sid Franchuk  
5 who is the President of the National Money Mart Company.

6 That is the extent of the representation  
7 here by Money Mart and I'll just use Money Mart as the --  
8 the moniker that has been given.

9 THE CHAIRPERSON: Thank you, sir.

10 MR. PAUL EDWARDS: Thank you.

11 THE CHAIRPERSON: Mr. Foran for North  
12 West Company.

13 MR. PAUL EDWARDS: I'll just --

14 THE CHAIRPERSON: Oh sorry, I apologize.

15

16 (BRIEF PAUSE)

17

18 MR. PAUL EDWARDS: I'm going to let Mr.  
19 Foran speak for us. I can just say on a couple of  
20 practical issues, scheduling My Friend, Ms. Southall  
21 mentioned; we, of course, want to accommodate as much as  
22 possible the expeditious resolution of these hearings.  
23 There was some discussion that that might be this week;  
24 that -- that's very, very difficult because of my  
25 schedule and as well, my -- all three (3) representatives



1 are from out of town and so will not be here for the rest  
2 of the week.

3 We will, of course, accommodate the Board.  
4 Whatever is -- is wished but -- and we certainly will  
5 want to make some -- some submissions I expect; that may  
6 be in early January and we'll leave that to the Board.

7 The -- the responses to the IR request,  
8 you'll note that Money Mart's responses there were a  
9 number of them, I think four (4) or five (5), where  
10 information was to be provided.

11 We -- we have responses. We are proposing  
12 to make that part of our direct evidence and I've spoken  
13 to Mr. Williams about that and he's indicated that's  
14 acceptable. So, apologies for not putting those in  
15 writing prior. This was a very expeditious time frame,  
16 an aggressive one and -- and I understand why, the -- the  
17 consequence has been that it's been quite difficult to  
18 put the answers together.

19 I've introduced Mr. Bishop and Ms. Smith  
20 just by way of a little bit of further background. Mr.  
21 Bishop has extensive industry knowledge as well as  
22 knowledge of -- of Money Mart.

23 And he's most recently testified in front  
24 of the Senate Finance Committee and was responsible for  
25 submissions to the McKay Report on banking of

1 approximately four (4) years ago.

2 Ms. Smith has worked for Money Mart for  
3 the past fourteen (14) years and has -- brings a wealth  
4 of operational knowledge and has responsibilities both in  
5 the US and Canada.

6 And just to -- to put it in context, in  
7 Canada there are over four hundred (400) Money Mart  
8 retail stores. Three hundred and fifty-four (354) are  
9 owned stores, owned by the company and another forty-  
10 eight (48) are -- are franchises. And she has  
11 responsibility for those as well as others in the United  
12 States.

13 The issue -- the pre -- one of the  
14 preliminary issues which was noted by Ms. Southall and  
15 referenced by Mr. Williams is that of confidential and/or  
16 proprietary information, and you've seen from the  
17 responses of both of the companies here that they have  
18 that concern.

19 I -- I -- this is something I mentioned to  
20 Ms. Southall and Mr. Peters when we spoke Friday but I  
21 want to indicate to the Board that Money Mart has  
22 prepared a document which contains certain internal  
23 financial information going to the issue of its business  
24 operating costs which may be relevant to the Board's  
25 task.

1                   Money Mart did not include that  
2 information in its written material and in the responses  
3 to the IR's, as you'll see, refused to divulge that  
4 information.

5                   However, the Company is prepared today  
6 to do so in a confidential manner similar to that  
7 proposed by the North West Company. And so as allowed  
8 within the rules, Money Mart does make -- join North West  
9 Company in making its own motion, under Rule 22.6, orally  
10 in this case within the course of this Hearing asking the  
11 Board to receive that information in confidence.

12                  And I intend, in speaking to the  
13 preliminary issue when it arises in the context of North  
14 West Company's preliminary motion, to address the reasons  
15 for that. And I -- I won't do that in my opening  
16 comments but just to note that that motion will also be  
17 made and -- and Money Mart is prepared today to -- to  
18 share some information.

19                  As a bit of an overview we've now heard a  
20 number of times and seen in writing that this is a new  
21 and different task for the Board. Of course as you  
22 noted, Mr. Chair, it's not one driven by an application  
23 where something is going to be granted or denied and it's  
24 not one of an adversarial nature.

25                  This is not an adversarial forum. If

1 anything, it's an investigatory process which you have  
2 been mandated to embark upon. It's really a fact-finding  
3 exercise followed by a determination.

4 Section 169(3), as Ms. Southall has  
5 indicated, sets out the factors that may inform your --  
6 your decision. Those are very broad and the word 'may'  
7 denotes they're not even exclusive. Frankly, you're  
8 guided by the public interest and what you perceive to be  
9 just and reasonable in the circumstances.

10 Money Mart is in the business, in part, of  
11 offering cheque cashing services and that includes  
12 government cheques, so Money Mart's interest in these  
13 proceedings and your decision as a Board is obvious. It  
14 -- it's an economic one. We're in this business. We  
15 have fifteen (15) stores in Manitoba and thousands of  
16 Manitobans use those services including cheque cashing  
17 and government cheque cashing.

18 Money Mart has ninety (90) employees in  
19 Manitoba, offers nine (9) product services, one (1) of  
20 which is cheque cashing, is very, very proud of its  
21 reputation and its role and its success, not just in  
22 Manitoba but around Canada. They've worked very, very  
23 hard at developing a business model that has been  
24 successful.

25 The opportunity to describe to this Board

1 that business and Money Mart's experience in the industry  
2 is very much welcomed and I want to say that. As much as  
3 there's the obvious self-interest driven by being in the  
4 business and the need to be in a profitable business,  
5 there's also the reality which Money Mart recognizes that  
6 there a lot of misconceptions in the community about the  
7 business of offering these services and some of those are  
8 reflected in Hansard.

9 I've myself been quoted in Hansard and I  
10 know that sometimes you get it wrong. And there -- it's  
11 a forum which doesn't necessarily test facts and so  
12 there's been a lot of talk about rates and about the  
13 industry which have fuelled amongst some, a certain  
14 reputation which Money Mart really welcomes the  
15 opportunity to -- to dispel, to clarify and to have you  
16 understand the facts of its business.

17 And Money Mart really is here only  
18 speaking for itself. It is a large player in this  
19 industry in Canada. As the Buckland reports notes, many  
20 in this industry have not been successful, they've gone  
21 out of business. Money Mart has successfully achieved a  
22 level of success through efficiency and -- and through --  
23 they -- they think doing what the consumers have -- has  
24 asked of them.

25 So as importantly for Money Mart, this is

1 an opportunity to describe its industry in a -- in a  
2 formal manner. The fact is, as you'll hear in Money  
3 Mart's direct evidence and you've seen in the materials,  
4 that the growth of Money Mart's business is not because  
5 its customers don't have choices. They do. Rather, it's  
6 because consumers make a choice to use Money Mart.

7 The business is about convenience and  
8 service; convenient locations, good service, extended  
9 hours.

10 And if I can use an analogy which was  
11 given to me by one (1) of those who will testify, as the  
12 7-11 store at the corner and the Mac's Milk store  
13 certainly may be more expensive than the Safeway or the -  
14 - the Superstore, the fact is they are successful. They  
15 offer convenience. They offer certain things that  
16 consumers want and are prepared to pay for.

17 You will hear that out of Money Mart's  
18 fifteen (15) locations in Manitoba only one (1) is  
19 located in what we believe Professor Buckland is  
20 identifying as North Winnipeg. That location has been in  
21 business for fifteen (15) years and since then numerous  
22 other -- the majority of Money Mart's other locations  
23 have been built in other locations in the city and of  
24 course in other locations in the province.

25 That pattern is consistent in every urban

1 centre that Money Mart functions in in Canada. You will  
2 hear in the evidence that consistent with the Ryerson  
3 study, which is included in the written materials  
4 provided by Money Mart, far from locating its stores away  
5 from banks and credit unions, the business model Money  
6 Mart functions under actually locates them in close  
7 proximity.

8                   The business model is built around being  
9 complementary to banks and credit unions, not in  
10 competition with them.

11                  Money Mart's business has succeeded as  
12 I've said for the same reason that the corner store does  
13 and the -- frankly the ATM machine does which charges  
14 you, you know, two dollars (\$2.00) to take out twenty  
15 (20); it's an issue of convenience. And Money Mart, if  
16 you look around the city and the country, you'll see is  
17 most often located and they compete for locations with  
18 Starbucks and Blockbuster, Little Caesar's and normal  
19 types of operations you see in those convenience  
20 locations close to where people live and work.

21                  Linking Money Mart to the economic decline  
22 of a neighbourhood is not accepted by Money Mart, that  
23 link, and it's not accurate. It's not been the history  
24 of the business and it isn't the future. You'll hear  
25 that from Ms. Smith who is responsible for locating,

1 starting new retail outlets.

2 That's not to suggest that Money Mart  
3 takes any issue with Professor Buckland's analysis, as in  
4 the written submission and we won't, of the needs, the  
5 financial needs, the financial service needs of those in  
6 the more disadvantaged communities like North Winnipeg.

7 We don't take any issue with that and  
8 frankly nor will you ever hear Money Mart take issue with  
9 some of the proposed solutions; things like the Mount  
10 Carmel Clinic and Assiniboine Credit Union moving towards  
11 a micro- credit facility, recognizing the recent Nobel  
12 Peace Prize winner and -- and that whole movement towards  
13 micro-credit; that's absolutely not only positive,  
14 essential, and there's no issue taken there.

15 What we want to de-link is that far from  
16 targeting those neighbourhoods the challenge this Board  
17 faces we think is in fact to maintain competition in  
18 them. The challenge we think you will face is to keep  
19 services available in those communities so there are  
20 options, so there are choices, and to have the prices  
21 come within industry norms.

22 Very interesting to see some of the  
23 statistics that show in fact the range of the service  
24 providers in Winnipeg and in North Winn -- it's pretty  
25 close. It's within a few dollars per hundred that you're



1 going to have your government cheque cashed.

2 We've heard the Minister and others talk  
3 about 30 percent rates and things and before the growth  
4 of this industry maybe that was the fact and it may still  
5 be where there aren't options, but that's not the  
6 industry norm today. That's not the reality in fact in  
7 North Winnipeg.

8 There is an active competitive market.  
9 We're in it. And in fact we're not the lowest service  
10 provider. If you've seen the chart, you know that.  
11 We're within a range.

12 When cheque cashing services were first  
13 offered twenty-five (25) years ago, you'll hear, even by  
14 Money Mart, the rates were 6 or 7 percent plus a fee.  
15 They're now at Money Mart 2.99 percent. The fact, is  
16 competition has worked.

17 In conclusion it will be Money Mart's  
18 suggestion that this Board does not have an easy task and  
19 we recognize that because of the voluntary nature of the  
20 process we're all skittish coming in here about, you  
21 know, confidential commercial information.

22 We're trying to do our best to assist you  
23 in making that determination. No doubt we -- we have  
24 grave concerns. We are in real competition in every  
25 neighbourhood in this city and in every city in the

1 country and we're -- our -- our -- the company jealously  
2 guards that position because it has to compete every day.

3 We think you, as a Board, have two (2)  
4 goals. One (1) of course will be to ensure that service  
5 is continued to be offered, that there are choices, that  
6 there is an active marketplace, a competitive  
7 marketplace.

8 And secondly, we suggest that you will  
9 know you have succeeded when the maximum rate you set  
10 isn't the norm but is the exception.

11 My Friend Ms. Southall mentioned the --  
12 the maximum test and you did as well, Mr. Chair. I  
13 simply point out that in the Act the word "maximum" is  
14 used twice. You are to, by order, fix the maximum amount  
15 or establish a rate formula or tariff for determining the  
16 maximum amount, so I think the legislation is clear, this  
17 is a maximum.

18 And the best maximum will be one that the  
19 marketplace goes below and we think that -- well, we know  
20 there is competition and the position you'll hear is the  
21 Board needs to be cognizant to protect that competition,  
22 enhance it if possible, and ensure that the price is as  
23 low as possible for all consumers. I'll end my opening  
24 comments with that.

25 THE CHAIRPERSON: Thank you, Mr. Edwards.

1 OPENING COMMENTS BY NORTH WEST COMPANY LP:

2 MR. ALLAN FORAN: Good morning, Mr.  
3 Chairman, Board Member Girouard, and Board Member Proven.  
4 Thank you for the opportunity of appearing today on  
5 behalf of the North West Company LP which has been  
6 identified as "North West."

7 One (1) small technical amendment, perhaps  
8 out of vanity, there's two (2) "L's" in Allan just so we  
9 get it straight later and you can send me the appropriate  
10 letters after the -- the hearing and the evidence.

11 I'd first of all like to just introduce  
12 here with me today two (2) representatives of North West;  
13 I have Mr. Leo Charriere with me, who is at the table  
14 behind me at the far left. Mr. Charriere is the Chief  
15 Financial Officer of North West and to his immediate  
16 right is Mr. Brian Fox. Mr. Fox is the Director of  
17 Financial Services for North West.

18 You can tell from the type of evidence we  
19 have filed and the types of witnesses that we have  
20 brought that -- that we view this as a -- as a financial  
21 matter and that we are going to be focussing on financial  
22 issues. We don't intend to get into socio-economic  
23 matters, why North West stores are located in certain  
24 areas and not in others. We are going to focus on what  
25 we actually do, the service we provide, why we provide

1 it, and what we require in terms of providing that  
2 service.

3 It's interesting and I was going to make a  
4 quip, but I did have a distinct impression this morning  
5 when opening comments were made that this perhaps could  
6 be an adversarial process. We don't intend to make it  
7 so.

8 We viewed the publication of the Board as  
9 being a request for information and I'm actually quite  
10 comforted by the opening comments of the Board where you  
11 indicated you're seeking information from the clients,  
12 customers, but also those organizations that provide the  
13 service and what we have viewed our role of here is to  
14 provide you with what we think is unique perspective.

15 In fact in a way it could be quite  
16 complementary to all the Intervenors here. You're going  
17 to get a City of Winnipeg perspective. You're going to  
18 get a northern Manitoba perspective. You're going to get  
19 a consumer's perspective.

20 While I admire the questions, the  
21 Information Requests, and the way they've been  
22 constructed, there's a reason why -- as Mr. Williams has  
23 noted -- there's a reason why so many have gone  
24 unanswered. It's our view that as an information  
25 provider, we're really trying to address the interests of

1 one (1) constituency and that's you, the Board.

2 We have every intention of providing you  
3 with the information that will assist you in making your  
4 determination. We are prepared to provide you with cost  
5 information. We're prepared to get into how our business  
6 operates and the issues that we need to address in  
7 northern Manitoba. We're prepared to do that in  
8 confidence, unrecorded, no transcripts, and we'd be  
9 prepared to have the Board counsel there to -- to assist  
10 the Board and to -- to guide that process along.

11 What we're not prepared to do is to  
12 disclose confidential information to possible competitors  
13 and I'll stop for a moment; they're sitting right here at  
14 this table with me. We can't rule out that Money Mart  
15 wouldn't want to operate in northern Manitoba, and  
16 similarly I expect if you ask Money Mart would say  
17 there's nothing prohibiting North West from operating in  
18 Winnipeg.

19 Having said that, we also have no interest  
20 in disclosing confidential information to the general  
21 consumer on the public record at large. You'll hear when  
22 my witnesses provide their brief overview that we're a  
23 public company. We have obligations to shareholders,  
24 unit holders, and the public. And it's for that reason  
25 while we're prepared to disclose information, it's on the

1 basis that it's kept confidential and in-camera.

2 I wanted to make it clear though, we're  
3 not going to resile and not answer questions. We're  
4 prepared to do that but just with the right constituents.

5 A brief background if I could. The North  
6 West Company operates in twenty-seven (27) communities in  
7 Manitoba. Primarily, we're in northern Manitoba and  
8 likely the Board Members are aware of our constituency,  
9 we primarily cater to First Nations communities.

10 We have provided information as to the  
11 kinds of charges that are applied to government cheques.  
12 We've also indicated that in only four (4) of those  
13 twenty-seven (27) communities in which we operate is  
14 there what we would call "bank". And in many instances  
15 the bank is not a viable option and you'll hear evidence  
16 as to why that's the case.

17 I can say this with a straight face but my  
18 client has had experience of hundreds of years with its  
19 clientele, understands their needs, and understands the  
20 requirements of the community.

21 You'll also have noted that our fee  
22 structure as we have provided it to you is quite  
23 different than other fee structures that have been  
24 assessed and analysed on behalf of the CAC and that have  
25 been advocated on behalf of Money Mart.

1                   We'll get into details as to how this has  
2   been constructed and what we're looking at but I just  
3   want it to be noted that there's a reason behind that and  
4   that is that we understand our constituencies as well.  
5   We understand who we serve.

6                   The North West Company is looked to by its  
7   communities to act as the province's bank account. I  
8   think that that's an important point here. The Province  
9   of Manitoba does not send cash through the mail. It is  
10  not, when it issues cheques, sending out coins or bills,  
11  it is sending out cheques and for those areas of the  
12  province where there are no banking institutions the  
13  communities look to the North West Company to be the  
14  source of cash.

15                  It's been an eye opening experience for me  
16  talking to my clients and I'm going to just highlight a  
17  couple of things for you. Cash costs money. Holding  
18  cash, receiving cash, and transporting cash is expensive.

19                  You will hear evidence, in fact, that  
20  there's no more expensive commodity that you could  
21  possibly sell than cash. You can't buy it at a discount.  
22  You don't get it at a wholesaler. When you buy it in  
23  bulk, you're not getting anything off the top.

24                  Because of the places in which we operate  
25  there's logistical requirements in moving cash to the

1 communities. I can tell you this, another eye-opening  
2 discussion I had with my client. I asked them the  
3 question that you may well ask, well, how does it move  
4 and they said, We can't tell you. When you're dealing  
5 with millions of dollars in cash, we can't tell you how  
6 we do this.

7 Suffice it to say, we're looked at,  
8 however, to make sure there's sufficient cash in  
9 communities when the Province issues its cheques, whether  
10 they're child tax credit cheques or whatever the cheques  
11 are, because of the security aspects part of the  
12 questioning that has been requested of our client is  
13 being resisted. We are not prepared to answer any  
14 questions that would impinge or bring peril to the  
15 logistics and the security of moving significant amounts  
16 of cash.

17 I don't know how many of you have seen  
18 Brinks armoured trucks in the north, probably not many.  
19 We're talking about winter roads. We're talking about  
20 air strips. We're talking about infrastructure that is  
21 uneven at best depending upon the climate and the time of  
22 year.

23 One (1) of the other things and I -- I  
24 want to say this delicately, you've heard about the tasks  
25 that the Board is being asked to perform. We've looked



1 at the Hansard records and subject to any information  
2 you've received and -- and you're in a better position  
3 because you've been up north.

4 I -- I know you were there last week and  
5 you've had a chance to talk to people about how this  
6 whole cheque cashing business works but we're not aware  
7 of complaints about our services. We don't believe, and  
8 we could be proven wrong, but we don't believe that this  
9 hearing is really directed at us.

10 What we believe, however, is that as  
11 byproduct of what you're doing we need to bring some  
12 facts to your attention for one (1) fundamental reason.  
13 If the fee structure that the Board sets doesn't work for  
14 the North West Company we will no longer be able to  
15 provide the service that we're currently providing. And  
16 I will tell you that right now. As a public company, we  
17 need to cover our costs and produce a financial return  
18 and if we can't do that, then this merchandise we call  
19 cash, like other merchandise that doesn't sell on the  
20 store shelves, will have to be looked at very closely.

21 You may have questions about the reality  
22 of that. Well, wouldn't the North West Company be forced  
23 in any event to have cash? The answer is I believe  
24 you're going to hear, no. The communities have options  
25 and alternatives. We do not have a monopoly position on

1 providing cash.

2                   We believe, however, based on information  
3 that we're aware of that you'll find that other sources  
4 of cash are going to be far more expensive for the  
5 citizens of that community.

6                   And this is the struggle we believe that  
7 the Board is going to face, ensuring that there's a fair  
8 and reasonable fee schedule that recognizes northern  
9 Manitoba First Nations communities and our long-time  
10 operations in those communities.

11                   One (1) other -- and I've got just another  
12 quick comment on confidentiality -- but one (1) other --  
13 one (1) other matter, just a housekeeping matter, and  
14 that is that we are not seeking costs and I know that  
15 that was put in in the application to intervene. We did  
16 that to cover ourselves off at the -- the initiation of  
17 the process but we will not be seeking costs for -- for  
18 the process today.

19                   When it comes time to deal with  
20 confidentiality matters I have to tell you fair on that  
21 if there is going to be disclosure of confidential  
22 information that my clients and I will probably have a  
23 nice lunch somewhere. I -- I mean this.

24                   We are in a position where I have  
25 instructions that if we're compelled to disclose

1 confidential information to -- to our competitors and to  
2 the public at large, then we really have to resist  
3 providing you with all the information we think that  
4 would be important for you to have.

5 I only highlight that now to say to you  
6 that the confidence level in the Board's decision is  
7 there. We have no problem with the Board receiving it or  
8 its legal counsel, but no others.

9 I want to come back to this in a more  
10 friendly way and that is to -- to point out that we  
11 didn't ask any Information Requests of the CAC. We  
12 didn't ask any Information Requests of Money Mart. We  
13 received an awful lot of Information Requests from one  
14 (1) party, that was the CAC. We took them seriously.

15 We attempted to address those things that  
16 we thought we could fairly disclose to the public. That  
17 information has been filed with you; you have that on --  
18 on the record. My Learned Friend has it on the record  
19 but I think that's as far as I'm instructed that my  
20 client is prepared to go, but we really do want to help;  
21 that's why we're here. Thank you very much for listening  
22 to my presentation.

23 THE CHAIRPERSON: Thank you, sir.

24

25 (BRIEF PAUSE)

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

THE CHAIRPERSON: What we want to do now is to find out whether there's anyone else in the audience that wants to provide the Board a presentation and if there is someone, if you could let yourself be known to us then we'll proceed with hearing your presentation now or we'll give you five (5) minutes in advance if you want to collect your thoughts.

Is there anyone here that is interested in providing a presentation to the Board other than those parties that have already identified themselves?

(BRIEF PAUSE)

THE CHAIRPERSON: Not to sound like an auctioneer but I think we're through that. Okay. Thank you.

(BRIEF PAUSE)

THE CHAIRPERSON: Okay. We might as well get into the matter of these preliminary motions.

And to begin with we'll return to Mr. Williams. Mr. Williams...?

(BRIEF PAUSE)

1 MR. BYRON WILLIAMS: Yes, Mr. Chairman,  
2 if you just give me one (1) second, please?

3

4 (BRIEF PAUSE)

5

6 THE CHAIRPERSON: We'll take five (5)  
7 minutes and then go to Mr. Williams.

8

9 --- Upon recessing

10 --- Upon resuming

11

12 THE CHAIRPERSON: We all understand what  
13 we're going to do and, Mr. Williams, do you want to lead  
14 off with your motion?

15 MR. BYRON WILLIAMS: I suspect you may be  
16 overstating the case when you suggest that I know what  
17 I'm going to do, Mr. Chairman, but I'll take that as a  
18 compliment.

19 And in discussing the motion there's three  
20 (3) -- there are three (3) documents that the PUB may  
21 want to have or the Board may want to have in front of it  
22 in considering my comments. One (1) is the letter dated  
23 December 19th.

24 THE CHAIRPERSON: We have that now.

25 MR. BYRON WILLIAMS: One (1) is the draft

1 Rules of Practice and Procedure and the third of course  
2 are the Interrogatory or Information Requests, responses  
3 of North West which I think are marked as Exhibit 6.1.

4 THE CHAIRPERSON: Okay. Proceed, Mr.  
5 Williams.

6

7 MOTION BY MR. CAC/MSOS:

8 MR. BYRON WILLIAMS: Thank you, Mr.  
9 Chairman. And just by way of overview of the letter,  
10 essentially the -- the letter highlights some principles  
11 which the -- the CAC/MSOS would suggest for your  
12 consideration and if you turn to page 2 at the bottom it  
13 details a number of specific Information Requests and I  
14 believe that there are thirteen (13) for which CAC/MSOS  
15 is requesting further and additional disclosure.

16 Mindful of the time, CAC/MSOS -- and for  
17 the purposes of their oral comments -- are going to focus  
18 on four (4) responses which are of particular importance  
19 to them. And so I just want you to know we're not  
20 relinquishing our interests in the other nine (9) or --  
21 or ten (10) requests; those are of key concern for  
22 CAC/MSOS but we want to use the Tribunal's time most  
23 efficiently.

24 THE CHAIRPERSON: We appreciate that.

25 MR. BYRON WILLIAMS: In terms of the --

1 the motion itself for further additional disclosure I --  
2 I think an important starting point -- and I appreciate  
3 My Friends talking about the end result that we're trying  
4 to achieve here -- presumably there are two (2) or three  
5 (3) things that we're hoping to achieve through this  
6 process.

7                   One (1), because it's an initial process,  
8 a new process, we want to establish a process that is  
9 accessible, that is transparent, that the public can have  
10 confidence in, in terms of that the issues were fully  
11 canvassed, that there was -- although it's not an --  
12 necessarily an adversarial process, that there was the  
13 competition of ideas and that all parties had an  
14 opportunity to debate these issues before the Board,  
15 before the decision maker in a manner that -- that none  
16 of them had their hand -- one (1) or two (2) hands tied  
17 behind their back.

18                   A good process presumably will lead to a  
19 good decision and a decision that is transparent and  
20 accessible and understandable and a decision, a good  
21 decision, that when we look back on these matters when  
22 they're reviewed in a year or two (2) years or three (3)  
23 years, that the -- the decision maker's thinking process  
24 is on the public record and it's readily available to  
25 give insight to future proceedings.





1 on for the purposes of this oral motion, they're not  
2 about security of -- of money going up to the north.  
3 They're not about the actual numbers. They're about the  
4 methodology by which North West is presenting this  
5 information.

6 And that is why -- and the key reason that  
7 CAC/MSOS are focussed on this is because really the only  
8 cost information before this Board is the suggestion,  
9 apart from the market costs in terms of the Manitoba  
10 market, is the suggestion by North West that as of 2002,  
11 the 1 percent fee or the three dollar (\$3.00) flat fee,  
12 whichever is the greater, was fully recovering its costs  
13 and allowing North West to earn a fair return.

14 CAC/MSOS is focussing on these four (4)  
15 Interrogatories because they're needed to test the -- the  
16 assertion that North West is making and that's important  
17 not just for the situation up in northern Manitoba, but  
18 it's also important to understand the methodology by  
19 which North West arrived at these numbers to determine  
20 whether it offers any insight into the numbers down in  
21 the south because we don't know if we've got an apples-  
22 to-apples comparison.

23 What we do know is that the North West  
24 numbers, the fees they charge are radically different.  
25 They're significantly lower than the numbers being

1 charged in Winnipeg, notwithstanding the heavy financial  
2 costs of transporting money to the north.

3 So it begs the question, if these are  
4 legitimate numbers, if the methodology by which they  
5 arrive at it is legitimate, can they provide some insight  
6 into the -- the fees currently being charged in Winnipeg?

7 CAC/MSOS can't even offer an opinion on  
8 those numbers and their relevance for your deliberations  
9 in the City of Winnipeg because they have no mechanism,  
10 no methodology, no understanding, no means to test  
11 whether these are legitimate figures.

12 And I haven't had the honour of appearing  
13 before Board Member Girouard or Board Member Proven  
14 before but the -- the Chairperson certainly has had the  
15 fortune or misfortune of appearing with me in many  
16 proceedings, many proceedings focussed on cost of service  
17 which are of course at the heart of the concept of a just  
18 and reasonable rate.

19 He's aware as -- as I'm sure -- other  
20 Board Members are as well -- that these are complex  
21 controversial proceedings and the difficulty that my  
22 clients are experiencing is without even an opportunity  
23 to test the methodology by which North West is presenting  
24 these figures, they don't have an opportunity to offer  
25 and make a full contribution to the Board.

1                   In just one (1) second I am going to turn  
2 to the four (4) specific Information Requests which  
3 CAC/MSOS would wish to focus on. I keep promising just  
4 one second.

5                   But before you do that, I'd ask you turn  
6 to page 2 of the letter of CAC/MSOS dated December 19th,  
7 consideration for the motion as a whole. And there's  
8 three (3) important parts. There's three (3) paragraphs  
9 set out there.

10                  And there are three (3) important matters  
11 that I would ask the Board to consider in deliberating on  
12 this motion. The first matter that we'd ask the Board to  
13 consider are the actual words that the Board issued in  
14 terms of its procedural order dated November 27, 2006,  
15 Order No. 160\06.

16                  In that Order at page 5 of 8 the Board  
17 made it clear, and in my client's respectful submission,  
18 created a legitimate expectation that the information  
19 before the Board would be accessible to the public.

20                  And I refer the Board to page 5 of 8 of  
21 its procedural order, I'll just read it in.

22                         "In order to do this in a unbiased yet  
23 well informed and thoughtful manner the  
24 Board will seek to have before it and  
25 to share with all interested parties,

1 information in making its  
2 determinations."

3 Again, the next sentence, I believe the  
4 Chairman read it this morning, in terms of talking about  
5 the rules of practice and procedure.

6 "There will be latitude exercised in  
7 their application to ensure that all  
8 relevant evidence is presented to the  
9 Board and shared with registered  
10 interested parties."

11 And I underline the word 'shared'.

12 Now another factor for the Board's  
13 consideration at the high level is its actual draft rules  
14 or its actual rules of practice and procedure, they're no  
15 longer draft rules.

16 And of course, I'll draw the Board's  
17 attention to Rule 16 which indicates that a party who is  
18 unable or unwilling to provide a full and adequate  
19 response to an interrogatory shall file and serve a  
20 response.

21 And sub (c) where the party contends that  
22 the information sought is of a confidential nature --  
23 (Tape malfunctions at 11:35 a.m.)

24 Mr. BYRON WILLIAMS: ...crafting in your  
25 decision to, of course, look at the Information Responses

1 provided by North West and our submission is that they  
2 did not honour the meaning or intent of Rule 16.

3 Certainly they didn't beyond -- put -- put  
4 in mere boiler plates in terms of why they considered  
5 this information important. So the -- we would suggest  
6 that the onus is on them to establish why this  
7 information should not be on the public record and to-  
8 date they have not met it.

9 We would also draw to the Board's  
10 attention Rule 13 and that's a critical rule because it  
11 provides the Board with a number of tools to deal with  
12 information and to deal with the balancing act that it  
13 must -- must achieve between the -- the legitimate  
14 concerns of industry players, the public interest in full  
15 disclosure, and the overall public interest.

16 And what that rule provides is a number of  
17 tools that the Board can use in -- in terms of how it can  
18 deal with requests to keep information confidential.  
19 13.3(c) allows it to order an abridged version of the  
20 document to be placed on the public record. It -- it can  
21 order under 13.3(b) to order the document not be placed  
22 on the public record with such conditions of -- on acts  
23 as imposed that the Board considers appropriate or make  
24 any other order that the Board finds to be in the public  
25 interest.

1                   And in that paragraph in -- in our letter  
2   on behalf of our clients of December 19th, we look at  
3   certain options that the Board may have, certainly it can  
4   order an abridged version. It could direct that CAC/MSOS  
5   enter into a non-disclosure agreement with the parties.

6                   It could at least provide aggregate  
7   information or ask that aggregate information be -- be  
8   placed on the record so that there's some mechanism by  
9   which to test the -- from the Intervenors' perspective  
10  the legitimacy of the contentions advanced by North West.  
11  So there's a variety of tools that the Board may  
12  consider.

13                  I won't dwell to a great degree on the  
14  specific information --

15

16  (TAPE 2 ENDS AT 11:38 A.M.)

17  (TAPE 3 STARTS AT 11:40 A.M.)

18

19                  MR. BYRON WILLIAMS:   And I have to  
20  applaud My Learned -- I'll just wait until the Board  
21  Members have it.

22

23   (BRIEF PAUSE)

24

25                  MR. BYRON WILLIAMS:   It's the

1 Interrogatories -- you have it, Mr. Chairman and Members  
 2 of the Board -- and I have to applaud My Learned Friend,  
 3 Mr. -- Mr. Foran, because I was at -- at first glance I  
 4 was quite persuaded by his eloquent defence of the need  
 5 to provide security for the transportation of money to  
 6 the north and I thought he was very persuasive on those  
 7 points but I -- I urge the Board to really look at what  
 8 CAC/MSOS is attempting to do with these Interrogatories.

9 I would direct your attention first of all  
 10 to CAC/MSOS Number 2 where the reference is to a  
 11 submission by North West that it has attempted to set a  
 12 fee schedule that covers the cost and provides a fair  
 13 return for the service it provides.

14 And the question that North West declined  
 15 to answer was please define the terms "cost" and "fair  
 16 return". And one hardly would have expected these to be  
 17 controversial terms. We weren't seeking the cost  
 18 elements. We weren't seeking the actual costs. Tell us  
 19 what your costs are. Give us some insight into what  
 20 those costs are. Set them out.

21 What do you mean by a fair return? For  
 22 example, are you looking to recover your costs of  
 23 capital? That's something that would provide insight not  
 24 only in terms of North West's position and North West's  
 25 evidence, but also because it gives some guidance in

1 terms of what the numbers are in Winnipeg, because if  
2 North West can recover its costs and a fair return  
3 including the cost of capital, that provides a  
4 significant insight into the -- the cost structure of  
5 other financial service providers such as Money Mart.

6 So that's the simple question that was  
7 being posed. Nothing to do with the transportation of  
8 money; nothing to do with actual numbers. Define your  
9 costs.

10 Question 6. And I want to -- in terms of  
11 Question 6, I want to focus on sub (a) and sub (d). And  
12 the reference for Question 6 was that a portion of the  
13 North West evidence had been filed with the PUB in  
14 confidence and presumably that relates to the cost  
15 structure.

16 And the question posed in sub -- in 6 sub  
17 (a) was "Please provide a redacted" or, I guess a better  
18 word would have been "an abridged version of appendix C."

19 Laying out the format of the response  
20 while leaving out the actual numbers provided by North  
21 West. Again, no attempt to get at the numbers; let's get  
22 some insight into methodology.

23 For example -- and this is a common  
24 procedure that is undertaken by the CRTC. In fact,  
25 normally before the CRTC parties are seeking to submit



1 something in confidence, they would file an abridged or  
2 redacted version before the trial -- before they provide  
3 it so at least other parties might have some insight into  
4 what was before the tribunal.

5 A redacted version, would it provide  
6 insight? We're not clear. But, for example, it might  
7 answer the question of whether you're just allocating  
8 costs on the basis of revenue; that would be important  
9 information to -- to CAC/MSOS in -- in testing both the  
10 reliability of the data and whether or not it's  
11 transferable.

12 And again, to focus on question 6 sub (d):

13 "Please outline the methodology by  
14 which costs attributed to cheque  
15 cashing were identified."

16 Again, not seeking numbers. CAC/MSOS is  
17 not particularly concerned about the cost of transporting  
18 money or whether or not -- how they get the money into  
19 the community. What they are seeking is insight into  
20 methodology.

21 Again, Question Number 10. Some examples  
22 we're -- referring to some examples of the cost  
23 components which are listed we asked for a definition,  
24 that wasn't provided, but we're trying to get some  
25 insight into the cost component and again, the question

1 we wish to focus on there is question 10sub (a).

2 "Do the cost components include the  
3 cost of capital?"

4 We're not asking what is the cost of  
5 capital; do they include the cost of capital? Again, a  
6 question I would not have expected to be controversial  
7 and which we have provided some assistance to CAC/MSOS.

8 Question 10 sub (b) and (c) again are  
9 looking at the methodology. We don't need the numbers,  
10 although we certainly would like them, but we need some  
11 sense of how you're doing this. Is it a credible method?  
12 Is it reliable? Does it offer insight into what other  
13 providers are offering?

14 And finally, Question Number 15. And in  
15 Question Number 15, we see the philosophy of North West;  
16 each service must pay its own way, and that they're  
17 setting specific fees so that only those members of the  
18 community who take advantage of the service to pay for  
19 it.

20 And the question posed was:

21 "Please explain how you were able to  
22 separate out the costs for cheque  
23 cashing from other costs that incur --  
24 that you incur in your operations,  
25 e.g., other financial services, goods?"

1                   Specifically, because many operating costs  
2 are shared for providing all services and goods, how do  
3 you determine which of these costs are assigned to cheque  
4 cashing?

5                   That age old question for those trying to  
6 determine a just and reasonable rate; how are you  
7 allocating your joint costs? What kind of methodology do  
8 you have? Is that a controversial question?

9                   Again, it's a critical question to giving  
10 some insight into the reliability and the transferability  
11 of the North West numbers to the Winnipeg situation.

12                   So, Mr. Chairman, I guess just in summary,  
13 three (3) points that I wish to make on behalf of my  
14 clients.

15                   First of all, in terms of onus, we think  
16 that by Rule 16 rests with North West, not with CAC/MSOS.  
17 The presumption should be the document should be in the  
18 public domain. There may be circumstances as provided by  
19 the rules where they're not but that onus rests with our  
20 friends from North West.

21                   Secondly, that this information is  
22 critical to understanding not only the methodology by  
23 which the North West cost structure is determined but  
24 also to see whether it has any relevance to Winnipeg.

25                   Third, there's a vehicle under the PUB

1 Rules 13 which provides some alternatives to the Board if  
2 it's again concerned that CAC/MSOS is asking for too  
3 much, that it at least can provide some comfort to  
4 intervenors and to the public.

5 And subject to questions, Mr. Chairman,  
6 those are my submissions.

7 THE CHAIRPERSON: Thank you, Mr.  
8 Williams.

9 Mr. Foran, do you wish to respond now to  
10 Mr. Williams or do you require some time to think about  
11 what he said?

12 MR. ALLAN FORAN: I think I'm ready to  
13 respond if --

14 THE CHAIRPERSON: Then please proceed.  
15

16 RESPONSE BY NORTH WEST COMPANY LP:

17 MR. ALLAN FORAN: Okay, thank you, Mr.  
18 Chairman.

19 I think, initially, I may have been  
20 flattered that we received so many Information Requests.  
21 I do need to say, first of all, that Mr. Williams has  
22 referred to a boilerplate answer; that answer took a long  
23 time for me to create. I actually had to think hard  
24 about his questions and some of what I'm about to say to  
25 you now is what I said before and that is we've attempted

1 to take this seriously.

2 We recognize that this is an unusual  
3 process and we view our role as being a company to  
4 provide information with a unique perspective on a  
5 particular area of the Province in which we operate, but  
6 perhaps that could change at some point in time.

7 When I reviewed the Information Requests,  
8 and I'm going to keep this a little bit general to start  
9 with, it wasn't surprising that what was being requested  
10 was disclosure of, frankly, the costs of providing the  
11 service. It also wasn't surprising, and I concede, very  
12 clever, is that a lot of the questions were directed at  
13 differentiating North West from Money Mart and vice  
14 versa; trying to test some of the information that was  
15 being provided. And that -- that's certainly what I  
16 understood the role of CAC to be and that's quite  
17 appropriate.

18 Where we have a difficulty, however -- so  
19 we don't concede that this is an apple to apple business,  
20 we don't concede that operating in the communities in  
21 which we operate is similar to how you would operate  
22 Winnipeg. We don't have a strong interest in commenting,  
23 critiquing or providing information on how Money Mart in  
24 its operations would differ from those of the North West  
25 Company.

1                   We view ourselves as operating in a  
2 different environment.

3                   So, for some of the questions asked we  
4 decline to answer on that basis. In a general way, and  
5 I'm still going to keep to the general if I could, what  
6 we can say is that we are a retailer. We operate stores.  
7 We sell things. We're merchandisers. And any  
8 dissection, analysis or disclosure of how we operate goes  
9 far broader to providing cheque cashing services. We  
10 think that that's a snapshot as to how we compete in our  
11 communities for what we do. Cheque cashing services is  
12 one (1) component of what we do.

13                  And My Learned Friend has directed you to  
14 some questions, for example, methodology; how have we  
15 come up with our numbers?

16                  Fairly put, if we respond to that, we  
17 think anybody could then take that methodology and  
18 attribute that methodology, whether they come close or  
19 not is a different story, but attempt to dissect how we  
20 sell parkas and snowmobiles and bread and milk,  
21 necessities, services, catalogues; the things that we do.  
22 So methodology was a problem for us.

23                  Cost attribution. How we dissect the day-  
24 to-day operations of a store. How long it may take  
25 somebody to cash a cheque. How much of the labour cost

1     may be attributable to the rate.

2                     I don't quarrel with My Friend's interest  
3     in having that information, but I can tell you that we  
4     view that as sensitive information, that overall we find  
5     to be confidential.

6                     We do face competition. Although I have  
7     said it one way, that being there's only four (4)  
8     communities in which there are banks, I could say it a  
9     different way. We have competition in four (4) of our  
10    communities.

11                    I have already mentioned before things  
12    like ATM's, stand alone operations. My kids are better  
13    at this than me, but, heck, the Internet.

14                    I mean, I don't know how these things  
15    might impact my clients' operations, but what I do know  
16    is that they have conveyed to me that that's a very  
17    sensitive area of their business.

18                    Now, it's very attractive to listen to my  
19    learned Friend's argument and say, well, gosh, a simple a  
20    thing as defining what a fair rate of return is, why  
21    wouldn't Mr. Foran do that?

22                    I have a response to that, and that is  
23    that we are a public company in a market place looking  
24    for returns and if we tell people what we think is a fair  
25    rate of return, I think that that's going to give an

1 indication of how we operate, what we're looking for, our  
2 capital requirements.

3 It could impact on how our competitors set  
4 up their operations. You received some information a  
5 little bit earlier about, for example, shopping at a  
6 Mac's store.

7 But we have examples of Mom and Pop  
8 operations that compete with us as well in some of our  
9 communities. We have other examples of where, I hope I  
10 can say this, but some of the communities themselves hire  
11 transportation to take community members to other places  
12 to shop.

13 Anything that we disclose in terms of what  
14 our return is that would allow North West to be put at a  
15 disadvantage, actually in those same communities in which  
16 it operates, is something that we have a problem with.

17 I'm just going to query aloud. If, as a  
18 consumer, you knew that somebody selling you something  
19 was making a return of X, I think every good Winnipeg  
20 instinct would kick in. Could we have it for X minus?  
21 So, I don't mean to sound overly general, but I'm not  
22 sure there's any merit in going to every single answer.

23 We actually thought about it. You'll see  
24 that we took it seriously. We answered those questions  
25 we thought we could answer.



1                   Most importantly, and here's a fundamental  
2    thing that I think I'd like to say. We are prepared to  
3    provide that information. We're prepared to have you,  
4    the Board, using all your wisdom and your information, to  
5    test the information. If you find it lacking, that will  
6    be your determination.

7                   What you will not have the benefit of is  
8    Mr. Williams' capable and able assistance, and I know  
9    he's very experienced, but we have no difficulty with  
10   your experience coming to bear.

11                  As I've indicated, we have two (2)  
12   financial people here. I know this Board has got a  
13   financial background and I know that you will be able to  
14   speak a language that I can't when you speak to Mr.  
15   Charriere and Mr. Fox. So the evidence will be tested.

16                  In terms of this being a public interest  
17   matter, I want to be delicate. We're a volunteer to this  
18   process. We understand that you will set the rate  
19   whether we're here or not. What we're hoping is that our  
20   participation will make you that much more wealthy in  
21   terms of information to allow you to make that  
22   determination, that is why we're here.

23                  We believe you could equally argue it's in  
24   the public interest to have our involvement on a  
25   confidential basis as compared to not having all this

1 information and all these details available before you.

2 Again, I am really trying to be delicate  
3 because I honour the proceeding, but you won't be in a  
4 position to get that information if we don't give it to  
5 you, we believe.

6 So I just want to finish by saying, we're  
7 prepared to provide the information and if this helps,  
8 this really is both Motions, if you're looking at the  
9 clock.

10 I don't need to repeat this for why I've  
11 asked for Appendix C to be kept confidential. It's for  
12 the same reason and the same rationale that I've just  
13 explained in responding to My Learned Friend's  
14 submission.

15 I don't know how far I can take this, but  
16 I looked at the legislation as well and one (1) of the  
17 things that I think the Board's been asked to assess is  
18 the financial risks and the business operating  
19 requirements of those providing the service.

20 And, one of the business operating  
21 requirements of providing a service is confidentiality.  
22 And I think that it's within the Board's mandate to allow  
23 this information to be submitted in confidence and it  
24 would not be unfair to any of the parties.

25 I'll just end up by, I hope on a more

1 jovial note. I really wish you'd asked the same  
2 questions of Money Mart that Mr. Edwards could respond as  
3 well to support what I'm saying.

4 Subject to any questions, I have nothing  
5 further.

6 THE CHAIRPERSON: Thank you, Mr. Foran.  
7 Mr. Edwards, maybe you could respond and join in Mr.  
8 Foran's comments to the degree you wish.

9  
10 SUBMISSION BY MONEY MART:

11 MR. PAUL EDWARDS: Yes, and let me clear  
12 on the first Motion, that of the further and better  
13 answers to the Information Requests, Money Mart makes no  
14 comment. We don't take a position on that; that, of  
15 course, is directed solely to -- to North West Company.

16 To the extent that the two issues are  
17 joined and My Friend has -- has alluded to that, I can  
18 certainly make some comments at this time.

19 And I would certainly support the -- the  
20 position taken by North West Company in many of the  
21 statements made and -- in a general sense, we obviously  
22 function in very different environments.

23 Of course, Money Mart, in fact, despite  
24 the concerns about other competitors, has a very  
25 different reality.

1                   We are in a very competitive market right  
2 now. So we have very real concerns. My Friend indicates  
3 maybe Money Mart will go to northern Manitoba and maybe  
4 the North West Company will come to Winnipeg.

5                   Fine. There's nothing barring that, but  
6 the reality is today we have many, many companies  
7 functioning in the communities we are in and so it's a  
8 reality today.

9                   The only point I would add would be that  
10 we view this as clearly being provided for in the rules.  
11 The rules, of course, do speak to documents. We  
12 acknowledge that.

13                   But I think it's -- and it's a document  
14 that Money Mart suggests and we have and frankly I can  
15 tell you it's one (1) page, but I think it does have some  
16 relevant information in terms of the -- the costing which  
17 will be relevant to your Decision.

18                   We would like to have the opportunity to  
19 simply -- and we have people here who can explain what  
20 the numbers mean and really that's it; that's all that's  
21 being proposed.

22                   We're not talking about volumes of  
23 information. We're not talking about hours. We're  
24 talking about a very short process which we think will be  
25 helpful.

1                   The rules do provide and I refer you to  
2   what is Rule 13.3 which, as My Friend Mr. Williams, has  
3   pointed out, is very broad.

4                   There can be an abridged version or the  
5   Board can make any other Order the Board finds to be in  
6   the public interest and I think that's really all the  
7   Board needs. It's a very unique proceeding and clearly I  
8   think it's in the public interest to hear that  
9   information and we're prepared to offer it, not  
10  otherwise.

11                  Clearly it's preferable to have  
12  information in any public process like this. This is the  
13  Public Utilities Board in public, clearly. And don't --  
14  and prima facie, that's -- that's the assumption.

15                  But here, as My Friend has indicated, the  
16  information won't come forward unless special  
17  arrangements are made.

18                  And the Board, and again I want to be as  
19  delicate as My Friend, but the Board doesn't have the  
20  ability to require that information to come forward. We  
21  are volunteers; we're not asking for any Order from you.

22                  So -- and there's a precedent. I  
23  understand, and I had a brief discussion with Mr. Peters  
24  who's got a lot of experience in this, and I think he  
25  mentioned there may be a precedent going back to 1999

1 when the Board had some -- I don't know the history of  
2 that, some other circumstance where information was --  
3 was taken in confidence similar to this.

4                   What I do know is that another analogy  
5 closer to home that I am familiar with is -- is the  
6 Manitoba Labour Board and I'm in front of them all of the  
7 time, and they regularly take information in confidence,  
8 like Union membership records, and that's a very public  
9 Board, but there's -- to meet their mandate, they have to  
10 do it and so I think there's a very close to home  
11 analogy, even more deserving here where there's not an  
12 adversarial forum. This is not an adversarial, it's an  
13 investigatory process.

14                   So, I think the nature of the proceeding  
15 here provides a compelling case for hearing this evidence  
16 in confidence.

17                   And the Board, in the submission of Money  
18 Mart ought to use every tool it has at its disposal to  
19 access any information available to it and really that's  
20 being offered and -- and it's really that simple.

21                   And I join with My Friend in simply  
22 indicating that we understand that Mr. Williams, and  
23 through his very able abilities and submissions would --  
24 would, I'm sure, have something to add to this  
25 information.

1                   But frankly, in this context, I think the  
2 Board is going to have to rely on its own ability to  
3 assess and question and we have faith in that and we're  
4 prepared to submit the information under those terms.  
5 Thank you.

6                   THE CHAIRPERSON:   Thank you, Mr. Edwards.  
7 Just by the side, I'm not aware of the precedent you're  
8 talking about, probably because I don't go back that far  
9 and I didn't have a conversation with Mr. Peters about  
10 it, either, so that's fine.

11                   We'll go back now to Mr. Williams. Do you  
12 want to provide a response to your two (2) colleagues  
13 here?

14                   MR. BYRON WILLIAMS:   Just -- just for  
15 clarification, if I might, Mr. Chairman, I'm -- are you  
16 asking me to respond to the responses to my Motion or am  
17 I to also respond to the in-camera Motion as well?

18                   I'm just looking for guidance into -- into  
19 what you're asking me.

20                   THE CHAIRPERSON:   The latter.  
21

22                   REPLY BY CAC/MSOS:

23                   MR. BYRON WILLIAMS:   Okay. Brief  
24 comments in terms of the response to the CAC/MSOS motion.  
25 I think we have a -- Mr. Foran fairly concedes that these

1 are relevant inquiries and I appreciate that from him, so  
2 we'll note that.

3                   Going to the spirit and intent of Rule 16  
4 and 13, in terms of proving harm, I'd urge the Board to  
5 listen carefully to the words that Mr. Foran used.

6                   And his concern appears to be that one  
7 might attempt to replicate the cost structure; whether  
8 they come close or not. And that -- that certainly  
9 doesn't sound like the -- I understand North West's  
10 inclination to keep everything immediately and as close  
11 to its vest as possible, but even Mr. Foran's own words  
12 seem to suggest that the -- that the -- the risk is more  
13 apprehended than real.

14                   I believe that there's a bit of a red  
15 herring being suggested by my Learned Friend Mr. Foran.  
16 Again, in terms of the subject of the fair return which  
17 is, I believe, the only one (1) that he directly address,  
18 his concerns seem to be two-fold.

19                   One (1) that once this -- one (1) is that  
20 this number will -- will get out there. I urge the Board  
21 to remember that we try to approach this question in a  
22 couple of ways. We've asked them to define a fair  
23 return, not to calculate one.

24                   Secondly, we've asked them to -- to let us  
25 know whether the cost of capital is included within that



1 figure. Fairly basic requests, one would expect.

2 And again, on the grounds of more  
3 apprehended than real, his other concern in terms of that  
4 appeared to be the -- that the consumers would somehow be  
5 trying to -- to talk North West down from their  
6 presumably high margins on certain services and again,  
7 we're looking at a methodology not the numbers.

8 The one (1) question that I'd note that I  
9 don't believe either my -- my able and Learned Friends,  
10 Mr. Foran and Mr. Edwards did answer is the suggestion  
11 CAC/MSOS made that we want a decision that will stand the  
12 test of time, that will give insight into how the Board  
13 arrived at their determinations.

14 And how can that be achieved when there's,  
15 on the public record, absolutely next to nothing in terms  
16 of the -- the reasonableness of these cost structures?

17 I query how the Board can write a decision  
18 that reflects the -- the information provided and not put  
19 any of that on the public record.

20 Mr. Chairman, that ends part one (1) of  
21 what you've directed in terms of my response.

22 In terms of the in-camera Motion, I can't  
23 speak to 1999, in terms of a Centra Gas proceedings, but  
24 I've been around for a while, dating back to '93 or '94  
25 and certainly in the context of Hydro and Manitoba Public

1 Insurance, this would be the suggestion that evidence be  
2 provided to the Board without transcript, without the  
3 public present and without the -- without Intervenor  
4 present in the course of a hearing, would strike me as  
5 unusual; especially a final Decision, not an interim  
6 proceeding.

7 I've spoken and I won't go back into it,  
8 but the Board's own words and the legitimate expectation  
9 created by Board Order 160/06 that this material would be  
10 available to the public.

11 I have to, with respect, disagree with My  
12 Learned Friend Mr. Edwards, in terms of whether the rules  
13 provide for this.

14 And when one looks through the rules, the  
15 whole spirit and intent in terms of oral proceedings  
16 before the Board is that it be a public process.

17 Rule 25 talks about the publication of a  
18 Notice of a Hearing, with an intent to give the public  
19 notice of that hearing.

20 There is reference to interim ex parte  
21 orders under Rule 24.2 but I would note that the interim  
22 nature of those orders, and in this case we're seeking a  
23 final order, and my understanding is, although obviously  
24 I've never actually been at one of these proceedings,  
25 despite my recent efforts to invite myself, that -- that

1 even there a transcript is taken of the proceeding and  
2 the decision is subsequently made public.

3 So, certainly CAC/MSOS would consider the  
4 novel proposal of an in-camera proceeding, no  
5 transcripts, to be a -- a marked departure from the rules  
6 and even from the limited precedent of an interim ex  
7 parte.

8 Rule 13, which again My Learned Friend Mr.  
9 Edwards refers to, doesn't speak to in-camera  
10 proceedings, it speaks to documents.

11 Just a couple of final notes. Rule 30  
12 speaks of the offered parties being given an opportunity  
13 to present evidence and examine and cross-examine  
14 witnesses.

15 And again, one questions how this can be  
16 fairly done when some proceedings are proposed to be in-  
17 camera.

18 And finally, Rule 33.2, although I think  
19 it's -- refers to Applications, specifically states that  
20 all sittings of the Board, at least to hear Applications,  
21 are open to the public.

22 So in terms of the -- the Motion for an  
23 in-camera proceedings without transcripts, without  
24 anything, CAC/MSOS consider that to be novel and  
25 inadvised (sic) departure from what they understand to be

1 the Board's practice and procedure.

2 And they certainly would strenuously  
3 oppose that, Mr. Chair.

4 THE CHAIRPERSON: Thank you, Mr.  
5 Williams. On these preliminary matters, we will give our  
6 judgment following our lunch break and given the interest  
7 of all parties not to let this proceedings today go too  
8 far, let's say we come back at 1:15 if that's all right  
9 with the rest of you, because we've got to think this  
10 through.

11 Thank you very much. We adjourn for now.  
12 We'll be back at 1:15.

13

14 --- Upon recessing at 12:00 p.m.

15 --- Upon resuming at 1:15 p.m.

16

17 DECISION ON MOTIONS:

18 THE CHAIRPERSON: This Board has been  
19 presented with motions related to the evidence in this  
20 hearing to consider government cheque cashing fees.  
21 Motions are interrelated and the Board will provide its  
22 reason respecting both motions at this time.

23 CAC/MSOS requests further disclosure of  
24 details from North West evidence and, particularly, its  
25 costing information related to fees being charged

1 currently for cheque cashing. CAC/MSOS also seeks  
2 particulars from North West regarding cheque processing  
3 data and statistics which CAC/MSOS believes are related  
4 to the fee issue.

5 Furthermore, CAC/MSOS seeks a redacted or  
6 abridged version of Appendix C which has been filed by  
7 the Board by North West in confidence. North West and  
8 Money Mart have indicated a willingness to provide  
9 confidential and proprietary information to the Board to  
10 assist the Board in-camera.

11 With respect to North West, CAC/MSOS  
12 indicates it is interested in the methodology and not the  
13 numbers per se and in the absence of having this  
14 information, it would be difficult to question North West  
15 charge formula or learn anything from it for application  
16 with respect to Winnipeg operations of cheque cashing.

17 CAC/MSOS suggests that the Board taking  
18 cost methodology information into account from an in-  
19 camera process would transgress its own rules in the  
20 intent of its public hearing-based processes.

21 CAC/MSOS cites that transparency is  
22 important, and in its absence regardless of how just the  
23 Board considers its determination, others not privy to  
24 the information could not have a reasonable degree of  
25 confidence.

1                   Conversely, North West asked the Board to  
2 maintain the confidentiality of Appendix C and to hear  
3 its evidence related to Appendix C in-camera in the  
4 presence only of Board Members and Board counsel. Money  
5 Mart joins in this offer.

6                   Part of the Public Utilities Board Act  
7 requires that its proceedings be open to the public. The  
8 Board is given the power to set its own rules of practice  
9 and procedure. The Board's rules allow it to receive  
10 information in confidence on terms and conditions  
11 appropriate to the public interest in accordance with the  
12 particular factors set out in 13.2.

13                   Determining how to proceed, the Board has  
14 concluded that the voluntary participants should not be  
15 compelled to disclose actual cost information as it would  
16 potentially place such competitive sensitive information  
17 on the public record and perhaps detrimentally affect  
18 their operations. Without this information it may be  
19 difficult for the Board to deal with the factors.

20                   While the Board is mindful of the desire  
21 for public disclosure and public participation, the Board  
22 needs to balance that disclosure against the potential  
23 detriment that would occur without the information being  
24 available. The Board has considered the nature of the  
25 legislation and the fact that there is no applicant the

1 proceeding; no party formally carries an onus here of  
2 participation and thus disclosure is voluntary.

3           The Board is involved in a new area of  
4 responsibility and in its current proceeding it is  
5 mindful it is not dealing with a monopoly but it's  
6 dealing with private sector firms operating in an open  
7 economy marked by varying degrees of competition.

8           The Board is mindful of its mandate to  
9 determine the public interest and faced with the option  
10 of not receiving the information or taking it in  
11 confidence it is obliged to choose the latter.

12           The Board lacks experience in the field  
13 and though it is competent in its financial abilities and  
14 in its processes, it will be left to guess, in part, if  
15 deprived of the information Money Mart and North West are  
16 prepared to provide it in confidence.

17           To allow the Board to consider the  
18 specifics of costing information related to North West  
19 Company in regard to Appendix C, the Board will hear  
20 those aspects of the evidence in-camera as permitted by  
21 the Board rules.

22           With respect to Money Mart, the Board will  
23 receive the evidence it's willing to place before it in  
24 confidence, and to meet in confidence with Money Mart to  
25 discuss the information and related matters.

1 CAC/MSOS is to be mindful in its cross-  
2 examination of the witnesses of both North West and Money  
3 Mart, that the proprietary and confidential information  
4 related to these businesses is not to be brought onto the  
5 public record and while the specifics of North West  
6 costing structure to be kept confidential, the Board is  
7 very much interested in CAC/MSOS's comments from a  
8 principle perspective as to the factors that the Board  
9 should consider in setting the appropriate fee structure.

10 This said, the Board appreciates and  
11 respects CAC/MSOS's request and position on this matter.  
12 The Board would have been surprised if CAC/MSOS had taken  
13 any other view.

14 The Board appreciates that the decision of  
15 the Board will place CAC/MSOS at a disadvantage and the  
16 public record of this proceeding will not be as fully  
17 transparent as it would otherwise be.

18 CAC/MSOS and Manitobans will, generally,  
19 have to rely on the Board in its assessment of the  
20 confidential material it will receive and the Board also  
21 appreciates North West and Money Mart's willingness to  
22 advance the evidence albeit in confidence. From a  
23 procedural point of view, the Board will hear the public  
24 evidence of North West and Money Mart before retiring to  
25 hear the in-camera evidence.



1                   With this ruling we can now proceed with  
2 the evidence as set out in the outline of proceedings.

3                   Ms. Southall, do you have any other  
4 suggestions with respect to process?

5                   MS. ANITA SOUTHALL:   Thank you, Mr.  
6 Chairman.   So just to recap the outline of proceedings  
7 and the way things will now proceed, the evidence for  
8 CAC/MSOS will proceed now with the cross-examinations and  
9 then the evidence of Money Mart, that is the public  
10 evidence, will proceed with cross-examinations occurring  
11 on the public evidence and then following that, the  
12 evidence of North West Company on the record similar to  
13 that of Money Mart and cross-examinations on the evidence  
14 of public record; that would be my suggestion, Mr.  
15 Chairman.

16                  THE CHAIRPERSON:   Thank you.   Mr.  
17 Williams, would you now introduce your witness, please?

18                  MR. BYRON WILLIAMS:   Thank you, Mr.  
19 Chairman.   I'd ask Dr. Buckland to come forward, please.  
20 If Dr. Buckland could be sworn?

21

22 CAC/MSOS PANEL:

23                   DR. JERRY BUCKLAND, Sworn

24

25                  THE CHAIRPERSON:   Welcome.

1 DR. JERRY BUCKLAND: Hello, Mr.

2 Chairperson, Ms. Girouard, and Ms. Proven.

3 THE CHAIRPERSON: Mr. Williams...?

4 MR. BYRON WILLIAMS: Mr. Chairman, I'm  
5 not sure that the mic was on when the Witness was sworn  
6 so -- but we'll confirm that the Witness was sworn and he  
7 provided his name to the Board.

8 For the Board's information and assistance  
9 there's probably two (2) documents that you may want to  
10 have nearby. One (1) is the evidence -- the written  
11 evidence of Dr. Buckland filed on December 6th, that's  
12 Exhibit 5.1. The other is the -- Exhibit 5.3 which is  
13 the -- the material -- the -- the number of tables that  
14 Mr. Buckland will be providing in his evidence.

15 They -- you may as well wish to have  
16 Exhibit 5.2. I'm not sure we'll be making reference to it  
17 but we thought it might pop up in cross-examination.

18 THE CHAIRPERSON: Mr. Williams, would you  
19 mind just quickly going through Dr. Buckland's CV?

20 MR. BYRON WILLIAMS: I certainly intend  
21 to, Mr. Chairman.

22 And just based upon my brief conversations  
23 with My Learned Friends, my understanding is that Mr.  
24 Buckland -- that they won't be taking issues with his  
25 qualifications although it's certainly open to the Board.

1 So my proposal is to briefly highlight his  
2 qualifications.

3 THE CHAIRPERSON: Under that  
4 understanding, yes, that's fine.

5

6 (VOIR DIRE COMMENCES)

7

8 EXAMINATION-IN-CHIEF BY MR. BYRON WILLIAMS:

9 MR. BYRON WILLIAMS: And. Mr. Buckland, -  
10 - and your CV actually is set out in Tab 5 -- in Tab 1 of  
11 doc -- of the materials 5. -- Exhibit 5.2. for the  
12 Board's information. Dr. Buckland, I wonder if you could  
13 briefly outline your statement of qualifications? Is  
14 your mic on?

15 DR. JERRY BUCKLAND: No.

16 In 1995 I received my Doctorate in  
17 Economics from the University of Manitoba and from 1994  
18 I've been teaching international development studies at  
19 Menno Simons College which is a part of Canadian  
20 Mennonite University and affiliated with the University  
21 of Winnipeg. I'm presently an associate professor there  
22 and teach IDS -- International Development Studies --  
23 there as well as economics and IDS at Canadian Mennonite  
24 University.

25 My research and teaching concentrates on

1 sort of the social and institutional aspects of economic  
2 development and my research interests have included  
3 looking at banking and poverty, community economics, and  
4 rural development.

5 MR. BYRON WILLIAMS: Dr. Buckland, let me  
6 stop you there for a minute. I wonder if you could  
7 discuss what if any research you've conducted on the  
8 subject of financial exclusion and alternative or fringe  
9 financial services in Manitoba specifically and Canada  
10 generally?

11 DR. JERRY BUCKLAND: Yes, I completed a  
12 study with a team of researchers in 2003 where we were  
13 looking at the north end of Winnipeg and trying to  
14 understand the phenomenon where people in the north end  
15 were increasingly relying not on banks but on what I  
16 refer to as "fringe banks" for their financial services.  
17 That was completed in 2003 and then just this past summer  
18 I received another grant from the Social Sciences and  
19 Humanities Council to do a study of financial exclusion  
20 and financial inclusion in three (3) centres in Canada;  
21 Winnipeg, Vancouver, and Toronto; that's just starting  
22 getting going now.

23 That grants that I've received to do these  
24 two (2) studies amount to a hundred and thirty-five  
25 thousand dollars (\$135,000), both from SHIRK (phonetic);

1 one (1) directly and one (1) indirectly.

2 Through this research I've been able to  
3 co-author three (3) reports, two (2) articles, one (1)  
4 under review right now, a third one under review right  
5 now, several presentations. I attended a national  
6 conference that was sponsored by FCAC, the Financial  
7 Consumer Agency of Canada on financial capability and  
8 I've also been able to participate making comments on  
9 policies to do with financial inclusion and media  
10 interviews.

11 MR. BYRON WILLIAMS: Thank you, Dr. Brock  
12 -- Buckland, excuse me. And again just at -- again  
13 referring to Exhibit 5.2 at Tab 2, there's a one (1) page  
14 document setting out the subject of your report and I  
15 wonder if you could confirm that these are the tasks that  
16 you were asked to perform and prepare in your written  
17 report?

18 DR. JERRY BUCKLAND: Yes, I've read that  
19 and -- and those were the tasks that I was asked to -- to  
20 do.

21 MR. BYRON WILLIAMS: Now, drawing your  
22 attention to the written report filed -- and I'll -- on  
23 December the 6th, 2006, entitled, "Social and Economic  
24 Factors to Consider in Setting Government Cheque Cashing  
25 Fees in Manitoba," could you confirm that that was

1 prepared under your direction and control?

2 DR. JERRY BUCKLAND: Yes, it was.

3 MR. BYRON WILLIAMS: Mr. Chairman,  
4 subject to any comments of My Learned Friends or the  
5 Board I'd ask that Dr. Buckland be qualified as an expert  
6 in economics with particular reference to the topics of  
7 micro credit, micro finance, financial exclusion, and  
8 alternative or fringe banking.

9 THE CHAIRPERSON: Mr. Edwards and Mr.  
10 Foran, do you have any problem with this?

11 MR. ALLAN FORAN: No.

12 MR. PAUL EDWARDS: No.

13 THE CHAIRPERSON: The Board accepts Dr.  
14 Buckland as an expert witness.

15 MR. BYRON WILLIAMS: Thank you, Mr.  
16 Chairman.

17

18 (VOIR DIRE CONCLUDED)

19

20 EXAMINATION-IN-CHIEF BY MR. BYRON WILLIAMS:

21 MR. BYRON WILLIAMS: Dr. Buckland,  
22 perhaps as a starting point I wonder if you can discuss -  
23 - give some sense to the Board of what are the fees for  
24 fringe financial services or alternative financial  
25 services in Winnipeg?

1 DR. JERRY BUCKLAND: Sure. Just to start  
 2 with, if I could just explain the -- the term 'fringe  
 3 bank' is one that I've used to describe financial service  
 4 providers that work on really the margins of the  
 5 financial system. It's in no ways intended to be a  
 6 pejorative term, but rather it's intended to -- to  
 7 describe firms that are -- are operating just on the  
 8 fringes of the -- the system. These include payday  
 9 lenders, rent-to-own operators, cheque cashers, as well  
 10 as a variety of other firms like income tax advancers, et  
 11 cetera.

12 Fringe banks offer financial services  
 13 involving relatively short time periods for -- with the  
 14 exception of rent-to-owns and small dollar amounts, so  
 15 they're a very particular kind of operation. They do  
 16 things like provide loans, provide bill payment services,  
 17 money transfers, and -- and cheque cashing.

18 THE CHAIRPERSON: Excuse me, do you  
 19 include pawn shops in that?

20 DR. JERRY BUCKLAND: I would include pawn  
 21 shops in that category.

22 In research in -- on fringe banking in  
 23 Winnipeg's north end we found that the -- the rates for  
 24 various types of fringe financial services were -- were  
 25 quite high and in some cases ranged quite a bit. And if

1 I could just ask you to look at the first table in the  
2 book of references, that's the series of sheets that are  
3 stapled together, that gives you a summary of the data  
4 that we collected into 2003 to do with fringe banks in --  
5 in the north end.

6

7 CONTINUED BY MR. BYRON WILLIAMS:

8 MR. BYRON WILLIAMS: Dr. Buckland, if I  
9 could just stop you there. I see the Board scrambling.  
10 It's Exhibit 5.3 and it's -- the cover page is a letter,  
11 December 18th. It's a relatively -- it's the skinny one  
12 and it's Tab 1 I believe he's directing your attention  
13 to.

14 DR. JERRY BUCKLAND: So what that table  
15 does is it summarizes the fees charged by different  
16 fringe banks in a straightforward sort of fashion. What  
17 we've done is we've taken different financial services,  
18 calculated their fees into a lump sum and then turned  
19 that into an APR, an annual percentage rate or an  
20 annualized interest rate.

21 And if I could just, say for instance,  
22 point you to the -- the pawn loan, a small pawn loan  
23 between ten (10) to thirty dollars (\$30) the annualized  
24 interest rate on average for the pawn shops we looked at  
25 was 450 percent. Now, I need to be clear that you never



1 -- people don't take out a pawn loan for a year. A pawn  
2 loan is -- is typically one (1) month but converting it  
3 into an APR allows clearer comparison with other kinds of  
4 credit products.

5                   On the other hand, to cash a cheque -- and  
6 I'll bring this up later in my presentation -- to cash a  
7 cheque some people have thought of that as being sort of  
8 like a five (5) day loan, the reason being that if -- if  
9 you go to a cheque casher your cheque is cashed  
10 immediately. You get the money -- the cash upfront.

11                   On the other hand, if you go to a bank and  
12 you have no money in your account or limited money  
13 they'll probably place a hold on it. And so in -- in one  
14 (1) sense a cheque cashing transaction is like a five (5)  
15 day loan and if you took the cheque cashing fees and  
16 lumped them together and determined an annualized  
17 interest rate once again you see there on that table the  
18 average was 210 percent for the -- the cheque cashers in  
19 -- in Winnipeg. And -- and there's some other evidence  
20 there.

21                   While payday loans, for instance, say a  
22 two hundred dollar (\$200) payday loan, we found the  
23 average APR was 551 percent. So that gives you an idea  
24 of some of the fees and -- in an annualized interest rate  
25 form that we found in '03 in Winnipeg.

1                   The research that I did in -- in this past  
2 November looking at fringe banks in -- in Winnipeg  
3 specifically is outlined in the next table which I guess  
4 would be Tab 2 of the -- of the report and this is  
5 specifically cheque cashing.

6                   And what I found there was that the cheque  
7 cashing fees generally are including a fixed number, a  
8 fixed dollar sum plus a variable sum and they range from  
9 something like 2.9 percent and plus two dollars (\$2.00)  
10 for the Cash Store to 2.99 percent and two dollars and  
11 forty-nine cents (\$2.49) for Financial Stop. So there is  
12 a range of -- of prices there that you can see in the  
13 middle column.

14                  And then what I do is I calculate what  
15 that fee would look like for a hundred dollar (\$100)  
16 cheque. So you see the -- the fee for a hundred dollar  
17 (\$100) cheque ranges from three dollars and sixty-seven  
18 cents (\$3.67) -- three dollars (\$3) actually -- sorry,  
19 three dollars (\$3) under Money Max Canada all the way up  
20 to five ninety-eight (5.98) for the cash money cheque  
21 cashing.

22                  THE CHAIRPERSON: Dr. Buckland, when you  
23 calculate out the annualized interest rate are you using  
24 the -- say, for example, the four ninety (490)?

25                  DR. JERRY BUCKLAND: Hmm hmm.

1 THE CHAIRPERSON: Well, at Tab 2 you've  
2 got Cash Store, Cash fee to Cash a hundred dollar (\$100)  
3 cheque, four ninety (490).

4 You'd be using that on the basis of five  
5 (5) days?

6 DR. JERRY BUCKLAND: That's correct.

7 THE CHAIRPERSON: That's how you do it?

8 DR. JERRY BUCKLAND: Yes, that's correct.  
9 That's how I did it, yeah.

10 Yeah, so that gives you a range. The  
11 average -- not all the cheque cashers do this variable  
12 plus fixed amount. Some of them have a straight variable  
13 amount like Money Max Canada and one (1) wouldn't tell me  
14 what their formula was. I -- I should have mentioned  
15 that Number 12, the Extra Cash, they -- they simply  
16 wouldn't or couldn't tell me what the formula was so  
17 that's why I put, "Could not provide data."

18 And so of the ones -- of the cheque  
19 cashers that did provide me data, the average fixed and  
20 variable fee that they charged unweighted -- I haven't  
21 weighted this on volume or anything -- was 2.94 percent  
22 of the cheque's value plus two dollars and twenty-four  
23 cents (\$2.24).

24 MS. ANITA SOUTHALL: Just to provide you  
25 with a formula, they did though provide you with a dollar

1 amount?

2 DR. JERRY BUCKLAND: Yeah, that's right.

3 MS. ANITA SOUTHALL: But they just didn't  
4 know how they got there or...?

5 DR. JERRY BUCKLAND: These were just  
6 telephone calls that I made or going to their website.  
7 In that particular case the person I talked to on the  
8 phone was unable to explain it, whether it was just the  
9 person didn't know or the person was told not to tell me.  
10 I -- I can't say.

11 Okay. So the -- this cost -- the cost to  
12 the consumer, for instance, for a hundred dollar (\$100)  
13 cheque then ranges from three dollars (\$3) to almost six  
14 dollars (\$6) with an average cost of five dollars (\$5).

15 If the cheque is bigger, say a seven  
16 hundred dollar cheque (\$700) then the cost on average  
17 would be about twenty-three dollars (\$23) and this  
18 represents 3.3 percent of that cheque's value. So that's  
19 a little bit of information on the price of cheque  
20 cashing.

21

22 CONTINUED BY MR. BYRON WILLIAMS:

23 MR. BYRON WILLIAMS: Thank you, Dr.  
24 Buckland. I -- I just want to keep you eyes and the  
25 Panel's eyes on this page for a second or two (2) more.

1 I note that you canvassed a number of  
2 firms within Winnipeg. I wonder if you can comment on  
3 the degree of concentration in the cheque cashing  
4 industry in Winnipeg.

5 DR. JERRY BUCKLAND: Yeah. Okay. Thank  
6 you. I wanted to mention that the first store listed and  
7 the 6th store listed, specifically Cash Store and Insta-  
8 loans. These are both owned by Rentcash.

9 And I apologize for the unclear nature of  
10 this table. The numbers in brackets are the number of  
11 outlets that were listed in the -- the telephone  
12 directory. So Cash Store had seven (7), Insta-loans had  
13 eight (8). Those are both owned now by Rentcash  
14 Incorporated, a very fast growing payday lender, cheque  
15 casher who now have fifteen (15) outlets in Winnipeg.

16 So once -- one (1) firm had fifteen (15)  
17 outlets and then Money Mart which is the other major  
18 player in this market has thirteen (13) outlets. So the  
19 two (2) of them in total have twenty-eight (28) outlets  
20 out of the forty-four (44) that I identified.

21 I certainly could have missed some. I  
22 want to be very clear this is telephone directory data.  
23 There is no sort of systematic collection of data on  
24 these firms. But that's 64 percent of the outlets in --  
25 in Winnipeg.

1                   MR. BYRON WILLIAMS:   Thank you, Dr.  
2 Buckland. How does that dominant -- dominant -- that 64  
3 percent for Money Mart and Rentcash in Winnipeg compare  
4 to what you know of the situation elsewhere in Canada?

5                   DR. JERRY BUCKLAND:   Yeah. I understand  
6 that up until quite recently, and I'll refer to this a  
7 little bit later on, within the last two (2) or three (3)  
8 years, Money Mart played a -- quite a significant role in  
9 the cheque cashing and payday loan industry in Canada.

10                  I don't want to quote a statistic because  
11 I frankly don't have one with me but I think they were a  
12 very significant player in terms of the proportion of  
13 outlets and the proportion of payday loans that were  
14 providing.

15                  But more recently, Rentcash has grown as I  
16 said, I'll mention later, grown dramatically. These two  
17 (2) companies I believe do have a very significant  
18 portion of the -- the market in other parts of Canada on  
19 that basis.

20                  So I would say that the Winnipeg  
21 experience may not be typical but it's certainly not  
22 atypical.

23                  MR. BYRON WILLIAMS:   Thank you for that  
24 answer, Dr. Buckland. Looking at the fees you presented,  
25 I wonder if you can comment on -- on whether or not

1 fringe banking fees in Winnipeg are expensive as compared  
2 to the alternatives?

3 DR. JERRY BUCKLAND: Okay. Well, I think  
4 there's a lot of different ways to look at this question.

5 Now, two (2) ways that I thought would be  
6 a useful way to look at this question; one, would be to  
7 compare the fees charged by fringe financial service  
8 providers to mainstream banks and then the second way, to  
9 look at how much the fringe financial service takes up of  
10 a low income person's income.

11 So to start with on the first point, I  
12 think that there's pretty strong evidence that the fringe  
13 financial services are significantly more expensive than  
14 mainstream bank services. So I mentioned the payday  
15 loans and the rent- to-own APR's, the annualized interest  
16 rates, are from 260 percent upwards. Many people I know  
17 complain about the 18 to 25 percent APR that they pay on  
18 their credit card.

19 So -- and yet these payday loans and rent-  
20 to-own services quite a bit more expensive. So -- so,  
21 you know, just comparing the two (2) they're -- they're a  
22 lot more expensive.

23 Another way to -- to look at this is if  
24 you bundle the services together and you say, okay, what  
25 if a consumer went to a bank and did all of their

1 financial services at the bank, or what if the consumer  
2 went to a -- a fringe bank and did all there services  
3 there?

4 And if I could ask you to turn to Table 3  
5 which is entitled, The Comparison of Basket of Financial  
6 Services, Cheque Casher and Credit Union.

7 Now this is a hypothetical example in it's  
8 -- I'm not suggesting that, you know, there's people who  
9 follow one or the other strictly, but it's hypothetically  
10 speaking.

11 If I was a member of Assiniboine Credit  
12 Union and went for their lowest fee account it would cost  
13 me four dollars (\$4) a month within which I could do ten  
14 (10) to fifteen (15) transactions.

15 This would cover my three (3) bill  
16 payments and if I wanted some kind of credit card but had  
17 a credit problem, like I had had some credit difficulties  
18 in the past, I could opt for their secured credit card.

19 The cost of that secured credit card is  
20 zero unless I carry a balance. It requires me however,  
21 to put some money in an account that would be -- that  
22 would secure this credit card and it would be limited on  
23 that basis.

24 So if I put a hundred dollars (\$100) in  
25 the special account, that's the level to which I could



1 use that credit card. The total monthly cost if I happen  
2 to choose these combination of financial services at  
3 ACU's four dollars (\$4).

4 On the other hand if I went to Money Mart  
5 and cashed a cheque, one (1) cheque a month and I took a  
6 four hundred and sixty-six, eighty cent cheque (\$466.80)  
7 cheque which is the -- the amount that a non-disabled  
8 single parent with one (1) child would get under  
9 employment and income assistance.

10 So just as an example it would cost me  
11 sixteen dollars and forty-five cents (\$16.45). If I made  
12 three (3) bill payments it's going to cost me just under  
13 six dollars (\$6) and if I purchased and used one of their  
14 prepaid debit cards and used it three (3) times and  
15 again, I apologize, my notes in the footnote are -- are  
16 very abbreviated.

17 If I can just clarify. To open the debit  
18 card, I have to pay twenty dollars (\$20) plus GST.  
19 That's a one time fee. And the -- loading the credit  
20 card is free the first time but for every further load  
21 it's two dollars (\$2). Fifty (50) cents per transaction  
22 and seven fifty (7.50) for a monthly fee.

23 So if I take that twenty dollars (\$20) and  
24 divide it by twelve (12) months, okay, but that's -- I'm  
25 only going to do that the first year because subsequent

1 years I don't have to purchase it again.

2 That's going to cost me twelve dollars and  
3 seventy-eight cents (\$12.78). So total amount that I'm  
4 paying to do these services at Money Mart are thirty-five  
5 dollars (\$35) a month. So that's another way to kind of  
6 compare.

7 Specifically with respect to cheque  
8 cashing, banks are required to cash federal government  
9 cheques for free for clients or non-clients as long as  
10 they provide sufficient identification.

11 From the PUB report that I read, I  
12 understand that some banks and credit unions will also  
13 cash non-federal government cheques for a fee, in the  
14 report it said for five dollars (\$5).

15 So in either case whether it's the zero  
16 fee or the five dollar (\$5) fee, this is significantly  
17 less than the kind of -- of fees that the average cheque  
18 casher in Winnipeg is charging beyond the hundred dollar  
19 (\$100) level.

20 But once you -- you get up to two hundred  
21 (200) and beyond, the -- the fixed fee of five dollars  
22 (\$5) is -- is going to work out to be a lot less than the  
23 -- variable fee associated with the average fringe  
24 bankers.

25 Moreover, I -- I have done other research

1 and in 2002 found that there were some informal cheque  
2 cashers who are cashing cheques for fixed rates. One  
3 apparently was -- was cashing cheques for two dollars  
4 (\$2). A fixed rate of two dollars (\$2).

5 In -- this past summer, we came across a  
6 couple of grocery stores that would cash cheques for --  
7 for nothing although, and this is an important although,  
8 the requirement would be that the -- the cheque -- the  
9 client purchase a portion of that -- use a portion of  
10 that cash to buy goods in that grocery store.

11 So the -- the comparison then is that  
12 cheque cashers charge quite a bit more especially beyond  
13 the -- the hundred to two hundred dollar (\$100/\$200)  
14 range. So that's one way to look at it.

15 A second way to look at it is how  
16 significant the cheque -- cheque cashing fee is in  
17 regards to the low income person's income.

18 MR. BYRON WILLIAMS: Dr. Buckland, if I  
19 could just interrupt you. Just in terms of that last  
20 statement that you made in terms of cheque cashers, does  
21 that same conclusion apply to -- to North West?

22 DR. JERRY BUCKLAND: The -- the North  
23 West fee for cheque -- cheque cashing is -- is quite a  
24 bit lower than the average fee for the -- the Winnipeg  
25 cashers that I looked at.

1                   MR. BYRON WILLIAMS:    Sorry to interrupt  
2    you.   Please proceed.

3                   DR. JERRY BUCKLAND:    Okay.   So then --  
4    okay, so this other way to look at it is, okay, is -- is  
5    cashing a cheque at a cheque casher a significant chunk  
6    out of a low income person's budget?   And I would say  
7    it's a pretty big chunk.

8                   For instance if you're earning five  
9    hundred dollars (\$500) a month on employment and income  
10   assistance, that means that -- and you go to an average  
11   check casher, you're paying almost seventeen dollars  
12   (\$17) to cash that cheque.

13                  That's 3.4 percent of the -- the cash  
14   income.   Seventeen dollars (\$17) out of five hundred  
15   (500).   It's pretty significant I think for a low income  
16   individual.

17                  We did an exercise in a study I was  
18   involved in previously where we -- we looked at the cost  
19   to the north end if north enders en masse used fringe  
20   banks.   And of course they don't and I'm not suggesting  
21   that they do but if -- if en masse north enders did use  
22   fringe banks and this included payday loans and cheque  
23   cashers and rent-to-owns, the -- the cost to the  
24   neighbourhood would amount to almost \$2 million a year as  
25   compared to equivalent type services at a bank which

1 would be roughly two hundred and sixteen thousand dollars  
2 (\$216,000) a year.

3 It was -- again, a hypothetical exercise  
4 but it demonstrates that in this case neighbourhoods  
5 where there's a significant number of fringe banks will  
6 end up paying quite a bit in terms of financing those  
7 transactions.

8 MR. BYRON WILLIAMS: Thank you, Dr.  
9 Buckland. Moving from fees for a second, I wonder if you  
10 can indicate whether in your view the fringe or  
11 alternative financial sector has grown in the last twenty  
12 (20) years?

13 DR. JERRY BUCKLAND: Yeah. I think that  
14 there is some evidence of growth. And if I could at this  
15 point introduce a -- a term that I use which I'm not sure  
16 if it's the best term, but what I've used in the report  
17 is the -- the multi-service fringe bank.

18 In -- in Canada, we now often refer to one  
19 (1) particular kind of fringe bank as a payday lender.  
20 But in fact it seems to me at least in Winnipeg, most of  
21 those payday lenders are providing a variety of different  
22 financial services.

23 So I use this term multi-service fringe  
24 bank and I would include Money Mart and Rentcash, the --  
25 the Insta-loans and the Cash Store as examples of those

1 multi-service fringe banks.

2                   And definitely there's been significant  
3 growth in those -- in those -- in that industry in the  
4 last twenty (20) years. And just to give you some  
5 statistics for the US. In the 1930's, John Caskey  
6 (phonetic) somebody who studied fringe banking in the US,  
7 they first appeared -- cheque cashers as a -- an outlet,  
8 a kind of formalized outlet.

9                   And by 1990 there were forty-two hundred  
10 and fifty (4250) outlets in -- in the US, but amazingly  
11 the growth in 2003 was such that there were fourteen  
12 thousand (14,000) now called Payday Lenders in the US.  
13 So it's been a tremendous growth in the US.

14                  Similarly in Canada I think we've seen  
15 that growth although I don't have statistics on the  
16 growth in Canada. I do know that according to the  
17 Canadian Payday Lenders Association, in 2006 there were  
18 eight hundred and fifty (850) payday loan outlets in  
19 Canada that are members, for which their firms are  
20 members of the Canadian Payday Lenders Association. Of  
21 course they're not all members.

22                  And we counted four hundred and nine (409)  
23 pawn shops in fourteen (14) of the largest Canadian  
24 cities and a hundred (100) furniture rental agencies in  
25 those same cities.

1                   Of course, they don't all do rent-to-  
2   owning but some of them do. And we did interestingly  
3   find that Western Canada seems to have a -- a higher  
4   density of fringe banks than other parts of -- of Canada.  
5   So the Prairies and I believe Victoria and possibly  
6   Vancouver have a high density of -- of different types of  
7   fringe banks.

8                   MR. BYRON WILLIAMS:   Thank you for those  
9   comments, Dr. Buckland. Now you heard a bit of  
10  discussion this morning perhaps on the -- the cost of  
11  providing some of these services.

12                  I wonder if you can just discuss briefly,  
13  limitations and the data on costs and returns with  
14  respect to the industry and -- and particularly cheque  
15  cashing.

16                  DR. JERRY BUCKLAND:   Okay. Yeah. I  
17  would just like to say that the data on the cost and  
18  returns of the firms engaged in cheque cashing is quite  
19  limited.

20                  I think probably the US, there's more data  
21  available simply because there's more publicly traded  
22  companies who are required to submit annual reports that  
23  include data -- not comprehensive data perhaps, or as  
24  comprehensive as I would like; they are -- there is more  
25  data available in the US.

1                   In -- in Canada we're more limited. So  
2   for instance, we have data from Dollar Financial Group  
3   which is the parent company to Money Mart in the US.

4                   They provide the US Securities and  
5   Exchange Commission annual reports. They're called the  
6   10K Form Report. And that would include some data on  
7   cheque cashing volumes and -- and revenue for the -- for  
8   the company.

9                   We have information on Rentcash because  
10   they are a publicly traded Canadian corporation. We --  
11   as far as I know though, we do not have data on the  
12   particular services that they provide, for instance  
13   cheque cashing.

14                  And we have some other important studies.  
15   For instance the Canadian Payday Lenders Association in  
16   2004 hired Ernst and Young to do a study of the cost of  
17   Payday Loans. And I'll make a comment later on how I  
18   think that's relevant to the cheque cashing industry.  
19   And I'll refer to that study as the Ernst and Young  
20   report.

21                  We also have some data from Chris  
22   Robinson, who's a finance professor at York University  
23   and has completed some research on Payday Lenders.

24                  Firstly, under the auspices of Industry  
25   Canada although that report was not made public. Since



1 then he's written a report for Acorn Canada and that  
2 report is available on -- on the Acorn website.

3 In addition, we have data on the US. I  
4 provided some data on Ace Cash Express, which was through  
5 a report by John Caskey, as well as there is of course  
6 data on Dollar Financial Group as I mentioned for their  
7 overall operations.

8 I wanted to note that Payday Loan data is  
9 relevant to the question of cashing cheques, I believe.  
10 Why? You know, they're two (2) different services why  
11 are they -- why are they relevant?

12 Well firstly, because payday lenders are -  
13 - are also cheque cashers. Many payday loan firms are  
14 also doing cheque cashing. So in my study of the -- the  
15 Winnipeg fringe banks, eleven (11) of the payday loan  
16 companies that I spoke with, ten (10) of them also cashed  
17 cheques.

18 So many of these firms are doing both  
19 cheque cashing and payday loans. A second reason for  
20 using or looking at payday loan data in terms of cheque  
21 cashing is because the types of costs faced by cheque  
22 casher are similar to the types of costs faced by a  
23 payday lender.

24 And so those costs include fixed costs  
25 including staffing, office costs and depreciation costs

1 as well as variable costs such as the cost of capital and  
2 the -- the cost of bad, either loans in the case of  
3 payday loans, or bad cheques in the case of cheque  
4 cashing.

5 MR. BYRON WILLIAMS: Thank you, Dr.  
6 Buckland. What can you tell us about the cost of returns  
7 for the major fringe or alternative service bankers?

8 DR. JERRY BUCKLAND: Okay. Well, just to  
9 run down some of the data that I have. For Dollar  
10 Financial Group, the parent firm of Money Mart, their  
11 revenue for cheque cashing increased from just over 97  
12 million in 2000, to just over 170 million in 2004.

13 This represents a 21 percent increase. If  
14 I can just point out that -- you might be wondering well  
15 is this significant. Well, I think two (2) reasons. One  
16 (1) is that it's showing that cheque cashing is still  
17 growing. It's a -- it's a growing sector for Dollar  
18 Financial Group.

19 And -- and secondly, it's interesting  
20 because there is a -- a rather significant transformation  
21 out of cheques in many countries. I think in Europe  
22 maybe they're quite a bit further along in this  
23 transformation.

24 But cheques seem to be holding  
25 significantly as a way in which some individuals,

1 company's, businesses, governments continue to want to  
2 operate. So cheque cashing seems to continue to be a  
3 significant phenomenon.

4 In Canada, the -- the Money Mart revenues  
5 in total grew from \$55 million in 2000 to \$85 -- sorry,  
6 \$55 million in 2002 to \$85 million in 2004. Money Mart  
7 is an important income generator for its US parent  
8 company.

9 And if I could just ask you to turn to Tab  
10 4 which is a summary of data from the Dollar Financial  
11 Group annual reports which shows the cheque cashing  
12 revenue for Money Mart. In 2002 it was \$30,344,000 and  
13 that rose to \$38,483,000 which represents an \$8 million  
14 increase.

15 So it's a growing market for Money Mart in  
16 -- in Canada. Note, however, that at the same time that  
17 cheque cashing has grown payday lending, which they refer  
18 to as consumer lending, has grown faster. So consumer  
19 lending in 2002 represented \$13,361,000 and that grew to  
20 28,478,000 in 2004. So the -- the consumer lending is --  
21 is growing rapidly as well.

22 MR. BYRON WILLIAMS: Dr. Buckland, I just  
23 want to interrupt you just for the sake of the record.

24 When you mentioned that revenues had grown  
25 from 30 million approximately 2002 to 38 million, would

1     that be by 2004 in terms of cheque cashing; is that  
2     right, sir?

3 DR. JERRY BUCKLAND: Yeah, and in 2004 it  
4 was 38 million.

5 MR. BYRON WILLIAMS: Okay. Please  
6 proceed.

7 DR. JERRY BUCKLAND: Okay. So Rentcash,  
8 I mentioned earlier, is an up and coming -- a very  
9 rapidly growing firm and so in 2001 they had only what  
10 they -- they break their business into brokerage and  
11 rental outlets. Okay? So they have brokerage outlets  
12 which do their payday lending and cheque cashing. In the  
13 last little while they've introduced cheque cashing. Up  
14 until quite recently they didn't do cheque cashing.

15                   So in 2001 they had only a total of eight  
16    (8) of these outlets -- five (5) plus three (3), but by  
17    2005 they have two hundred and seventy-seven (277)  
18    brokerage outlets and eighty-four (84) rental stores. So  
19    this is showing a tremendous growth in outlets.

20                   They, I believe, have merged or acquired  
21   different firms. I -- I can't say definitively but this  
22   has led to a -- a net income -- an annual net income in  
23   2001 of minus fifty-eight thousand (58,000) to a \$7.3  
24   million net income in 2005.

25 So they've experienced some very rapid

1 growth; 83 percent of their revenue has come from what  
2 they call their brokerage which is their payday lending,  
3 cheque cashing and other services.

4 If I could now go back to that payday  
5 loan, the costs of payday loan point that I made earlier  
6 and -- and I -- I was making the case that I think we can  
7 learn about cheque cashing costs by looking at the costs  
8 of payday loans. I wanted to refer to the Ernst & Young  
9 report at this point and it's in the -- the book of  
10 references which was provided to the Board.

11 MR. BYRON WILLIAMS: That would be the  
12 thick book, Mr. Chairman. I'm not sure if Dr. Buckland's  
13 going to refer to it but if you're looking for some late  
14 night reading it's Tab 4 of the thick book, is Ernst &  
15 Young.

16 DR. JERRY BUCKLAND: Okay. So this is a  
17 very interesting study and primarily it's focussed on,  
18 what are the costs of payday loans? They were asked to  
19 look at this by the Canadian Payday Lenders Association  
20 and the -- the main goal here was not to provide data on  
21 profitability, however, they do make reference to  
22 profitability of payday loans although it's -- it --  
23 there's -- they don't give us specific numbers but let me  
24 quote something from the report. They say:

25 "Earning returns on equity that are

1                   comparable in other segments of the  
2                   finance industry."

3                   They're saying that earning returns on  
4 equity on average for the firms that they looked at were  
5 comparable to the finance sector. Now, in that same  
6 report they refer to the finance sector's return on  
7 equity as 18.97 percent and they actually contrast it to  
8 other sectors of the economy and -- and, I mean, I noted  
9 that the finance sector was doing very well as compared  
10 with other sectors.

11                  And they say that seven (7) of the  
12 nineteen (19) firms that provided data for this analysis  
13 were actually in a loss position. In other words, well,  
14 seven (7) of the nineteen (19) were -- were actually  
15 losing money meaning that the remaining firms were --  
16 were earning more than this 19 percent.

17                  So I think that that's some pretty  
18 interesting evidence that there are some -- some  
19 significant profits that are being earned by what Ernst &  
20 Young referred to as payday lenders and what I refer to  
21 as multi-service fringe banks.

22                  And I also wanted to point out that Chris  
23 Robinson I mentioned had done a study for Industry Canada  
24 which was not publicly available, however, the study that  
25 he did for Acorn Canada was publicly available and he

1 notes that in 2005, Money Mart and Rentcash continued to  
2 experience significant growth in -- in that year. So the  
3 -- the profit earnings indicated in 2004 may not be  
4 indicative of what was going on in 2005.

5 MR. BYRON WILLIAMS: Could I stop you  
6 there for just one (1) second, Dr. Buckland? For the  
7 Board's information Dr. Robinson's report for Acorn is in  
8 the thick book as well at Tab 3.

9 And just -- Dr. Buckland, just in terms of  
10 that last statement that you -- you made in terms of Dr.  
11 Robinson, and that the -- the numbers from 2004 are not  
12 necessarily being reflective of 2005. Can you give an  
13 indication directionally of where he thought those  
14 numbers were going?

15 DR. JERRY BUCKLAND: Yeah, he thought  
16 that was happening with the payday loan industry was that  
17 as the -- the major firms were growing and -- and that  
18 means more outlets and higher volume per outlet, that  
19 they were experiencing economies to scale meaning that  
20 their costs per unit of output were going down and one  
21 could speculate -- I can't by any way prove this -- but  
22 one could speculate that that would suggest profits were  
23 -- were going up than in '05.

24 So if I could just say a little bit more  
25 on that economies of scale point because I think it's an

1 important one too for the cheque cashers.

2                   And -- and the economies of scale point is  
3 important because the -- the basic argument here is that  
4 as the business grows, then they are able to distribute  
5 their fixed costs and in the case of the payday lender or  
6 cheque casher that has to do with their staffing costs,  
7 their retail space costs, their depreciation costs.

8                   They can distribute those fixed costs over  
9 a higher volume and so the, you know, the classic example  
10 I guess would be a big box grocery store like Superstore.  
11 They're able to provide goods at a lower price as  
12 compared to the corner grocery store because they -- they  
13 deal in such huge volumes and their staff costs and  
14 retail operation costs are distributed over a much higher  
15 volume.

16                   And Robinson argues that this is -- this  
17 is the situation with -- with payday lenders and I think  
18 there is some evidence that that's the case with cheque  
19 cashers or with cheque cashing as well. The other  
20 phenomenon to think about is economies of scope and this  
21 is where a firm -- it hasn't -- it doesn't have to do  
22 with increasing the volume, it has to do with increasing  
23 the provision of different types of related services and  
24 again in so doing the firm's fixed costs are distributed  
25 over a wider variety of services lowering them and



1 leading to economies of scale.

2 I mean an example here that I was thinking  
3 of is like the Shopper's Drug Mart example where you get  
4 a drugstore that's core business has to do with selling -  
5 - selling drugs and then they add on groceries and  
6 greeting cards and -- and a variety of other kind of  
7 related things and what that economies of scope could do  
8 is -- is reduce the -- the fixed -- or distribute the  
9 fixed costs over a broader number of services.

10 And I think maybe this is something to  
11 think about with the -- the multi-service fringe banks  
12 that I think because they're diversifying and getting  
13 into a variety of services including cheque cashing,  
14 payday loans, bill payment, money orders, money  
15 transfers, debit cards, that there is the scope here for  
16 both economies of scale and -- and scope to be affecting  
17 this situation.

18 MR. BYRON WILLIAMS: Thank you, Dr.  
19 Buckland. What can you tell us about the cost returns  
20 for cheque cashing?

21 DR. JERRY BUCKLAND: Okay. Well, so once  
22 again the data's limited. So what I've done is I've  
23 provided the -- the limited data that I could. One (1)  
24 piece is from Ace Cash Express which I'd like to ask you  
25 if it's possible to turn to Tab 5 in the -- the handout

1    there.

2                   This is a -- a summary of revenue and  
3    costs that John Caskey put together for a report looking  
4    at the feasibility of credit unions getting into cheque  
5    cashing and I want to -- before I say anything I want to  
6    say that this is a revision to the table that I had in  
7    the original report and it's revised because I had not  
8    included the costs or -- I'm sorry, John Caskey had not  
9    included the costs of capital.

10                  I e-mailed him since I finished or -- I --  
11    I e-mailed him before the report was put out, didn't hear  
12    from him until after the report was put out, and he  
13    confirmed with me that he had not included the cost of  
14    capital. I have done so now and you can see it under the  
15    costs. It's two (2), four (4), six (6), seven (7) items  
16    down under the costs. You see, "Cost of capital, eight-  
17    six fifty-four (86.54)."

18                  So that's my added estimate to the cost of  
19    capital. So I apologize that in the original table that  
20    was not included.

21                  So this data is just to demonstrate as  
22    John Caskey did that a -- what he calls a mature cheque  
23    cashing outlet is a pretty profitable operation.

24                  Now, this data is interesting because this  
25    is before Ace got into payday loans. Now they're -- they

1 are also into payday loans so looking at their data now,  
 2 and it might be more difficult to sort of understand the  
 3 -- the profitability of cheque cashing but here you see a  
 4 mature outlet of Ace will -- will receive about a hundred  
 5 and sixty thousand (160,000) in revenue, face about a  
 6 hundred and eighteen thousand dollars (\$118,000) in  
 7 costs, and look at -- earn about forty-one thousand  
 8 dollars (\$41,000) of net revenue; that excludes corporate  
 9 overhead but this I think is evidence that a mature  
 10 cheque cashing outlet can be reasonably profitable.

11 MR. BYRON WILLIAMS: Thank you, Dr.  
 12 Buckland. You -- you did mention data constraints. I  
 13 wonder if you have any comment on the data available in  
 14 Canada versus the data available in the United States?

15 DR. JERRY BUCKLAND: Like Canada, the --  
 16 the regulation of the cheque cashers and payday lenders  
 17 is a -- is not a federal responsibility; it's a state  
 18 responsibility. So I understand in the US it's -- it's  
 19 quite a patchwork of different types of regulation state  
 20 by state.

21 Some states, however, do have -- do  
 22 regulate their -- the cheque cashing and payday loan  
 23 industries and this would include in some cases the  
 24 provision of data to the regulator on their operations.

25 So the total value of cheques cashed, the

1 costs, the average cheque size, and that data would be in  
2 some cases made available publicly so I know I've seen  
3 many studies in the US where they've used data from  
4 different states to analyse who is using these  
5 businesses, how are they using them, what are the -- the  
6 benefits to the consumer and -- and that kind of thing,  
7 but we don't -- we don't have that presently.

8 MR. BYRON WILLIAMS: Just -- can you give  
9 -- do any of the States come to mind in terms of which  
10 ones require additional data?

11 DR. JERRY BUCKLAND: Which --

12 MR. BYRON WILLIAMS: If not, that's fine.

13 DR. JERRY BUCKLAND: Yeah. I -- I  
14 couldn't speak to that right now.

15 MR. BYRON WILLIAMS: Okay. Perhaps you  
16 could go on with your discussion on what if any  
17 comparable Canadian data you were able to identify.

18 DR. JERRY BUCKLAND: Yeah. Okay. So  
19 what I want to do is summarize some of the figures that I  
20 was able to find that I hope cast some light on this  
21 question.

22 So to -- to sort of summarize, first of  
23 all we have some -- some basic data from Money Mart and  
24 Rentcash through the Money Mart, through Dollar Financial  
25 Group, and Rentcash through their annual reports. We

1 know that on average they charge just under 3 percent on  
2 the cheque's face value plus two and a quarter (2 1/4))  
3 and we know that they're experiencing growth in their  
4 overall operations. This includes growth in the volume  
5 of cheque cashing from Money Mart through 2004 -- 2004.

6 Money Mart claims that it does not  
7 separate out costs for different services it provides and  
8 so it cannot say whether cheque cashing is profitable for  
9 them on its own.

10 Having said that I can't see a rationale,  
11 like being an economist I can't see a rationale for an  
12 operator providing a service that is not profitable. So  
13 it seems to me the evidence is that cheque cashing is --  
14 is profitable.

15 North West we have some information on it.  
16 From its submission to this hearing we know that North  
17 West was earning a fair return on its cheque cashing  
18 service in 2002 and was charging the higher of 1 percent  
19 or three dollars (\$3.00). North West clearly indicates  
20 that it separates out the cost for cheque cashing  
21 services but we do not know what method it uses.

22 Thirdly, we have information -- limited  
23 information -- on banks and informal cheque cashing  
24 services. We know that some banks charge a -- a five  
25 dollar (\$5.00) fixed rate for non-Federal Government

1   cheques. We also know that banks charge nothing to cash  
2   Federal Government cheques. And I also have some limited  
3   data that there are some informal service providers that  
4   charge anywhere from zero to two dollars (\$2).

5                   So there is quite a range of -- of prices  
6   that are being charged by cheque cashers in -- in  
7   Winnipeg.

8                   MR. BYRON WILLIAMS: I wonder if you  
9   could help me to understand why there is a range or gap  
10  between the cheque cashing fees charged by Winnipeg  
11  fringe bankers on the one hand and firms such as North  
12  West, the traditional banks as well as informal retailers  
13  on the other?

14                  DR. JERRY BUCKLAND: Yeah. I think -- I  
15  mean that's the question that I've really been trying to  
16  understand and I don't think we really -- or I don't have  
17  the answer to it. We don't have the data available.

18                  I'm wondering if part of the explanation  
19  there is -- has to do with economies of scope, that North  
20  West because of its maybe grounding in more of a retail  
21  type of business is somehow able to take advantage of the  
22  economies of scope that Money Mart is not able to take  
23  advantage of; that's possible.

24                  We also know that North West faces some  
25  different kinds of costs; for instance, the -- the extra

1 fuel costs and the -- the waiting time costs. I mean  
2 that's something that North West mentioned in their  
3 response to the -- the Intervenor questions that they  
4 commented on this long wait period for time when the  
5 cheques would be sent south and -- and then the cash  
6 would be deposited in their account; that seems like a  
7 pretty significant cost.

8                   So I -- I think I have to say that I -- I  
9 have a lot of questions about cheque cashing that I can't  
10 really answer simply because the data's not available and  
11 so I -- I empathize with your responsibility here to try  
12 and figure these -- these costs out.

13                   Just as kind of a side note I -- I did  
14 want to mention that cheque cashing fixed costs may be  
15 lower than those for payday loans in that staff time  
16 needed to process the payday -- the cheque cashing was --  
17 is likely shorter than for the payday loan. It I believe  
18 will take longer for a staff person to process the payday  
19 loan, have to go through the client's bank statement,  
20 payroll stub and the personal ID, whereas with the cheque  
21 cashing, it's simply going through looking at the cheque  
22 and checking maybe the source of the cheque.

23                   So, I think that the costs for the cheque  
24 cashing are probably lower and I believe that was  
25 confirmed by one of the -- I think it was confirmed by

1 Money Mart in their response to -- to some questions.

2 MR. BYRON WILLIAMS: What, if anything,  
3 can you tell us about the particular costs of cashing a  
4 government cheque?

5 DR. JERRY BUCKLAND: Okay, well, we know  
6 that the fixed costs and one of the variable costs, that  
7 is, the cost of capital would presumably be similar for  
8 all types of cheques cashed. Although the teller may  
9 need to spend more time on a payroll cheque or a first-  
10 party cheque than a government cheque. Although, again,  
11 I've heard some conflicting points on that one (1).

12 In their response to questions from the  
13 Intervenor, Money Mart argued that the costs to cheque  
14 cashing were similar but lower to the costs of payday  
15 lending which I just -- I just said.

16 In its submission to this Hearing, North  
17 West stated and I quote:

18 "That there is little risk of  
19 government cheques not being honoured."

20 But then they go on:

21 "While this is generally true, North  
22 West has default issues."

23 And a little bit later in that paragraph  
24 they say:

25 "Although this is not a regular



1                   occurrence, it is one (1) factor that  
2                   North West wishes to bring to the  
3                   attention of the PUB."

4                   So, I guess I'm left with a general  
5                   impression that the risk isn't high but it's not zero  
6                   (0); that's the impression I have but, again, I don't  
7                   have data.

8                   In Money Mart's report they claim that  
9                   they face special risks for government cheques as  
10                  government officials refuse to confirm the cheque  
11                  holder's identity when cashing it. However, Money Mart  
12                  claimed that it was unable to collect on only thirteen  
13                  thousand dollars (\$13,000) of government cheques, which I  
14                  want to talk about in a minute.

15                  Money Mart also claims that fringe banks  
16                  are more vulnerable to risk than banks for government  
17                  cheques. On that point, the -- the research in the PUB  
18                  document I found was interesting because it suggested  
19                  that banks do face similar bank cheque costs for non-  
20                  Federal government cheques. And this was confirmed in an  
21                  interview I had with a key informant that credit unions  
22                  and banks is -- in some of the cases will be responsible  
23                  for cheques that were fraudulently cashed.

24                  The major difference between costs of  
25                  cashing a government versus a non-government cheque is

1 the risk; short of economic collapse, government cheques  
2 submitted for payment by cheque cashers will be honoured,  
3 as far as I know. Maybe I need to learn more about that.

4 Payroll cheques and first-party cheques,  
5 cheques to oneself are riskier because there is more  
6 chance that these smaller firms and individuals have  
7 insufficient funds to honour the cheque.

8 I also noted with interest the -- in the  
9 PUB document that potentially government is better  
10 positioned to protect from counterfeiting of its cheques.  
11 And again, it's just a question maybe for the Board to  
12 consider. Are government cheques less liable to  
13 counterfeiting and, therefore, less risky for the cheque  
14 casher.

15 Well, the data that I was able to find  
16 suggests that the -- the range for bad cheque costs range  
17 from .188 percent to .2 percent - I've got two (2)  
18 sources for that - the .188 percent is from the Dollar  
19 Financial Group and a report looking at their actual  
20 costs for bad cheques. The .2 percent is -- .2 percent  
21 of the face value of cheques is something from John  
22 Caskey's work.

23 In its submission to the Hearing, Money  
24 Mart stated that it had been unable to collect on  
25 thirteen thousand dollars (\$13,000) worth of government

1   cheques in Manitoba. What was unclear was what period  
2   this applied to. Was it applied to two (2) years or one  
3   (1) year.

4                   Now, just as an exercise I thought, well,  
5   what if it applied to two (2) years, meaning, roughly  
6   one-half of it would apply to one (1) year - that's  
7   sixty-five hundred dollars (\$6,500). They cashed \$18.4  
8   million worth of cheques in '04/'05, so, this would  
9   represent .035 percent of the cheques face value.

10                  Now, again, this is an exercise. I don't  
11   know if that thirteen thousand (13,000) related to one  
12   (1) or two (2) years, but if it was two (2) years it  
13   would be roughly .7 percent.

14                  But at .035 percent this is a small  
15   fraction of the bad cheque costs that Caskey and Dollar  
16   Financial Group suggest.

17                  One question I have for cheque cashers is:  
18   Why are cheque-cashing fees the same for all types of  
19   cheques? I -- I've wondered about this. If -- if the  
20   costs are to -- to the cheque casher are lower for  
21   government cheques then why isn't that reflected in the  
22   price?

23                  The answer to this question is not clear.  
24   One factor might be that using several fee formulas might  
25   require more staff training and greater costs. So, like,

1 and sort of a unified fee is just more efficient for the  
2 firm, but has it led to a situation where cheque cashers  
3 earn more profits on certain types of cheques. For  
4 instance, are they earning higher profits on government  
5 cheques as compared to non-government cheques? I don't  
6 know this, but it would be interesting to -- to find that  
7 out.

8 MR. BYRON WILLIAMS: Mr. Chairman, I --  
9 I'm -- there is -- I anticipate there's probably going to  
10 be another thirty to forty-five minutes of Dr. Buckland's  
11 testimony. You'll give me the nod if you need a break  
12 and --

13 THE CHAIRPERSON: Okay.  
14

15 CONTINUED BY MR. BYRON WILLIAMS:

16 MR. BYRON WILLIAMS: Not receiving any  
17 nods, I'm -- Dr. Buckland, just given the relatively high  
18 fee for cheque cashing that is offered by these  
19 alternative or fringe banking services, why would people  
20 use them to cash their cheques?

21 DR. JERRY BUCKLAND: Well, the -- the  
22 best way I think to explain that is to use the concept of  
23 financial exclusion and by that I mean people who are  
24 largely dependent on non main-stream banks for their  
25 financial services, usually fringe banks and informal

1 financial providers, and the estimates suggest that 3 to  
2 5 percent of Canadian adults fall into this category and  
3 between 8 to 15 percent of low income earners.

4 I should be clear that the -- the McKay  
5 Report, which is sort of the benchmark has suggested the  
6 lower two figures, the 3 percent and the -- the 15,  
7 sorry, the 3 percent of adult Canadians and the 8 percent  
8 of low-income Canadians.

9 Some research I did with a colleague, we  
10 came with a slightly higher rate, based on the fact that  
11 the methodology used in the McKay Report was, we thought,  
12 somewhat under-representing low-income communities.

13 Evidence from numerous studies finds that  
14 financial exclusion hits low -- low-income households the  
15 most and financial exclusion involves being -- being  
16 unbanked and relying on fringe banks. Cheque cashing is  
17 a particularly important financial service for many low-  
18 income people.

19 Probably the -- the most recent study I've  
20 seen that links the use of cheque cashing with lower  
21 income is the one that was done by Financial Consumer  
22 Agency of Canada in 2005. That study found that cheque  
23 cashing services were -- were more commonly used by  
24 lower-income Canadians.

25 There's -- there's sort of a long-standing

1 debate in economics and probably other academic fields as  
2 well, about the rationality of people. And when you come  
3 up against the phenomena of the popularity of payday  
4 loans it really kind of brings this -- this question out  
5 very powerfully: Why do people use payday loans?

6                   They seem to be so expensive and they can  
7 get people into a difficult sort of -- of poverty trap.  
8 Similarly people have made that criticism about cheque  
9 cashing. Why go to a cheque casher? Why not save a  
10 little money, put in your deposit account, use that for  
11 that three to seven day hold period, you know, to -- to  
12 pay your -- for your needs during that time.

13                   Well, there's different groups on this  
14 rationality question. One group argues that -- that --  
15 that low-income people are irrational and -- and that  
16 they're making bad decisions and that the use of the  
17 cheque cashing and payday lending, et cetera, are  
18 evidence of bad decisions and in -- in a sense, that's  
19 why they're poor.

20                   I strongly disagree with that perspective,  
21 I would call that sort of a "blame the victim" approach,  
22 but nevertheless it's -- it's one (1) approach that's  
23 been presented.

24                   Another approach argues that cheque  
25 cashing, payday lending, et cetera, are a market solution

1 to a -- an economic problem. I think it's more complex  
2 than that as well.

3 I believe that low-income people like non-  
4 low-income people, like all people, are rational but they  
5 face limitations in terms of the time they can spend on  
6 decision making, gathering information on travelling to  
7 do their various services. In some cases low income  
8 people may have greater constraints there

9 Take for -- for instance cheque cashing.  
10 I've said a couple times that you might think of it as a  
11 short term loan. And so some would say that -- going  
12 back to my point about irrationality, the consumer should  
13 save that money for that three (3) to seven (7) day hold  
14 period and deposit the cheque in a bank account and then  
15 they'd have lower fees.

16 But if they do that, then they forego that  
17 small but significant amount of income for those three  
18 (3) to five (5) days. Moreover, and this is where that  
19 rationality question comes in, low income people face a  
20 number of constraints in using mainstream banks.  
21 Mainstream banks do not in my opinion, design services  
22 for low income people. They're not primarily concerned  
23 with low income people.

24 It's very difficult for low income people  
25 to have in some cases, the correct identification,

1 personal identification to -- to use the mainstream bank  
2 whereas fringe banks that might be easier.

3                   So there's a variety of obstacles that --  
4 that get in the way of using mainstream banks and so my  
5 argument is that I think low income people like everyone  
6 else are rational but they face specific obstacles.

7                   MR. BYRON WILLIAMS: Just in terms of --  
8 we'll move on in one (1) second, Dr. Buckland, but in  
9 terms of your -- your conclusions in this area, what is  
10 the source of your information?

11                   Is this merely impressionistic or is there  
12 -- has there been any study that you've read.

13                   DR. JERRY BUCKLAND: Okay. Yeah. Thank  
14 you. The research that I was involved in in Winnipeg's  
15 north end and that I'm currently involved in in three (3)  
16 cities -- well, the latest one is just getting started.  
17 But the one I did in -- in Winnipeg's north end was where  
18 we formed these results.

19                   Now you might say, well, that's just the  
20 north end of Winnipeg and -- and I think that that's an  
21 important point. However, there's additional research  
22 that's come out on some of these points.

23                   And -- and I'll talk about some of that a  
24 little bit later in terms of -- for instance, obstacles  
25 to getting to mainstream banks. I think that there is





1 volume of spending, their volume of savings is very  
2 small. Banks largely aren't interested in small amounts  
3 of -- of cheques and small amounts of savings; that's not  
4 where their services are -- are targeting.

5 Low income people have minimal credit  
6 needs. I think that they're not met very effectively in  
7 the mainstream financial sector. Minimal credit needs  
8 are twenty (20) to a hundred dollars (\$100) maybe for a  
9 two (2) week period; that kind of credit is not available  
10 in the mainstream sector. So people generally would --  
11 would rely on a friend or a family member.

12 Other ob -- or other things that low  
13 income people face are low mobility so less likely to  
14 have a car, more dependent on public transportation.  
15 These things are constraints and you might say, well,  
16 that's not really a very significant one, but, if you are  
17 a single person with two (2) kids and you've got to get  
18 some cash, to get on the bus and go to the branch -- the  
19 bank branch nearby that's -- that's a pretty significant  
20 barrier, I think.

21 Also information technologies. Banks that  
22 made a real effort to introduce information technologies  
23 to their -- for their customers: ATM's, of course we've  
24 got one of the densest networks of ATM's in the world;  
25 telephone banking; internet banking; these are very

1    useful for people with -- with telephones and computers  
2    and Internet connection, but, if you don't have those,  
3    then you're excluded essentially. So, these are some of  
4    the personal or demand-side obstacles I see that low-  
5    income people face.

6                   On the supply side, the mainstream banks  
7    are primarily locating their branches in areas where  
8    there's greater profit and I think that this -- one (1)  
9    of the pieces of evidence here is that bank branches have  
10   been disproportionately shutting down in lower income --  
11   lower income neighbourhoods which I'll talk about in a  
12   minute for -- for the case of Winnipeg at least.

13                   And so, that's one (1) kind of structural  
14   barrier. If the bank branches are shutting down, then  
15   it's going to be more difficult to -- to get to them.  
16   On the other hand, fringe banks have been very  
17   significantly opening up outlets in inner city locations  
18   and -- and, again, I have some data for -- for Winnipeg  
19   on that in just a minute.

20                   Also, I should -- I just wanted to mention  
21   that fringe banks offer what I've termed, and I don't  
22   know if this is useful, but I've termed them "transaction  
23   services." Those are services that help you to transact  
24   a cheque into cash or cash into a money order or cash  
25   into a bill payment, a very simple transaction; that's

1 essentially the kinds of services they provide. They  
2 don't provide what I would call "developmental services,"  
3 financial developmental services. They don't provide  
4 savings, credit building types of services. They don't  
5 give you that -- well, that's not the kind of service  
6 they provide.

7                   And so, another kind of structural  
8 obstacle for financially excluded people is that relying  
9 on fringe banks means it's more difficult to get into the  
10 mainstream banking because you can't build that credit  
11 rating, you can't build a savings. And so, there is a --  
12 I would say, a disjunct or a disconnect between the two  
13 (2) systems.

14                   Okay, there is evidence that at least in  
15 Vancouver, Toronto and Winnipeg, as well as several US  
16 cities that inner-cities receive a disproportionately  
17 large share of fringe banks. So, if I could ask you to  
18 turn to table -- or Tab 7 in the handout, Tab 7, which  
19 gives a graph of the number of mainstream banks, credit  
20 unions and fringe banks in Winnipeg's north end from 1980  
21 to 2003.

22                   I find this a pretty interesting graph  
23 because what it's pointing out is that -- well, in 1980  
24 there were twenty (20) banks and credit union branches in  
25 the north end. By the way, by "north end" I mean from

1 the CPR tracks to Carruthers and from McPhillips to the  
2 Red River.

3 In 2003 when we completed our study there  
4 were just five (5) banks. On the other hand, in 1980  
5 there was only one (1) fringe bank that we were able to  
6 identify and that was a pawn shop. By 2003 there were  
7 nineteen (19). And so it seems to me that this is  
8 suggestive of a certain amount of qualitative change  
9 that's taken place in terms of financial service  
10 provision in the north end.

11 For Winnipeg, we -- in a study I was  
12 involved in -- we sorted data by neighbourhood cluster  
13 and I wondered if I could ask you to turn to Tab 6. This  
14 is data on fringe bank outlet numbers, bank branch  
15 closure numbers and then some socio-economic data by  
16 neighbourhood cluster.

17 And what this is suggestive of, once  
18 again, is that the majority of fringe banks are  
19 disproportionately represented in inner city  
20 neighbourhoods and the bank branch closures are  
21 disproportionately happening in inner city  
22 neighbourhoods.

23 So for instance, if I could take a couple  
24 of examples, Point Douglas South which is part of the  
25 north end, you can see that and I apologize for the tiny

1 font there. Point Douglas South, the average household  
2 income was twenty-five thousand (25,000) and the  
3 incidents of low income households was fifty-eight point  
4 four (58.4). I should add that this data is from the  
5 2001 census.

6 Now, if you look under the number of  
7 payday lenders we -- we found two (2) payday lenders in  
8 that neighbourhood and eight (8) pawnshops meaning that  
9 there were ten (10) fringe banks in total. What we did  
10 was, in order to compare different neighbourhood  
11 clusters, we just took a fringe bank per hundred thousand  
12 (100,000) population. Of course there's only eleven  
13 thousand (11,000) people but we multiplied that to get  
14 the per hundred thousand (100,000).

15 And so we found that that neighbourhood  
16 had the highest density of fringe banks in -- in  
17 Winnipeg, eighty-eight point one (88.1) and there was one  
18 (1) branch closure and that meant that the density of  
19 branch closures in the neighbourhood was eight point  
20 eight (8.8).

21 And -- and I'll speak to this in a -- in a  
22 minute a little bit more but if you just go down then to  
23 Assiniboine South which is the -- the second to last row,  
24 Assiniboine South is a -- quite a wealthy neighbourhood  
25 cluster with an average income of eighty-seven thousand

1 four hundred and forty-five (87,445) and a very low  
2 incidence of poverty, 9.7 percent.

3 And you see there there were no fringe  
4 banks and there was one (1) branch closure, but if I  
5 could summarize the data a little bit differently I'd  
6 like to say that the -- the top six (6) clusters, the --  
7 the clusters with the highest density of fringe banking  
8 all had average incomes below the city average and the  
9 incidents of low income houses above the city average.

10 Similarly, the top six (6) clusters for  
11 per capita branch closures encompass 62 percent of all  
12 branch closures. All but one (1) of these clusters has  
13 lower than average income and higher than average  
14 incidents of low income. The lowest income  
15 neighbourhoods have the highest per capita fringe bank  
16 outlets and mainstream bank branch closures.

17 And there's an interesting study that does  
18 something similar for eight (8) US cities and they  
19 conclude that the -- in these eight (8) US cities they  
20 found higher per capita levels of fringe banks and lower  
21 per capita levels of mainstream banks in ethnic minority  
22 and/or poor neighbourhoods as compared with non-poor  
23 areas.

24 So there is -- there's evidence from some  
25 other places as well.

1                   So just to -- to kind of push this point a  
2 little bit further, if we consider the low wage of  
3 unemployed single parent she or he has little need for  
4 development -- developmental financial services, the  
5 savings, the -- the mortgage, the RRSP, the credit  
6 building. Those needs are -- are minimal.

7                   That person may or may not have a car,  
8 computer, internet connection, and telephone. She or he  
9 may live in the inner city or not but may face extended  
10 travel to get to a bank because of recent bank closures.

11                  It's easier and more economical for this  
12 family to cash cheques at a cheque casher even though the  
13 direct fee is -- is higher.

14                  MR. BYRON WILLIAMS: Thank you, Dr.  
15 Buckland. I heard a sigh of weariness and hopefully the  
16 Board's not sharing those -- those sighs. I find it very  
17 interesting.

18                  You've made the case that -- that there is  
19 -- that to a certain degree anyways that fringe banking  
20 or alternate financial services are fulfilling a -- a  
21 need within the market. Why not just leave it to the  
22 market to set cheque cashing rates within Manitoba?

23                  DR. JERRY BUCKLAND: Okay. Yeah. That's  
24 a very good question and I'd like to start off by  
25 explaining from an economic theoretical perspective how



1 the -- the regulation of the market might be understood.  
2 So this is -- this is one (1) perspective coming from  
3 economics.

4 In economics right now it is strongly  
5 influenced by neo-classical economics. The neo-classical  
6 economic school can demonstrate based on certain  
7 assumptions that a perfectly competitive market is the  
8 most efficient and effective way to -- to meet consumer  
9 and producer interests.

10 And there's a number of assumptions that  
11 need to hold for that to be the case. One of those being  
12 that the good in question is what's called a private  
13 good. It's not a public good so it's not like water or  
14 forests, but it's a private good. And that the market is  
15 perfectly competitive.

16 In a nutshell, if this stands then in the  
17 long run the -- the firms will receive a normal profit.  
18 By normal in economics we mean a profit that covers all  
19 their costs including the cost of capital and that this  
20 equilibrium price is -- is equivalent or -- or similar to  
21 the just and reasonable rate that's found in a regulation  
22 literature.

23 Now, I'm not an expert on the just and  
24 reasonable rate concept but it seems to me what I've read  
25 is that it's getting at this similar kind of idea that

1 it's providing the consumer and the producer with -- with  
2 -- it's covering their interests in both cases.

3 Competitive markets also ensure that  
4 consumers' interests are maximized by leading to an  
5 equilibrium price that generates what economists call  
6 consumer surplus.

7 What consumer surplus is, is the fact that  
8 many consumers are willing to pay more for that product  
9 than is established in a unified price by a unified price  
10 market. So there will be many consumers in a market  
11 where there's one (1) price who would be willing to pay  
12 more.

13 The difference between what they're  
14 willing to pay and the equilibrium price is called  
15 consumer surplus, like if you sum it up for all those  
16 consumers.

17 Conversely there's an idea of producer  
18 surplus where in a unified price market you have a price  
19 -- one (1) price for a good but you have a number of  
20 producers who would be willing to provide that good or  
21 service at a price lower than the equilibrium price.

22 And the sum of all those producers who are  
23 -- would be willing to provide the service at a lower  
24 price than what the equilibrium rate is, is what's called  
25 producer surplus. And in a -- in a competitive market,

1 equilibrium -- long run equilibrium will lead to this  
2 automatically.

3                   There's this automatic sort of  
4 maximization of consumer and -- and producer interests  
5 and there's no need for government regulation in this  
6 case, that the market forces will -- will operate -- all  
7 the government needs to do is enforce property rights.

8                   But markets are not always perfectly  
9 competitive. And in that case there's a rationale for  
10 greater government intervention. Even if markets are  
11 competitive, I believe there's a rationale for government  
12 intervention in certain cases and I want to leave that  
13 point for a minute and go to the first point about  
14 noncompetitive or imperfectly competitive markets.

15                   And I think there's two (2) types of  
16 imperfectly competitive markets that might be of interest  
17 to this situation.

18                   The first one is known as an oligopoly.  
19 An oligopoly is a market that has a small number of very  
20 large firms that dominate the sector. An oligopoly is an  
21 imperfectly competitive firm because it has the capacity  
22 to influence the outcome of the market.

23                   It's different than a perfectly  
24 competitive market. Think of the market for wheat in  
25 Canada. Any one (1) particular farmer has virtually no

1 capacity to determine the price of selling their wheat  
2 for.

3                   So my father-in-law, who farms in  
4 Killarney, decided that he wanted to, you know, instead  
5 of charge the going rate for, say, his oats as opposed --  
6 he wanted to charge more than the going rate, nobody  
7 would buy it.

8                   And he's a price taker. He's operating in  
9 a perfectly competitive or as close as we get to a  
10 perfectly competitive market. On the other hand an  
11 oligopoly is a situation where a big firm or a series of  
12 firms are able or may be able and I -- I want to accent  
13 'may', may be able to influence the outcome in that  
14 market.

15                   And what they try to do is essentially  
16 increase their profit and they do it in a variety of  
17 ways. One of the most important ways is to erect  
18 barriers to enter. They want to erect barriers to stop  
19 other firms from coming into the market.

20                   And there's a series of ways in which they  
21 might do this. Barriers to entry could include things  
22 like advertising, predatory pricing, et cetera.

23                   A second kind of imperfectly competitive  
24 market is a spacial or local monopoly and spacial or  
25 local monopoly is similar to a monopoly except its

1 restricted in space. In a sense, all monopolies are  
2 restricted in space. The only monopoly I know of that's  
3 not restricted in space I think is De Beers Diamonds  
4 which is a company that has a virtual, you know,  
5 universal monopoly on diamonds.

6                   Virtually every other monopoly is  
7 restricted in -- in a particular, say, province because  
8 of their -- where they operate.

9                   But usually a spacial or local monopoly  
10 refers to an outlet operating in a small community and  
11 so, there could be a case where a monopolistic outcome is  
12 possible in an inner city neighbourhood where there are  
13 few banks or fringe banks, but I think it's even more  
14 likely in a remote rural or northern situation where  
15 there are no -- no competitors.

16                   And in this case, the monopolist, at least  
17 if it behaves like the economics textbooks suggest, the  
18 monopolist will seek to restrict output, raise prices and  
19 increase their profit.

20                   So, one (1) question that I asked myself  
21 is, okay, is there evidence in the market for cheque  
22 cashing and fringe -- multi-service fringe banking, is  
23 there -- is there evidence of imperfect competition  
24 there. And, you know, I think that this is a hard one  
25 but some of the factors that might be looked at in terms

1 of imperfect competition include market concentration.

2 As I mentioned, twenty-eight (28) of the  
3 forty-four (44) outlets doing cheque cashing among the  
4 Yellow Page listed fringe banks, 64 percent of them are  
5 controlled by two (2) firms. So, market concentration is  
6 -- is a concern.

7 Differential fees are common, not as  
8 common with cheque cashing as we -- sorry, not -- the  
9 fees aren't as broad a range with cheque cashing as  
10 payday loans. So, the range I was saying earlier for  
11 payday loans went from 260 percent APR to 998 percent.

12 For cheque cashing the -- the fees went  
13 from 3 percent up to 2.99 percent plus \$2.99. The range  
14 isn't as great with cheque cashing. However, there is a  
15 range and the perfectly competitive market would have one  
16 (1) price and all the firms would be price takers. So,  
17 this is something that should be -- should be considered.

18 Brand proliferation is another activity  
19 that an oligopolist will pursue. Brand proliferation is  
20 where the company will develop a series of similar type  
21 goods or services in order to, essentially, raise  
22 barriers for competitors to enter because to enter then  
23 any other competitor would have to compete in all those  
24 different services.

25 Now, is there evidence of brand

1 proliferation in the multi-service fringe banks? I'm not  
 2 sure. I do see that the multi-service fringe banks are  
 3 involved in a number of financial services. Now, whether  
 4 that's brand proliferation or whether that's building on  
 5 economies of scope, I'm not certain.

6 Finally a barrier to -- or another  
 7 oligopolist strategy is advertising and, of course, we  
 8 know in Canada we face a lot of advertising. So,  
 9 clearly, there's a lot of oligopolists active in Canada.

10 Advertising can be a barrier to entry  
 11 because what it means is that a firm trying to enter the  
 12 industry needs to invest in a certain amount of  
 13 advertising to become a competitor. And as far as I  
 14 know, Money Mart is the -- well, it's the only one (1)  
 15 that I know of that engages in advertising but I'm not  
 16 certain if others do as well.

17 So, if I could --

18 MR. BYRON WILLIAMS: Could I stop you  
 19 there for just one (1) minute, Dr. Buckland. You talked  
 20 about a number of factors. I wonder -- I can't recall  
 21 hearing you talk about information or imperfect  
 22 information so, perhaps, if you have any thoughts on that  
 23 perhaps you could share them.

24 DR. JERRY BUCKLAND: Yes, thank you very  
 25 much. Now, another -- another problem with a market

1 situation is when consumers are -- are uninformed about  
2 the product. So, if the product is -- the quality of the  
3 product, if that information isn't available to the  
4 consumer or if the pricing of the product is not  
5 available or difficult to access then that would suggest  
6 that there's some asymmetrical relationship.

7                   The producer knows more about the product  
8 than the consumer and that could suggest some -- not  
9 necessarily oligopolistic behaviour but certainly some  
10 behaviour that's anti-competitive.

11                   And the situation with the -- with the  
12 fringe banks, I think this is again more problematic with  
13 payday loans where, in our study in 2002/2003 we could --  
14 we had difficulty just getting the data on the fees that  
15 were charged.

16                   In the research I did in November when I -  
17 - when I was looking at different cheque cashers, that  
18 data was -- was readily available in -- in a phone  
19 conversation or -- or on the websites.

20                   Having said that, I do think that it would  
21 be very useful if cheque cashers would provide a simple  
22 one number figure for what the price of their service is.  
23 So in other words, because it often includes a variable  
24 and fixed fee, it -- it does make it a little bit more  
25 difficult to compare to shop around.



1                   So if cheque cashers would provide a clear  
2   indication of the -- the total fee cost for maybe some  
3   standard cheque sizes, you know, a hundred (100), five  
4   hundred (500), one thousand (1,000), that would allow for  
5   maybe more -- more symmetrical kind of information.

6                   If I could go back now to the -- the point  
7   I made about the situation where sometimes even  
8   competitive markets can -- can actually not necessarily  
9   be in the interest of all consumers.

10                  And so my point here is that it's possible  
11   for competitive mar -- competitive markets to -- to not  
12   always achieve every consumer's interests. This is  
13   because the theory that underlies neo-classical economics  
14   does not address issues of income distribution or  
15   distributions of wealth and power.

16                  There may be an equilibrium in a  
17   competitive market but because of poverty some people may  
18   not be able to participate in the market. Now if I can  
19   use an extreme example here to -- to highlight this  
20   point.

21                  And that's the example of analysis done by  
22   Amartya Sen on famines. So this is an extreme example  
23   but it kind of highlights this phenomenon.

24                  In a famine there's a group of people who  
25   experience a dramatic drop in their income or

1 entitlement, such that they can no longer buy food on the  
2 market. And so for instance in the -- the great Bengal  
3 famine in 1943, food markets were operating fine.

4                   Supply of food was as high as it had been  
5 the previous year. But because of flooding, many  
6 landless labourers and -- and rural workers lost their  
7 source of livelihood, lost their income so they could no  
8 longer enter into the market.

9                   So the market was operating fine. It was  
10 operating in a competitive fashion, but people  
11 significantly lost their -- their income and entitlement.  
12 And it led to a situation of 5 million people dying.

13                   Now, I'm not suggesting this applies to  
14 the fringe banking sector but my argument is that we need  
15 to also look at the -- the income distribution that  
16 underlies the -- the Canadian society that then shapes  
17 the financial system.

18                   And there is some evidence that income  
19 inequality in Canada has risen in some ways in the last  
20 ten (10) years. And this is more pronounced in the US.  
21 We all hear about the demise of the middle class in the  
22 US.

23                   And the -- the rise of fringe banks in  
24 Canada could possibly be a visible sign that banks are  
25 simply no longer competitively providing services for --

1 for low income people.

2 MR. BYRON WILLIAMS: Going back to that  
3 initial question of whether the market should be setting  
4 the rates or something -- should be setting rates for  
5 something else, what are the factors to consider -- to  
6 consider in setting the rate for cheque cashing?

7 DR. JERRY BUCKLAND: Yeah. Okay. Well,  
8 I think we need to understand the costs of the cheque  
9 cashing service. What are the costs and what are the  
10 costs for different kinds of producers? Whether it's  
11 more of a retail based model as we seen with North West  
12 or more of a multi-service fringe bank as we've seen with  
13 Money Mart.

14 We need to understand those costs. Those  
15 are important. We also need to understand is -- is there  
16 competition? Is -- is there competition in the industry?  
17 Or is there some imperfect competition where there may be  
18 some market concentration or maybe some local monopoly or  
19 some barriers to entry.

20 So our business is providing clear  
21 information about their products -- and fees to customers  
22 is another question. As we've discussed there's evidence  
23 of -- of some of these types of behaviours.

24 We also have some information on firm  
25 earnings that for instance the average multi-service

1 fringe bank are earning high returns and I'm going back  
2 to the Ernst and Young report where they found that on  
3 average they were -- the returns were comparable to the -  
4 - the financial sector, 19 percent.

5 And there's no suggestion that I've heard  
6 that cheque cashing is not remunerative. And there is  
7 evidence of improving economies of scale and scope for  
8 multi-service providers.

9 MR. BYRON WILLIAMS: What are some of the  
10 options you've considered for government cheque cashing  
11 fee ceiling?

12 DR. JERRY BUCKLAND: Okay. So I'd like  
13 to ask you if you could turn to the Tab 10 which is I  
14 think the last table. And, I mean, in thinking about  
15 this it seemed to me that -- I mean there's a number of  
16 options and -- and no doubt you're -- you're going to  
17 think about all the options.

18 But it seemed to me like there was three  
19 (3) options that -- that came out, to me, in -- in terms  
20 of setting a ceiling. One I refer to as the outlier  
21 level. This would be a -- a level for cheque -- for fees  
22 on government cheque cashing that would be well above or  
23 -- or significantly above what the -- the major  
24 businesses are offering.

25 This might take one of the highest rates,

1 for instance Money Mart's, and multiply it by, you know,  
2 something like 115 percent. Just for -- for instance.  
3 And that would lead to a ceiling of 3.44 percent of the  
4 cheque's face value plus two dollars and eighty-six cents  
5 (\$2.86).

6 In this case what I've done in the table  
7 then is I've tried to think about, well who would be some  
8 of the winners and who would be some of the losers and  
9 maybe some of the people unaffected by this kind of  
10 ceiling.

11 So the top row there has the outlier  
12 level. So here I thought, okay, if this was to be  
13 implemented then in this case some consumers who face  
14 very high fees are -- are definite winners because now  
15 the firms charging very high rates, just the very highest  
16 rates, would no longer be doing that other they're  
17 exiting the industry or they're lowering their fees.

18 Firms with average and below average fees  
19 are -- are really not affected significantly although  
20 they might expand into those areas that were previously  
21 covered by the -- the high fee firms and most consumers  
22 are -- are really unaffected I think.

23 The losers are the firms with the very  
24 high fees it seems. The second kind of scenario I  
25 thought of was the firm average level, okay. So this is

1 where the cap is set at a level equal -- equal to the  
2 average of the major cheque cashers.

3 For instance the unweighted average of the  
4 Winnipeg cheque cashers was 2.94 percent of the cheque's  
5 face value plus two dollars and twenty-four cents  
6 (\$2.24). This would allow the firms to charge fees at or  
7 near the level they do now.

8 Once again, the least efficient or most  
9 exploitative producers would exit the market under this  
10 scenario. So again, if we go to the table, the middle --  
11 the middle row this time, the -- the winners here would  
12 be firms with average and below average fee, they could  
13 possibly expand into the market now given up by firms  
14 with above average fees or else those firms would have to  
15 reduce their fees.

16 Now, the effect on consumers is a little  
17 bit ambiguous. On the one (1) hand, consumers whose  
18 marginal costs are less than the decrease in fee are  
19 going to win. In other words if they're close to a  
20 cheque casher that stays open, they're going to win.

21 On the other hand, if you go to the loser  
22 column, some consumers are -- are going to lose if they  
23 have to travel quite a bit further, face more obstacles  
24 to getting their cheque cashed, more so than the benefit  
25 to them of the decreased fee.

1                   In terms of firms, firms -- I already  
2 mentioned firms with average and below average fee would  
3 be winners. Firms with very high and above average fees,  
4 for instance, Money Mart, would be losers although I  
5 would argue marginal losers because the average fee is  
6 very -- tiny bit different from what they're charging  
7 right now.

8                   So I -- I -- my sense is that probably  
9 fees would go down and -- and they'd fit within that.  
10 And again many consumers are -- are unaffected by this  
11 scenario.

12                  The third scenario I call the economies of  
13 scope -- sorry, economies of scale level. And this is --  
14 the idea here is that building on this idea of Chris  
15 Robinson that payday lenders are facing significant  
16 reductions in their costs, per unit costs as their scale  
17 increases that if the level was put -- was -- was reduced  
18 was -- was quite a bit lower than the average, say 50  
19 percent of the Winnipeg average which would be 1.4  
20 percent of the cheque's face value plus a dollar twelve  
21 (\$1.12).

22                  If it was put down to that level, then  
23 clearly firms would either exit or reduce -- or would  
24 have to be -- have to reduce their fees. Some would  
25 clearly exit. So there would be -- some firms would be

1 winning -- would be winners in the sense that they would  
2 have low fees and they'd fit within this -- this  
3 category, and possibly they would expand their market  
4 because of this economy's of scale phenomenon.

5 Firms with very high and above ceiling  
6 fees, most of the fringe banks would -- would be losing  
7 because they would have to either exit the industry or  
8 reduce their fees.

9 The impact on consumers again, quite  
10 variable. Winners -- on the winners side consumers whose  
11 marginal travel costs are less than the decrease in fee,  
12 they would be benefiting.

13 Consumers whose marginal travel cost is  
14 equal to the decrease in fee are in a neutral position  
15 and consumers whose marginal travel costs are more than  
16 the decrease in fee are -- are losing out.

17 So that's sort of some evidence -- or  
18 three (3) different scenarios that I thought of that  
19 might help in -- in thinking about this situation. And  
20 if I could ask you to turn to Tab 9, I've graphed these  
21 different scenarios and I apologize again for the tiny  
22 font. It -- it didn't come out very well on the page  
23 there.

24 But these show the different scenarios in  
25 a graphical form. And what I've done is on the



1 horizontal axis, you have the cheque size. So I've  
2 started with a hundred dollar (\$100) cheque and I go up  
3 to a thousand dollar (\$1000) cheque.

4 And then on the vertical axis I've got the  
5 total fee. And then I've got the different scenarios  
6 mapped out. So you see the very -- the line at the  
7 bottom or -- or at two dollars (\$2), that's the north end  
8 drug store in 2002, that was their fee.

9 Then just above that is the main stream  
10 banks non-federal government cheque cashing fee which is  
11 five dollars (\$5). So those are straight lines because  
12 it's a fixed price.

13 The next line is the -- the fee for one  
14 half (1/2) of the Winnipeg firm average which was that  
15 number I referred to, 1.47 percent plus a dollar twelve  
16 (\$1.12). And -- and then it goes up from there.

17 The top three (3) are the -- Money Mart  
18 fee and the -- the fee for the outlier case which is the  
19 -- the very top line. So it's just to give you kind of a  
20 -- a figure to -- to look at diagrammatically, the -- the  
21 different types of -- of fees that would be associated  
22 with different scenarios.

23 MR. BYRON WILLIAMS: Thank you, Dr.  
24 Buckland. For the benefit of the Chair or the Panel we'd  
25 be happy to provide this in colour with the -- and a

1 little bigger if that would assist the Panel. I see some  
2 heads nodding so we'll undertake to do that.

3

4 --- UNDERTAKING NO. 1: CAC/MSOS to provide Board  
5 with a larger, colour copy of  
6 Dr. Buckland's graph.

7

8 CONTINUED BY MR. BYRON WILLIAMS:

9 MR. BYRON WILLIAMS: And, Dr. Buckland,  
10 you're probably moving on, but I don't think you've  
11 discussed the -- the information at Tab 8 and just if you  
12 have any thoughts on that. Presumably it -- it also  
13 replicates what's found at the bottom of Tab 9, is that  
14 right?

15 DR. JERRY BUCKLAND: Yeah, Tab 8 is the -  
16 - the data that I used to generate the figure on Tab 9.  
17 So just, you know, to -- to specify that. What I've got  
18 listed there are the -- the Winnipeg fringe bank average  
19 and I've got the North West cheque cashing fee. I've got  
20 Cheque Stop Cash Centre which was -- which had the  
21 highest fee and then I've got one-half of the firm  
22 average -- be the Winnipeg firm average -- and I've got  
23 my outlier scenario and then the mainstream bank fee for  
24 non-Federal Government cheques and the North End  
25 Drugstore in 2002.

1                   So that's just the data that was used to  
2     generate. So if you wanted to know the dollar figure,  
3     that's listed there.

4                   THE CHAIRPERSON: Mr. Williams, how much  
5     longer do you think for your examination of --

6                   MR. BYRON WILLIAMS: About five (5) --  
7     five (5) to six (6) minutes.

8                   THE CHAIRPERSON: Okay. We'll take the  
9     break after then and allow the others.

10

11    CONTINUED BY MR. BYRON WILLIAMS:

12                   MR. BYRON WILLIAMS: Okay. Dr. Buckland,  
13     I might have interrupted but I think we're on your  
14     recommendations. Perhaps you could provide those to the  
15     Board?

16                   DR. JERRY BUCKLAND: Sure. Okay. Well,  
17     I have a -- I had series of recommendations in my report  
18     including the need for fair disclosure of fees and the  
19     idea of having some commonly cashed cheque values where  
20     the -- the total fee is provided so people can shop  
21     around. I suggested that a fee formulation needs to  
22     balance fixed and variable cost needs of the producer  
23     because those seem to be a very important part of cheque  
24     cashing.

25                   I said that the fee formula needs to

1 balance the consumer and producer interest. I said that  
2 -- or my -- I recommend that there's better information  
3 about cheque cashing in general and -- and cashing of  
4 government cheques in particular, so that would include  
5 the value of these cheques cashed, the average value, the  
6 costs, the average fee, as much data as possible and it  
7 would be nice to know it for each firm, but that's the  
8 ideal.

9                   At the same time, as an academic, I'd have  
10 to say that we need to address the underlying causes of  
11 financial exclusion and the underlying causes of poverty  
12 because I think they're interconnected with the  
13 phenomenon that we're -- that relates to the cashing of  
14 government cheques.

15                   In regards to the limit to be placed on  
16 government cheque cashing in my opinion, the most  
17 advisable ceiling is one -- is either the -- what I call  
18 the economies of scale level or the firm average level.  
19 Either of these levels would rule out gouging and it  
20 would force firms charging slightly in excess of the  
21 ceiling to reduce or differentiate their fees or exit  
22 that service.

23                   The reason I suggest two (2) options is  
24 because of data limitations. I suggest that unless  
25 cheque cashers demonstrate that they do not earn

1 supernormal profits, that the ceiling for government  
2 cheques be set at a lower economies of scale level. If  
3 cheque cashers provide data that demonstrates that they  
4 are not earning supernormal profits, then I recommend the  
5 firm average level.

6                                   And by "supernormal" I mean -- in  
7   economics we refer to supernormal profits as something  
8   that would be accruing in an imperfectly competitive  
9   situation -- profits in excess of what are considered  
10  normal to cover the costs of production.

11                   Regardless of the ceiling used, I advise  
12   the following, that the ceiling involve a dollar -- if it  
13   involves a dollar value, that some means be introduced to  
14   factor in inflation and that data be collected on cheque  
15   cashing outlets, volume, revenue and costs. This data  
16   can be regularly reviewed to analyse the effect of  
17   ceilings on the industry. Thank you very much.

18 MR. BYRON WILLIAMS: Just one (1) last  
19 question.

20 I terms of what you described as  
21 supernormal profits, you suggested that one would be --  
22 anything in excess of the costs of production, presumably  
23 within the costs of production it would be the cost of  
24 capital; would that be right?

25 DR. JERRY BUCKLAND: Yes, absolutely. In

1 economics normal profits cover fair returns for all of  
2 the factors of production including capital.

3 MR. BYRON WILLIAMS: Thank you, Mr.  
4 Chairman. Mr. -- or Mr. -- Dr. Buckland is probably ready  
5 for a bit -- a bit of a break but he's certainly open to  
6 questions from My Learned Friends with the Panel if there  
7 is some interest.

8 THE CHAIRPERSON: Thank you, Mr.  
9 Williams. Thank you, Dr. Buckland. Please stick around.  
10 We'll come back in fifteen (15) minutes and I think first  
11 up is Mr. Edwards.

12

13 --- Upon recessing

14 --- Upon resuming

15

16 THE CHAIRPERSON: Dr. Buckland, are you  
17 all ready again? Okay. First up is Mr. Edwards for  
18 Money Mart.

19

20 CROSS-EXAMINATION BY MR. PAUL EDWARDS:

21 MR. PAUL EDWARDS: Thank you very much.  
22 Professor Buckland, just a few questions. Famous last  
23 words, but I -- I promise it will be.

24 Can I take you to your thin book and what  
25 is Table or Tab 2? This is the list of fees and it's a

1 Winnipeg-wide reference I think, correct?

2 DR. JERRY BUCKLAND: This is a list of  
3 fringe bank that I identified on the Yellow Pages online  
4 website and so it's not an exhaustive list of every  
5 cheque casher in -- in Winnipeg; it's the ones that were  
6 listed there.

7 MR. PAUL EDWARDS: I understand. I'm  
8 just confused. At the bottom where you say the average  
9 is four eighty-one (481) and then that is 2.94 percent  
10 plus two point two four (2.24).

11 Is -- is four eighty-one (481) correct  
12 there?

13 DR. JERRY BUCKLAND: Okay. What -- what  
14 the average 481 represents is the average for -- for all  
15 of the firms for which I got data on the cost for the  
16 hundred dollar (\$100) cheque cashing. The 2.94 percent  
17 plus two point two four dollars (\$2.24) is the average  
18 for all the firms which gave me the formula, the fixed  
19 invariable formula, for the cheque cashing.

20 MR. PAUL EDWARDS: Right. Each -- in  
21 each of the examples, for instance at the top, Cash  
22 Store, two point nine (2.9) plus (2) obviously we're  
23 basing it on a hundred dollars (\$100) so it's four ninety  
24 (490). I'm just --

25 DR. JERRY BUCKLAND: Yeah. No, I --

1 MR. PAUL EDWARDS: -- concerned because  
2 four eighty (480) -- of course two point nine four (2.94)  
3 plus --

4 DR. JERRY BUCKLAND: Yeah.

5 MR. PAUL EDWARDS: -- two point two four  
6 (2.24) is five eighteen (518), not four eighty-one (481).

7 DR. JERRY BUCKLAND: Okay. Thank you  
8 very much for that point and that -- I agree this is an  
9 error. The four eighty-one (481) is the average of all  
10 the firms that gave me data on their fee for cheque  
11 cashing and note that two (2) of the firms, Money Max  
12 Canada, does not use a variable and fixed formula and  
13 another firm, Extra Cash would not provide me or could  
14 not provide me with the formula and so --

15 MR. PAUL EDWARDS: I understand.

16 DR. JERRY BUCKLAND: -- so there -- there  
17 was an error. Four eighty-one (481) doesn't equal two  
18 point nine four (2.94) plus two twenty-four (224). Four  
19 eighty-one (481) is the average of all the firms with a -  
20 - a fee for a hundred dollars (\$100). The two ninety  
21 (290) -- two point nine four (2.94) plus two twenty-four  
22 (224) is the average for those that have the fixed and  
23 variable cost formula, right.

24 MR. PAUL EDWARDS: So for those that have  
25 the two (2) it's, in fact, five eighteen (518)?



1 DR. JERRY BUCKLAND: Correct.

2 MR. PAUL EDWARDS: Okay.

3 THE CHAIRPERSON: Dr. Buckland, you're  
4 not representing this as either being comprehensive or  
5 weighted, are you?

6 DR. JERRY BUCKLAND: Not in the least.  
7 As I said the -- the firms that I identified were from  
8 the Yellow Pages and -- and this is the situation  
9 actually with fringe banks now. We don't have  
10 authoritative data and then the way in which I gathered  
11 the data was to either check their website or phone one  
12 (1) of their outlets to get the data. So no, I'm not  
13 suggesting that this is authoritative data. It's a  
14 sample.

15

16 CONTINUED BY MR. PAUL EDWARDS:

17 MR. PAUL EDWARDS: If I can just take you  
18 to Table 4 in the same book...

19

20 (BRIEF PAUSE)

21

22 MR. PAUL EDWARDS: Okay. I'm sorry.  
23 Table -- this would be Tab 3 actually. I'm sorry, this  
24 is the comparison of the basket.

25 This is based as you say here on the

1 average Social Assistance payment to a non-disabled  
2 single parent which is four sixty-six eighty (466.80); is  
3 -- is that correct?

4 DR. JERRY BUCKLAND: Yeah, that's the --  
5 the figure provided on the Province of Manitoba website  
6 for the -- the amount of income -- cash income -- for --  
7 that particular type of person.

8 MR. PAUL EDWARDS: Right. And -- and in  
9 terms of government cheques, did -- did you do any  
10 analysis of government payroll cheques, tax return  
11 cheques, or -- or what percentage of government cheques  
12 might have been, for instance, Social Assistance?

13 DR. JERRY BUCKLAND: I, for this table,  
14 wanted to provide an example that would give us sort of a  
15 -- a general idea of how much a person would pay on a  
16 monthly basis for cheque cashing. So, no, it was one (1)  
17 -- one (1) example.

18 MR. PAUL EDWARDS: Right. Now, you  
19 mentioned in your closing comments that one (1) of the  
20 factors that can detract from a competitive environment,  
21 a pure competitive environment, would be this concept of  
22 oligopoly where one (1) or two (2) or a small number of  
23 firms dominate the marketplace and I think you also  
24 indicated that it wasn't that long ago Money Mart had the  
25 largest number of -- of outlets in Winnipeg and then

1 Rentcash has had a significant growth in the last few  
2 years, correct?

3 DR. JERRY BUCKLAND: Yeah. I -- I agree  
4 with what you've just said.

5 MR. PAUL EDWARDS: And -- and also just  
6 referring to the -- back to the -- the -- Tab 2 which is  
7 the comparative list of the -- the range of fees, you --  
8 you heard the evidence this morning or at least the --  
9 I'm sorry, not the evidence, in my opening comments that  
10 certainly Money Mart believes it's in a very competitive  
11 environment here.

12 Is there any evidence to suggest that  
13 that's not the case currently in the City of Winnipeg,  
14 Professor?

15 DR. JERRY BUCKLAND: I -- if I understand  
16 your -- your question, I -- I think that what we're  
17 dealing with here are probabilities, we're not dealing  
18 with facts. So we need to weigh various probabilities  
19 and the fact that two (2) of the multi-service fringe  
20 banks control a significant share of the number of  
21 outlets is suggestive of a market structure that's not  
22 perfectly competitive. It's not 100 percent evidence but  
23 it's suggestive that there -- there could be some  
24 imperfect competition.

25 MR. PAUL EDWARDS: Isn't it also

1 indicative of a healthy, competitive environment that  
2 despite Money Mart dominating in terms of locations,  
3 they're now head-to-head in terms of locations with  
4 Rentcash in the last couple of years?

5                   Isn't that a sign of a healthy,  
6 competitive environment?

7                   DR. JERRY BUCKLAND:   If I could just in  
8 answering that question back up just a minute because the  
9 -- the economic model that we -- we think of in terms of  
10 a competitive market is actually quite a -- a special  
11 kind of market and it's referred to in economics as  
12 "perfectly competitive."

13                   A perfectly competitive market is one  
14 where no firm or consumer affects the market outcome.  
15 They cannot influence -- the firm accepts the price.  
16 They're a price taker. The fact that there are different  
17 prices is once again maybe some evidence that it's not  
18 perfectly competitive, that there may be imperfections in  
19 the market because there is -- firms are potentially  
20 determining prices because of the fact that there were several  
21 prices.

22                   MR. PAUL EDWARDS:   Okay. Isn't the fact  
23 that the range is within three dollars (\$3) between eight  
24 (8) different firms a pretty compelling sign of a healthy  
25 marketplace?

1 DR. JERRY BUCKLAND: I think that --

2 MR. BYRON WILLIAMS: Just -- just for  
3 clarification, Mr. Edwards, but you -- is that for a  
4 hundred dollar (\$100) cheque?

5 MR. PAUL EDWARDS: I'm looking at --

6 MR. BYRON WILLIAMS: Are you referring to  
7 Table 2 just so --

8 MR. PAUL EDWARDS: I'm looking at Table  
9 2.

10 MR. BYRON WILLIAMS: Okay. So that's  
11 three dollars (\$3) on a hundred dollar (\$100) cheque?

12 MR. PAUL EDWARDS: That's right.

13 MR. BYRON WILLIAMS: Okay. Thank you.

14

15 CONTINUED BY MR. PAUL EDWARDS:

16 MR. PAUL EDWARDS: And -- and I think  
17 you've got listed here a total of eleven (11) firms, all  
18 -- all within three dollars (\$3.00) for a hundred dollar  
19 (\$100) cheque.

20 Does -- does that suggest to you we've got  
21 a healthy, competitive marketplace?

22 DR. JERRY BUCKLAND: Yeah. In a  
23 perfectly competitive market we -- we expect that no firm  
24 influences the price and we would see one (1) price. If  
25 you look at Tab 9 in that same book of reference you see

1     that the price charged on higher cheques varies quite a  
2     bit more than on the smaller cheques.

3                     So for a cheque of a thousand dollars  
4     (\$1,000) we're looking at a range from, well, I'm just  
5     going to actually turn to Tab 8 which lists them by  
6     company. And under Tab 8 we can see that for a thousand  
7     dollar (\$1,000) cheque North West charges ten dollars  
8     (\$10) and Money Mart charges thirty-two dollars (\$32).  
9     So it depends on the size of the cheque as to whether or  
10    not the price is quite close or -- or not so close.

11                    MR. PAUL EDWARDS:    Sorry. North West?

12                    DR. JERRY BUCKLAND:   What I said was it  
13    depends on the size of the cheque.

14                    MR. PAUL EDWARDS:    Right.

15                    DR. JERRY BUCKLAND:   A bigger size  
16    cheque, the fee is -- the range of fees is quite a bit  
17    more significant across different companies than for  
18    smaller type of cheques.

19                    MR. PAUL EDWARDS:    Sure. While we're  
20    there, maybe at Tab 10, I'll just take you to that for  
21    one second. This -- this is the -- the chart with the  
22    three (3) possible scenarios. I think that you're --  
23    when you -- when you were at your recommendation stage, I  
24    noticed that in the outlier box at the top which is the  
25    one you didn't recommend, that's the only box that has no

1 consumers in the loser column.

2 Does that not suggest that, in fact, the  
3 least risk to consumers generally is the outlier model?  
4 Sir, I don't think your mic's on.

5 DR. JERRY BUCKLAND: Sorry about that.  
6 Yeah, the point of that table was to try to compare  
7 winners and losers. The table seems to be lacking the  
8 fact that with the outlier scenario, the consumers are --  
9 are not going to be taking advantage of -- well okay,  
10 yeah, the -- the fact is that the winners in the outlier  
11 scenario are -- are only the consumers who face very high  
12 fees.

13 So I -- I think you've got a point that  
14 the status quo which I think is really the outlier  
15 scenario, causes the least change in the industry but I  
16 would -- would suggest that maybe change is -- is  
17 necessary for consumers to -- to overall benefit in maybe  
18 the medium in the longer term.

19 MR. PAUL EDWARDS: Okay. But -- but just  
20 to be clear, the outlier model is the only one where the  
21 consumers are all either affected as winners or neutral  
22 in -- in your analysis?

23 DR. JERRY BUCKLAND: Yeah. In my  
24 analysis the -- these are the immediate winners and  
25 losers. So that is correct. The medium and longer term

1 effects are not described in this table.

2 MR. PAUL EDWARDS: And -- and what would  
3 you cast medium? How many years or -- what -- what's  
4 your definition of medium and long term?

5 DR. JERRY BUCKLAND: Well medium term,  
6 five (5) to ten (10) years.

7 MR. PAUL EDWARDS: Great. And long term,  
8 longer?

9 DR. JERRY BUCKLAND: Ten (10) to twenty  
10 (20) years.

11 MR. PAUL EDWARDS: Right. Thank you very  
12 much, Professor.

13 THE CHAIRPERSON: Thank you, Mr. Edwards.  
14 Mr. Foran?

15 MR. ALAN FORAN: Mr. Chairman, I have no  
16 questions.

17 THE CHAIRPERSON: Thank you, Mr. Foran.  
18 Ms. Southall do we have any?

19 MS. ANITA SOUTHALL: Yes, I do, Mr.  
20 Chairman.

21  
22 QUESTIONS BY MS. ANITA SOUTHALL:

23 MS. ANITA SOUTHALL: Dr. Buckland,  
24 certain questions I have to pose to you were not  
25 necessarily raised in your evidence. But if you could



1 assist us with your answers to these, if -- if you're  
2 able to provide answers that would be helpful, and  
3 certain of my questions relate directly to the testimony  
4 you've provided today.

5 First of all, banks and credit unions are  
6 not regulated currently respecting cashing of provincial  
7 government cheques or cashing cheques for provincial  
8 government agencies. Is that correct? Do you know that  
9 to be the case?

10 DR. JERRY BUCKLAND: Well, I'm drawing  
11 that from the PUB document that reported on some research  
12 to do with bank and credit union cashing of non-federal  
13 government cheques. So I'm -- I'm taking it from the PUB  
14 document.

15 MS. ANITA SOUTHALL: From the research  
16 that was done by -- for the Board.

17 DR. JERRY BUCKLAND: Yes. That's  
18 correct, yes.

19 MS. ANITA SOUTHALL: Right. So the --  
20 there -- there was as I recall in the PUB document some  
21 variability in terms of amounts that were charged. But  
22 it -- it's unrelated to the business of federal  
23 government cheques by -- by banks not being allowed to  
24 charge any fees if people provide identification.

25 In other words, for provincial government

1   cheques and provincial government agencies right now,  
2   until the Board issues an order, there are -- there is no  
3   regulation of that particular fee, correct?

4                   DR. JERRY BUCKLAND:   That is my  
5   understanding.

6                   MS. ANITA SOUTHALL:   Dr. Buckland, have  
7   you done any research on the charges that banks and  
8   credit unions impose for certifying cheques, issuing bank  
9   drafts, or money orders?

10                  DR. JERRY BUCKLAND:   No, I have not  
11   looked into that.

12                  MS. ANITA SOUTHALL:   Those would be  
13   transactional actions that people could see a bank or  
14   credit union for, correct?

15                  DR. JERRY BUCKLAND:   Yeah. The -- the  
16   money order, the bill payment would be common types of  
17   transactions that we've heard low income people claim are  
18   important for their needs.

19                  MS. ANITA SOUTHALL:   But I -- I -- yes,  
20   I've tried to come up with what I saw as may be  
21   comparable transactional activities that could be  
22   occurring in banks and credit unions. I just wondered  
23   if, by chance, you knew anything about the values of --  
24   or the costs associated with these transactions that  
25   might occur at banks or credit unions.

1 DR. JERRY BUCKLAND: Sure. In -- in one  
2 of the tables and that would be Tab 3, I was doing this  
3 hypothetical calculation of the total cost to the  
4 consumer for a bundle of financial services.

5 In this case, comparing Assiniboine Credit  
6 Union and Money Mart. And for most banks and credit  
7 unions that I'm aware of, there's a maximum number of  
8 transactions that you can undertake within -- that's  
9 included in your package and you pay for with that four  
10 dollar (\$4) in -- in ACU's case, you pay for the -- the  
11 four dollar (\$4) fee per month. So with -- with the four  
12 dollar (\$4) at ACU you can do up to fifteen (15)  
13 transactions which would include bill payments, cash  
14 withdrawals.

15 I believe that that would be -- those are  
16 included in that. So you could do up to fifteen (15) of  
17 those for free, or I mean, within that four dollar (\$4)  
18 limit.

19 (QUESTION BY MS. ANITA SOUTHALL - OFF MIC)

20 DR. JERRY BUCKLAND: That's correct.

21 (QUESTION BY MS. ANITA SOUTHALL - OFF MIC)

22 DR. JERRY BUCKLAND: If I understand your  
23 question, is it -- do I know of other provincial  
24 government departments or other governmental sources of  
25 cheques that would be affected by this policy?

1 (QUESTION BY MS. ANITA SOUTHALL - OFF MIC)

2 DR. JERRY BUCKLAND: I was under the  
3 impression that also municipal government cheques would -  
4 - would be affected by this -- this policy as well.

5 MS. ANITA SOUTHALL: Sorry, you did  
6 misunderstand my question. I'm thinking in terms of we  
7 know of the nature of the things I've listed, the kind of  
8 -- the rationale for the payment to an individual from  
9 the provincial government? That's what I had in mind.

10 Or there are other kinds of reasons why  
11 people are receiving provincial government cheques other  
12 than the ones that I've listed. And I apologize because  
13 I didn't put those in front of you.

14 But I -- I'm trying to be -- assist the  
15 Board by being comprehensive for their consideration in  
16 terms of the kind of monies that are flowing from the  
17 province to individuals who would then be taking a  
18 government cheque to someone for cashing.

19 DR. JERRY BUCKLAND: That's a very good  
20 question that I really haven't looked at. My focus was  
21 to -- to look primarily at how low income people may be  
22 affected by this -- this new policy. I -- I really  
23 haven't looked at the different varieties of cheques.

24 MS. ANITA SOUTHALL: And I take there's -  
25 - again, you wouldn't be able to assist with Federal

1 Government cheques in that same vein. I think we're all  
2 probably aware of a variety of federal government cheques  
3 and they probably match in some respect at least but in  
4 their own jurisdiction the provincial government monies  
5 that flow to individuals.

6 DR. JERRY BUCKLAND: Yes. Again, I -- I  
7 apologize, I don't have data on that -- that issue.

8 MS. ANITA SOUTHALL: Well -- you don't  
9 have to apologize because I'm not sure you were asked  
10 that question. Thank you.

11 Sir, does your research or has it gone  
12 back historically in any respect to indicate where people  
13 who could not access banks, where they would get their  
14 cheques cashed prior to the -- near banks or fringe banks  
15 that have arisen in -- in approximately over the last  
16 twenty-five (25) years?

17 DR. JERRY BUCKLAND: Yeah. And that's a  
18 really interesting question. I -- I have to say that,  
19 no, my research hasn't been historical. I -- I -- I've  
20 heard some hypotheses. One (1) being that previously low  
21 income peopler were more dependent on informal financial  
22 services from the corner store, that kind of thing, with  
23 the growth of -- of the more formalized fringe banks than  
24 that's -- that's moved somewhat.

25 But that's anecdotal. No, I haven't done

1     that kind of research.

2                   MS. ANITA SOUTHALL:     So -- so you  
3     wouldn't have available the historic cost then associated  
4     -- or that might have been incurred by people before  
5     these facilities sort of came into vogue or came into  
6     business and -- and offered their services?

7                   DR. JERRY BUCKLAND:     Beyond the, you  
8     know, historical charges or -- or -- yeah, the charges  
9     with -- within main stream banks, no, I -- I don't have  
10    that kind of information.

11                  MS. ANITA SOUTHALL:     Do you have any  
12    information on what federal government -- pardon me,  
13    federally regulated banks were charging for cheque  
14    cashing before 2003 when the bank regulations changed?

15                  DR. JERRY BUCKLAND:     No, I don't.

16                  MS. ANITA SOUTHALL:     Sir, do you know if  
17    financial services are tracked by Statistics Canada as  
18    part of the consumer price index?

19                  DR. JERRY BUCKLAND:     I don't -- I don't  
20    know the answer to that question. I do know that the --  
21    Stats Canada is considering introducing questions on the  
22    type of financial services that Canadians used into  
23    various types of surveys including the census, but I -- I  
24    don't know if they made a decision on that yet.

25                  MR. BYRON WILLIAMS:     Ms. Southall, if --

1 if it would help the Board, certainly we could undertake  
2 to provide that answer if it would be of assistance to  
3 the Board.

4 MS. ANITA SOUTHALL: I -- I'm seeing the  
5 Chairman nod to me and I -- I believe it would be helpful  
6 if there's like a financial services sector as part of,  
7 you know, current Stats Can's gathering of information,  
8 that may be of assistance.

9 MR. BYRON WILLIAMS: Just give me one (1)  
10 second I'll consult with Dr. -- Dr. Buckland.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: If you would repeat  
15 the question just so we can make a formal undertaking  
16 then I think we'll -- we would be prepared to do that.

17 MS. ANITA SOUTHALL: So the -- the  
18 request is to inquire as to whether financial services  
19 are tracked by Statistics Canada as part of the Consumer  
20 Price Index. And what does it show historically for the  
21 statistics related to financial services, let's say if  
22 it's possible, if it's been tracked, as long as back to  
23 1982 when these businesses started burgeoning, that would  
24 be useful.

25 MR. BYRON WILLIAMS: We can undertake to

1 attempt to do that, Mr. Chairman.

2 THE CHAIRPERSON: You'd have to exclude  
3 things like based on -- mortgage interest rates and  
4 things fluctuate quite significantly.

5  
6 --- UNDERTAKING NO. 2: CAC/MSOS to provide Board  
7 with information on whether  
8 financial services are  
9 tracked by Statistics Canada  
10 as part of the Consumer Price  
11 Index, and what that data  
12 shows historically for the  
13 statistics related to  
14 financial services, if it's  
15 been tracked, to 1982.

16  
17 CONTINUED BY MS. ANITA SOUTHALL:

18 MS. ANITA SOUTHALL: Thank you, sir. Dr.  
19 Buckland, you've testified to the Board on concepts of  
20 neo classical economics and the concept of imperfect  
21 competition. Is there a way to -- to analogize between  
22 this particular market and another kind of retail market  
23 for goods such as groceries or food stuffs?

24 And if you -- if you know of that, if you  
25 don't know of that, of course, let us know, but if you --



1 if there's any way to analogize, is the market right now  
2 for -- for cash cheque -- cheque cashing, pardon me, in  
3 terms of where it falls on a spectrum of competition.

4 Is there some way to analogize to  
5 something else that occurs in the economy now?

6 DR. JERRY BUCKLAND: Yeah. I think there  
7 would be sectors that would be similar in -- in terms of  
8 the level of competition and the size of maybe the  
9 dominant -- the -- the key producers. I wouldn't want to  
10 guess at that right now but definitely the -- the  
11 structure that we see in cheque cashing, payday lending,  
12 the multi-service fringe banking, is not a typical -- the  
13 oligopolist market structure is found in other sectors in  
14 the economy.

15 So I -- I guess I would prefer to leave it  
16 at a general statement than to say one (1) particular  
17 sector is -- is closest to this sector right now but the  
18 oligopolist structure is -- is found in other parts of  
19 the economy.

20 THE CHAIRPERSON: Wasn't there a  
21 reference made earlier by another speaker comparing in a  
22 sense the Mac's Milk and the 7-11 for example as compared  
23 to Superstore versus a near bank and say Assiniboine  
24 Credit Union?

25 DR. JERRY BUCKLAND: If -- if I

1 understand you, Mr. Chairperson, the -- the analogy that  
2 is between 7-11 and -- and Mac's with the -- with Money  
3 Mart and -- and Rentcash and -- is that correct that  
4 that's --

5 THE CHAIRPERSON: I think that was the  
6 suggestion that was made.

7 DR. JERRY BUCKLAND: Okay. I -- I'd need  
8 to do more research on -- on that convenient food store  
9 market to -- to comment on the -- the parallels there.

10 Another difference I think you might  
11 consider is that with cheque cashing and payday lending  
12 it's not -- it's -- it's money that we're dealing with.  
13 It's not -- it's not chocolate bars or snack food, so  
14 while I would like to say that I think oligopolies are  
15 found in other parts of the economy, I think when we see  
16 them in a strategic or an important sector like money,  
17 that it's more -- it's of greater concern I guess from my  
18 perspective because money is different than snack food.  
19 It's -- money -- with money we can buy snack food, we  
20 can't buy snack food with snack food. And with money we  
21 can get into -- to debt problems, we can't do that with  
22 snack food.

23 Now that has more relationship to payday  
24 lending than it does to cheque cashing.

25 THE CHAIRPERSON: Not to pursue it and

1 I'll leave it, but to use your analysis before about the  
2 difficulties in certain neighbourhoods and travel and  
3 transportation, I think you might find for example a  
4 Superstore or large retail food store that is not located  
5 necessarily in the neighbourhood that a small grocery  
6 store might be or a Safeway with considerably different  
7 pricing.

8 DR. JERRY BUCKLAND: I agree completely,  
9 Mr. Chairperson, and that's another way. There's a  
10 classic book written by Caplovitz, "How the Poor Pay  
11 More" and it was a study of low income neighbourhoods in  
12 -- in New York and a recent study's been done along those  
13 same lines looking at how inner city neighbourhoods --  
14 and again this one was for the US -- in inner city  
15 neighbourhoods poor people pay a lot more for virtually  
16 everything from groceries to financial services, so I --  
17 I agree with that.

18

19 CONTINUED BY MS. ANITA SOUTHALL:

20 MS. ANITA SOUTHALL: Dr. Buckland, have -  
21 - have you done any research or do you have any  
22 information or data you can share with us about the  
23 comparison of charges for cashing cheques in rural  
24 Manitoba in -- in smaller urban centres in southern  
25 Manitoba or other rural towns?

1 DR. JERRY BUCKLAND: My research has thus  
2 far focussed on urban centres -- inner city urban centres  
3 so I -- I don't have data on rural communities.

4 MS. ANITA SOUTHALL: Thank you. And --  
5 and now I pose a question to you that's sort of more --  
6 more policy oriented.

7 Is -- are you able to comment on whether  
8 subsidization of payday -- of the payday loan business of  
9 near banks or fringe banks by its cheque cashing services  
10 is appropriate? Do you have a position on that or have  
11 you done any research compare -- again comparing maybe to  
12 banks and credit unions or on some other basis?

13 DR. JERRY BUCKLAND: If I could just ask  
14 for a clarification? I'm not sure. Was the question, Is  
15 it appropriate for cheque cashing services to sort of  
16 cross-subsidize payday lending services so that the --  
17 the fringe bank generates a profit largely through its  
18 cheque cashing service?

19 MS. ANITA SOUTHALL: Yes, that's really  
20 what I was asking.

21 DR. JERRY BUCKLAND: Well, the evidence  
22 I've seen points to the payday lending side of the  
23 industry as being the real growth sector in terms of the  
24 -- the volume of revenue that's being generated. That  
25 seems to be where more growth is happening and the range

1 of fees that are charged by payday lenders is quite a bit  
 2 broader than the range for cheque cashers, so, I mean, if  
 3 anything I would have hypothesised that it was the  
 4 reverse, that -- that payday lending isn't cross-  
 5 subsidizing cheque cashing but that payday lending is --  
 6 is more profitable right now than cheque cashing.

7                   Having said that, I think the data -- some  
 8 of the data that I showed demonstrates that cheque  
 9 cashing continues to grow in terms of for instance  
 10 revenue for Money Mart and therefore continues to be a  
 11 profitable service.

12                   MS. ANITA SOUTHALL: The -- the reason I  
 13 posed the question, Dr. Buckland, is because I understood  
 14 that there may be more risk associated with payday  
 15 lending than there would with -- and perhaps my focus for  
 16 this preparation has been government cheque cashing and  
 17 not cheque cashing as a whole, I may be speaking out of  
 18 turn but I -- I thought there -- that there may actually  
 19 be a larger risk component associated with the payday  
 20 lending and higher transactional costs per transaction  
 21 than there are associated with cheque cashing. So that  
 22 was -- that was my presumption. I may be wrong on that,  
 23 yes.

24                   DR. JERRY BUCKLAND: To come back to that  
 25 point.

1 MS. ANITA SOUTHALL: Sure.

2 DR. JERRY BUCKLAND: The -- the study by  
3 Chris Robinson in 2005, he uses -- he draws on the Ernst  
4 & Young report on -- on payday lending and he makes the -  
5 - and -- and collects data for 2005 as well for Rentcash  
6 and Money Mart and he makes a convincing argument that in  
7 fact the costs per unit of payday loan has gone down  
8 since the Ernst & Young report so that, arguably, given  
9 that fees have not gone down, that the -- the revenue has  
10 gone up. Whether that's increased profit or not I can't  
11 say, but cost per unit does seem to be going down so it -  
12 - it seems like there's evidence that profits have been  
13 going up in the payday loan sector.

14 MS. ANITA SOUTHALL: Dr. Buckland, do you  
15 have any idea what percentage of cheques are cashed in  
16 the dollar value ranges that we've been discussing? And  
17 I've broken them down zero to two hundred fifty dollars  
18 (\$250), two fifty (250) to five hundred (500), five  
19 hundred (500) to seven fifty (750), seven fifty (750) to  
20 a thousand (1,000).

21 Do you have any idea of the percentages  
22 that could be -- I'm sorry, and we'd be talking about  
23 either in the Manitoba market or in the Canadian market.

24 DR. JERRY BUCKLAND: I'm really glad you  
25 asked that question because I -- my quick answer is no, I

1 have no data because of the fact that that kind of data  
2 is not publicly available.

3 We do have some data from different  
4 studies on average cheque cashing sizes. For instance  
5 from the Dollar Financial Group study -- sorry, Dollar  
6 Financial Group Annual Reports.

7 They provide -- I believe the average  
8 dollar size of the cheques. But that's part of the  
9 trouble of trying to look at this sector and understand  
10 it. We have such data limitation -- limitations that  
11 it's hard really to -- to get very far.

12 MS. ANITA SOUTHALL: Dr. Buckland, has --  
13 have your studies in the Winnipeg market on near banks or  
14 fringe banks revealed any dissatisfaction by consumers?

15 I -- I note in your report that the one  
16 (1) comment that I -- that seems to be included -- not  
17 seem to be included by was included, appear to be a  
18 positive comment in terms of the respect that was given  
19 to consumers at a particular near bank location.

20 DR. JERRY BUCKLAND: Yeah. And that's  
21 been a real fascinating thing for -- for me and others  
22 that have studied this, is that there is a very complex  
23 relationship it seems that customers have with -- with  
24 banking services.

25 Whether it's mainstream banks or -- or

1 fringe banks. And in terms of fringe banks there does  
2 seem to be evidence that many low income people feel that  
3 they receive fairer treatment. They feel that the  
4 services that are provided are more accessible and more  
5 appropriate.

6 On the other hand, we hear evidence that  
7 low income people have different feelings towards  
8 mainstream banks, that at the mainstream bank they feel  
9 that they're not receiving the kind of respect that they  
10 would like.

11 And this -- the teller maybe is very maybe  
12 difficult with them and -- and that kind of thing. And I  
13 mean the story I remember hearing from one (1) person in  
14 -- in the north end was there was fringe bank on one (1)  
15 corner and a -- and a bank on the other corner.

16 And she could go to either one in terms of  
17 the travel time; that wasn't an issue for her. But one  
18 of the factors she took into account was when she went  
19 into the fringe bank she felt treated with respect, that  
20 wasn't the case at the mainstream bank. That -- she  
21 didn't feel that way.

22 MS. ANITA SOUTHALL: I've had an  
23 opportunity to review your analysis. The most recent  
24 paper that maybe hasn't been formally published yet, the  
25 Buckland and Dong Study. And the mapping of the fringe



1 bank outlets and the correlation that you draw between  
2 the average income and the outlets and the incidence of  
3 low income population that's identified.

4 And I -- I believe if anyone wants to  
5 refer to it, it's at page 20 of that study. But -- but I  
6 -- I'm drawing that to your attention because I'm  
7 wondering whether or not that necessarily means that the  
8 predominant users of near banks are low income people.

9 Like is that -- is that next step sort of  
10 a necessary implication of your correlation analysis?

11 DR. JERRY BUCKLAND: Yeah. That's a very  
12 good point. And the fact is that inner cities divide  
13 downtowns from suburbs and there are important  
14 transportation corridors, I mean, roads, that connect  
15 downtowns to -- to suburbs and so that means that fringe  
16 banks that are on those main streets are not just  
17 appealing to low-income people, they're appealing to a  
18 variety of people, and I think there is evidence that  
19 payday loans in particular are attracted or -- payday  
20 loans are used more so by people who are relatively  
21 better off.

22 And cheque-cashing services are used from  
23 -- by people who are relatively not as well off. A rent-  
24 to-own is -- is maybe somewhere in the middle, although I  
25 don't really have stats on rent-to-own, that would be

1 anecdotal data. Pawn shops are clearly the principal  
2 source of loans for -- for very low-income people.

3 Now having said that, I -- I would still  
4 want to -- to say that -- that there is evidence that  
5 inner-city neighbourhoods are -- are at least, sorry, I  
6 should say the north end of Winnipeg has been transformed  
7 rather dramatically in the last twenty (20) years to one  
8 where it was dominated by main-stream banks to one where  
9 it's now dominated by fringe banks and -- and so it is, I  
10 think, a statement about the -- the predominant place or  
11 the predominant type of financial service that low-income  
12 people use, at least in -- in the north end.

13 MS. ANITA SOUTHALL: You, Dr. Buckland,  
14 referenced a percentage in I believe it was the Ernst &  
15 Young Report and I've noted it down, if I've written it  
16 correctly, as 18.97 percent identified as the return on  
17 equity in the -- the general return on equity in the  
18 financial services industry? Did -- did I record that  
19 correctly?

20 DR. JERRY BUCKLAND: Yeah, that's in the  
21 -- the book of references under the Ernst & Young Report.  
22 Do you want me to go there right now? What they -- what  
23 they do in that report is list the, by sector in the  
24 Canadian economy, the average return on equity for -- for  
25 these different sectors and eighteen point nine seven

1 (18.97) was the one (1) they referred to for the  
2 financial services sector.

3 Now that would be the mainstream banks as  
4 far as I'm aware.

5 MS. ANITA SOUTHALL: And so by analogy,  
6 given that the near banks are providing similar services,  
7 would -- would that be considered sort of a proper or  
8 comparable demarcation in terms of -- in terms of proper  
9 return to that particular portion of this industry?

10 DR. JERRY BUCKLAND: Well, I guess the  
11 question of fair return comes up. What would be a fair  
12 return? I guess I'm of the view that a 19 percent return  
13 on equity is -- is quite high, it's quite high in  
14 comparison to other sectors in the Canadian economy. And  
15 that could be because the -- the banks in Canada have a  
16 special relationship with government. They -- they have  
17 a certain level of protection from competitors.

18 If a foreign bank wants to set up outlets  
19 or a bank in Canada they have to go through a certain  
20 process and so banks in Canada face, I would argue, a  
21 certain level of -- of protection that potentially has  
22 allowed them to -- to generate higher returns on equity  
23 as compared to other sectors.

24 So I personally, I don't think that that  
25 should be considered the benchmark for -- for a fair

1 return. Now -- yeah.

2 THE CHAIRPERSON: Isn't a lot of the  
3 bank's profits, at least if you read their annual  
4 reports, say it is related to their investment banking  
5 activities? Leaving outside a few ill-fated disasters.

6 DR. JERRY BUCKLAND: I -- I actually  
7 couldn't comment on that. Thank you for that.

8

9 CONTINUED BY MS. ANITA SOUTHALL:

10 MS. ANITA SOUTHALL: Would -- would there  
11 be, Dr. Buckland, a segment of society, whether they be  
12 low or -- or middle income, most likely not higher income  
13 individuals but probably you could classify them as low  
14 or middle-income individuals who've made a particular  
15 choice not to enter the mainstream banking process?

16 In other words, they don't trust banks.  
17 They keep their money at home. They, you know, they save  
18 up their money and they buy what they want when they've  
19 saved enough money. They don't really have a need for  
20 mainstream banking services.

21 I take it there must be a segment of  
22 society that for which the word 'exclusion' wouldn't  
23 necessarily be appropriate. In other words they've been  
24 an active choice not to participate in the mainstream  
25 banking system.

1 DR. JERRY BUCKLAND: Yeah, that's an  
2 interesting point. And I agree that many people who we  
3 might call financially excluded, either voluntarily or --  
4 or some kind of combination of reasons, that some of them  
5 -- well I think all of them are making conscious  
6 decisions about the benefits and costs of either having a  
7 mainstream bank account and relationship with the bank or  
8 relying on fringe banks.

9 And, you know, from an economic  
10 perspective I -- I think people make rational  
11 calculations. However, low income people on top of  
12 making those rational economic calculations also face a  
13 number of social barriers including the -- the sense of  
14 maybe lacking of trust towards larger institutions and  
15 the feeling of lack of respect by employees in banks.

16 And the -- they -- they come to that  
17 decision in a rational way that they don't want to become  
18 a member of the bank or a client of the bank or a member  
19 of the credit union. But I think this is a problem that  
20 we need to address in society because what it's leading  
21 to is a kind of two-tier banking system where one (1)  
22 group of people rely on -- on one (1) set of firms that  
23 are relatively higher priced. I mean they're charging  
24 higher prices for their services and those services are  
25 limited. Like I was saying, there are transactional

1 services, they don't really allow a person to build a  
2 credit rating or develop a savings plan, mortgage et  
3 cetera.

4                   Whereas another group of people are into  
5 mortgages and RRSP's and my concern is that this is  
6 reflecting maybe inequality in Canada and if we let it go  
7 without addressing it, it could lead to greater  
8 inequality. And -- and so I think it's important to kind  
9 of look at this situation and figure out well how can we  
10 pull these two (2) systems together.

11                   MS. ANITA SOUTHALL: Could you just  
12 explain -- I've got the acronym FCAC, there was a report  
13 done. Could you tell us what that body is, who sponsors  
14 that body. And I'm not sure if that report has been  
15 provided to us.

16                   So that's -- that last question may be a  
17 bit unfair. I -- I don't know if it has or if it's  
18 available. But if you could first of all explain that  
19 body and who sponsors it.

20                   DR. JERRY BUCKLAND: The -- the Financial  
21 Consumer Agency of Canada, the FCAC, is a Federal  
22 Government agency that is mandated to address financial  
23 consumers' concerns. And they have two (2) sort of  
24 separate mandates.

25                   First of all, they receive complaints from

1 consumers regarding the regulations of banks. Banks are  
2 regulated or commit to voluntary codes of conduct  
3 regarding certain types of services like personal  
4 identification requirements and opening deposit accounts.

5 FCAC receives complaints from consumers if  
6 they have a problem with a bank on -- on these types of  
7 issues. So for instance if you go to open an account and  
8 the bank says No, we're not going to open it or if you --  
9 you go to use some personal ID and they don't accept it,  
10 you could go to FCAC and complain about this and the  
11 commissioner would, you know, if the evidence is strong  
12 in your favour, the commissioner will look into it and  
13 then would -- would seek to resolve that -- that  
14 situation.

15 In addition, they provide education to --  
16 their second sort of mandate is to provide education to  
17 consumers on financial services. So that includes all  
18 financial services.

19 Whereas their -- their complaint function  
20 deals strictly with banks and complaints about banks.  
21 Their education function has to do with all types of  
22 financial services.

23 So FCAC's mandate is -- is that. The  
24 study that I mentioned by FCAC was actually done by a --  
25 a survey company and it's not in this book of references

1 but what is her is the study that I co-authored with  
2 Professor Dong.

3 And we refer to that study specifically on  
4 the -- the relationship between income and use of fringe  
5 banks but we can certainly provide that -- that study as  
6 well.

7 MR. BYRON WILLIAMS: So we -- we would  
8 undertake to provide the FCAC study referred to?

9  
10 --- UNDERTAKING NO. 3: CAC/MSOS to provide Board  
11 with FCAC study.

12

13 CONTINUED BY MS. ANITA SOUTHALL:

14 MS. ANITA SOUTHALL: Thank you. And if I  
15 could turn -- and I'm close to the end of my questions,  
16 Dr. Buckland -- Buckland, so thank you.

17 You did mention your research and -- and  
18 this may be the -- the paper you've just alluded to that  
19 you have included in our materials -- the research of  
20 Winnipeg's north end.

21 Is that the same paper that you've just  
22 referred to with Professor or Mr. Dong?

23 DR. JERRY BUCKLAND: No, actually -- okay  
24 the -- the north end research we -- we actually had one  
25 (1) major report that came out in 2003 and that's quite a



1 big report and that was not included in this book of  
2 references. There is a condensed report -- condensed  
3 version -- of that report that we have which can be made  
4 available if that would be useful or any of those can --  
5 can be made available but they're not included in this.

6 The -- the Buckland and Dong Study uses  
7 national level surveys and the Survey on Financial  
8 Security to look at Canada overall. The -- the studies  
9 that I was referring to on the north end, specifically at  
10 -- at the north end of Winnipeg.

11 MS. ANITA SOUTHALL: I was trying to get  
12 a sense and I -- I've had the opportunity to review your  
13 -- your pre-filed evidence and there seemed to be -- I'm  
14 not sure which study it is. I -- I confess to that.  
15 There seemed to be though some evidence of a methodology  
16 which involved an interview process and I'm not sure how  
17 many individuals you interviewed. That -- it was that  
18 study I had in mind in trying to understand what the  
19 particular methodology is and the -- and sort of the  
20 degree or -- of certainty associated with the outcomes  
21 that you obtained as a result of that analysis.

22 DR. JERRY BUCKLAND: Just to give some  
23 background on the methods that we've use, the methods  
24 that we've used in the north end have been qualitative  
25 and both -- we've done two (2) household surveys; one (1)

1 involving forty (40) households; the second one involving  
2 fifty-five (55) households. They weren't -- were not  
3 randomly -- well, the first one was not randomly  
4 selected, the second one was randomly selected.

5 The first one was completely qualitative  
6 in nature. It was not intended to represent the -- the  
7 north end population or any other population.

8 The research that is included in the  
9 report by myself and Professor Dong has representative --  
10 we -- we draw on representative surveys like FCAC  
11 sponsored surveys and the survey on financial security  
12 which is a Stats Can survey. So those ones are  
13 representative of a national level.

14

15 (BRIEF PAUSE)

16

17 MS. ANITA SOUTHALL: Thank you for your  
18 patience, Dr. Buckland. Mr. Chairman, those are my  
19 questions.

20 THE CHAIRPERSON: Thank you, Ms.  
21 Southall. I think just for a practical point were going  
22 to be moving on now to the witnesses for Money Mart and  
23 for North West Company.

24 Gentlemen, could you give a rough idea of  
25 how long you think your process will take and we're going

1 to come back to you, Mr. Williams?

2 MR. ALLAN FORAN: Mr. Chairman, my  
3 intention was to simply have the two (2) witnesses  
4 highlight the pre-filed evidence and turn it straight  
5 over to cross-examination so I wasn't expecting that we'd  
6 be longer than say, ten (10) minutes in terms of our  
7 overview.

8 THE CHAIRPERSON: Mr. Edwards...?

9  
10 (BRIEF PAUSE)

11  
12 THE CHAIRPERSON: Mr. Williams, are you  
13 expecting an extensive cross-examination of Money Mart or  
14 of North West?

15 MR. BYRON WILLIAMS: First of all I can  
16 indicate I have no re-direct of Dr. Buckland if that  
17 assists the Panel in case we're --

18 THE CHAIRPERSON: I was coming back to  
19 you.

20 MR. BYRON WILLIAMS: In terms of North  
21 West, I think we're down to two (2) questions. I'm not  
22 sure that there's much that we're -- within the -- the  
23 scope of their evidence that we can canvass.

24 In terms of Money Mart, I suspect we have  
25 somewhere between half an hour and an hour. We certainly

1 have edited some given the Panel's ruling from this  
2 morning, but there still is a bit of discussion with  
3 Money Mart that we -- we should have.

4 THE CHAIRPERSON: Okay then. Thank you  
5 very much, Professor, I appreciate it.

6 THE CHAIRPERSON: And thank you, Mr.  
7 Williams, appreciate that.

8 MR. BYRON WILLIAMS: And I guess the --  
9 perhaps we have, in terms of time, my understanding is  
10 that a couple of the witnesses are flying out at 7:00.  
11 If -- if it assists the Panel, I don't -- I would have to  
12 consult with my clients, but I certainly have no  
13 objection to even arranging a conference call to, you  
14 know, I don't think, you know, some -- some sort of  
15 mechanism because if the Board's going in-camera and you  
16 have some questions that you wish to -- to -- to discuss,  
17 we certainly have no -- no objection to doing that.

18 I don't think we have anything of -- kind  
19 of earth shattering. If -- if that assists in any  
20 manner.

21 THE CHAIRPERSON: I think some  
22 flexibility in the process is going to be required.  
23 Maybe what we should do at this point in time is we  
24 should move over then to Mr. Edwards and bring up your --  
25 your two (2) witnesses. And after that we'll see where

1 we are. Let's take five (5) minutes while you're sorting  
2 that out and bringing them up, okay?

3 MR. BYRON WILLIAMS: And Dr. Buckland can  
4 be excused.

5 THE CHAIRPERSON: Yes. Thank you again,  
6 sir, we appreciate it. Thanks for coming.

7

8 (WITNESS STANDS DOWN)

9

10 THE CHAIRPERSON: I was reminded by the  
11 way that since we're recording everything for Digi-Tran  
12 to be able to transcribe it, we'll have to pay a bit more  
13 attention to see whether people's lights are on or off  
14 because if they're off, we're going to be like the Nixon  
15 tapes.

16 MR. BYRON WILLIAMS: Right.

17 MR. PAUL EDWARDS: We wouldn't want that.  
18 Mr. Chair, thank you very much, Members of the Panel. As  
19 indicated earlier we have a Panel presentation. It's  
20 Patti Smith and Norm Bishop and I've earlier described  
21 their -- their roles.

22 In the interest of time, I'm really not  
23 going to ask any questions. They have I think some  
24 comments to make in addition to the pre-filed material  
25 and I'll just leave it at that.

1 THE CHAIRPERSON: Thank you, Mr. Edwards.

2 MR. PAUL EDWARDS: You're welcome.

3 MS. PATTI SMITH: Thank you. Thank you  
4 very much, Chairman Lane, Member Girouard. Oh --

5 THE CHAIRPERSON: Yes, Ms. Swanke, if you  
6 would swear in the witnesses. It's just the lateness of  
7 the day. I'm not as alert as I was at 8:00.

8

9 MONEY MART PANEL:

10 PATTI SMITH, Sworn

11 NORM BISHOP, Sworn

12

13 THE CHAIRPERSON: Thank you. Please  
14 proceed.

15

16 EVIDENCE BY MONEY MART:

17 MS. PATTI SMITH: Good afternoon. Thank  
18 you to Chairman Lane and Members Girouard and Members  
19 Proven for allowing us to present today.

20 I just wanted to let you know that  
21 National Money Mart Company is based in Victoria and  
22 we're thrilled to be here in -- in Winnipeg. We are a  
23 subsidiary of Dollar Financial as you've heard earlier in  
24 the day and that we are publicly traded. Money Mart's  
25 been in operation for twenty-five (25) years and have

1    been members of the Better Business Bureau for over  
2    twenty (20) years and currently have zero unresolved  
3    complaints on file after a twenty (20) year record. And  
4    that's a national membership.

5                   We have provided retail financial services  
6    to average Canadians for those twenty-five (25) years and  
7    opened our very first outlet here in Winnipeg twenty-five  
8    (25) years ago.

9                   We only have one (1) outlet as described  
10   in North Winnipeg, as Dr. Buckland described that  
11   territory, and that was opened about sixteen (16) years  
12   ago. So that has not been an area of interest for us in  
13   the late -- in the late or in the future.

14                  We currently have branches in every  
15   English speaking city in Canada with a population of  
16   forty thousand (40,000) or more. So we have a very wide  
17   distribution across Canada. In Winnipeg we have  
18   seventeen (17) stores while in -- in Manitoba we have  
19   seventeen (17) stores, fifteen (15) in Winnipeg and we do  
20   employ approximately ninety (90) people.

21                  We actually have sited in some really  
22   interesting areas and I'd like to speak a little bit  
23   about our distribution strategy and our siting strategies  
24   without giving away too much of our tricks.

25                  If you ever take a look at a map of

1   Winnipeg and where we have currently placed our  
2   locations, we have located almost evenly throughout the  
3   city, as I say with only one (1) -- one (1) location in  
4   the north Winnipeg as defined by Dr. Buckland.

5                   We actually have one of our --

6                   MR. PAUL EDWARDS:   Let me just interrupt  
7   for one (1) second that -- there is a map, just so you --  
8   you don't have to keep your hand down on it or anything,  
9   it'll become tiresome. This is at Tab B, the pre-filed  
10  materials was atta -- sorry, Ms. Smith, would be the  
11  locations just so you have that handy.

12

13  CONTINUED BY MONEY MART:

14                   MS. PATTI SMITH:   One of our more recent  
15  stores and certainly one of our more successful one is  
16  actually in an area of Winnipeg which is probably not --  
17  not one that you would expect and that's in the Oak Point  
18  area, where we kind of target smaller businesses and  
19  commercial.

20                   Normally when we site stores we look for  
21  busy intersections where average Canadians would work or  
22  live. We always look for something in the size of about  
23  a thousand to fifteen hundred (1,500) square feet and are  
24  constantly competing, as we had said earlier, with  
25  locations like Starbucks, Payless Shoes, Quiznos, and



1 maybe some Wireless stores for location. So you -- kinda  
2 give you an idea of -- of where we site and the kind of  
3 demographic we look for.

4 Normally most of those locations have a  
5 bank as an anchor tenant and I think one of the -- one of  
6 the handouts that we have here for you as well is a list  
7 of all of our locations and the proximity to banks. And  
8 I think that you'll find that each one of them is, if not  
9 within the same strip or across the street, usually  
10 within a block.

11 So, our siting strategy is a little bit  
12 contrary to -- to some of the things you may have heard  
13 today. We actually find that banks are our largest  
14 source of referral for our clients because often times  
15 banks are unable to meet the needs of the clients and so  
16 we -- we find that they send them our way to -- to meet  
17 the needs. And so that's been a -- a really positive  
18 complimentary relationship for us.

19 MR. PAUL EDWARDS: I'm going to stop you  
20 there and hand out the document I -- this is a new  
21 document so I've going...

22

23 (BRIEF PAUSE)

24

25 THE CHAIRPERSON: There are the locations

1 of the various outlets.

2

3 CONTINUED BY MONEY MART:

4 MS. PATTI SMITH: Further to that, I  
5 think one of our major target areas are normally in the  
6 suburbs, so if you -- if you look at our list of  
7 locations, particularly at the ones at the end of the  
8 list, which would be listed in chronological order, you  
9 can see that the areas that we -- we are in, kind of  
10 cover all aspects of Winnipeg and I think that you would  
11 find that same sort of thing anywhere in Canada within  
12 any city that we operate.

13 One of the things that is also important  
14 about our relationships with banks is although, although  
15 you probably heard today that -- that our -- our  
16 customers don't normally have bank accounts, all of the  
17 customers at Money Mart that do a number of our services  
18 must have bank accounts.

19 For example, any of our consumer loan  
20 products, the customer must have a bank account. So a  
21 hundred percent of those clients have bank accounts.  
22 They also need to have full employment and steady income.  
23 So it's a bit of a fallacy to say that we're preying or  
24 predatory on any unbanked customers.

25 As I say, our cheque-cashing business is

1 one that is in constant decline, contrary to Dr.  
2 Buckland's report. Although our 10K Report shows that we  
3 have an increase in cheque cashing year over year, that's  
4 only marked by a number of outlets and acquisitions that  
5 we've done. If we look at purse-store (phonetic)  
6 transactions, cheque class -- cheque cashing is a  
7 declining market for us.

8 Just to talk a little about our products,  
9 I think we -- we mentioned...

10

11 (BRIEF PAUSE)

12

13 MS. PATTI SMITH: We -- we offered nine  
14 (9) products and many variations of those. For example,  
15 I think we mentioned Western Union. We're the largest  
16 Western Union agent in North America and we -- if we were  
17 to describe our typical Western Union customer, it ranges  
18 from someone wiring money back home to a foreign country  
19 or often times parents sending money to children in  
20 University, things like that. So I really, you know,  
21 covers a gamut as far as our demographic goes.

22 We also sell Western Union money orders,  
23 and for those of you who shop on the Internet and need US  
24 dollars, we sell US and Canadian money orders cheaper  
25 than any banks.

1                   Currency exchange is one of our fast  
2     emerging products and we're the largest retail provider  
3     of foreign currency in Canada and you might find it  
4     interesting that we have better-than-bank rates. So we  
5     actually have a great group of customers who are the  
6     snowbirds, who head down south. We have a large number  
7     of travellers and tourists and of course a lot of small  
8     business companies that need to deal in international  
9     currencies.

10                   MR. PAUL EDWARDS:     Sorry to interrupt.  
11     The list of those services provided is in the text in the  
12     form of the brochure I believe is -- is at Tab A of the  
13     pre-filed materials.

14                   MS. PATTI SMITH:     One of our other...

15

16                                   (BRIEF PAUSE)

17

18                   MS. PATTI SMITH:     -- is bill payment and  
19     I'm sure you've heard a lot about that today. We  
20     actually utilize a Winnipeg-based company called TelPay  
21     where customers are able to come into any one (1) of our  
22     branches throughout Canada and pay thousands of bills  
23     that are listed with TelPay as a company.

24                   That is the service that we offer for a  
25     dollar ninety-nine (\$1.99) which is actually quite

1 reasonable when compared to some of our low-cost bank  
2 charges.

3               We do also offer tax file and prep similar  
4 to what H&R Block does and we -- after offering that  
5 service for five (5) years now we probably have about ten  
6 (10) percent of the market share. We -- we wanted to add  
7 a complementary service to our customers and it was one  
8 that they were asking for regularly so it was nice to see  
9 that the majority of our customers just took that up as  
10 an additional service so they didn't have to go elsewhere  
11 to get their -- their tax prep and/or refund.

12              Not all of our customers go for the  
13 anticipated refund loan where they -- where they get  
14 money up front. A lot of customers just come to us to  
15 have their taxes prepared professionally and we have a  
16 third-party provider that does that.

17              We also have as you've heard debit cards  
18 and stored value cards and loaded Mastercards and it's  
19 very important that you note that all of those cards are  
20 optional; none of them have to be tied into any one (1)  
21 of the services that we provide.

22              We actually have just started a new  
23 program and it's a mortgage referral product so again  
24 contrary to what you've heard today our customers do have  
25 homes in some cases and they are looking for traditional

1   lending products. So our mortgage referral product was  
2   just launched last month and hopefully I'll be back again  
3   one day to tell you that that's a success for -- for the  
4   Money Mart family.

5                   As we're talking about cheque cashing as  
6   our main topic I wanted to be sure to talk about our  
7   history as a cheque casher. When we entered the industry  
8   about twenty-five (25) years ago we were charging fees  
9   anywhere between 7 and 12 percent so that may -- may give  
10  the Board counsel an idea of what the charges were like  
11  twenty-five (25) years ago and what some of the liquor  
12  stores, small grocery stores, corner stores were charging  
13  at that point in time for us to enter the market  
14  competitively.

15                  Since that time with the -- you know, with  
16  the efficiencies and computer systems and competition  
17  obviously those prices have dropped to what you've heard  
18  about today.

19                  The types of cheques we cash are very  
20  varied. Obviously the largest number of cheques we cash  
21  are payroll cheques. We also cash personal cheques. We  
22  cash government cheques which again take on a -- a whole  
23  array of kinds of government cheques; a large number of  
24  them being tax refund cheques. Of course everybody who  
25  files a tax return could be eligible for a return and --

1 and oftentimes we get a lot of new customers around tax  
2 time who are looking for a way to easily turn that --  
3 that money into -- into cash.

4                   One of the largest growing parts of our  
5 business in regards to cheque cashing despite the entire  
6 category being in decline is commercial cheque cashing.  
7 And I'll kind of describe a situation for you where you  
8 have a small business man who could be somewhat like a  
9 roofer who is on a job site on a Thursday or Friday  
10 afternoon with his crew of six (6) people and gets paid  
11 by cheque and his five (5) or six (6) people are waiting  
12 to get paid that weekend and he can't leave the job site  
13 to go to the bank between 9:00 and 3:00, so he comes to a  
14 Money Mart at 8:00 or nine o'clock at night, cashes the  
15 cheque, gets immediate cash, pays all of his workers that  
16 day, gets the money for his next job, and he's on a --  
17 he's -- he's ready to go.

18                   So as I say, the fastest emerging part of  
19 our cheque cashing business is the commercial business  
20 and -- and that probably is why the -- the Oak Point,  
21 perhaps, store is -- is such a success for us.

22

23                   (BRIEF PAUSE)

24

25                   MS. PATTI SMITH: I guess when we look at

1 -- one of the most important things that would be our  
2 customers and to describe them we've done a -- a number  
3 of customer surveys and -- and what we'll -- what we'll  
4 find and we can look at our demographics as well is our  
5 customers are young internet savvy. 75 percent of our  
6 customers are on the internet every day.

7                   They're average working class Canadians  
8 that cover both blue, white, and pink collar. They're  
9 very value conscious but they're also very convenience  
10 oriented like most young, busy people are today.

11                   So they really, really like our locations  
12 and our hours. Most of the business that we do is  
13 conducted outside of banking hours and -- and I think  
14 that indicates to us that perhaps our bank -- banks  
15 aren't meeting the needs of the average Canadian.

16                   Our users are occasional. So, as I said,  
17 most of them have bank accounts. So they may go to the  
18 bank twice a month, but on those odd times when they need  
19 to get a cheque cashed late at night they would find our  
20 option to be very convenient. So we are more of a  
21 complementary service, not a competition for the bank.

22                   We've also found that, for convenience,  
23 our customers are not very price sensitive. They would  
24 rather go to a convenient location than save two dollars  
25 (\$2) and, conversely, they'd rather pay an extra two



1 dollars (\$2) than have to drive across town or go  
2 somewhere that's an inconvenient time for them.

3 And, most importantly, we have a 92  
4 percent customer satisfaction rate. This was done by an  
5 outside survey firm who actually came to us afterwards  
6 and said they'd never seen results like that ever,  
7 especially in regards to a financial service which  
8 normally is one (1) that we all love to complain about.

9 So we certainly hang our hats on our  
10 ability to take care of the customer, provide everything  
11 that they look for and do it in a respectful manner.

12 So that being said, I think we talked a  
13 little bit about the pricing in Winnipeg in particular  
14 and, from what we saw, the pricing varied by about 0.26  
15 percent. So in our minds, coming from seven (7) to  
16 twelve (12) down to where we are today we think that the  
17 existing competition is doing a reasonable job in keeping  
18 us all in line. Thank you.

19 THE CHAIRPERSON: Thank you very much.

20 All right, Mr. Bishop.

21

22 CONTINUED BY MONEY MART:

23 MR. NORM BISHOP: It's on? Okay.

24 MS. PATTI SMITH: Who didn't tell me  
25 that.

1 MR. NORM BISHOP: I tried to. I'll be  
2 brief because a lot, I think, has been covered before by  
3 other speakers and Ms. Smith so I'll just hit some high  
4 points and try and finish a bit early. I think, just to  
5 start off, it's Money Mart's position that, in giving  
6 recommendation to the Board, that what the Board should  
7 be doing is looking to set a competitive rate that's  
8 going to allow for a competitive marketplace. I think  
9 that's one of the most important considerations.

10 And I think, as has been said before, you  
11 have an unusual and difficult task today because you're  
12 not dealing with a utility. I confess I'm not a  
13 regulatory lawyer so I've never been in a regulatory  
14 hearing before or know how long they go for.

15 THE CHAIRPERSON: Fifteen (15) days.

16

17 CONTINUED BY MONEY MART:

18 MR. NORM BISHOP: It's a different world.  
19 But this is not a utility and therefore you shouldn't be  
20 seeking to set a rate for a utility. The other -- it's a  
21 competitive market.

22 I think the other important point is that  
23 you're dealing, as we've heard from Professor Buckland  
24 and others, with businesses that don't sell one (1)  
25 thing. They don't sell gas or they don't sell light or

1 whatever they -- those utilities sell, they sell a range  
2 of products and that's all part of the environment and  
3 you'll have a range of competitors that some sell one  
4 product, some sell five (5), some sell a dozen and so  
5 that -- that brings in an important factor.

6 When Minister Salinger introduced the  
7 legislation in the second reading, when he spoke to it at  
8 length, that was on May 24th in the Legislature, he said,  
9 in talking about the bill:

10 "Complaints about cheque cashing fees  
11 as high as 30 percent of the face value  
12 of the cheque have been received. It  
13 is essential that limits on fees be  
14 established so that consumers receive  
15 the maximum benefit of these cheques."

16 And I think Money Mart agrees with that.  
17 There are companies or entities out there that may charge  
18 high fees, 20 to 30 percent, be they bars or stores or  
19 private cheque cashers and it's -- it's a good thing that  
20 regulation be put in place to set limits on that.

21 However, what we've talked about today,  
22 with most of the evidence, is -- are companies like Money  
23 Mart and many other competitors that are nowhere near  
24 that range and we believe that the market, with respect  
25 to that sector, is functioning well and from Minister

1 Salinger's comments, the focus of the legislation should  
2 be to separate those high charging companies from -- from  
3 the market.

4 I won't go on about the rates charged by  
5 the various competitors because I think Professor  
6 Buckland did a very good and thorough study of that and  
7 certainly that was in line with the understanding of  
8 Money Mart.

9 I think I would just summarize it by  
10 saying these fees are not high for the range of 3 percent  
11 on a hundred dollars (\$100). They are probably quite  
12 reasonable and certainly we haven't heard any discussions  
13 today about ATM fees but I'm sure the average withdrawal  
14 someone takes from an ATM is below a hundred dollars  
15 (\$100) and you're very often looking at two (2) to three  
16 dollar (\$3) charges for something like that, so putting  
17 that in context, I think it's very reasonable.

18 I'll try and move quickly through here. I  
19 think another point we would like to make is that we've  
20 had evidence today about the fringe banking sector and  
21 this sector includes pawn -- pawn shops, rent-to-own,  
22 cheque cashing and payday lenders and that's the majority  
23 of the sector and it's presented as one (1) industry  
24 group, an industry group that is focussed in low income  
25 neighbourhoods where banks have withdrawn services.

1 I'd like to point out that pawn shops and  
2 rent-to-own companies are a very different market segment  
3 than payday loans and -- and cheque cashers, which Ms.  
4 Smith has just spoken to.

5 Our experience is that pawn shops and, to  
6 some extent, rent-to-own companies, are almost  
7 exclusively in low -- low income areas whereas cheque  
8 cashers and -- and payday lenders are -- are all over the  
9 place and certainly the growth area is not in low income  
10 areas.

11 So, and I think this is evidenced by the  
12 map of Winnipeg showing Money Mart outlets, we also  
13 included in the material a study done by the City of  
14 Vancouver. They wanted to find out about the payday loan  
15 industry and, as Professor Buckland has pointed out, most  
16 payday lenders also do cheque cashing and they -- they  
17 have a map which shows where all of the stores who have  
18 business licenses are located and they're evenly  
19 dispersed around the City of Vancouver and, more  
20 importantly, in the low income area of Vancouver, the  
21 lower east side, I think there's none or perhaps one (1)  
22 payday lender.

23 In other words, these are very different  
24 market segments and I think that's an important point to  
25 remember.

1                   MR PAUL EDWARDS:    Sorry, Mr. Bishop, that  
2   report is at Tab D of the pre-filed materials.

3

4   CONTINUED BY MONEY MART:

5                   MR. NORM BISHOP:   And I would also just  
6   make a personal observation that I've taken a drive  
7   through North Winnipeg to -- to see the area and I  
8   noticed that the area where you find all of the pawn  
9   shops, you don't find any payday loan stores or cheque  
10   cashing stores and that's the experience in Toronto.  
11   There must be ten (10) payday loan stores when you walk  
12   down Yonge Street from Brewer to King Street.  There's no  
13   pawn shops on Yonge Street.  You go six (6) blocks to the  
14   east, parallel street, and you'll find all the pawn  
15   shops.  You won't find any payday loan stores.

16                   And an example we love to give is in  
17   Ottawa, in the Department of Finance Building where we  
18   often go for meetings to talk about this industry,  
19   there's a payday loan store on the main floor of the  
20   building and they constantly ask us, they don't  
21   understand who takes out payday loans.  But, of course,  
22   it's the people that work in the building, that's --  
23   that's -- that's the demographic.

24                   And we -- Mr. Chairman, you made the  
25   reference of the comparison of a 7/11 store to a Safeway,

1 I think that is very apt. This is part of the modern age  
2 and people value convenience and -- and to a large  
3 extent, though not exclusively, as one does not do all  
4 their shopping at a Mac's Milk or a 7/11, they go there  
5 occasionally but go to do lots of shopping at Safeway,  
6 it's a comparable situation. There are a large segment of  
7 Money Mart's customers that will go to use them on  
8 occasion but they don't do their banking exclusively  
9 there.

10 It's also a service that you will find,  
11 through the demographics, that they're -- they're younger  
12 than the average Canadian and there's a lot of people who  
13 will, from their time of life when they're single,  
14 they're living downtown, they will use this service  
15 because they're young, employed and they're working at  
16 Starbucks and they get off at nine (9) o'clock on a  
17 Friday night and they get their paycheque and do they  
18 want to deposit it in the bank and wait until Monday to  
19 withdraw their funds or do they want to get cash that  
20 day? Well, they'll pay for convenience.

21 I was, in fact, before the Senate Finance  
22 Committee last year on the issue of cheque cashing and  
23 the hearings were called, I believe, because a Senator  
24 had to get a cheque cashed at a bank that day and he had  
25 great difficulty doing that and, as a result, he decided

1 the committee should have hearings on the subject so they  
2 called the Canadian Bankers Association and the Canadian  
3 Payments Association.

4                   They also called the Canadian Payday Loan  
5 Association that has nothing to do with cheque cashing  
6 but I'm affiliated with that group so I showed up and  
7 spoke to them. And the Senator explained, talked to  
8 personal experience of waiting 45 minutes to cash a  
9 cheque and when he became aware that it cost three  
10 dollars (\$3) on a hundred to cash a cheque it was  
11 certainly, he acknowledged, worth it for his time to not  
12 spend 45 minutes but pay a fee for cashing a cheque and I  
13 think that is an excellent example of why people use the  
14 service.

15                   Not to say that Professor Buckland is  
16 incorrect in his study, certainly there are some people  
17 that do experience financial exclusion and this is a  
18 vital service for those people who don't have access to  
19 other forms of credit for whatever reason.

20                   What I -- the point I'm getting to is that  
21 I guess we bristle a bit at the term "fringe banker". We  
22 would like to see people -- or have people see us growing  
23 out of that term. I know there's no disrespect by  
24 lumping us in there, but this is a different industry.  
25 It's not like pawn shops or others and, therefore, I



1 think retail convenience financial service is -- is a  
2 proper term for it and I think that's where we'll go in  
3 the future as companies like Money Mart deal with new  
4 technology and more convenience with financial services.

5 I think that's important because when the  
6 Board looks to setting rates the Board should look to the  
7 entire constituency that would be using -- or cashing  
8 cheques, not just one constituency.

9 I think, with respect to North Winnipeg  
10 and Dr. Buckland's report, there are issues there and he  
11 makes several very good recommendations in his report,  
12 things like financial management and training, debit  
13 cards or secure credit cards for issuing payments and  
14 governments are more and more looking to this as ways of  
15 delivering payment.

16 I think it's fair to say a cheque is  
17 becoming more and more outmoded for that sort of delivery  
18 system and, of course, there's a new initiative with the  
19 Assiniboine Credit Union and Money Mart certainly  
20 applauds that and supports that. I think those are good  
21 solutions.

22 I think a couple of other factors that  
23 should be taken into consideration when you're deciding  
24 what rates to set as maximums is that this is a shrinking  
25 market. It's not a growing market.

1                   There was a lot of talk today about Money  
2 Mart being the largest service provider and -- and  
3 concerns about that and while it is the largest across  
4 Canada it's -- it's not the largest in North Winnipeg.  
5 There are a number of other smaller providers in North  
6 Winnipeg that provide the service and they certainly  
7 don't have the economies of scale of -- of Money Mart.

8                   You're probably going to expect us to give  
9 you an opinion on what the rate should be. Again, I  
10 would think, just to throw out some numbers, a rate like,  
11 for example, 4 percent and four dollar (\$4) on a hundred  
12 (100) or 5 percent or five dollars (\$5) on a hundred  
13 (100) would be something that's appropriate.

14                  A couple of comments there. First of all,  
15 if you look at the regulations they are -- are very  
16 strict, they say, first offence one thousand dollars  
17 (\$1,000), second offence three thousand dollars (\$3,000),  
18 third offence five thousand dollars (\$5,000).

19                  If you pick a rate of 2.746 percent plus a  
20 dollar sixteen (\$1.16) on -- as a rate and somebody comes  
21 in with a cheque of two hundred and thirty-one dollars  
22 (\$231), it's awfully easy to make a mistake by three  
23 cents (\$0.03) and be faced with a thousand (1,000) or a  
24 three thousand dollar (\$3,000) fine and I think make it  
25 simple, something clear that the customer can understand.

1                   The Board will be going through this  
2   hearing every three (3) years. I hope the hearings don't  
3   take three (3) years and it's important that, I think, as  
4   you approach regulation and you're dealing with a  
5   competitive market that you should deal with it carefully  
6   and you should set a rate that you can then look at and  
7   see how the market is functioning, see whether it's  
8   appropriate and then go back and review that every three  
9   (3) years or, as I understand it, you could do it more  
10  often if you choose.

11                  There has been a lot of discussion about  
12  the absence of financial information and fair enough.  
13  And that is because we are dealing with private companies  
14  in the competitive marketplace and that's -- that's true  
15  of all private companies in a competitive marketplace.  
16  We're not in a utility -- the situation of the utility.

17                  I would suggest, though, that if -- if you  
18  acknowledge that there is a competitive market and it's  
19  appropriate to set the rate above the market so the  
20  market functions properly then the need for exact  
21  precision, the way I imagine you usually do your work  
22  when you're dealing with a utility like the gas or power  
23  provider, is not as necessary as long as you're -- you're  
24  feeling comfortable that there is a market that is going  
25  to function there.

1                   So, in conclusion, and I'll wind up, we  
2 believe, firstly, that there is a healthy, competitive  
3 market. We heard some discussion today and I know I'm on  
4 thin ground because I'm not an economist, but I -- I  
5 heard that when markets are perfectly competitive that is  
6 -- that is fine but I -- I understood from -- what I  
7 understood is there's probably no perfectly competitive  
8 markets in the world, or it's something in theory.

9                   But Professor Buckland provided evidence  
10 of what would be an imperfect market and I'd like to  
11 address those. First of all, market concentration. It  
12 was a comment that there are two (2) large providers,  
13 Money Mart and Rentcash, and therefore they have a  
14 dominant market which would create an oligopoly or -- or  
15 would influence the market, and I apologize if I'm  
16 getting these terms wrong.

17                   I think it should be noted that Professor  
18 Buckland also put forward evidence that five (5) to six  
19 (6) years ago there was only Money Mart in the -- in the  
20 market and it was by far the dominant player and there  
21 were comments of monopoly.

22                   Now, there is Money Mart that has roughly  
23 four hundred (400) stores and Rentcash that has roughly  
24 four hundred (400) -- three hundred (300) to four hundred  
25 (400) -- three fifty (350) to four hundred (400) stores.

1 There is another company called Cash Money who has four  
2 (4) stores in Winnipeg. They have roughly -- they have  
3 over a hundred (100) stores. There's a number of other  
4 competitors that have forty (40) to fifty (50) stores  
5 across Canada. I'm speaking across Canada. So, we  
6 believe that's -- that there is market competition.

7 I think also pricing. We've heard that  
8 it's not a competitive market if the price differs.  
9 Well, I drive around and I find different prices of gas  
10 and I go to grocery stores and I find different prices of  
11 lettuce. The price variation of the companies competing  
12 in Winnipeg is extremely narrow, in my opinion. And I --  
13 I would think that that, generally speaking, shows  
14 there's evidence that there is price competition.  
15 There's not a wide variation. There's not a wide range  
16 of fees.

17 And also, as Ms. Smith indicated, when  
18 Money Mart first got in this business the rates were 7 to  
19 12 percent. Well, they have come down through  
20 competition and they -- they seem to be pretty stable and  
21 I think that's a good indication of a market.

22 Multiple products, yes, there are multiple  
23 products but I don't think that that's a bad thing. I  
24 think that's a good thing.

25 Brand proliferation, I don't think we see

1 -- the only brand proliferation, as I understand it, that  
2 means a company that has a whole bunch of different  
3 chains under different names, the only company I'm aware  
4 of that has two (2) chains is Rentcash, they have a chain  
5 called The Cash Store and a chain called Insta-loans.  
6 And advertising, I always thought advertising was an  
7 example of competition but certainly there are many  
8 companies out there advertising. It's not just Money  
9 Mart that's advertising.

10                   And lack of information, I understood  
11 Professor Buckland to say that when he first did his  
12 study he had a difficult time getting any information and  
13 when he did his most recent study there was lots of  
14 information available and Money Mart has had a very  
15 successful campaign of advertising called 'Three bucks on  
16 a hun' and I think that's pretty easy for people to  
17 understand what the costs are.

18                   Having said that, Professor Buckland made  
19 a suggestion about posting costs for a sample hundred  
20 dollar (\$100), two, fifty (250), thousand dollar (\$1,000)  
21 cheque so that people could compare apples to apples.  
22 Certainly we have no objection with that.

23                   We think information -- the more  
24 disclosure the better and that's why we're here today as  
25 we see -- we see regulation as legitimizing the industry

1 and we're trying to be here and bring that forward and  
2 anything that we can do to make that happen we think is  
3 better.

4 And disclosing rates, I think, is  
5 something that is very useful, in fact. The provincial  
6 and federal legislation is very complex on how you  
7 disclose interest rates and if -- if it could be  
8 clarified for the consumer I think that's good for  
9 everyone.

10 So, just to wrap up, we think there's a  
11 good market. We think where there is a good, functioning  
12 market you shouldn't tamper with it because if you tamper  
13 with it it -- it won't function as well for the consumer.  
14 If there are excessive profits to be made, we believe  
15 others would come in and -- come into competition and  
16 could do very well in the market.

17 Therefore, our recommendation is any rate  
18 should be set above the market, a rate that will stop  
19 people from charging 20 or 30 percent of the face value  
20 of the cheque, but high enough that it doesn't create a  
21 barrier to entry with other competitors but lets the  
22 market function the way it needs to function.

23 So I'll, in the interests of time, wrap up  
24 my comments there.

25 THE CHAIRPERSON: Thank you, sir. We are

1 cognisant of the fact the Hearing has gone on long and  
2 this is a brand new field for us and before we come down  
3 with a decision, we're going to spend a lot of time  
4 reflecting on it. So we're not going to rush ourselves  
5 off the cliff in a big rush.

6 So I don't want to, in any way, rush Mr.  
7 Williams in his cross-examination or cause us up here any  
8 difficulties in thinking through our approach and we have  
9 northwest to follow yet to provide a good opportunity  
10 there too.

11 So I'm contemplating right now, Mr.  
12 Williams, unless you feel that you can ably handle your  
13 constituency's interest within 30 minutes or 45 minutes,  
14 I'm inclined to unfortunate it is for Northwest in  
15 particular, to wind it up and leave it with counsels to  
16 figure out where we go from here in respect to taking it  
17 up again on another day when everyone is a little bit  
18 fresher and people aren't feeling so rushed, what do you  
19 think, Mr. Williams?

20 MR. BYRON WILLIAMS: I'm going to follow  
21 the Bob Peters' principle which is, generally I tend to  
22 under estimate the time I will take and I'm guessing,  
23 given the direct I've heard, I'm getting close to an  
24 hour. So I think that if -- if that's the direction of  
25 the Board, I'd suggest looking for a better day.



1                   As I said, from our perspective, we'd  
2   certainly prefer the witnesses here but we wouldn't mind  
3   -- we could do it by a teleconference if that works as  
4   well.

5                   THE CHAIRPERSON:   Ms. Southall, do you  
6   have any advice for us?

7                   MS. ANITA SOUTHALL:   I think the  
8   preference, in terms of the process, is to have the  
9   witnesses back on another day. I think it's just -- I  
10  think it facilitates the better interchange of  
11  information.

12                   I appreciate that we have people attending  
13  from out of town and that that will add some  
14  inconvenience for them to have to attend again on another  
15  day and, certainly, it's not that they're required to  
16  attend in person and the Board's indicated they can be  
17  flexible in terms of the process.

18                   I think we need direction from Mr. Edwards  
19  in terms of whether his clients could attend, for  
20  example, sometime in January and then -- and we're  
21  talking about then, of course, Northwest witnesses  
22  attending also at that time to complete the public record  
23  portion of the testimony. We're also, of course, taking,  
24  and I would think probably at or about the same time if  
25  that's logistically possible, the in-camera evidence of

1 these Intervenors.

2 THE CHAIRPERSON: Mr. Edwards...?

3 MR. PAUL EDWARDS: Perhaps I could just  
4 have a moment just to speak to my client?

5 THE CHAIRPERSON: Yes. Yes, please do.

6

7 (BRIEF PAUSE)

8

9 THE CHAIRPERSON: Mr. Edwards, do you  
10 have any thoughts for us?

11 MR. PAUL EDWARDS: Yes, there's two (2)  
12 options which I'm prepared to put to you. Number one is  
13 to stay. These people have planes but they can make  
14 arrangements, they'll change those flights and that's not  
15 a problem, we would keep going. That's option number  
16 one. I understand if the Board is expressing some  
17 fatigue or Mr. Williams or others and I just want to put  
18 that forward --

19 THE CHAIRPERSON: Well, frankly, Mr.  
20 Edwards, we have a capacity too in trying to retain --

21 MR. PAUL EDWARDS: And I understand --

22 THE CHAIRPERSON: -- all that. We don't  
23 have the normal luxury of having the transcript service  
24 here for us either.

25 MR. PAUL EDWARDS: Yes.

1                   THE CHAIRPERSON:   And I think it's in  
2   everyone's best interests that we do this fully,  
3   properly, through to the end, including the  
4   constituencies that are not represented here.

5                   MR. PAUL EDWARDS:   Understood.  Then, of  
6   course, we'll attempt to accommodate as early a date as  
7   possible.  These people will come back.  That's what  
8   we'll do.

9                   THE CHAIRPERSON:   Then we'll turn it over  
10  to our counsel to sort it out with Mr. Williams and  
11  yourself and Mr. Foran.

12                  MR. PAUL EDWARDS:   That would be fine.

13                  THE CHAIRPERSON:   And we will get back to  
14  everyone in due course.  So, thanks to everyone for  
15  participating.

16                  MS. ANITA SOUTHALL:   Thank you, Mr.  
17  Chairman.

18                  THE CHAIRPERSON:   And I wish you the best  
19  of the season and we'll see you in the New Year.

20

21  --- Upon adjourning at 5:15 p.m.

22

23

24

25

1

2

3

4 Certified Correct (via tape recording)

5

6

7

8

9 Wendy Warnock

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25