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MANITOBA PUBLIC UTILITIES BOARD

Re: TO DETERMINE MAXIMUM FEES
FOR PAYDAY LOANS

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
February 13th, 2008
Pages 4443 to 4631

APPEARANCES

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

2

3 THE CHAIRPERSON: Okay, good morning
4 everyone. I presume this is Mr. Hansford? Welcome,
5 sir.

6 First of all, Ms. Southall, do we have any
7 new exhibits to file or anything like that to catch up
8 on?

9 MS. ANITA SOUTHALL: Yes, we do, Mr.
10 Chairman, I'll -- I'll just introduce those now. We have
11 a new CPLA exhibit, Exhibit Number 15, which we're
12 marking for the record. It was the Notice of Motion of
13 CPLA with respect to rebuttal evidence.

14

15 --- EXHIBIT NO. CPLA-15: CPLA Notice of Motion
16 regarding rebuttal evidence

17

18 MS. ANITA SOUTHALL: We also have two (2)
19 new exhibits for Rentcash; Rentcash Exhibit 32 is the
20 curriculum vitae of Randal Hansford, Mr. Hansford, who's
21 attending here this morning. And Mr. Gaudreau for the
22 Board is distributing that CV.

23

24 --- EXHIBIT NO. RC-32: Curriculum vitae of Randal
25 Hansford

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MS. ANITA SOUTHALL: And secondly we have a Rentcash Exhibit RC-33, which is a two (2) page letter filed with the Public Utilities Board by Rentcash, dated January 24, 2008 which is, in essence, notice to the Board with respect to Rentcash's wish to file rebuttal evidence.

--- EXHIBIT NO. RC-33: A two page letter from Rentcash, dated January 24, 2008, notice of Rentcash's desire to file rebuttal evidence

MS. ANITA SOUTHALL: And finally, we have a new PUB exhibit, PUB-33, which is again a further supplement to the Board's documents and its own research with respect to articles and background information associated with payday loans and consists of six (6) additional tabs of information.

--- EXHIBIT NO. PUB-33: A supplement to the Board's documents with respect to articles and background information associated with

1 payday loans consisting of
2 six (6) additional tabs of
3 information
4

5 MS. ANITA SOUTHALL: Those are the
6 additional exhibits, Mr. Chairman.

7 THE CHAIRPERSON: Thank you, Ms.
8 Southall. Okay, Mr. Gaudreau, if you would not mind
9 swearing in Mr. Hansford?

10

11 RANDY HANSFORD, SWORN

12

13 THE CHAIRPERSON: Thank you, sir. You
14 are welcome --

15 MS. ANITA SOUTHALL: Mr. Hansford --
16 sorry to interrupt, Mr. Chairman -- I didn't indicate to
17 you before the Hearing started, but if you push the
18 button in front of you, this red light will light up, and
19 the reporter will be able to record your evidence. Thank
20 you.

21 THE CHAIRPERSON: Thank you. Mr.
22 Hacault, do you want to begin with your cross-examination
23 of Mr. Hansford?

24

25 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

1 MR. ANTOINE HACAULT: Yes, thank you. And
2 I'd like to thank the Board for issuing the subpoena to
3 allow this witness to attend. I thought it would be
4 useful.

5 Hopefully, it will be useful to clarify
6 some of the matters that have arisen out of a letter that
7 was written from the Consumers' Bureau and -- and an
8 email from Mr. Hansford and also some references in the
9 Rentcash rebuttal, in particular in Appendix B.

10 So, Mr. Hansford, could you firstly
11 explain in a brief way your employment history that would
12 have contributed to your ability to provide advice to the
13 Consumers' Bureau on payday loans and the regulations?

14 MR. RANDY HANSFORD: Basically, I've
15 spent thirty (30) plus years in the credit granting
16 industry covering finance companies, where I started, and
17 chartered banks. And then for the last twenty-five (25)
18 years approximately within the credit union system, both
19 in Alberta and then in Manitoba.

20 Part of my work experience, when I was
21 with the credit union system I did a bunch of training of
22 lending personnel, analysis of lending operation.

23 And then when the Deposit Guarantee
24 Corporation formed their loan inspection process back in
25 1988, I was one of the first people that they hired,

1 basically, to develop the program, the loan inspection
2 program within the credit union system. So that
3 involved, like, analysing the lending operations, having
4 a look at the type of lending activity, and things of
5 that nature.

6 And the fact that we had started from
7 scratch and developed our process with the Deposit
8 Guarantee, I think, was -- was probably one of the
9 reasons why my name was put forward to the Consumers'
10 Bureau at the time that they were looking for somebody to
11 assist them in looking at the payday loan industry.

12 MR. ANTOINE HACAULT: Thank you. Now, I
13 -- I don't know whether it's been distributed to you, but
14 you had emailed me a curriculum vitae or employment
15 history together with references. It's a three (3) page
16 document, and they've identified it in these Hearings as
17 Rentcash Exhibit Number 32.

18 Could you confirm that this is something
19 that was prepared by you and that the information in
20 there is accurate?

21

22 (BRIEF PAUSE)

23

24 MR. RANDY HANSFORD: Yes, it is accurate.

25 MR. ANTOINE HACAULT: Thank you. Now,

1 it's my understanding that -- and I'm referring, for
2 purposes of the record, to Appendix B.

3 Initially the information of Rentcash was
4 that you had been employed or provided services to the
5 Consumers' Bureau from February to May 31 of 2007.

6 But in fact it was for a longer period of
7 time; it was until June 30 of 2007. Is that correct?

8 MR. RANDY HANSFORD: I think the actual
9 work was completed by May 31st, but the contract
10 extension which I signed was actually in effect up to
11 June 30th of 2007.

12 MR. ANTOINE HACAULT: And was the purpose
13 to assist the Consumers' Bureau with a review of the
14 processing of payday loans in Manitoba based on
15 operations and in the development of a program for
16 monitoring and inspecting such locations?

17 MR. RANDY HANSFORD: Yes, it was.

18 MR. ANTOINE HACAULT: Okay. Were you
19 advised by the Consumers' Bureau that it plans to have
20 two (2) inspectors assisted by a support staff to carry
21 out the regulatory compliance monitoring?

22 MR. RANDY HANSFORD: That was my
23 understanding.

24 MR. ANTOINE HACAULT: Okay. There was
25 some clarification that was provided by you in the email

1 with respect to the issue of complaints.

2 Is it your understanding that the
3 Consumers' Bureau does not receive very many complaints
4 with respect to payday loans?

5 MR. RANDY HANSFORD: That was the
6 indication I received.

7 MR. ANTOINE HACAULT: Okay. In addition
8 to establishing a monitoring process, is it your
9 understanding that one of the objectives of the
10 Consumers' Bureau is to achieve consistency in
11 disclosure?

12 MR. RANDY HANSFORD: Absolutely.

13 MR. ANTOINE HACAULT: With respect to
14 that, is it your view that a simpler cost of credit
15 formula is better from the perspective of the consumer
16 comprehension - comprehension?

17 MR. RANDY HANSFORD: Yes, the simpler the
18 better.

19 MR. ANTOINE HACAULT: And on what do you
20 base that view?

21 MR. RANDY HANSFORD: My years of dealing
22 with borrowers and reviewing documentation and
23 information.

24 MR. ANTOINE HACAULT: Okay.

25 MR. RANDY HANSFORD: The more -- the more

1 paper, the longer the document, the less they're going to
2 look at it.

3 MR. ANTOINE HACAULT: Okay. With respect
4 to the issue of disclosure on the cost of credit, is it
5 your opinion that people don't generally understand the
6 concept of APR and its significance on short-term payday
7 loans?

8 MR. RANDY HANSFORD: Yes.

9 MR. ANTOINE HACAULT: What, in your view
10 and in your experience, is the most important disclosure
11 point for consumers?

12 MR. RANDY HANSFORD: I think that the
13 most important issue is that the borrower has a -- a
14 simplified, clear measurement when they're trying to
15 compare from one vendor to the other.

16 And to me, from a borrowing perspective, I
17 think the simplest thing is if I'm going to borrow three
18 hundred dollars (\$300), I want to know what it's going to
19 cost me, bottom line, by the time I'm finished paying it
20 back.

21

22 (BRIEF PAUSE)

23

24 MR. ANTOINE HACAULT: With respect to
25 your visits, am I correct in understanding that you

1 visited with the management in loc -- locations of seven
2 (7) individual payday loan locations, representing five
3 (5) lending organizations?

4 MR. RANDY HANSFORD: That's right.

5 MR. ANTOINE HACAULT: In addition to
6 meetings with management, would you conduct on-site
7 visits?

8 MR. RANDY HANSFORD: Yes, I did.

9 MR. ANTOINE HACAULT: And could you
10 explain the time duration of those visits?

11 MR. RANDY HANSFORD: Generally, they
12 range from about an hour and a half up to as much as
13 about three (3) hours at a couple of locations.

14 The ones that were shorter in duration
15 were the busier operations where I had an opportunity to
16 see, you know, a number of transactions within that
17 period of time.

18 The extended visits were because it was
19 such a quiet location that in order to -- to actually
20 view a couple of -- of transactions being processed, I
21 had to stay at that location longer.

22 MR. ANTOINE HACAULT: Okay. So am I
23 correct in understanding, based on what you've said, that
24 the approach that you took was to observe what transpired
25 from the time applicants entered the premises until their

1 transaction was processed and completed?

2 MR. RANDY HANSFORD: Right.

3 MR. ANTOINE HACAULT: Okay. Now, when
4 you were making those visits, what did you choose to make
5 notes on or focus on?

6 MR. RANDY HANSFORD: Well, the -- the
7 notes I took were very, very limited and very brief,
8 because when I went into each location, I went in with a
9 -- a -- sort of a -- a plan as to what it was I wanted to
10 observe, what I was looking for.

11 And basically, I related it back to my
12 years when I was in the finance business as to how we
13 would have handled a transaction with a consumer.

14 What I was looking for mainly was, first
15 of all, how the -- like the staff were dealing with the -
16 - the applicant.

17 And then I was looking for evidence of --
18 of the borrower having problems in understanding or
19 communicating.

20 I was looking to see if there was any
21 apparent influence on the borrower to --

22 MR. ANTOINE HACAULT: So can we break
23 that down firstly? You said that you were trying to
24 observe whether people were having problems communicating
25 or problems understanding?

1 MR. RANDY HANSFORD: Right.

2 MR. ANTOINE HACAULT: Did you observe, in
3 your visits, any such situations?

4 MR. RANDY HANSFORD: None that became
5 apparent, no.

6 MR. ANTOINE HACAULT: Okay. The next
7 area that you, I think, talked about was service.

8 Could you comment on what you observed
9 with respect to lending staff and their demeanour and the
10 way they provided service?

11 MR. RANDY HANSFORD: Basically, to be
12 honest, I was -- I was very impressed in locations I was
13 in. The attitude of the people, like I said, they --
14 they were very friendly in greeting the applicants when
15 they came in to the location.

16 There was a quick response. There was no
17 delay in time, they were standing at the counter waiting
18 for somebody to come and serve them.

19 Basically, most of the transactions I
20 observed were with people who had dealt with those
21 organizations previously.

22 So it was a relatively quick process,
23 because all they were doing was quickly updating the
24 information they already had on the borrower; getting an
25 idea of, you know, how much money they were wanting to

1 borrow; and then starting to process what needed to be
2 done in order to get the -- the loan for them, which
3 involved taking photocopies of a cancelled cheque from
4 their bank or credit union account and pay stubs.

5 MR. ANTOINE HACAULT: So, is it fair to
6 suggest that you did not see anything apparent which
7 would have indicated that any of the applicants were
8 under any duress or that they were pressured to proceed
9 with a borrowing request?

10 MR. RANDY HANSFORD: There was no
11 evidence of that. There was no evidence of -- of any
12 communication issues. A number of the people were, you
13 know, of -- of different nationalities. But nobody
14 seemed to have a problem, you know, communicating with
15 the staff or communicating what their need was and
16 understanding what it was that they were -- they were
17 doing.

18 MR. ANTOINE HACAULT: Now, did the
19 documentation -- you talk about documentation -- did it
20 vary with the companies?

21 MR. RANDY HANSFORD: Yes, it did.

22 MR. ANTOINE HACAULT: When compared with
23 financial institutions, were the payday loan applications
24 simpler, and in what respects?

25 MR. RANDY HANSFORD: Basically, the same

1 thing as it would be in any conventional lender, except
2 in the case of the payday lending industry, they don't
3 take any kind of detail -- net worth statements, assets,
4 and liabilities -- because they don't do any analysis of
5 that position of the borrower.

6 It's basically identifying the borrower,
7 confirming that they have a source of income to repay the
8 obligation.

9 MR. ANTOINE HACAULT: Is it fair to say
10 then that promises to pay and disclosure documents were
11 similar?

12 MR. RANDY HANSFORD: No, they were
13 actually quite different. Just recently, with the change
14 in legislation here in Manitoba, at least with the credit
15 unions, we went to a -- a new document and form.

16 So on the disclosure side, the credit
17 unions have made a recent adjustment to -- to a -- a diff
18 -- different type of form for the disclosures.

19 But generally, it was -- the same type of
20 information was being addressed and covered, i.e., what -
21 - you know, what fees were being charged, what the
22 interest costs were going to be.

23 MR. ANTOINE HACAULT: Okay. I suggest to
24 you that some financial institution documents, such as
25 security documents, are more complex and, in fact, they

1 aren't used in payday loans.

2 MR. RANDY HANSFORD: No, they -- well,
3 with -- with the legislation in Manitoba, the security
4 document won't be an issue

5 MR. ANTOINE HACAULT: So I'm correct in
6 suggesting that there aren't complex documents, such as
7 security documents, which are involved in payday loan
8 processes.

9 Is that correct?

10 MR. RANDY HANSFORD: Well, not -- there
11 won't be going forward. In the past my understanding was
12 that there were some security documents being taken.

13 MR. ANTOINE HACAULT: Okay. With respect
14 to each site that you visited, is it your recollection
15 that there would have been at least one (1) competitor in
16 visual proximity, and in a few cases in very close
17 proximity, with multiple providers?

18 MR. RANDY HANSFORD: In each location I
19 visited, I noted there was a minimum of at least two (2)
20 other payday lending sources available in very, very
21 close proximity to the -- the location I was visiting.

22 MR. ANTOINE HACAULT: Is it your view
23 that consumers have choices and options when it comes to
24 payday loans?

25 MR. RANDY HANSFORD: Well, certainly it

1 would appear that way with the number of -- of locations
2 in close proximity.

3 MR. ANTOINE HACAULT: During one -- any
4 of your visits, did you observe applicants or an
5 applicant ask specific questions and then rate shop
6 elsewhere?

7 MR. RANDY HANSFORD: Yeah, in one (1)
8 location the individual came in and basically indicated
9 how much money they were looking to borrow and asked a
10 very straightforward question as to, What would my costs
11 be if I borrowed here?

12 He thanked the lady that had -- that
13 provided the information to him, and then he walked right
14 across the street to another payday lender. I assume he
15 walked in and asked for the exact same information. And
16 he must of got a more favourable response, because he
17 never returned to the location that I was at.

18 MR. ANTOINE HACAULT: Do you have any
19 opinion as to why, based on your visits and your
20 experience, that individuals utilize payday lending
21 services?

22 MR. RANDY HANSFORD: Well, just in,
23 again, just in mainly in observation, reading some of the
24 information, the research information which I was
25 provided when I undertook the project, I would say that -

1 - that one of the first and foremost reason for -- people
2 are utilizing the facilities are the convenience, the
3 timing.

4 MR. ANTOINE HACAULT: When you say
5 timing, is it hour -- hours of operation you're talking
6 about?

7 MR. RANDY HANSFORD: Hours of operation
8 would be -- is considerably different from your
9 conventional financial institutions.

10 MR. ANTOINE HACAULT: What about the
11 speed of the transaction? Would that be, in your
12 opinion, one of the reasons why people might take a
13 payday loan?

14 MR. RANDY HANSFORD: Yep. The quickness
15 with which, like -- like I said, that majority of the
16 transactions that I observed were with people who had
17 been dealing with that particular lender. So it was a
18 simple, you know, issue of updating information quickly
19 and then giving them the loan.

20 MR. ANTOINE HACAULT: Based on those
21 visits, in your experience was there a judgmental avid --
22 attitude by the payday lenders regarding advancing
23 funds --

24 MR. RANDY HANSFORD: None.

25 MR. ANTOINE HACAULT: -- and funds

1 requested?

2 MR. RANDY HANSFORD: None. A
3 conventional lender, part of the process is you ask what
4 they want to use the money for. And again, as I say, you
5 do an analysis of their overall financial position.

6 In the case of the payday lending
7 operation nobody asked what they needed the money for.
8 There's a lot of people that volunteered the information
9 when they came in and were talking to staff, but there's
10 nowhere on the application that the purpose is indicated.

11 And again, nobody's asking, What do you
12 owe, What do own, passing any judgment on personal
13 financial positions or anything of that nature.

14 MR. ANTOINE HACAULT: And how does that
15 differ with financial institutions?

16 MR. RANDY HANSFORD: Well, as I said, on
17 a conventional lender part of the process is that: (a)
18 you want to know what the funds are going to be used for,
19 and (b) you're going to do an assessment of that person's
20 financial position.

21 And as I have trained many times over the
22 years, as a lender, the borrower walks in with a want,
23 your job is to do an analysis and basically counsel him.
24 Maybe he needs something different than what he's
25 applying for.

1 MR. ANTOINE HACAULT: Okay. Now based on
2 your experience, is there a general number for loan
3 cutoffs in a credit union system?

4 MR. RANDY HANSFORD: I don't think
5 there's a set number. But -- but going back over the
6 years, it seemed to be something in the range of the
7 three thousand dollar (\$3,000) level was deemed to be --
8 now I'm going back a number of years.

9 It was actually with the charter banks at
10 the time. And basically, it was the -- the three
11 thousand dollar (\$3,000) figure that came down. And they
12 were told, You don't process a loan application if it's
13 less than that. You put them on the charge card.

14 Generally, I think most financial
15 institutions, if an individual is -- is looking for a
16 sum in the three thousand dollar (\$3,000) to five
17 thousand dollar (\$5,000) range, instead of setting up on
18 the banking system and then incurring the costs of what
19 it -- it, you know, is there to carry it, they'll set
20 them up on a revolving credit basis instead, because it's
21 -- it's simpler to administrate and cheaper.

22 MR. ANTOINE HACAULT: Okay. Now, what
23 about the costs of processing loans for less than three
24 thousand dollars (\$3,000)? Can you comment on that from
25 a credit union perspective?

1 MR. RANDY HANSFORD: Well, and again the
2 actual numbers are sort out of my area. Basically, what
3 we knew was that there was a cost of setting a loan up on
4 the banking system.

5 You know, there's costs in -- in
6 processing and the administration of them on an ongoing
7 basis and that with margins as tight as they are, you --
8 you had to be able to generate a certain amount of
9 revenue in order to justify the accommodation being
10 carried.

11 MR. ANTOINE HACAULT: To your knowledge,
12 have any credit unions been approached to provide payday
13 loans?

14 MR. RANDY HANSFORD: I think a number of
15 them have been spoken to about it. I think a couple, one
16 (1) in particular that is very active from a social
17 perspective, that I think they've, you know, been taking
18 a look at whether there'd be a way that they could maybe
19 provide similar types of services within their present
20 structure.

21 MR. ANTOINE HACAULT: In your opinion,
22 would they do this as a loss leader? I'm suggesting to
23 you that they wouldn't.

24 MR. RANDY HANSFORD: Well, as we
25 discussed, the likelihood is no. If any credit union was

1 going to look at providing a similar lending service to
2 what is being provided by the payday lenders today, it
3 would basically have to carry itself.

4 Because, first of all, the whole concept
5 of -- of your running your lending portfolio, the last
6 thing you'd want to do would be to enter into a -- a
7 lending function that suddenly starts to cost you money,
8 because the people that it's ultimately costing are the
9 people that you're dealing with on the conventional
10 basis, because they're going to have to bear any of those
11 additional costs in order for you to maintain your
12 profitability margins.

13 MR. ANTOINE HACAULT: Now, what factors
14 would a credit union have to consider if they wanted to
15 get into payday lending?

16 I'm suggesting to you they'd have to
17 consider at least the additional cost of staying open
18 longer hours, like the payday lenders.

19 MR. RANDY HANSFORD: The biggest -- the
20 biggest thing would be the fact that payday lenders offer
21 extensive hours, which there's a cost to being open and
22 you would have to -- to be able to generate a very, very
23 sufficient level of revenues in order to justify
24 incurring those costs because -- well, one of your
25 biggest costs is your human resource.

1 And generally they wouldn't -- they
2 wouldn't stay open late without having a minimum of two
3 (2) to three (3) people on staff. So your -- your
4 personnel costs right off the bat is -- is going to be
5 significant. And then your general overhead, your
6 heating costs, your lighting costs, and all those
7 factors. So...

8 MR. ANTOINE HACAULT: Now, when you make
9 that statement, is this issue arise -- or does this issue
10 arise in any other product that the credit unions offer,
11 for example, RSPs?

12 In an RSP situation I think they may stay
13 open later hours. Is that an issue for them?

14 MR. RANDY HANSFORD: Generally that's the
15 only time that -- that the credit unions offer extended
16 hours. And the reason they do it is because everybody
17 else in the industry is doing it at the end of February
18 for RRSP time.

19 The nature of -- of the RRSP loan is it's
20 basically -- it's processed differently than a standard
21 loan, because you're lending them the money to deposit
22 back into the credit union.

23 So even though it's not cash secured,
24 theoretically you're -- what you're doing is you're
25 making the loan, and you're picking the deposit up, and

1 you're doing that -- you're providing that as a service
2 to your members.

3 But as I indicated to you, there's -- over
4 the years there's been times where some credit unions
5 have looked at the dollar volume of loans they've made,
6 the deposits that they've acquired in those off hours,
7 and really questioned whether it was worthwhile staying
8 open until 8:00 at night.

9 MR. ANTOINE HACAULT: So they'd have to
10 face the same issue with payday loans. Is that correct,
11 in your opinion?

12 MR. RANDY HANSFORD: Oh, absolutely. And
13 as I said, if you're -- you're going to be in -- in that
14 type of lending and you're basically doing that type of
15 lending in those evening hours, and that's the main
16 reason why you're -- you're open and you're -- you're
17 functioning that way, then it's got to carry itself.

18 MR. ANTOINE HACAULT: Now, in the email
19 that you sent to Nancy Anderson -- which is marked, for
20 the record, PUB-24 -- at Item 2, you provided some
21 clarification with respect to the use of the word
22 "efficiency."

23 What -- in what context do you use the
24 word "efficiency"?

25 MR. RANDY HANSFORD: Well, as I recall,

1 the discussions I had related more to the simplified
2 process of -- of a payday lender versus a conventional
3 lender. And -- and it all comes back to, you know, the
4 additional information that is required to be obtained by
5 the conventional lender and then the expectation as to
6 what's done with that additional piece of information in
7 processing the request for the loan.

8 Basically, what I observed -- and -- and
9 there -- there may be some variances. But the process
10 that I -- I observed was -- was basically one of
11 identifying the party that was applying for the loan,
12 making sure their information on employment and -- and
13 income was current, getting a copy of the cancelled
14 cheque, getting a copy of a pay stub, and process the
15 loan, which is a lot simpler process than a conventional
16 lender having to take the information, obtain credit
17 reports, talk to other creditors, do an analysis of the
18 overall financial position, a calculation on debt service
19 ratios, et cetera.

20 MR. ANTOINE HACAULT: Now, in that same
21 email, and I'm quoting you:

22 "Provide the opinion that once maximum
23 pricing is set by the PUB and a
24 consistent format for disclosure of
25 costs is implemented, the consumer

1 would determine what price they are
2 willing to pay for the service that
3 they require."

4 Does that continue to be your opinion?

5 MR. RANDY HANSFORD: Yes, it does.

6 MR. ANTOINE HACAULT: And why?

7 MR. RANDY HANSFORD: Well, I relate it to
8 myself, that at times I've -- I've had quotes on -- on
9 things that I wanted done, and I have not always gone
10 with the lowest price.

11 And there's reasons why you may go with
12 somebody, even though you're paying a little more for the
13 same service or the same product. If -- if somebody
14 feels that they're getting something, you know, in
15 addition to what they got at the other location, and
16 they're willing to pay the additional cost on it, that
17 would -- should be their choice.

18 MR. ANTOINE HACAULT: Thank you, those
19 are all my questions, members of the Board.

20 THE CHAIRPERSON: Thank you, Mr. Hacault.
21 Anyone else? Mr. Foran, do you have any questions?

22 MR. ALLAN FORAN: No.

23 THE CHAIRPERSON: Mr. Williams...?

24 MR. BYRON WILLIAMS: Just a few, Mr.
25 Chairman.

1 CROSS-EXAMINATION BY MR. BYRON WILLIAMS

2 MR. BYRON WILLIAMS: Mr. Hansford, just
3 in terms of the process with the payday lending companies
4 that you observed, were the staff of the payday lenders
5 aware that you were there observing for -- for your
6 employer at the time?

7 MR. RANDY HANSFORD: As far as I know,
8 they were.

9 MR. BYRON WILLIAMS: Were they notified
10 in advance, or -- or how did they -- how did they know?

11 MR. RANDY HANSFORD: You're talking about
12 the staff in the location? I don't know. We arranged
13 the locations -- the meetings of the locations -- through
14 the Payday Lending Association. They made the initial
15 contacts for us. We talked with the management of those
16 different organizations and made arrangements as to where
17 and when was convenient for everybody for me to -- to go
18 to the locations. So how they communicated that to their
19 staff, I'm not sure.

20 MR. BYRON WILLIAMS: So certainly, at the
21 level of the -- the companies, themselves, they were
22 aware that you were going to be making an observational
23 visit and also when you were going to be making that
24 visit.

25 Is that right, sir?

1 MR. RANDY HANSFORD: Yes.

2 MR. BYRON WILLIAMS: Okay. Just
3 approximately, would you have seen -- how many payday
4 loan transactions would you estimate that you observed?

5 MR. RANDY HANSFORD: I'd say about
6 sixteen (16), seventeen (17).

7 MR. BYRON WILLIAMS: And of those sixteen
8 (16) or seventeen (17) transactions, you indicated that
9 the majority of them were repeat transactions.

10 Of -- of those sixteen (16) or seventeen
11 (17), how many would be repeat transactions?

12 MR. RANDY HANSFORD: I -- as I recall,
13 they were all repeat transactions that -- that took
14 place. The one (1) instance where I indicated where the
15 individual came in, I'm not sure if he was a repeat
16 borrower or -- or new.

17 But -- but where the transactions actually
18 were completed and the loans were made, in each case they
19 were repeat.

20 MR. BYRON WILLIAMS: So of the sixteen
21 (16) or seventeen (17) all -- you're relatively confident
22 that all but one (1) were repeats?

23 MR. RANDY HANSFORD: Yes.

24 MR. BYRON WILLIAMS: Okay. And of those
25 sixteen (16) or seventeen (17) payday loan borrowers, the

1 people taking out the loan, how many of those individuals
2 did you interview?

3 MR. RANDY HANSFORD: I didn't interview
4 any of the customers.

5

6 (BRIEF PAUSE)

7

8 MR. RANDY HANSFORD: Strictly
9 observation, listening to the conversations that took
10 place, but I didn't interview any of the borrowers at
11 all.

12 MR. BYRON WILLIAMS: Okay, of the sixteen
13 (16) or seventeen (17) transactions, in terms of the
14 repeat transactions, can you give me a ballpark estimate
15 of how long these transactions took?

16 MR. RANDY HANSFORD: Generally no more
17 than about ten (10) -- ten (10) minutes, ten (10) to
18 twelve (12) minutes maybe.

19 MR. BYRON WILLIAMS: And among the
20 various companies, was there a wide variation in terms of
21 the time required for a -- a repeat transaction, or is --
22 or are they generally within that ten (10) to twelve (12)
23 minute range?

24 MR. RANDY HANSFORD: Generally they're --
25 they're within the ten (10) to twelve (12). There were a

1 couple that took longer.

2 But I -- as far as the processing, the
3 process time was the same, but some people tend to want
4 to sit and chat a little more. And -- and, like I say,
5 some people, you know, when they came in and they're
6 volunteering the reason why they were applying for the
7 loans, things of that nature, which weren't part of the
8 process, but did take some of the time.

9 MR. BYRON WILLIAMS: So -- so in terms of
10 the -- the technique of taking a repeat loan, time-wise
11 it was relatively the same. To the extent that there
12 were any time differences, it was more a reflection of
13 the particular customer who came in.

14 Would that be fair? The people who wanted
15 to talk a bit more?

16 MR. RANDY HANSFORD: Yes, yeah.

17 MR. BYRON WILLIAMS: You also noted that
18 you had seen some -- some of the locations you were at
19 were busier and some were less busy. Is that right, sir?

20 MR. RANDY HANSFORD: Yes.

21 MR. BYRON WILLIAMS: In terms of the
22 quality of service that you observed at the busy
23 locations versus the less busy, was there any noticeable
24 difference?

25 MR. RANDY HANSFORD: No, none. Pretty

1 consistent, almost like a -- a checklist approach to what
2 needed to be done.

3 MR. BYRON WILLIAMS: So in terms of
4 qualities of service between a high-volume store and a --
5 a low-volume store, you didn't observe any differences?

6 MR. RANDY HANSFORD: No.

7 MR. BYRON WILLIAMS: And just a -- a
8 couple of bookkeep - keeping things, if I might, just
9 with reference to your CV.

10 Am I right in suggesting to you that the -
11 - the last actual credit union you worked in was back in
12 1987, being the Austin Credit Union. Would that be fair?

13 MR. RANDY HANSFORD: As a full-time
14 employer, yes. But over the years I've worked on a
15 contract basis, either when -- in my time through Credit
16 Union Central or as a consultant in other credit unions
17 on a relief basis, where I've actually been granting
18 credit and -- and dealing with administration of their
19 loan portfolios.

20 MR. BYRON WILLIAMS: Okay, thank you.
21 And just a very small point.

22 If -- if you look at your CV on page 1,
23 you've got a Credit Union Deposit Guarantee Corp. And
24 you're indicating that the time frame you worked there
25 was August 1, 1998 through February 1992.

1 I'm assuming that should be August, 1988.

2 MR. RANDY HANSFORD: '88 yes, I'm sorry--

3 MR. BYRON WILLIAMS: Fair enough --

4 MR. RANDY HANSFORD: -- that is a --

5 MR. BYRON WILLIAMS: -- okay, no problem,

6 I just --

7 MR. RANDY HANSFORD: -- misprint.

8 MR. BYRON WILLIAMS: When I first read
9 it, I was kind of trying to work my way through that.
10 Anyways, no further questions, Mr. Chairman.

11 THE CHAIRPERSON: Thank you, Mr.
12 Williams. Ms. Southall...?

13 MS. ANITA SOUTHALL: Thank you, Mr.
14 Chairman. I only have a couple of questions for Mr.
15 Hansford.

16

17 CROSS-EXAMINATION BY MS. ANITA SOUTHALL:

18 MS. ANITA SOUTHALL: Mr. Hansford, in your
19 observations of the transactions at the payday lenders,
20 did you ever observe any credit counselling being
21 provided by the payday lending representatives to the
22 customer?

23 MR. RANDY HANSFORD: Counselling, no.
24 Like I say, that -- that basically they -- they take the
25 request. They don't even ask the purpose of the loan,

1 and they certainly don't get into any analysis of their
2 financial position.

3 MS. ANITA SOUTHALL: Sir, do you have any
4 knowledge or have you done any research on the offering
5 of payday loan products through credit unions in the
6 United States?

7 MR. RANDY HANSFORD: No, I haven't.
8 Although I do understand that -- I recall that, I think,
9 one (1) credit union in Ontario had commenced a payday
10 lending functionality. But I don't know any of the
11 details or information on it.

12 MS. ANITA SOUTHALL: And your work with
13 Credit Union Central, is any of that work associated with
14 research on potential payday loan product offerings that
15 could be provided through member organizations?

16 MR. RANDY HANSFORD: Not to this point,
17 no.

18 MS. ANITA SOUTHALL: Thank you, Mr.
19 Chairman. Those are my questions.

20 THE CHAIRPERSON: Thank you. Member
21 Proven, you have some questions?

22 MS. SUSAN PROVEN: I just -- I just have
23 one (1) question. It relates back to your statement that
24 when you were involved in traditional credit unions, that
25 your job was basically to counsel them you said.

1 pretty tight, so, you know, you have to -- to run fairly
2 efficiently.

3 But if you're asking personal opinion, I
4 think counselling of borrowers is a huge part of what
5 should be done, and it's the way I've always taught it to
6 any of the people within the credit union system I've
7 ever worked with and dealt with.

8 Like I say, there is -- there's a
9 balancing act there that, you know, where do you spend
10 the time and how do you -- how do you measure the value
11 of the time you spent doing the counselling?

12 To me, I think it's -- it's -- there's
13 value in it. I think it's an important part of -- of a
14 credit union and what a credit union should be doing.

15 Do -- does every body do it? No, I don't
16 think so. And -- and that may be one (1) of the -- the
17 issues we face today with, you know, some of the -- the
18 debt problems, but...

19 MS. SUSAN PROVEN: Just one other quick
20 question. That is of the, what, sixteen (16), seventeen
21 (17) transactions that you observed -- I can't remember
22 the exact figure -- can you say what the percentage was
23 of the people who actually wanted to tell a bit more
24 about why they needed the money?

25 Like was it 50 percent or less or...

1 MR. RANDY HANSFORD: Most of the people
2 were -- were more intent on -- on getting in and out. So
3 I'd -- I'd say maybe -- maybe four (4) of the seventeen
4 (17) -- sixteen (16) or seventeen (17) -- spent time
5 talking about something other than the -- what was
6 actually required within the process.

7 MS. SUSAN PROVEN: Thank you.

8 THE CHAIRPERSON: Thank you, Mr.
9 Hansford. Just a couple of additional questions, if you
10 do not mind.

11 What position did you hold with Household
12 Finance?

13 MR. RANDY HANSFORD: Well, I started as a
14 trainee and I left as a branch manager.

15 THE CHAIRPERSON: So you made loans,
16 then, when you were at Household?

17 MR. RANDY HANSFORD: Oh, yes.

18 THE CHAIRPERSON: Did Household make
19 loans under fifteen hundred dollars (\$1,500)?

20 MR. RANDY HANSFORD: Yes.

21 THE CHAIRPERSON: Unsecured?

22 MR. RANDY HANSFORD: Yes.

23 THE CHAIRPERSON: Do you recall, roughly,
24 what the interest rate charged was?

25 MR. RANDY HANSFORD: Pretty well in the

1 twenty-one (21) to 28 percent range.

2 THE CHAIRPERSON: Was there creditor
3 insurance offered as well?

4 MR. RANDY HANSFORD: There were insurance
5 products, yes.

6 THE CHAIRPERSON: Did Household Finance
7 counsel their clients?

8 MR. RANDY HANSFORD: Yes, we did.
9 Generally, though, the counselling came after they had
10 the money and they were encountering problems in
11 repayment.

12 THE CHAIRPERSON: When you went to
13 Scotiabank, what capacity did you hold there?

14 MR. RANDY HANSFORD: I went in as
15 Assistant Manager, Scotia Plan Loans, ran the retail
16 lending within the branches that I was in.

17 THE CHAIRPERSON: So you made loans for
18 Scotiabank too then?

19 MR. RANDY HANSFORD: Yes.

20 THE CHAIRPERSON: Did Scotiabank make
21 loans under fifteen hundred dollars (\$1,500)?

22 MR. RANDY HANSFORD: They did for a short
23 period of time. The -- the interesting point, like, the
24 finance company, when I first started in the business,
25 banks and credit unions weren't in the business of

1 lending money to people, so people borrowed from finance
2 companies.

3 What evolved over the period of time when
4 I was with -- with Household Finance is that the banks
5 started looking at consumer lending as a product.

6 And actually, what they ended up doing
7 when they moved towards the introduction of it is they
8 hired a lot of finance people in order to implement a
9 consumer lending functionality. And that's -- basically,
10 I was part of that when I went over to -- to Scotiabank
11 from Household Finance.

12 As I say, the banks basically just picked
13 up what the finance companies were doing initially. But
14 then, and over a period of time, when they started
15 crunching the numbers, basically it came down that they
16 started moving to the charge cards for smaller dollar
17 amounts instead of setting them up on the banking system.

18 THE CHAIRPERSON: You are talking now in
19 the early 1980s?

20 MR. RANDY HANSFORD: I'm trying to think
21 on timing here. Yeah, it would be -- it would be mid-
22 '70s, late '70s, early '80s, in that area that...

23 THE CHAIRPERSON: So by the time you left
24 Scotiabank, they were basically not making loans under
25 fifteen hundred dollars (\$1,500) to their customers?

1 MR. RANDY HANSFORD: Generally. There's
2 always the odd exception where, you know, there's other
3 influences and you'll go ahead and do it, knowing full
4 well that it's not going to make you any money.

5 And, I mean, the types of things that can
6 happen is -- is maybe a -- a mom and dad want one of
7 their children to start establishing a credit rating, and
8 they want to do it by having him take a loan out and
9 paying it back over twelve (12) months.

10 You can't really justify the fifteen
11 hundred dollar (\$1,500) loan dollar-and-cent wise, but
12 because the relationship you have with mom and dad and
13 you want to retain the relationship with mom and dad, you
14 agree to do it.

15 But it would -- it would be under
16 extenuating circumstances that you would make a small-
17 dollar loan and set it up on your banking system.

18 THE CHAIRPERSON: So you were saying
19 earlier that their preference would basically be a credit
20 card or line of credit, something like that?

21 MR. RANDY HANSFORD: Yes.

22 THE CHAIRPERSON: So a credit card could
23 have a credit line of fifteen hundred dollars (\$1,500) or
24 less?

25 MR. RANDY HANSFORD: Yes.

1 THE CHAIRPERSON: What about a line of
2 credit?

3 MR. RANDY HANSFORD: Yes. Matter of
4 fact, there's a lot of lines of credit within the credit
5 union system where well under a thousand dollars
6 (\$1,000), five hundred dollars (\$500).

7 THE CHAIRPERSON: Did you recall, when
8 you moved over to Scotiabank, any marked difference in
9 the credit characteristics of Scotiabank's consumer loan
10 customers relative to Household's?

11 MR. RANDY HANSFORD: None. Like I say,
12 basically the banks were picking up the service that had
13 -- was being provided at the time by the finance
14 companies.

15 THE CHAIRPERSON: So what happened to
16 Household Finance?

17 MR. RANDY HANSFORD: As a -- as a
18 straight finance company? I -- I think the -- the small
19 personal lending basically went by the board, but they
20 continued to function in -- in different areas. They
21 were still doing what we call indirect lending,
22 conditional sale, transactions for auto dealers or for
23 furniture dealers, things of that nature.

24 They -- they ultimately, as -- as I
25 recall, I think it became Household Trust and became a

1 trust company, providing mortgage services as well.

2 THE CHAIRPERSON: Mortgages were second
3 mortgages?

4 MR. RANDY HANSFORD: Now -- now you're
5 getting into an area I'm not -- I'm not sure exactly what
6 -- how they were functioning.

7 THE CHAIRPERSON: Okay. Thank you very
8 much, Mr. Hansford. Thanks for coming down and providing
9 your responses to the questions posed.

10 MR. RANDY HANSFORD: Thank you.

11

12 (WITNESS STANDS DOWN)

13

14 THE CHAIRPERSON: Now we will return to,
15 I think where we were was Mr. Foran was going to cross-
16 examine, again, Dr. Robinson.

17 MR. BYRON WILLIAMS: And, Mr. Chairman,
18 if I might, that's my understanding of the schedule as
19 well. I wonder, I think we may have a -- a couple of
20 set-up issues, and also I have not had a chance to visit
21 with my witness, they -- Dr. Robinson flew in late -- or
22 yesterday.

23 So if we might stand down for just maybe
24 ten (10) or fifteen (15) minutes for -- for set-up
25 purposes?

1 THE CHAIRPERSON: That is fine. We will
2 stand down for fifteen (15) minutes. Thanks.

3 MR. BYRON WILLIAMS: And one other, just
4 a request to Board counsel, perhaps if I might. In PUB
5 Exhibit Number 33, Tab 3, if it -- I would -- it would be
6 helpful just to get who the authors are of the -- of that
7 document. I think it's The Centre for Responsible
8 Lending, but I wasn't sure what it was just looking at
9 the document.

10 So it might be helpful if -- if that could
11 be clarified offline.

12 MS. ANITA SOUTHALL: I'll just check on
13 that at the break here and then come back and hopefully
14 be able to report. Thank you, Mr. Williams.

15 THE CHAIRPERSON: Okay, we will stand
16 down for a few minutes to provide Mr. Williams the
17 opportunity to consult with Dr. Robinson.

18

19 --- Upon recessing at 10:48 a.m.

20 --- Upon resuming at 11:10 a.m.

21

22 THE CHAIRPERSON: Ms. Southall, as Dr.
23 Robinson is getting water, could you answer Mr. Williams'
24 question?

25 MS. ANITA SOUTHALL: Indeed I can. The

1 document that's at Tab 3 of PUB Exhibit 33 was retrieved
2 on Internet research from the site for The Centre for
3 Responsible Lending. And it is located in Durham, D-U-R-
4 H-A-M, North Carolina, on -- on the face of the Internet
5 information that was retrieved during the break.

6 I will also point out that at the break,
7 on retrieval of that information, it became apparent that
8 the same article has been revised as of January 2008.
9 And, so, for the sake of -- of completeness, at least in
10 respect of what this Centre has done in its most recent
11 version of this article, we're -- we will circulate the
12 updated version and mark it as PUB-34.

13

14 --- EXHIBIT NO. PUB-34: Revised Internet article
15 authored by The Centre for
16 Responsible Lending, Durham,
17 North Carolina.

18

19 THE CHAIRPERSON: Very good. Mr.
20 Williams and Mr. Foran, are you ready? Dr. Robinson is
21 back; welcome back, Dr. Robinson. I see Dr. Simpson is
22 here as well.

23

24 COALITION PANEL:

25

1 CHRIS ROBINSON, Resumed

2 WAYNE SIMPSON, Resumed

3

4 DR. CHRIS ROBINSON: I'm glad to be back.

5 However, I had a disagreement with counsel, and since
6 he's a Manitoba hockey player, instead of settling it
7 peacefully, he knocked out one (1) of my teeth.

8 So, if you have -- what I'll do is I'll
9 answer "no" to all questions, so I don't lisp. But if
10 you have difficulties understanding me -- and I've
11 already spoken to our -- to our transcription expert --
12 please indicate so.

13 I'll try to speak more slowly and -- and
14 clearly, but there's not much I can do about it when you
15 meet these violent hockey players.

16 THE CHAIRPERSON: Okay, Mr. Foran...?

17 MR. ALLAN FORAN: Thank you, and I -- I
18 don't mean to sound light, but I -- the cold chattering
19 of the teeth then won't be a real imposition for you.

20 This will be the third occasion now -- and
21 I just want to remind the panel -- this will be the third
22 occasion where I've had a chance to see Dr. Robinson.
23 The previous two (2) rounds of cross-examination that
24 I've started have -- we've just ran out of time on each
25 of those days.

1 What I intend to do now is to move to Dr.
2 Robinson's various recommendations that have been made in
3 his reports through time. To that end, we've prepared a
4 table, which I shared with Dr. Robinson and his counsel
5 earlier this morning. And I'd like to have it
6 distributed -- marked as an exhibit and distributed, if I
7 could, Mr. Gaudreau. I've got copies here.

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: Mr. Chairman, just
12 on behalf of the Coalition, I can indicate that in terms
13 of the middle column, directionally, certainly, I think
14 the witness is -- agrees that it's directionally correct.

15 We would undertake -- so we -- we have no
16 objection to this exhibit being entered. We would
17 undertake to review the -- the actual calculations or the
18 -- the numbers in the middle column. And if there's any
19 material changes, we would certainly share them with the
20 Panel and -- and counsel for the CPLA.

21 THE CHAIRPERSON: Very good.

22 MR. BYRON WILLIAMS: But we have no
23 objections to this being entered as an exhibit.

24 MS. ANITA SOUTHALL: It will be CPLA
25 Exhibit 16, please and thank you.

1 --- EXHIBIT NO. CPLA-16: Table of Dr. Robinson's
2 various recommendations that
3 have been made in his reports
4 through time

5

6 MR. ANTOINE HACAULT: Is there a copy for
7 me?

8

9 (BRIEF PAUSE)

10

11 MR. CHRIS ROBINSON: Perhaps even better,
12 is there a copy for me?

13 THE CHAIRPERSON: Mr. Foran is just being
14 frugal with his client's money.

15 MR. ALLAN FORAN: I appreciate you noting
16 that on the record and my clients are present to hear
17 that, thank you.

18 THE CHAIRPERSON: Okay, Mr. Foran,
19 everyone seems to have it.

20

21 CONTINUED CROSS-EXAMINATION BY MR. ALLAN FORAN:

22 MR. ALLAN FORAN: Okay. And the purpose
23 of CPLA 16 is to, in one place, compile what we believe
24 the various recommendations are that have been advanced
25 by Dr. Robinson in some of his report. And what I intend

1 to do to start with -- and I just -- I want this table
2 just sort of to be in the background because, Dr.
3 Robinson, I'm actually going to focus you now on specific
4 reports.

5 And I am going to start you off at your
6 ACORN report, which is May 24th, 2006, which was filed in
7 the Coalition evidence. And that's referred to about
8 halfway down the page with the recommendation of ten
9 dollars and sixteen cents (\$10.16) as your preferred
10 recommendation. And so now my questions start.

11 Dr. Robinson, in your ACORN report you
12 arrived at a recommendation of ten dollars and sixteen
13 cents (\$10.16) per hundred, which was about half (1/2) of
14 the Ernst & Young average on weighted cost of twenty
15 dollars and sixty-six cents (\$20.66) per hundred,
16 correct?

17 DR. CHRIS ROBINSON: You can't compare
18 them in that fashion. There are -- how do I explain
19 this? Ernst & Young did not do its analysis in the same
20 way. They're doing costs. The, for example, bad-debt
21 costs will inevitably, as I've explained in other
22 evidence, appear differently, because they're doing a
23 cost assuming that the bad debts are -- are included in
24 revenue, and then they're deducting them later. So their
25 costs, of course, will be higher than mine.

1 that you draw my attention to it, ACORN, this sounds --
2 sounds very odd from a business professor, but in fact I
3 don't have -- I never received an engagement letter from
4 ACORN. I never received an engagement letter from the
5 Public Interest Law Centre. And neither of them
6 provided, in fact, even that much direction.

7 Basically, as I recall it -- and it was
8 simply done through -- primarily through telephone calls
9 with John Young, who is no longer with ACORN -- was, We
10 understand you've written a report for Industry Canada.
11 We can't see it. Write something for us about payday
12 loans.

13 And so he did not actually even state -- I
14 mean, I stated that. That was me speaking rather than
15 him. I mean, I hadn't thought of that before but when I
16 said, "They engaged me to determine an appropriate fee
17 structure for payday lenders," that was it.

18 It was in fact -- that sentence was all
19 that they ever really said. They gave me tremendous
20 scope. They didn't ask me to reduce the fees. I mean, I
21 think they assumed that I would recommend something lower
22 than the current fees. I mean, at that time I -- since
23 then I've learned a good deal more about what the fees
24 actually are even.

25 But he didn't say whether -- whether I

1 should allow at least some of the companies to continue
2 to operate. In fact, I didn't give him directions. If
3 you read ACORN's public pronouncements -- and in fact
4 their most recent public pronouncement -- and I don't
5 communicate with them.

6 That is, they, when I told them -- when I
7 sent word to them that I was appearing at this Hearing,
8 they never acknowledged receipt of that information, let
9 alone spoke to me again.

10 They would have wanted me to recommend
11 something that would have wiped out the payday lending
12 industry, is my inference from their public statements.
13 So in fact, I'm having to do this by memory, because I
14 said, it's remarkable how careless I was. I never got a
15 written com -- commitment from them.

16 But I -- all I can recollect from John
17 Young is he just basically said, Yeah, you're a
18 professor. We understand you've done a bunch of work on
19 this. Go ahead and do some more. Go ahead and do it
20 again.

21 I couldn't tell him what was in the
22 Industry Canada reports. We had no idea.

23 So, in fact, that's not a correct
24 statement I made there. That is what I sort of figured
25 out, if you like. I wrote my own contract after the

1 fact.

2 MR. ALLAN FORAN: Okay, so the -- so
3 we'll start down this path then. So the Executive
4 Summary in the ACORN report, actually the very first
5 sentence is -- is wrong. That's -- now you've -- that
6 I've brought it to your attention, there's an error there
7 that you wish to amend.

8 And that is that this was your
9 interpretation of what the results were, but you were not
10 directed to do anything one way or the other?

11 DR. CHRIS ROBINSON: That's the best of
12 my recollection. And they were happy with what they --
13 with what they saw. So I -- but I mean, it's possible he
14 did give me direction, and I've -- that -- that
15 direction, and I've forgotten it.

16 But I think, as I stated to the Board
17 later, when I was trying to figure out what was meant by
18 a just and reasonable rate, that I interpreted that to
19 mean as well that you don't -- as is, for example,
20 happened in thirteen (13) US states -- set a rate that
21 means there'll be no payday lenders.

22 And so that was the position, but I had no
23 further direction, certainly had no idea of whether some,
24 all, none should continue to exist.

25 MR. ALLAN FORAN: Okay, and just one of

1 the comments that you made I just want to clarify.

2 Prior to your retainer by the Coalition in
3 this proceeding you contacted ACORN to alert them of your
4 -- of your potential appearance?

5 DR. CHRIS ROBINSON: No, not -- it was
6 well into the -- I don't remember exactly when, but
7 somewhat after I had appeared in Winnipeg -- excuse me --
8 once or twice. I thought, Well, I might as well tell
9 ACORN that I'm actually doing this. But they never
10 acknowledged receipt of that.

11 And in fact I've since read in the
12 newspapers that they are -- it was within the past few
13 days -- they organized a public protest. I think it may
14 have been reported in the Toronto Sun. I have an article
15 from them. They organized a public protest about payday
16 loans, but they had never communicated the fact that they
17 were doing it. I've had no connection with ACORN.

18 So, I mean, it's not that I had a
19 disagreement or anything else with them, but I have no
20 continuing relationship with them.

21 MR. ALLAN FORAN: You would have expected
22 they would have let you know about their protest?

23 DR. CHRIS ROBINSON: I -- I don't know
24 what I would expect. It is a largely volunteer
25 organization. I guess I was surprised I didn't know

1 about it, but in fact I don't have a continuing
2 relationship with them.

3 MR. ALLAN FORAN: But you're trying to
4 maintain a relationship. You've alerted them to the fact
5 that you're here giving evidence, correct?

6 DR. CHRIS ROBINSON: I'm a university
7 professor. It's common among university professors that
8 we communicate what we're doing widely, since that is
9 actually part of the written contract of employment; that
10 is, that you should make your research widely known in
11 the public domain.

12 ACORN is one such way that I made my
13 research known. I mean they put -- put it on their
14 website. And so I thought that they should be aware that
15 -- that I was doing this. I haven't actually notified
16 them about other things that I could have too, but I
17 thought this one was worth telling them about.

18 I mean, I was not upset they didn't
19 contact me, because I had no intention of them affecting
20 what I was doing.

21 MR. ALLAN FORAN: Did you tell them that
22 you thought things were going well for you in this
23 Hearing? Did you communicate that to them?

24 DR. CHRIS ROBINSON: No, I just said, I'm
25 -- I'm appearing in these Public Utility Board Hearings

1 in Manitoba. And I think I probably told them these were
2 the first of the public hearings.

3 MR. ALLAN FORAN: Okay, and did you
4 indicate they could watch for the transcripts to be
5 posted on the website and provide you with comments if
6 they had any?

7 DR. CHRIS ROBINSON: No.

8 MR. ALLAN FORAN: Did -- did you
9 communicate -- again, just another loose end.

10 Have you communicated with any of the CPLA
11 members about the evidence that you've been providing
12 here. Did you send out emails to any payday lenders?

13

14 (BRIEF PAUSE)

15

16 DR. CHRIS ROBINSON: The only
17 communications I've had during the course of the thing
18 have been communications with Mr. Slee. You may even
19 have those on evidence. I'm not sure. But when we've
20 been discussing -- when Mr. Slee has been -- because Mr.
21 Slee was the person -- you may recall, I sent the
22 spreadsheets to everyone. And Mr. Slee was asking me
23 right away -- he must work twenty-four (24) hours a day,
24 because he was asking me right away, Okay, how did you do
25 this? How did you know that?

1 And you recall, in his -- in his cross-
2 examination of me, actually, he then produced his version
3 using my spreadsheets exactly. And he had -- in fact,
4 the weekend I sent them, he'd been -- or sent them
5 through the Board -- he'd been asking me.

6 So you may not have all of those, but
7 other -- and I presume Mr. Slee is a CPLA member. I
8 don't remember. But other than that, I can recall no
9 communications, other than -- when you say "members," I
10 mean, I have -- there's a Money Mart in the Public
11 Interest Law Centre building for when Mr. Williams is --
12 is short. And I -- the -- the irony of having one there
13 is not lost on me. But -- and I have been in there
14 attempting to get them to communicate the Money Mart fee
15 structure to me.

16 So if you want to call that as a
17 communication, I went in and identified that I was
18 appearing in front of the Board and doing this. But the
19 Money Mart declined to return any of my phone calls when
20 they referred me to the head office.

21 MR. ALLAN FORAN: Okay, and just one more
22 question, and then I want to get back to the ACORN
23 report.

24 Can you explain to me why there's an irony
25 between having a Money Mart in a building where there's a

1 Public Legal Interest Law Centre? What's the irony?

2 DR. CHRIS ROBINSON: The irony is, for
3 me, that I should be -- that I should be called to -- to
4 Manitoba to give this testimony. And, as Mr. Williams
5 told me, well, we're at the building that has the Money
6 Mart on the bottom floor.

7 So it was -- it's not an irony for the
8 Public Interest Law Centre. But the fact that that is
9 how I can direct taxis to -- from the airport to find Mr.
10 Williams is quite ironic.

11 MR. ALLAN FORAN: So, coming back to the
12 ACORN report, is it fair for me to suggest, Dr. Robinson,
13 that under your recommended fee structure in the ACORN
14 report -- which is ten dollars and sixteen cents (\$10.16)
15 per hundred (100) -- only the largest payday lending
16 firms would be able to survive?

17 Would you agree with me?

18

19 (BRIEF PAUSE)

20

21 DR. CHRIS ROBINSON: I'd -- I'd like to
22 help the Board with -- with this, so the answer will be,
23 perhaps, a little longer than the "yes" or "no" that --
24 that you want me to give.

25 First, as is very clear -- and I must say

1 that I think your -- your table is -- is very helpful for
2 the Board, and I'm reminded that I should have created
3 such a table, in fact.

4 The -- it's clear that that's not the
5 opinion I now hold -- sorry, that the ten dollars and
6 sixteen cents (\$10.16) is not an opinion I now hold. So
7 that would -- I would think now, given what I now know --
8 given the most recent data that I have -- ten dollars and
9 sixteen cents (\$10.16) would, I believe, have the effect
10 of wiping out the payday lending industry -- not just the
11 small players, but large players.

12 And, under the just and reasonable rate
13 criterion, I don't accept that. Now, of course, there
14 are -- there are a whole lot more -- there's a whole lot
15 more underlying that so that your question is: Would
16 that allow any of the large players?

17 At that time, I thought that that's what
18 it would do. I, however -- I'm sorry. Realize this is
19 very complicated. This is quite a complicated thing to
20 summarize in one (1) calculation.

21 I thought that it would allow not merely
22 large players, but large-volume stores, okay. And there
23 is a difference. And, of course, I was doing it
24 nationally. So that in Toronto, I -- possibly in
25 Winnipeg, but I know most certainly in Toronto,

1 Vancouver, some of the large cities, there are single
2 stores with volumes that are well above the, you know,
3 even the Money Mart average. So those stores, I would
4 expect to -- to have survived.

5 However, what I'm saying is I now have
6 better data and have now learned more about the industry
7 so that I now recognize that the ten dollars and sixteen
8 cents (\$10.16) in the ACORN report -- I mean, you're doing
9 it for a three hundred dollar (\$300) loan. I actually,
10 of course, am recommending fees will be different for
11 different loans.

12 But that the overall total revenue would
13 not be, I -- I don't think, I mean, I haven't bothered to
14 revisit it. I've done everything over again, but I don't
15 think that that would now be a viable recommendation.

16 MR. ALLAN FORAN: So the short of it is
17 that had the ACORN recommendations been accepted, the
18 entire industry would have been wiped out? That's your
19 conclusion as of today?

20 DR. CHRIS ROBINSON: I think so. I --
21 yeah.

22 MR. ALLAN FORAN: And that's -- and --
23 and that the recommendation in ACORN of ten dollars and
24 sixteen cents (\$10.16) per hundred really was based on
25 what you believed would be the -- the impact of driving

1 volumes from many participants to one (1) or two (2)
2 payday lending companies, correct?

3 DR. CHRIS ROBINSON: No. The reasons for
4 the changes are much more complicated than that, and
5 there's quite a number of things that go into those
6 changes. So it's not -- that in fact is not the most
7 important one.

8 I was expecting somewhat higher volumes,
9 but I was still basing it on -- on volumes similar to
10 what I'm using in my most current work. There are other
11 factors that are much more important in those changes.

12 MR. ALLAN FORAN: And so volumes aren't
13 necessarily the be-all and end-all in terms of
14 determining whether firms survive.

15 Operating costs are an important factor
16 too, correct?

17 DR. CHRIS ROBINSON: Oh, no, volumes are
18 absolutely essential. A very low-volume operation is not
19 going to succeed stand-alone.

20 What I took your question to mean was is
21 that was I assuming that everybody would be making five
22 (5) or \$10 million a year in sales or something like
23 that. And, no, I wasn't.

24 The actual recommendations flowed out of
25 -- I'm going to have to go back over all the details of

1 the report in great length. But as I recall, it was out
2 of, essentially out of averages of 3 million. Because
3 what I had, the only figures I had that were going to be
4 reliable, the -- that figures were Money Mart.

5 MR. ALLAN FORAN: Okay. So let me just
6 keep going with my line of questioning, and maybe this
7 will help. If we can turn to page 10 of the ACORN
8 report, on that page, Dr. Robinson, you indicated the
9 following:

10 "If my recommended fee structure is
11 implemented, I am virtually sure that
12 almost all single-store operations and
13 all but a handful of larger companies
14 will exit the business."

15 And that's the third paragraph from the
16 top on page 10. Do you see that?

17 DR. CHRIS ROBINSON: Just give me a
18 second here, please.

19

20 (BRIEF PAUSE)

21

22 DR. CHRIS ROBINSON: Yes. I would
23 specifically draw the Board's attention, I said "almost
24 all -- almost all" single-store companies, since most of
25 the big store operators, as far as I could determine, of

1 course -- remember this evidence does not exist for any
2 of us, really, other than the industry, who are not
3 willing to provide it to us.

4 The -- it -- maybe I was guessing. But it
5 seemed, given the figures that I was seeing from Ernst &
6 Young and then given the figures that I was seeing
7 publicly available for Rentcash and Money Mart, it seemed
8 fairly evident that most of the -- most, and maybe every
9 single one of the very high-volume stores would be in the
10 chains as well. That's why I said "almost all."

11 But I was -- I mean, it could be that all
12 single-store operators are small volume and, therefore,
13 they'd all fail.

14 MR. ALLAN FORAN: And I just want to
15 focus on the specific words. I think what you -- you
16 said specifically was "and all but a handful of larger
17 companies will exit the business," correct? That's what
18 it says?

19 DR. CHRIS ROBINSON: Yes. I have better
20 information now -- well, I think I have better
21 information, at least in the Manitoba context -- about
22 what "larger companies" means. At the time, I was having
23 to struggle. So I'm not quite sure...

24 MR. ALLAN FORAN: And why don't -- why
25 don't I make it a little easier. Let's just talk about

1 the time of the ACORN report.

2 So at that period of time, you understood
3 your recommendations would have that impact?

4 DR. CHRIS ROBINSON: Just a second.

5 MR. ALLAN FORAN: "Almost all single-
6 store operations will exit" --

7 DR. CHRIS ROBINSON: Okay. So I'm
8 looking at page 12, which was the best information I
9 could compile about the large firms. And actually, it
10 hasn't done too badly, now that I think about it. Is
11 that May 6th? Did I have a later one? Oh, December 5th.

12 Okay, sorry, page 13, Table 2, "Largest
13 Payday Lending Companies in Canada." Okay, being a
14 typical Canadian, of course, I was not committing myself
15 to specific names at that point.

16 But what I had in mind was that the Cash
17 Store, which you notice there -- there had been a change
18 between Table 1 and Table 2, Cash Store had bought
19 Instaloans at that point.

20 So I was thinking of Cash Money, Cash
21 Store, Money Mart, probably Stop 'N' Cash, and Unicash,
22 which tended to be -- and by the way, 310-Cash is not the
23 same as 310-Loan. I was thinking that all of those very
24 certainly. The reason Stop 'N' Cash and Unicash would be
25 because at the time, at least, they were concentrated in

1 -- in Ontario.

2 And, I guess, I don't have Sorensen's
3 listed on that. I was unable to find any information
4 about Sorensen's. I now know, of course, that they're
5 still very much alive and well, and I'm gathering Mr.
6 Sorensen is particularly lively. But I had, again, he's
7 concen - his operations are concentrate in the Prairies.

8 And there's, of course, I mean, I didn't
9 go into all these details in the report, but there's such
10 a thing called span of control. It's difficult, so that,
11 you know, if what you had was a chain of twenty-two (22)
12 stores spread across nine (9) provinces, controlling that
13 is -- is very difficult, if -- all we have are
14 concentrated.

15 So most of those, maybe every one of
16 those players on that table, I would have expected, plus
17 Sorensen's, to survive and the rest.

18 Now that table's eight hundred and
19 fourteen (814) out of twelve (12) or thirteen hundred
20 (1,300), plus I'm adding Sorensen's to it. So you're
21 talking about, actually, in terms of the industry size, a
22 very large number of stores continuing to operate.

23 But in terms of numbers of companies,
24 quite a lot of companies -- because the remainder were,
25 you know, single -- mostly single-store operations --

1 would have ceased to exist.

2 MR. ALLAN FORAN: And -- and --

3 DR. CHRIS ROBINSON: I expect it. Again,
4 I -- I couldn't know, because I didn't have their cost
5 structure sufficient in detail.

6 MR. ALLAN FORAN: Okay, I have a series
7 of -- of what I hope to be short snappers very shortly
8 that maybe will take us from where I started to where I
9 think you've ended.

10 But -- but let me just, so I understand,
11 ask the question: If you, on Table -- whatever you've
12 just referenced -- Table 2 on page 13. If you --

13 DR. CHRIS ROBINSON: Yes.

14 MR. ALLAN FORAN: -- expected those
15 stores all to survive, can you tell me who were all but a
16 handful of larger companies who would exit? Like who's
17 left?

18 Who -- who was going to exit?

19 DR. CHRIS ROBINSON: Sorry, I didn't have
20 sufficient data for me to determine who the other larger
21 companies were, and I didn't have sufficient time for me
22 to investigate.

23 That is what I was lim -- limited to --
24 remember, you have to recall, of course, that the
25 industry was not willing to provide me with a whole lot

1 of information. And if they weren't members of CPLA --
2 for example, Rentcash is no longer a member -- then, of
3 course, I couldn't get anything at all except by
4 searching the web and so on.

5 Now Manitoba provided the kind of funding
6 support so that the Coalition was able to exhaustively
7 determine the lists so that where in Manitoba we're down
8 to discussing whether there are sixty-seven (67) or
9 sixty-nine (69) stores.

10 But I had no idea about for all of Canada
11 how many were large chains. I could observe that there
12 were others, but I couldn't get any data on them. In
13 other words, there were other large members that aren't
14 here, because I didn't know how many they had or their
15 address or anything. I saw them when bicycling around
16 the city. I saw them visiting other cities, but I just
17 didn't have any more information or the time to collect
18 it. My research assistant was unable to find anything
19 about them either.

20 MR. ALLAN FORAN: Well -- well, I'm
21 looking at Table 2, page 13. And it -- it's entitled,
22 "The Largest Payday Lending Companies in Canada as of
23 December 5th, 2005."

24 So you meant his to be an accurate list,
25 correct?

1 DR. CHRIS ROBINSON: You're taking it out
2 of context. This table is the best information available
3 at December 5th, 2005. There is no authoritative list.
4 I drew this one from web searches in the CPLA membership
5 on its website. I was aware that it was not
6 authoritative, that it was not complete, and I said so.

7 MR. ALLAN FORAN: But you were attempting
8 to be careful, were you not? Were you not -- you were
9 trying to endeavour to locate the largest payday lending
10 companies in Canada and list them in Table 2, were you
11 not?

12 DR. CHRIS ROBINSON: Yes.

13 MR. ALLAN FORAN: And so you did web
14 searches to try and find out who were the largest payday
15 lending companies, correct?

16 DR. CHRIS ROBINSON: Yes.

17 MR. ALLAN FORAN: And you went to the
18 CPLA, and you went to their website to locate large
19 payday lending companies, correct?

20 DR. CHRIS ROBINSON: Actually, at that
21 time the information was not on the website. Mr.
22 Whitelaw provided me with a table which had certain
23 problems with it. At the time they were finding exactly
24 the same difficulties I was finding in even determining
25 who their members were -- or no, sorry not who their

1 members were and weren't -- who they should be trying to
2 talk to for -- to -- to say, Would you like to be
3 members?

4 Ernst & Young had the same difficulties at
5 the time. That sort of information is not, kind of,
6 revealed directly in our reports. But we didn't, any of
7 us, know who every -- and don't today know who everybody
8 was in the industry.

9 MR. ALLAN FORAN: Can you provide the
10 Board today, Dr. Robinson, with some names of large
11 payday lending companies that are not on Table 2, please?

12 DR. CHRIS ROBINSON: Well, the one that I
13 provided you with, Sorensen's, which I was unable to find
14 at that time. I have not -- I have not, since 2005,
15 searched for that in Canada. Since that date -- December
16 5th, 2005 -- I've not looked into that in Canada.

17 Only subsequently for the -- work for the
18 Board here have I been doing anything about what the
19 chains are. And, of course, it's only for Manitoba that
20 I've been getting information. And there were, I think,
21 pretty close in -- pretty closely in agreement as to who
22 the stores are from the mapping exercise.

23 MR. ALLAN FORAN: And I'll tell you, at
24 the end of the day, really all I'm trying to get to is
25 this: Where I started you at was page 10 in your

1 comment:

2 "All but a handful of large companies
3 will exit the business."

4 I just wanted to know who those companies
5 were.

6 DR. CHRIS ROBINSON: Yes, I would say
7 that in terms of a handful I was thinking --

8 MR. ALLAN FORAN: All but a handful.

9 DR. CHRIS ROBINSON: Yes. So I was
10 thinking that the handful would be ten (10) companies or,
11 given consolidations, possibly only three (3) or four
12 (4). And, of course, given a -- a dynamic of a changing
13 -- changing industry, it's kind of difficult to define "a
14 handful" more accurately than that.

15 In other words, I mean, when you're making
16 me recall the things, I now realize what you're -- yes, I
17 understand what you're getting at. I guess what I was
18 envisioning -- not a guess.

19 What I was envisioning was I've got these
20 firms now -- say Table 2 -- plus some that I've -- I've
21 missed that are relatively large but not -- you know, I
22 mean, I wasn't missing anybody the size of Money Mart or
23 Rentcash.

24 And just as had happened right at the
25 point, in between Tables 1 and 2, Rentcash had bought --

1 Rentcash had bought out Instalozans. And I was expecting,
2 as I said in the report -- and, in fact, still expect to
3 see -- further transactions of that kind so that, in
4 fact, there would only be a handful left.

5 And perhaps that's what I should have
6 said. That is, that I would expect possibly to see,
7 depending on where they already have stores, one (1) of
8 the two (2) big ones to buy these, sort of, not-so-large
9 ones. Or several of the smaller ones located in
10 different provinces to recognize that the only way to
11 compete successfully against Money Mart and Rentcash is
12 to have a national network, national advertising, and
13 either one of them buys them out or they merge or
14 something like that.

15 These would be the normal expectation you
16 get in what we call "industrial organization." That is
17 the way industries organize themselves.

18 But, of course, subsequent events are
19 shown that that hasn't -- that hasn't, at least so far,
20 happened. Possibly everybody is waiting to see what the
21 regulation will do.

22 MR. ALLAN FORAN: Okay, let -- let me pro
23 -- let me proceed, if I can, with some -- some more
24 specific questions then on this report.

25 DR. CHRIS ROBINSON: I'm sorry -- I would

1 give you -- you one -- one more thing. Actually, one
2 very possible result which -- and I don't think I put it
3 in writing. One very possible result, and I think you
4 can see that it would have been in -- any of us would
5 have thought of it -- would be that we could, in fact,
6 end up with a pure -- with a pure oligopoly.

7 That is, that -- well, it would be -- it
8 would be three (3) -- three (3) companies: Cash Money,
9 Cash -- Cash Money, Rentcash and Money Mart, because Cash
10 Money is quite large in Ontario and was large very early.

11 So that it was quite possible, in my mind
12 -- and I don't know -- I don't -- possibly, I said it in
13 the report -- but it was -- that would be one (1)
14 possible shakeout of that, that they would be -- I mean,
15 there -- of course, there would be small stores in some
16 locations. But that that would be the primary result.
17 It might take quite a few years to achieve that.

18 But I -- you know, we see for our car
19 companies, but, you know, nobody predicted that back in
20 1900 either.

21 MR. ALLAN FORAN: Okay, so just -- and I
22 will move ahead. So just on that last point, what you're
23 doing is you're thinking, based on information you have
24 today, what you might have changed in your report a year
25 and a half ago?

1 DR. CHRIS ROBINSON: No, that -- well --
2 no, that part of that it might shrink down to as few as
3 three (3) was in my mind at the time. It was -- it would
4 be for any -- anybody.

5 I think if you -- if you presented Mr.
6 Simpson just with that table, told him it was going on, I
7 suspect, as an economist, he'd say, Well, yes, one very
8 possible result would be that you'd primarily have these
9 three (3) players and not much else.

10 MR. ALLAN FORAN: Perfect, perfect. So
11 in your mind back then, what you just said could well
12 explain what you meant by "all but a handful of large
13 companies will exit the business" on page 10, correct?

14 DR. CHRIS ROBINSON: Yes, it could of.

15 MR. ALLAN FORAN: Thank you. Now, at the
16 time -- May 24th, 2006 -- you analysed the financial
17 statements for Money Mart and Rentcash and determined
18 that store loan volumes were increasing rapidly, correct?

19 DR. CHRIS ROBINSON: Yes.

20 MR. ALLAN FORAN: And was your analysis
21 based on loan volumes of \$3 million and higher per store?

22 DR. CHRIS ROBINSON: Well, see, that's
23 what I recall. But, of course, I looked at a variety of
24 things. So if you will give me a minute, let me take a
25 look.

1 MR. ALLAN FORAN: Page 16, lines 31 to
2 32.

3 DR. CHRIS ROBINSON: Well, yeah, I know,
4 but that's -- that's just the words. You want to know
5 what the analysis, is you have to look at the numbers.

6 MR. ALLAN FORAN: Well, why don't we do
7 this? Could we just maybe stick with the words in the
8 report to start with, and I'll help you with this. If
9 you turn to page 16.

10 DR. WAYNE SIMPSON: Is this the ACORN
11 report again?

12 MR. ALLAN FORAN: I haven't moved off the
13 ACORN report, although if anybody believes that's the
14 case, Dr. Simpson, you can let me know.

15

16 (BRIEF PAUSE)

17

18 MR. ALLAN FORAN: Lines 31 to 32,
19 "I will anuly - analyse regulations of
20 rates with the loan volumes of \$3
21 million PA and higher per store."

22 You agree with me?

23 DR. CHRIS ROBINSON: Yes.

24 MR. ALLAN FORAN: In fact, you said,
25 "Money Mart and Cash Store are almost there already,"

1 correct? Just keep reading.

2 DR. CHRIS ROBINSON: Yes.

3 MR. ALLAN FORAN: On page 22, lines 1 to
4 2, you again say that "the loan volumes of the two (2)
5 major chains are close \$3 million a year and still
6 growing rapidly," correct?

7

8 (BRIEF PAUSE)

9

10 MR. ALLAN FORAN: Again, this is
11 something I've noticed before. You're -- you're
12 discussing your answer with Dr. Simpson.

13 Did he help you prepare the ACORN report?
14 I'm just curious what --

15 DR. CHRIS ROBINSON: No, I --

16 MR. ALLAN FORAN: -- what he could
17 possibly add to -- to help you with this answer.

18 DR. CHRIS ROBINSON: Maybe I'm just
19 trying to find -- you're -- you're not going to like the
20 result of where you're going.

21 Yes, I -- that was what I thought at
22 the time. But I'll save you some time since, it will
23 help the Board. Yes, of course, you're going to argue, I
24 was -- I was right, and the evidence shows, and Dr. Gould
25 has also agreed with the volumes for Money Mart.

1 I was quite wrong for the volumes for
2 Rentcash. The reason I was is because of the public
3 misrepresentation that Rentcash was making about its fee
4 structures. And since I -- so I was try -- they didn't
5 publicly disclose their loan volumes directly, so I was
6 inferring them.

7 Unfortunately, I was inferring them using
8 the wrong numbers for both -- for them and for Instalozans
9 joined with them. So consequently, as I've now
10 identified and as Rentcash has provided us with loan
11 volumes for Manitoba, I have based my more recent
12 recommendations on that.

13 So where you're going is that I was wrong
14 about the \$3 million for Rentcash. I was not wrong I was
15 perfectly right for Money Mart. But the Rentcash ones
16 were a result of not having accurate data.

17 MR. ALLAN FORAN: So on page 22, lines 1
18 to 2, when you state that "the loan volumes of the two
19 (2) major chains are close to \$3 million a year and still
20 growing rapidly," that was based on annualizing the first
21 quarter 2006 results, correct? And, if it helps, page --

22 DR. CHRIS ROBINSON: Yes. Yes.

23 MR. ALLAN FORAN: Yeah, okay, thank you.
24 And some of your results were obtained by estimating the
25 fixed and variable cost by a regression analysis with

1 only three (3) data points, including the annualized
2 first quarter data, correct?

3 DR. CHRIS ROBINSON: Yes.

4 MR. ALLAN FORAN: You've now abandoned
5 that approach as unreliable, correct?

6 DR. CHRIS ROBINSON: Yes.

7 MR. ALLAN FORAN: And I believe,
8 actually, at one point you say four (4) data points is
9 unreliable, correct?

10

11 (BRIEF PAUSE)

12

13 DR. CHRIS ROBINSON: You use what you --
14 you use what you have available. This was the data. I
15 had requested the data that would have in fact made this
16 the appropriate approach. And the data, of course, would
17 have been for Ernst & Young to have provided to me all
18 the data store by store -- of this technique of deriving
19 fixed and variable costs is something I've been using for
20 many years, for example, in the steel industry. You can
21 use it to determine these cost functions, which are
22 extremely useful.

23 But I had four (4) data points, and so I
24 tried it that way for the ACORN report. Now there's a
25 lot more detail in the ACORN report about that, and it

1 was -- it looked like it was working. It looked like I
2 was getting results that -- that made sense.

3 However, as I stated in my subsequent
4 evidence, I thought what I said -- you can always get
5 lucky, and it can look like it's working when you've got
6 that sort of a thing. But in fact I decided that it was
7 unreliable, and therefore instead relying on the actual
8 published data for total cost functions was a more useful
9 way to -- was a more reliable way to proceed. And so I
10 did not try to redo that work for -- for Manitoba.

11 Again, had the industry been willing to
12 provide me with all sixty-seven (67) stores and all their
13 value, then we would have something to work on. And --
14 but the four (4) data points -- and they're over years as
15 opposed to being data points -- how do I explain this?

16 MR. ALLAN FORAN: It's unreliable. Is
17 that how you can explain it?

18 DR. CHRIS ROBINSON: Well, there's also a
19 difference between what we call cross-sectional and time
20 series data. That is, that the data points I was -- what
21 I would want would be a whole bunch of data all at the
22 same point in time, and so then I could compare them on a
23 consistent basis.

24 MR. ALLAN FORAN: Okay. And that would
25 be the optimal. But you don't have that, so the

1 information that doesn't have that optimal, reliable data
2 to it could well be unreliable?

3 DR. CHRIS ROBINSON: Yes.

4 MR. ALLAN FORAN: Thank you, because
5 that's actually where I thought we ended up, so thank
6 you.

7 Let me keep going. On page 23 of the
8 ACORN report you state that:

9 "Money Mart does disclose average loan
10 size, and so determining the number of
11 transactions was possible."

12 Do you see that?

13 DR. CHRIS ROBINSON: Yes.

14 MR. ALLAN FORAN: In fact that's --

15 DR. CHRIS ROBINSON: Yes.

16 MR. ALLAN FORAN: In fact that was an
17 error you made, correct?

18

19 (BRIEF PAUSE)

20

21 MR. ALLAN FORAN: And let me suggest to
22 you that Money Mart considers that proprietary
23 information and does not disclose average loan size in
24 the Dollar (phonetic) 10-K report. I'm going to put that
25 to you, Dr. Robinson.

1 DR. CHRIS ROBINSON: I would have to look
2 back at the 10-Ks now, because it's of course only in the
3 2004/2005 that I was talking about. So if you'll -- I'm
4 not sure if I have them here.

5

6 (BRIEF PAUSE)

7

8 DR. CHRIS ROBINSON: You would have to --
9 and this is a little more complicated than I can answer
10 on the fly. I mean, it may well be that they're not
11 disclosing it now. There's a whole lot of things they're
12 not disclosing now that they were then, including their
13 fee structures and their contracts and their fee
14 calculator.

15 But I can't, without spending some time
16 looking at the numbers, determine what that was at the
17 point. I'm -- I should also point out that this is not --
18 -- that the ACORN report is not the basis upon which I
19 made my recommendations to the Public Utilities Board
20 here.

21 MR. ALLAN FORAN: Now, with your counsel,
22 I think if you would take a look at CPLA/COALITION-1-131,
23 we asked a question about this?

24 DR. CHRIS ROBINSON: Yes, I recall.

25 MR. ALLAN FORAN: And I'm going to ask

1 you to look at the revised answer to that question -- not
2 the original response you provided, but the revised
3 response?

4

5 (BRIEF PAUSE)

6

7 DR. CHRIS ROBINSON: This is first round,
8 right?

9 MR. ALLAN FORAN: CPLA/COALITION-1-131,
10 so it's a first round.

11

12 (BRIEF PAUSE)

13

14 MR. ALLAN FORAN: We asked a question
15 with respect to the number -- average loan sizes. There
16 was an original response and revised response.

17

18 (BRIEF PAUSE)

19

20 DR. CHRIS ROBINSON: Yes, I -- I must
21 have gone back and looked at them. I don't recall doing
22 that now. But yes, at the time I was answering that,
23 among the many hundreds of interrogatory questions, that
24 was what I found.

25 MR. ALLAN FORAN: So now do you agree

1 with me that Money Mart does not disclose average loan
2 sizes and that was a mistake on page 23 of the ACORN
3 report?

4 DR. CHRIS ROBINSON: Well, actually they
5 do disclose average loan size; they just don't disclose
6 it by country.

7 MR. ALLAN FORAN: And so on reflection
8 with your revised answer, you've confirmed that you can
9 no longer be sure that's the right number. Correct?

10 DR. CHRIS ROBINSON: Yes.

11

12 (BRIEF PAUSE)

13

14 DR. CHRIS ROBINSON: I would also like to
15 point out that I didn't use an average number, unlike
16 everybody else in the proceedings. I, in fact, used a
17 distribution around an average, which is why my
18 spreadsheets are somewhat more complex and that that
19 would be the proper way to do it, although no one else
20 has done so.

21 MR. ALLAN FORAN: I would like you to
22 turn to Table 4 on page 18 of the ACORN report, please.

23

24 (BRIEF PAUSE)

25

1 MR. ALLAN FORAN: The second column on
2 the left-hand side of the page. So the first column
3 says, "Principal Days," and it goes from top to bottom,
4 seven (7), ten (10), twelve (12), fourteen (14), twenty-
5 one (21) and twenty-eight (28). The table is entitled
6 "Loan Cost and Effective Annual Rate for Different Fee
7 Schedules, Existing Fee Structures."

8 And in the second column, under the
9 hundred dollar (\$100) figure...

10 DR. CHRIS ROBINSON: Yes.

11 MR. ALLAN FORAN: Can you explain why the
12 numbers in the hundred dollar (\$100) column, Column 2
13 fall and then rise as the length of the loan increases?

14 DR. CHRIS ROBINSON: This was also the
15 subject of an interrogatory. And so you've already asked
16 this question, and you have in answer in response.

17 I don't recall what I said to you. I
18 think that what happened -- I looked at it at the time,
19 and I think that I copied some of the numbers down wrong.
20 I was unable to transfer them from a spreadsheet
21 directly.

22 MR. ALLAN FORAN: So this again is a
23 mistake, and you're right. The question was
24 CPLA/Coalition-1-133 Revised.

25 Again, this is an error?

1 DR. CHRIS ROBINSON: Yep. I'd also like
2 to pint out that I didn't use any of these tables in
3 determining the fee structure that I recommended.

4 MR. ALLAN FORAN: I'd like to refer you
5 to Table 7 on page 24 of the ACORN report.

6

7 (BRIEF PAUSE)

8

9 MR. ALLAN FORAN: That's a table that
10 says, "Money Mart Operating Expenses." And if you look--

11 DR. CHRIS ROBINSON: Yes.

12 MR. ALLAN FORAN: -- there's -- thank
13 you. There's three years that are identified in this
14 ACORN report. There's 2003, 2004, and 2005.

15 Do you -- do you see that?

16 DR. CHRIS ROBINSON: Yes.

17 MR. ALLAN FORAN: And if you go from top
18 to bottom in Table 7, you've got a whole series of line
19 items, where you're identifying revenues and loan losses
20 and gross revenues.

21 And what I'd like to take you down to is
22 the operating cost calculation, which is what I believe
23 to be the second line from the bottom of the table.

24 DR. CHRIS ROBINSON: Sorry, yes.

25 MR. ALLAN FORAN: And you have that?

1 DR. CHRIS ROBINSON: Yes.

2 MR. ALLAN FORAN: And you'll see is that
3 on page -- I'm sorry, that in 2004 it goes up, and then
4 it comes down in 2005.

5 DR. CHRIS ROBINSON: Yes.

6 MR. ALLAN FORAN: Can you explain why the
7 operating costs in your table go up in 2004 and then down
8 in 2005?

9 DR. CHRIS ROBINSON: Well, the reason as
10 to why would of course be more properly a question to be
11 provided -- to be asked of Money Mart or Dollar
12 Financial, but they're not appearing in front of the
13 Hearings.

14 Are you asking me to act as their Chief
15 Financial Officer in place of -- of him or her?

16 MR. ALLAN FORAN: No, I wouldn't do that,
17 but what I'm asking is can you explain it? And if it
18 helps you, if you look at page 24, lines eight (8) to
19 nine (9), you state this, you do not know why the value
20 rose in 2004 to be above the 2003 and 2005 values.

21

22 (BRIEF PAUSE)

23

24 DR. CHRIS ROBINSON: All right, there's
25 two (2) answers. The reason as to why, that is why did

1 it seem to be more expensive, is something that would be
2 within Money Mart's capability. It's probable, were I to
3 spend a lot more time -- such as I would do if I were
4 making investment decision -- is I could determine or I
5 could advance some ideas.

6 In mechanical terms, the volume rose very
7 considerably, and remember we're dividing by volume. So
8 that in fact this kind of looked at the time as if we
9 were seeing what I was saying would eventually happen, is
10 that costs would decline as a percentage of operating
11 costs -- sorry, as a percentage of loan volume, because
12 the loan volumes will continue to rise more rapidly than
13 cost due to the fixed nature of many of the costs. So
14 that -- but I -- I don't know that that is the case. But
15 mechanically, that is what happened.

16 In other words, operating costs were
17 continuing to -- to rise. So if you take a look -- if
18 you take a look at operating without office expense -- 68
19 million, 87 million, 89 million -- you see, they're
20 actually continuing to rise. However, then look at the
21 loan volume in Canadian dollars, 414 million to 559
22 million, so that there was a very large increase in
23 volume.

24 You may recall in other evidence prior
25 -- before the Board that Mr. Gordon Reykdal, who is the

1 CEO of Rentcash, stated that, We're going to be -- We,
2 you know, have this great future ahead of us because, of
3 course, we're going to get considerable increases in loan
4 volumes, and most of that's going to flow straight to the
5 bottom line.

6 And -- and this is nothing that's peculiar
7 to the payday lending industry. It would be common with
8 any industry going through this rapid growth phase.

9 MR. ALLAN FORAN: So when you wrote this
10 report in 2006, you didn't know why. But now today, with
11 the benefit of hindsight, you peg that all the volume.

12 Is that what I understand your testimony
13 to be, sir?

14 DR. CHRIS ROBINSON: No, what I'm saying
15 is that's the mechanical reason. It is entirely
16 possible that in fact Money Mart -- well, all right
17 there's a couple of things. One is they could have cha -
18 - I mean, I can give you a whole series of other answers.
19 This is why I said you really need -- you really need to
20 ask Money Mart to come here and testify under oath. But
21 since you want -- since you are asking me to act as their
22 Chief Financial Officer --

23 MR. ALLAN FORAN: Could I -- could I just
24 reiterate? I think I said I was not asking you to do
25 that.

1 DR. CHRIS ROBINSON: Okay, but the --
2 those -- those questions that you're asking are -- are
3 questions that I would be speculating.

4 Other possible reasons, reasons which you
5 would routinely find happen in companies, they look and
6 see that they have a different way of doing their
7 operations. For example, Advance America in the US has
8 changed its operations dramatically recently.

9 Or they take a look and they decide that
10 they should pay people half as much as they're currently
11 paying them.

12 Or they take a look and they decide that
13 volumes aren't increasing the amount we expected. We are
14 now going to fire a whole bunch of frontline staff,
15 because we -- they're just sitting around doing nothing.

16 All of those things would also reduce
17 the costs, and I don't know. And in fact, to some extent
18 they're all happening every time, every year, in every
19 organization.

20 MR. ALLAN FORAN: So for the purposes of
21 the Board and what the Board is going to be asked to do
22 in Manitoba, one of the factors that has to be considered
23 is the operating costs of payday lenders.

24 And you'll agree that there are many
25 reasons why operating costs may well go up, and they may

1 well go down, and you can't necessarily predict.

2 Correct?

3

4

(BRIEF PAUSE)

5

6

7

8

MR. ALLAN FORAN: At the sake of using too many words, I'm simply trying to understand your answer to me that there's all kinds --

9

DR. CHRIS ROBINSON: Yes.

10

MR. ALLAN FORAN: -- of hypotheses --

11

12

13

14

15

16

17

DR. CHRIS ROBINSON: You -- you asked -- you asked two (2) questions, not one (1). Yes, the Board has to consider the oper -- well, no, the Board doesn't have to consider the operating costs. The Board will decide what it's going to consider. I have recommended to the Board that it consider operating costs in my capacity as an expert witness.

18

19

20

21

22

As to the predictions of the operating costs, no, they're not an entire unknown. We have evidence -- evidence, which is in front of the Board, as to what they are. And choosing how to use that evidence is, of course, the matter of dispute.

23

24

25

No, we can't predict what they are, but we can start to reduce, and have reduced considerably, the amount of uncertainty that we have about what their costs

1 are likely to be. And that's something that we've all
2 been learning more about over in -- in recent years.

3 MR. ALLAN FORAN: But at the end of the
4 day it's not so scientific. There is some uncertainty
5 into operating costs, and part of that is just the way
6 business operates, correct?

7 DR. CHRIS ROBINSON: Yes.

8 MR. ALLAN FORAN: Now, still sticking
9 with that Table 7 on page 24, under the Operating and
10 Head Office Expense line, which is six (6) lines from the
11 top of that table.

12 DR. CHRIS ROBINSON: Yes.

13 MR. ALLAN FORAN: Can you explain how you
14 obtained these figures from the 2005 10-K? How -- how
15 did you get these numbers?

16

17 (BRIEF PAUSE)

18

19 MR. ALLAN FORAN: If -- if this helps
20 you, and I -- I guess for the purposes of your counsel we
21 actually asked you that in CPLA/COALITION-1-137, and you
22 responded that it was irrelevant. So that was the first
23 attempt that I've made to determine where you received
24 this number from.

25 So I'm going to ask you now on the public

1 record, can you tell me where you obtained those figures
2 from, from the 10-K please?

3

4

(BRIEF PAUSE)

5

6 DR. CHRIS ROBINSON: Okay. Well, I'd
7 rather have the 10-K in front of me to -- to show you
8 where they come from. I'm sorry I didn't answer it
9 accurately earlier. The volume of questions you asked
10 was overwhelming.

11 Somewhere earlier in the 10-K -- and you
12 should understand this is not in the audited financial
13 statements; 10-Ks are quite long. The audited financials
14 are only a small part of them. Picturing it being around
15 page 14 -- I could call it up, except that we don't have
16 an Internet connection here. There -- there's two (2)
17 tables where it could have come from, or it may be a
18 combination of two (2) tables.

19 Around page 14 or -- or so on each of the
20 10-Ks there's a page which is giving you part of the
21 information, and they -- about -- they do it for cheque
22 cashing and payday loans separately. And they give a
23 series of lines for -- for several years in which they
24 are showing Canada, US, and UK loan originations
25 separately.

1 Then in the -- I'm pretty sure it's in the
2 financial statements, and it will be one of the later
3 notes, so, I don't know, page 100 and something maybe. I
4 can't remember the page number now. There is segmented
5 reporting. Okay? So this is segmented reporting by
6 country, by geographic segment.

7 And segmented reporting is required in --
8 in both sorts of ways by different business lines and --
9 depending on how you define your business lines -- and by
10 country where they are more than 10 percent. And so
11 again, the UK, US, and Canada are shown separately.

12 Now, those costs will have included -- I'm
13 trying to remember. Advance America does this
14 differently, so I'm trying to remember what it is for
15 Money Mart. Those costs will have included their
16 allocation. And just -- just a second.

17

18 (BRIEF PAUSE)

19

20 DR. CHRIS ROBINSON: Now, I can't
21 remember whether I did the allocation or they did the
22 allocation. I'd have to go back to the detailed
23 spreadsheets. But it will include -- when I say "head
24 office expenses," it includes an allocation of head
25 office expenses.

1 That is when you do the segmented
2 reporting, you show your directly identifiable costs and
3 -- however, you can't -- you can't have the benefits of a
4 -- a chain. Okay? You know, the benefits of the costs
5 in Cana -- of the -- you know, of the efficiencies in
6 Canada without having, you know, having somebody else
7 down at head office presumably doing something, and so
8 you allocate those.

9 This is a problem that both Ernst & Young
10 and I had to deal with. And also in my reports I have --
11 I have said that this was the problem. There are lots
12 of ways of allocating the costs. They're all arbitrary.
13 There is no right answer, and they will --- either I or
14 they did it on a revenue basis, the revenue between the
15 two (2) different segments. And that is also what Ernst
16 & Young did when it was allocating head office costs in
17 its -- in its report.

18 And that is the conventional sort of thing
19 that we do in the business world, even though we know
20 that it's -- that there is no perfect answer.

21 MR. ALLAN FORAN: Now, I just want to
22 observe that you've thought hard about this. Your eyes
23 have been closed. Your teeth have been clenched. You've
24 tried hard to think about how you came up with operating
25 and head office expenses.

1 And what I'm led to understand is that
2 this, again, isn't a science. There's an art. There's
3 allocations.

4 You have to pull a lot of information
5 together and it may not be accurate, correct?

6 DR. CHRIS ROBINSON: Yes. And that would
7 apply equally to all of us and would also apply -- as I
8 said, I'm sorry, I can't remember whether -- whether I
9 did the allocation or they did. I think I did it. I
10 think I had to do it based on revenue.

11 But in any case, whether I or the company
12 were doing such allocations -- and I think Rentcash, for
13 example, yes, Rentcash does its own allocations and its
14 financial statements, so that they're doing the
15 allocations instead of me.

16 But they would be the first to tell you
17 that it also is somewhat arbitrary. There can be all
18 kinds of reasons, including the way you pay your income
19 taxes, for how you allocate costs. And so, you know, but
20 none of -- but none of us knows. And in fact it's
21 because of that it's always very difficult to separate
22 different lines of business.

23 That was the point behind my original
24 submission to the Board, was to try to see if I could do
25 that, separate the lines of business, but I couldn't. I

1 mean, sorry, not separate them. Do both of them at once
2 and regulate joint -- you know, do a joint regulation
3 determination. But I concluded I just didn't have the
4 data.

5 MR. ALLAN FORAN: Just complicated,
6 difficult?

7 DR. CHRIS ROBINSON: No, no, I could -- I
8 could do it if I had the data, but your clients aren't
9 willing to provide the data.

10 MR. ALLAN FORAN: Now Table 8 on page 27
11 is what I understand to be the -- the conclusion or the -
12 - the impact of how the fee schedules that you came to a
13 conclusion would be appropriate in the ACORN report would
14 impact payday lenders.

15 Do you have that?

16 DR. CHRIS ROBINSON: Yes.

17 MR. ALLAN FORAN: Table 8? And that's a
18 fair description of what this is depicting? The effect
19 on payday lenders of different fee schedules?

20 DR. CHRIS ROBINSON: Yes.

21 MR. ALLAN FORAN: And you have a Panel A
22 at the top left-hand side of that table. It says "Panel
23 A Loan Volumes, \$3 million"?

24 DR. CHRIS ROBINSON: Yes.

25 MR. ALLAN FORAN: And then further down

1 you have Panel B, \$4 million loan valu - volume?

2 DR. CHRIS ROBINSON: Yes.

3 MR. ALLAN FORAN: Can you confirm to me
4 how many payday lenders in Canada today have loan volumes
5 of \$4 million? Per -- per store?

6 DR. CHRIS ROBINSON: That information is
7 not within my competence, because the -- your clients are
8 not willing to disclose it. I am not aware of any. I,
9 well, I'm sorry, I take that back. There are some. My
10 suspicion is that they're located in Toronto, but I do
11 not know that there are some single-store operators with
12 volumes as high as 7 million.

13 But I do not have that data; this is
14 something that in fact the industry has to answer, not
15 me. If you want my expert opinion, you of course already
16 have the evidence that Money Mart is not at that volume.
17 And I'm not predicting that Money Mart -- I've made other
18 predictions, but I'm not predicting now that Money Mart
19 would -- would hit 4 million --

20 MR. ALLAN FORAN: And in fact, Money
21 Mart's not at 3 million either, is it?

22 DR. CHRIS ROBINSON: Well, you'll have to
23 read my evidence on -- on how I interpret that.

24 MR. ALLAN FORAN: If I suggest --

25 DR. CHRIS ROBINSON: Money Mart is very

1 close to 3 million.

2 MR. ALLAN FORAN: Close but not at,
3 correct?

4 DR. CHRIS ROBINSON: No. And that's
5 because of the error in measuring these things on a
6 backward-looking basis.

7 MR. ALLAN FORAN: And Rentcash is at \$1.4
8 million per store, correct?

9 DR. CHRIS ROBINSON: Rentcash has said in
10 these proceedings that it's at, in one of its responses
11 to its interrogatory, it gave information, which you can
12 derive, at least I hope you can derive from it -- that
13 is, I hope that it's what I think it is -- that you can
14 say they're at 1.4 million.

15 I can't confirm to you what it is
16 nationally, because their fee struc - and I therefore
17 couldn't, as -- as I got it wrong for this one, because
18 their fee structure, even if I had it correct, it's
19 sufficiently complex, it would be very difficult.

20 MR. ALLAN FORAN: Why would it be?

21 DR. CHRIS ROBINSON: I guess if I had had
22 the correct -- at that time I had had the correct fee
23 structure for them, it would have been a very messy
24 calculation. But I could have given some reasonable
25 estimates of what their loan volume were and then divide

1 by the number of stores.

2 But I don't know what that number would
3 have been. It would, however, have been much less than
4 \$3 million.

5 MR. ALLAN FORAN: And you can't give me
6 any other examples of national chains that are at \$3
7 million or plus per store volume today, can you?

8 DR. CHRIS ROBINSON: No. That's within
9 the -- that information is available to the members of
10 the CPLA but is not available to me.

11 MR. ALLAN FORAN: Okay.

12 DR. CHRIS ROBINSON: Or to the Board.

13 MR. ALLAN FORAN: Thank you. I'm moving
14 off the ACORN report now. And I just noticed the time, I
15 don't know if this is an appropriate time to break for
16 lunch, Mr. Chairman?

17 THE CHAIRPERSON: It sounds like a
18 reasonable time.

19 MS. ANITA SOUTHALL: Mr. Chairman, just
20 wondering what time you would like to resume. It's
21 approaching 12:15 now.

22 THE CHAIRPERSON: We will give people a
23 chance to go to the restaurants, the ones that have, I
24 suppose we should be back at 1:15 then.

25 MS. ANITA SOUTHALL: Thank you.

1 --- Upon recessing at 12:13 p.m.

2 --- Upon Resuming at 1:17 p.m.

3

4 THE CHAIRPERSON: Okay, Mr. Foran, if you
5 want to resume your cross-examination of Dr. Robinson...?

6

7 CONTINUED BY MR. ALLAN FORAN

8 MR. ALLAN FORAN: Thank you, Mr.
9 Chairman. Dr. Robinson, I'd like to draw your attention
10 to the September 17th, 2007, report, sir, that was filed
11 in this matter by the Coalition. And if you just -- you
12 can pull that out. It's dated September 17th. It's
13 called, "An Introductory Guide to the Payday Lending
14 Industry in Canada."

15 DR. CHRIS ROBINSON: Yes, I have it.

16 MR. ALLAN FORAN: Did you write that
17 report yourself, sir?

18 DR. CHRIS ROBINSON: Yes.

19 MR. ALLAN FORAN: And so on page 3 in the
20 last paragraph where it says that, "in the report which
21 follows I do not propose a maximum cost of credit for
22 payday loans." The -- the "I" in the sentence is you?

23 DR. CHRIS ROBINSON: Yes.

24 MR. ALLAN FORAN: And just on page 14,
25 the last paragraph of that page, I just want to make sure

1 that we're operating from the same principles here. In
2 the -- in the very last paragraph it says,

3 "we recommend that rollovers, rewrites,
4 extensions, be banned entirely".

5 Is that "we" in fact you?

6 DR. CHRIS ROBINSON: As I recall at the
7 time, that was actually the feeling of -- of the other
8 members of the Coalition as well. Of course, that
9 statement is actually impossible. I hadn't appreciated
10 the legislation fully, and then when I read the
11 legislation the Man -- that is the Manitoba legalisation
12 -- I realized that, in fact, and -- and the mandate of
13 the Board -- the Board doesn't have a mandate to do that.

14 The law already says that they're allowed
15 and that what we were determine -- to determine was the
16 fee structure for them. But the -- the "we" there, I --
17 I could have said "I." I could of said "we."

18 At that point the entire Coalition
19 group was -- felt, as you've I think heard in other
20 evidence, that they didn't like rollovers as we
21 understood how they work. But it -- so I -- I mean, I
22 can't tell you what I was thinking. I didn't
23 specifically consult or ask permission to say "we" at
24 that point.

25 MR. ALLAN FORAN: Okay, so that

1 conclusion on page 14 is your conclusion, but it was
2 heavily influenced by the input of the Coalition.

3 DR. CHRIS ROBINSON: No. I had stated
4 that conclusion previously in ACORN, and I still held to
5 it. I didn't change that to actually what I -- until I
6 realized that, in fact, the legislation for Manitoba
7 didn't permit us to -- to ban rollovers. They were
8 allowed. Instead we had to regulate them.

9 MR. ALLAN FORAN: So, in preparing this
10 report and providing it as part of the Coalition package,
11 you had the input of other members of the Coalition.
12 They had the opportunity to review and consider your
13 assessments and provide you their feedback on it.

14 Is that correct, sir?

15 DR. CHRIS ROBINSON: They didn't review
16 this entire report. If you recollect at the time, a) I
17 was late in presenting it, and, b) there was a prodigious
18 quantity of paper circulating for everybody to read.

19 And, so I do not recall -- certainly, I
20 didn't receive any comments from any member of the
21 Coalition suggesting I should do (a), (b), (c) or (d) in
22 this, so that the work -- everything I did was -- was my
23 own. I didn't change anything.

24 Mr. Williams, of course, was nagging me to
25 get it done, but there was no -- no, this -- no the --

1 MR. ALLAN FORAN: So this --

2 DR. CHRIS ROBINSON: I might have read
3 something from something -- somebody else in the
4 Coalition had read, but there was nothing in particular
5 response so that I am responsible for the conclusions in
6 the report all by myself. And I can't blame them for any
7 mistakes.

8 MR. ALLAN FORAN: But getting to the
9 conclusions - and I want to exclude Mr. Williams, for a
10 moment, in his capacity as a lawyer - did you prepare
11 this document, the September 17th evidence, and share it
12 with any members, for example, of the panel that was
13 produced on behalf of the Coalition?

14 DR. CHRIS ROBINSON: That's what I -- I
15 can't specifically remember if they got it or not, or if
16 they got any piece of it. I guess what I'm saying is,
17 whatever they got, they did not provide any input back to
18 me, or at least nothing that I recall or that I used.

19 So that the work, itself, is entirely
20 mine. They may well have seen it. I was seeing their
21 work, receiving some of their things at the same times
22 and, like them, I was overwhelmed with papers.

23 So what we all tended to do was focus on
24 what we were doing at that point in time.

25 MR. ALLAN FORAN: Did you have conference

1 calls, for example, where you'd compare notes on -- for
2 just the sake of an -- of an example, Dr. Simpson would
3 say, I would -- I've come to this conclusion. What do
4 you think? And you would say, Well, I've come to this
5 conclusion; what do you think?

6 DR. CHRIS ROBINSON: Not at that point,
7 no. If we had any conference calls -- and I don't think
8 -- I mean, I could -- do you recall whether you had --
9 who you --

10 MR. ALLAN FORAN: This is the one time
11 I'm going to actually say yes, please look at Dr. Simpson
12 and --

13 MR. BYRON WILLIAMS: You might need to
14 talk to Mr. Williams on this one, Mr. Foran. I could
15 probably help the witnesses to reconstruct it, but -- oh,
16 okay, go ahead.

17 DR. CHRIS ROBINSON: I think I can -- we
18 did -- we -- we don't recall any details of any
19 conference -- any conference call. I don't think that I
20 had spoken with Dr. Simpson at that point.

21 The one (1) issue -- and it -- it's been
22 presented in other evidence to the Board -- the one (1)
23 issue where there was consultation doesn't relate to my
24 report, but rather relates to determining how fees are
25 calculated. And I provided a write-up on that and some

1 commentary on the mystery shopping to the -- to Dr.
2 Buckland and -- well, to everybody else on the panel --
3 because that would assist them in doing their, you know,
4 doing their -- their work.

5 But that was not for the purpose of
6 arriving at any conclusions, that was purely information,
7 because I knew more about payday lending than anyone else
8 did.

9

10 CONTINUED BY MR. ALLAN FORAN:

11 MR. ALLAN FORAN: Okay, a few follow-up
12 questions then, if I can, just to make sure I'm clear.
13 At the time you prepared this report, September 17th, you
14 had not read the legislation.

15 Is that what I understand from your
16 evidence, sir?

17 DR. CHRIS ROBINSON: I had read it, and
18 it just -- I didn't appreciate -- first of all, I didn't
19 appreciate what the Board's mandate was. I thought the
20 Board -- you know, I mean, of course, in retrospect it
21 should have been obvious to me. But I did not appreciate
22 at the point that the Board can't -- you know, I wasn't
23 thinking clearly -- the Board can't change the
24 legislation.

25 What it does is set certain factors, and I

1 admit, I should have -- should have thought of that, and
2 didn't realize it at the time. So I made this
3 recommendation which, of course, is now -- obviously, it
4 was not possible for the Board to receive. They could
5 communicate it to the legislators and say, You should
6 change this, of course, but they had no power.

7 And -- and I had not appreciated -- it was
8 the sort of thing where you had to get down to really
9 appreciate the legislation. I had to get down to the
10 dirty business of -- of setting a few recommendations,
11 which I did later before I really understood what the
12 legislation was doing and accomplishing.

13 MR. ALLAN FORAN: And that was some time
14 after the September 17th evidence --

15 DR. CHRIS ROBINSON: Yes, that's correct.

16 MR. ALLAN FORAN: And then I just need to
17 go back to this one (1) last time so I understand it.

18 The -- when you say that the "we" in the
19 sentence I identified on page 14 actually was the
20 conclusions of the Coalition, can you just tell me who
21 was the Coalition? Like, who do you mean by that?

22 DR. CHRIS ROBINSON: Okay, at that point
23 it would really have been -- because Dr. Buckland had
24 written about -- more about cheque cashing, but also
25 about payday loans. So either he had written or I had

1 inferred from what he had written that -- that he wanted
2 all rollovers banned completely.

3 This was not an agreement that he and I
4 made, but my understanding at that time -- my feeling at
5 that time, I think, was that he wanted rollovers banned
6 completely as I did.

7 However, even if I'd never met Dr.
8 Buckland or spoken with him, I would have said the same
9 thing because I had already said that and continued to
10 see that, though I have to say that now that I -- after
11 many readings, I've now appreciated the legislation much
12 better. I think the legislation is actually much more
13 effective than banning rollovers.

14 MR. ALLAN FORAN: Okay. Now, again, this
15 is something that I think came up before in one of the
16 Information Requests, but on that same page 14, line 7,
17 it refers to,

18 "a representative of Money Mart told
19 Chris Robinson."

20 Do you see that?

21

22 (BRIEF PAUSE)

23

24 DR. CHRIS ROBINSON: Yes.

25 MR. ALLAN FORAN: Now, if I ask you just

1 to turn to page 16?

2 DR. CHRIS ROBINSON: Yes?

3 MR. ALLAN FORAN: About five (5)

4 sentences from the bottom it says:

5 "Chris Robinson, the author of the
6 ACORN Report had the same
7 difficulties."

8 Do you see that?

9 DR. CHRIS ROBINSON: Yes.

10 MR. ALLAN FORAN: And then if you turn to
11 page 20, and it's just under the table; the first
12 paragraph, the third line:

13 "Robinson arrived at his
14 recommendations by simply trying many
15 different fee schedules."

16 DR. CHRIS ROBINSON: Yes.

17 MR. ALLAN FORAN: Those all refer to you
18 and that's your writing style?

19 I'll tell you why; I just -- I just want
20 to make sure again that this is something that you wrote.

21 DR. CHRIS ROBINSON: Oh, okay. All
22 right. Now I understand.

23 This -- this is me being a university
24 professor, so that when I'm referring to my own work, I
25 refer to myself and I -- and I hate doing this but -- but

1 this is the -- the thing that you would do in an academic
2 paper. You would refer to your own work by calling
3 yourself "Robinson" rather than saying "I did this" and
4 that's understood then that you're actually referring to
5 a specific paper or something, and I was just referring
6 to the previous citation. So, no, this was not
7 somebody else writing this and then describing me that
8 way; in fact, if you read any of my academic papers where
9 I'm citing my own work, I cite myself by name.

10 MR. ALLAN FORAN: Okay. And then just
11 again to make sure we're on the same page, I believe you
12 indicated earlier that for the purposes of the ACORN
13 report you had a research assistant who helped, for
14 example, preparing some of the information that was
15 included in the tables.

16 Did you have access to that same research
17 assistant for the purposes of preparing the September
18 17th report, Dr. Robinson?

19 DR. CHRIS ROBINSON: No.

20 MR. ALLAN FORAN: And --

21 DR. CHRIS ROBINSON: Her -- her
22 involvement was very limited in the ACORN report as well.
23 She works for the IFID Centre, and she agreed to work
24 separately for me and did some chasing of things on the
25 Internet and so on.

1 But she was not, for example, in the
2 position of -- of a level of expertise and involvement as
3 Ms. Friesen and Mr. Osborne on -- on our panel.

4 MR. ALLAN FORAN: Okay. If I can
5 reference you to page 9 of the September 17th evidence,
6 please, Dr. Robinson -- and I'm looking at the first full
7 paragraph under the heading "Lessons We Can Learn from
8 the Single-Store Model."

9

10 (BRIEF PAUSE)

11

12 MR. ALLAN FORAN: My first --

13 DR. CHRIS ROBINSON: Yes.

14 MR. ALLAN FORAN: My first question is,
15 the single-store model, I believe that you've already
16 indicated in evidence, is something that you've made up,
17 that it's -- it's not explicit to a specific payday
18 lender. It's -- it's just a model, correct?

19 DR. CHRIS ROBINSON: That's right.

20 MR. ALLAN FORAN: And then on page 9 in
21 the second sentence in that paragraph I've just referred
22 you to, you advise that the -- you're reminding the
23 reader -- this what you say -- that:

24 "This is an example illustrating how
25 the business works. In subsequent

1 sections we will focus more carefully
2 on the details of the costs where
3 public evidence exists."

4 And would you agree with me, sir, that you
5 then do not actually include that further information in
6 this report, correct?

7 DR. CHRIS ROBINSON: Yes, you're right.
8 I don't deal with that -- those sorts of issues until
9 later response to the interrogatories, so I should have,
10 in fact, have taken that sentence out. I had originally
11 intended to get it all done in one shot, but I was not
12 able to.

13 MR. ALLAN FORAN: Okay. If I can refer
14 you back to page 4 of this same report, the evidence that
15 was filed on behalf of the Coalition?

16 There's a bullet at the very bottom of
17 that page, and the -- the heading of the page is called,
18 "The Business of Payday Lending". And --

19 DR. CHRIS ROBINSON: Yes.

20 MR. ALLAN FORAN: -- the very bottom
21 bullet, Dr. Robinson, indicates that the size of the
22 business is growing very rapidly, and then you have sort
23 of three (3) sub-bullets under that. The -- the second
24 one --

25 DR. CHRIS ROBINSON: Yes.

1 MR. ALLAN FORAN: -- is the one that I'm
2 interested in. In that you say, "Volume per store, at
3 least in large chains is still growing." Correct?

4 DR. CHRIS ROBINSON: Yes, sorry, yes.

5 MR. ALLAN FORAN: And what large chains
6 are you referring to?

7 DR. CHRIS ROBINSON: Money Mart and
8 Rentcash, and I probably had in mind also some of the
9 American chains, but not so explicitly.

10 MR. ALLAN FORAN: Okay.

11 DR. CHRIS ROBINSON: There are, of
12 course, you know, your -- your clients have not provided
13 any other information in public.

14 MR. ALLAN FORAN: Okay, when you made the
15 statement there about volumes growing as at September
16 17th, 2007, had you seen the Rentcash annual report for
17 the year ending June 30th, 2007?

18

19 (BRIEF PAUSE)

20

21 DR. CHRIS ROBINSON: I don't think it --
22 yes, I don't think it was published at that point. I
23 can't remember. Wait a second, June 30th and September
24 17th, well, of course, Rentcash could answer whether it
25 was even published.

1 I recollect -- I can remember picturing
2 the Rentcash report coming out. Well, I'm almost sure
3 that I didn't -- didn't see the annual report.

4 MR. ALLAN FORAN: Okay, my information --
5 and I'll just, you know, subject to check -- my
6 information is the Rentcash annual report was out by
7 September 17th, 2007.

8 DR. CHRIS ROBINSON: Yeah, it -- it could
9 be. I can't remember. One of the problems, you see, as
10 I have to remind you of my statement earlier today, was
11 that, at this point, I was still believing the Rentcash
12 public statements about their fees.

13 And so, consequently, any inferences I
14 drew about their volume were guaranteed to be wrong. And
15 remember, they did not disclose the volume. They did in
16 a subsequent -- they would of exactly what -- not
17 September 17th -- they would of on the date of the
18 interrogatories, October 31st or November 7th, or
19 something, they disclosed in their responses some volume
20 numbers which I could then use.

21 MR. ALLAN FORAN: So, at the time you
22 prepared this report, you were aware that it was likely
23 or possible that the Rentcash volumes increasing was a
24 statement that would be wrong, correct?

25 DR. CHRIS ROBINSON: No, I didn't know at

1 that time that -- that I had the wrong fee structure --

2 MR. ALLAN FORAN: You --

3 DR. CHRIS ROBINSON: -- I had no -- I had
4 no way of finding out since their employees did not know
5 what their fee structure was and the public statements
6 were misleading.

7 MR. ALLAN FORAN: And so you wouldn't
8 know whether their volume was growing or not at that time
9 by September 17th, would you?

10 DR. CHRIS ROBINSON: Well, I thought I
11 did know, because I thought I did have the fee structure
12 correct.

13 MR. ALLAN FORAN: I --

14 DR. CHRIS ROBINSON: And so then I could
15 back -- I could back out what the volumes were.

16 MR. ALLAN FORAN: Okay, and as it turns
17 out, on reflection then, that was wrong, correct?

18 DR. CHRIS ROBINSON: It wasn't wrong when
19 I wrote it. It was wrong -- well, maybe you need to ask
20 Rentcash what their volumes actually were, since they
21 weren't disclosing them publicly.

22 MR. ALLAN FORAN: And maybe my question
23 then is this very specifically.

24 Can you explain to me what data you had
25 that would suggest to you the volumes were growing at

1 Rentcash -- just very simply.

2 DR. CHRIS ROBINSON: What I was doing was
3 -- it's difficult because of the brokerage model, but I
4 was -- what I was doing was experimenting with what I
5 thought the fees were, and trying then to infer from that
6 what would be the total volumes per store.

7 And, of course, as we know there was
8 also the additional complication -- very significant
9 complication -- that they were ending the rollover
10 practice as -- as I expected and may even have predicted
11 in writing. This, of course, would reveal then that a
12 whole lot of their loans were bad because they'd been
13 extending loans to people who were never going to pay
14 back. I mean, the -- sorry, the rollovers were -- just
15 as banks are wont to do -- hiding the problem so that
16 there was going to be a sharp dislocation.

17 I don't remember what I did to try and
18 resolve that problem. I mean, I had -- as I've indicated
19 quite I think -- quite a few places -- I had a lot of
20 difficulty in -- in using the Rentcash results to -- to
21 help me directly, so that volumes was practically all I
22 could come back to. And in a -- in a business which is
23 changing as much as they are and also taking over, my
24 best estimate -- my best evaluation of the evidence was
25 that their volumes were growing.

1 But, yes, of course, I could have been
2 wrong. There was no question that the volume for -- for
3 Money Mart was growing over a time period, but, of
4 course, they had a longer time period of evidence for
5 them as well.

6 MR. ALLAN FORAN: Okay, recognizing that
7 you did not or apparently did not look at the June 30th,
8 2007 Rentcash annual report.

9 What I'm simply trying to understand is
10 what two (2) pieces of information did you put together,
11 side by side, to say, Here's volume on one (1) point in
12 time, and here's information that suggests to me that
13 volume is growing as at September 17th to allow you to
14 make the statement.

15 What two (2) pieces of information are you
16 comparing?

17 DR. CHRIS ROBINSON: At that point, I
18 hadn't done the updates on the Money Mart costs and
19 volume and so on table which -- which came out in a
20 subsequent interrogatory response. So at that point I
21 had five (5) years.

22 I may well have already looked at the five
23 (5) year's date even though I hadn't presented the --
24 provided the table. I probably had, but I -- I just
25 can't recall. And, of course, you could see that it was

1 -- that the volume was increasing with Money Mart.

2 I had also, I think, by that point seen
3 the statements -- some of the public statements by Mr.
4 Reykdal of the Cash -- oh, sorry, of Rentcash, in which
5 he had said that his -- that his volumes were -- they
6 were increasing, allowing for, of course, the tremendous
7 dislocation caused by leaving the -- the roll-overs.

8 And it's very difficult for me to locate
9 all of the references because of the hundreds of pages of
10 material I wrote.

11 I would expect that, in addition to his
12 speeches, that as I was reading -- I don't just read the
13 annual statements, but also read the entire annual
14 report, that the annual reports themselves would have
15 been recording statements to the effect that our volumes
16 are going up, you know, except for this problem. We're
17 getting these new customers; we're opening all these new
18 stores. They were generally extremely optimistic about
19 the business.

20 And he's made more statements since then
21 in -- in the same fashion. So I didn't at this point --
22 I was trying to -- to convey to the Board -- I guess I
23 was partly being very professorial. I was trying to
24 convey an understanding of how the business operates and
25 where the issues are.

1 And so that was what I was trying to get
2 at. Had -- and, of course, we now know that Rentcash had
3 a significant decline in -- in volume because of turning
4 of -- of stopping do -- doing these -- doing the roll-
5 overs.

6 In fact, it just actually occurred to me,
7 that could partly be an artificial -- they might doing
8 the same volume of business or even higher. So depending
9 on how they account for -- just a second. Depending on
10 how they account for these -- this massive write-off of
11 loans, they could be depressing the current year's sales.

12 They shouldn't do it this way, but they
13 could conceivably have depressed their current -- their
14 volumes by suddenly writing off a large number of loans.
15 It would appear that they'd -- they'd lost business when,
16 in fact, they, of course, had lost a lot of money on it,
17 but did not actually lost the business.

18 But I can't tell you that without being
19 inside.

20 MR. ALLAN FORAN: Okay, and I -- I was
21 sort of hoping for some precision. And I just --

22 DR. CHRIS ROBINSON: Nope, not going to
23 get it.

24 MR. ALLAN FORAN: When you made the
25 statement on September 17th that volumes were growing at

1 Money Mart, had you seen Dollar Financial Corporation's
2 press release or the annual -- participated in the annual
3 conference that included Money Mart volumes for the year
4 ending June 30th of 2007? Just a conference; any press
5 releases, any investor conferences?

6 DR. CHRIS ROBINSON: I read too many
7 materials to recall which ones I had read in making this
8 reference. With Money Mart, of course, I was looking
9 over a longer period of time.

10 And -- I can't remember. The trouble is
11 that they -- the -- well, first, there was the fourth
12 quarter reports coming out. I don't think the fourth
13 quarter was out, but I have this antiquated chartered
14 accountant's preference to actually wait for the audited
15 financials for the -- the year end because of some of the
16 things I've seen happen.

17 And I don't think the audited -- the
18 audited the -- the 10-K was out for Money Mart until
19 sometime later and that. So I wouldn't have seen the two
20 (2) the -- the most recent Money Mart.

21 And there may have been information
22 available that indicated something differently, but I
23 don't think that I'd seen it when I drew that conclusion.

24 MR. ALLAN FORAN: So I -- I'm just
25 reacting candidly to evidence that was put in on behalf

1 of the Coalition. So I'm simply trying to understand
2 then, at September 17th, what data did you rely upon to
3 come to the conclusion that Money Mart volumes per store
4 were growing?

5 DR. CHRIS ROBINSON: Well, it would have
6 been 2000 and -- it would have been, again, the same page
7 about ten (10) from the 10-Ks. It would have been the
8 10-Ks that I had available at that point. And I would
9 have taken a look at those.

10 Oh, there's an additional complication
11 with Money Mart. Money Mart -- Money Mart's 10-Ks report
12 only their own ordained loans. This is an issue we
13 actually haven't dealt with spec -- specifically in the -
14 - in the hearings. It's -- it's become less of an issue.
15 It's not much of an issue now, but it affects the
16 historical data.

17 Money Mart was in the process, as you can
18 see from their annual reports, of buying back a lot of
19 its franchise operations. So Money Mart actually had
20 both franchises and company owned stores.

21 It has almost entirely abandoned the
22 franchise model throughout the company -- sorry, that is
23 Dollar Financial has -- so that I would of had to be
24 dividing by company-owned stores, and making some
25 allowance for the fact that the company-owned stores

1 numbers were not there for the whole year, and they would
2 be reporting their own ordained loans, only for the
3 portion of the year in which they actually opened the
4 store.

5 So, when I was determining the growth,
6 I was determining what was a reasonable -- you see me
7 doing this in other contexts in the reports -- I was
8 determining what was the weighted average of their own
9 owned stores, so that I would be consistent in dividing
10 that by the loan volume that was company originated.
11 And, because, you see they were not reporting the
12 franchise volumes, and they were --

13 MR. ALLAN FORAN: Could I just stop --

14 DR. CHRIS ROBINSON: -- but they were
15 reporting their franchise numbers.

16 MR. ALLAN FORAN: -- stop with the
17 franchise. I -- I'll tell you what I'm -- I'm not so
18 much the thinking process, but just the data that you
19 had.

20 DR. CHRIS ROBINSON: Well, that's what
21 I'm trying to -- to tell you where the data is. I mean,
22 you're asking me to recall specific data out of literally
23 thousands of pages that I've read. So, I'm doing the
24 best I can --

25 MR. ALLAN FORAN: I'll tell you what I'm

1 asking.

2 DR. CHRIS ROBINSON: -- so I'm telling
3 about page 10 --

4 MR. ALLAN FORAN: If I can, sir.

5 DR. CHRIS ROBINSON: -- on the --

6 MR. ALLAN FORAN: What I'm -- what I'm
7 asking actually is just what support you had to come to
8 the conclusion that you filed as evidence that you wish
9 to be considered by the Board.

10 DR. CHRIS ROBINSON: That's just what I
11 was giving you, I thought. And, so I came out with a
12 volume per store. You can now see that in a couple of
13 different things that are filed with the Board. I can't
14 remember their names now. And they include responses to
15 requests possibly from you -- possibly from the Board --
16 no probably from the Board itself -- tables which showed
17 Money Mart's volume on an annual basis.

18 And I hadn't filed that particular table,
19 but those were the calculations that I was making at the
20 time. And, of course, they show -- in making these
21 adjustments, and they show the increase in volumes.

22 MR. ALLAN FORAN: Okay, I'd like to refer
23 you to page 19.

24

25

(BRIEF PAUSE)

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MR. ALLAN FORAN: And if you look, the second paragraph from the bottom, Dr. Robinson. I've taken you through the ACORN report, and your recommendation of ten dollars and sixteen cents (\$10.16) per hundred (100) on a two (2) week, three hundred dollar (\$300) loan.

8

9

10

In -- in this information that you provided, this evidence to the Board, on page 19 you indicate this:

11

12

13

14

15

"It is almost certain that the new analysis would not change the rates recommended in ACORN a great deal and that any change would be to lower rates."

16

Do you see that statement?

17

DR. CHRIS ROBINSON: Yes.

18

19

20

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25

MR. ALLAN FORAN: Using the information that you had available to you on September 17th -- so I'm not interested now in anything that's happened since -- which companies do you think would be financially viable at a rate of ten dollars and sixteen cents (\$10.16) per hundred (100) or lower?

(BRIEF PAUSE)

1 DR. CHRIS ROBINSON: All right. Let me
2 ask you to rephrase the question. Do you -- what's your
3 -- are you -- are you actually asking me, suppose I were
4 to do the analysis that I did subsequently provide to the
5 Board, but were to do it only using the data that I had
6 at September 17th, or that I recall having used at
7 September 17th?

8 Is that what you actually mean?

9 MR. ALLAN FORAN: Again I'm being very
10 simplistic. I'm just reading your evidence, sir, and
11 your conclusions. The evidence that you submitted to the
12 panel that suggest that any new analysis would result in
13 the same rates as ACORN or rates that would be lower;
14 that was your conclusion on September 17th, sir --

15 DR. CHRIS ROBINSON: Yeah.

16 MR. ALLAN FORAN: -- and I'd like to know
17 now, on that date, which companies -- payday lending
18 companies -- in Manitoba would be viable at that rate?

19 DR. CHRIS ROBINSON: Well, since I didn't
20 do the analysis at that day, I can't -- that particular
21 analysis, I can't answer that question. I can only
22 answer the question on the evidence that I submitted to
23 the Board, which was the analysis that I actually did do
24 on the date subsequent to September 17th.

25 I mean I -- I hope you appreciate the

1 difference, right? I -- my analysis is not quite so
2 simple that I can simply -- that I can just sort of do it
3 in my head for any given day. It took quite a lot of
4 work to do this every time, and there were only so many
5 hours in a day, so I didn't do it on September 17th.

6 MR. ALLAN FORAN: But you were coming up
7 with a rate recommendation at that time, and I'm just
8 wondering who would be able to operate under that rate.

9 DR. CHRIS ROBINSON: But I didn't come up
10 with a rate recommendation on September 17th to the
11 Board, so that's not a valid question.

12 MR. ALLAN FORAN: So in regards to that
13 statement, is it a gratuitous -- gratuitous statement then?
14 It's just something that you indicated would be nice to
15 put into the evidence? It didn't have any analysis
16 behind it?

17 DR. CHRIS ROBINSON: My feeling at that
18 point was that was what was going to happen. I mean, in
19 retrospect, obviously, I shouldn't have made that
20 statement because I was wrong, but we do make statements
21 where we're wrong.

22 I had thought that the evidence I was
23 seeing, because I was seeing the increasing volumes and,
24 therefore, I would get lower rates. However, I learned a
25 lot more in -- among other things, from interrogatory

1 responses and information that I did not previously have.

2 And so, I was able to -- to -- and, of
3 course, I got subsequent data as I got both 10-Ks out and
4 incorporated them; for example, Money Mart's costs have
5 risen and so, consequently, I was able to do a better
6 analysis.

7 Now, your -- I guess your client should be
8 pretty happy that I moved on from the ACORN
9 recommendations, given that I moved from a rather tighter
10 recommendation to -- to a much higher rate
11 recommendation.

12 I'm not quite sure why you're so
13 concerned, but the -- the fact is I have been able to
14 learn from this process and -- and improve the work that
15 I'm doing and that is normally I believe what experts are
16 -- it's hoped that they will actually do is -- is get
17 better and learn over time.

18 MR. ALLAN FORAN: If I could turn now to
19 your next piece of evidence with respect to fees, and
20 that is PUB/COALITION-B-18 Revised. And I'm going to ask
21 you a series of questions with respect to that
22 recommendation, Dr. Robinson, so if you'd pull that up,
23 please?

24

25 (BRIEF PAUSE)

1 MR. ALLAN FORAN: PUB/COALITION-B-18
2 Revised?

3

4 (BRIEF PAUSE)

5

6 MR. ALLAN FORAN: Okay, Dr. Robinson?

7 DR. CHRIS ROBINSON: Yes.

8 MR. ALLAN FORAN: You've got

9 PUB/COALITION-B-18 in front of you, sir?

10 DR. CHRIS ROBINSON: Yes.

11 MR. ALLAN FORAN: First of all, I want to
12 return to your analysis that outlines recommendations,
13 sir. The tight limit is based on high-volume stores,
14 which you define to mean to be \$3 million per annum or
15 higher, correct?

16 DR. CHRIS ROBINSON: Page reference,
17 please?

18 MR. ALLAN FORAN: Thirty-nine (39), sir.

19 DR. CHRIS ROBINSON: Yes.

20 MR. ALLAN FORAN: And your analysis uses
21 an operating cost of eight dollars and fifty-one cents
22 (\$8.51) which comes from a separate analysis of Money
23 Mart in your response to PUB/COALITION-1B-13, correct?

24 DR. CHRIS ROBINSON: Well, that is my
25 recollection, but that isn't in this specific piece of...

1 MR. ALLAN FORAN: Well, your analysis
2 uses it.

3 DR. CHRIS ROBINSON: Yes. I would have
4 to return to -- to all the spreadsheets, but that -- that
5 is my recollection. Certainly, the aver -- the operating
6 cost I was using came from that separate analysis, and
7 think you're right, it was eight dollars and fifty-one
8 cents (\$8.51).

9 MR. ALLAN FORAN: And that response also
10 calculates the volume per store for Money Mart to be \$3
11 million per store, correct?

12 DR. CHRIS ROBINSON: If I recollect, it
13 was three million and sixty thousand (3,060,000).

14 MR. ALLAN FORAN: So essentially, your
15 tight limit is based on Money Mart, although you --
16 you've used data from many other sources.

17 Is that a fair statement?

18 DR. CHRIS ROBINSON: Most of the data for
19 that tight limit is from Money Mart. Most of the data
20 that -- just a second, let me take a look at the -- at
21 the numbers here.

22 Most of the data is from Money Mart. It
23 includes an allowance for regulatory costs per store, and
24 it includes my own calculations of what the working
25 capital requirements would be which are based on the loan

1 volumes per store. And those calculations are primarily
2 Money Mart, but not entirely.

3 And the reason for that is that you can
4 have quite wide fluctuations in working capital at any
5 cutoff point. So that what I had to do was try to infer
6 what were reasonable, you know, from -- for example, from
7 what we know from every source -- from all sources --
8 from the companies, from Ernst & Young, et cetera -- of
9 how long loans are outstanding, the average time they're
10 outstanding, et cetera.

11 MR. ALLAN FORAN: Well, perhaps what I
12 could do, Dr. Robinson, is let me just ask a few
13 questions and do you know if any ...

14 DR. CHRIS ROBINSON: Okay, I'm afraid
15 what you're asking is -- you're taking very complex,
16 lengthy, and voluminous analysis and you want me to
17 answer "yes" or "no" to questions, and they are not
18 susceptible to such answers.

19 MR. ALLAN FORAN: I -- I prefer "yes" or
20 "nos", but you certainly can --

21 DR. CHRIS ROBINSON: Remember I lisp when
22 I say "yes."

23 MR. ALLAN FORAN: What was your est --
24 what is your estimate of Rentcash's volume per store for
25 fiscal 2007, Dr. Robinson?

1 DR. CHRIS ROBINSON: Sorry, the estimate
2 that I believe I was using was 1.4 million.

3 MR. ALLAN FORAN: All right, so using 1.4
4 million, then Rentcash would not qualify as an efficient
5 firm under the definition of what you say is efficient in
6 PUB/COALITION-B-18, correct?

7 DR. CHRIS ROBINSON: That's not correct.
8 It might be efficient at \$1.4 million. You know --

9 MR. ALLAN FORAN: Well, I'll just -- I'll
10 tell you what I'm going to do.

11 DR. CHRIS ROBINSON: -- you as --

12 MR. ALLAN FORAN: I'm gonna stop you for
13 a moment, because I'm just looking at your revised
14 response, sir, where you say this: The effect of the
15 limits is to restrict the business to efficient firms
16 where high volume -- and -- and I'm paraphrasing -- where
17 high volume is \$3 million per annum.

18 DR. CHRIS ROBINSON: Yes, okay, that,
19 yes, that's -- that statement is true. In other words,
20 whether they're efficient or not, it's whether they're \$3
21 million and appear to be operating at low costs.

22 MR. ALLAN FORAN: And so Rentcash would
23 not qualify, you'll agree with me, as an efficient firm
24 by your definition that I've just described in this
25 answer?

1 DR. CHRIS ROBINSON: That -- that's not
2 correct, because that's not what I said. You're --
3 you're mixing your words here.

4 In other evidence, I have said that I
5 now believe -- actually, I've been learning for some time
6 -- I don't believe that Rentcash's business model is one
7 that is efficient; that in fact will deliver payday loans
8 at as low a cost as others, and I think the evidence
9 bears that out pretty strongly.

10 MR. ALLAN FORAN: So let me put it a
11 different way. Any firm that doesn't have -- forget the
12 business model for a moment -- loan volumes of \$3 million
13 per store won't meet the efficiency test as you set it
14 out in PUB/COALITION-B-18, correct?

15 DR. CHRIS ROBINSON: Yeah, volume is
16 not --

17 MR. ALLAN FORAN: You know, and I have to
18 tell you something --

19 DR. CHRIS ROBINSON: -- volume is not an
20 efficiency matter. Volume is how much you're selling.
21 Efficiency is how much it costs you to sell that volume.
22 It is, of course, conceivable that a firm could -- could
23 operate at \$1 million dollars volume and do very well,
24 but I don't have that specific evidence.

25 However, operating at the kind of cost

1 structures that we -- that we could observe in the
2 industry, it doesn't look like \$1.4 million -- start with
3 \$1.4 million would be successful under my tight limit.

4 MR. ALLAN FORAN: And I just want it
5 noted for the record again I -- I take it Dr. Simpson was
6 helping you with that answer. I -- I heard an echo.

7 DR. CHRIS ROBINSON: Dr. Simpson, as --
8 as an economist, is objecting to the fact that you're
9 using the word "inefficiently -- efficient -- efficiency"
10 incorrectly. And he's probably thinking of -- thinking
11 to himself that I should have been more careful in using
12 it as well.

13 However, I think I've made clear the
14 conditions. The conditions are you have to have some
15 volume. You have to actually be able to operate at a
16 certain cost, and under those tight limits, yes, you're
17 right. As it appears, given all the difficulties I've
18 had interpreting Rentcash's numbers, that Rentcash would
19 have difficulties under that model.

20 However, you're taking it as a static
21 model. Please recall that if you have a substantial
22 number of stores closing and mergers, you would now have
23 Rentcash, which as a public company has access to -- to
24 more funds than -- than private operators, buying, as it
25 did, more chains, improving its efficiency. Maybe, as I

1 have in fact suggested in -- or not suggested -- stated
2 agreed with Mr. Dawson in his cross-examination -- that I
3 don't think the brokerage model is in fact a good idea.

4 Advance America apparently agrees with me.
5 And, so that there would be no reason to suppose that
6 Rentcash couldn't survive.

7 It couldn't survive if it didn't
8 change, but given that all of the industry participants
9 have assured us how dearly they love competition and
10 change and how eagerly they seize upon such
11 opportunities, it seems to me that we would have to
12 expect that they would actually be able to make changes.

13 MR. ALLAN FORAN: So what I'd like to do
14 now is look at one of your models; the model where you've
15 got \$3 million in loans that was attached to this answer.
16 It's a spreadsheet.

17 DR. CHRIS ROBINSON: Okay. It's not
18 attached to our copy. That's what I was wondering about,
19 that's what I was looking for earlier. I've only got --
20 I've got a frozen -- it's a single example of a
21 spreadsheet at \$1 million in the written copy here.

22 Now, I can, given a little bit of time,
23 pull up a 3 million, but I guess I need to see this 3
24 million one and see what the heck it is. And why do we
25 not have it in our copy?

1 (BRIEF PAUSE)

2

3 DR. CHRIS ROBINSON: I'm perfectly
4 willing to discuss this, however, I am going to have to
5 question the -- the source, if I'd have some time to look
6 at it, because it does not have a page number on it, so
7 it was not part of this original submission. So you've
8 taken it from a different source.

9 In other words, it's been double-sided
10 photocopied, so there's page 45 is the 1 million, which
11 the Board can also see sitting right up here. But
12 page 40 -- you know, this one should then be numbered
13 page 46, but it's not; instead it's dated November 9th.
14 So it does not come from Coalition-B-18 Revised; it comes
15 from a different source.

16 Now, but that's sort of a lawyerly kind of
17 argument. I -- I agree that we should discuss this,
18 however, I don't think -- have you got it in front of
19 you? Yeah, I didn't think so.

20 But I'm almost certain that I'm the author
21 of this and -- well, actually, I can, there's a --
22 there's a...

23 MR. BYRON WILLIAMS: If we might stand
24 down just for a minute.

25 DR. CHRIS ROBINSON: Yeah.

1 THE CHAIRPERSON: That is fine.

2 DR. CHRIS ROBINSON: No, it's not Slee.
3 This is mine. So, no, this is -- this --

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: Mr. Chairman, I
8 might suggest and -- and this is the -- it may go back to
9 the infamous Public Interest Law Centre data management,
10 so there's no ill motives that we --we're attributing to
11 a CPLA or anything like that.

12 But I just want to make sure that we're
13 all working off documents that -- that make sense for --
14 for all parties and it may be something that the Public
15 Interest Law Centre sent in error or Dr. Robinson said.

16 So I just want to take maybe ten (10)
17 minutes, so that we can assist Mr. Foran, and also make
18 sure we're all talking --

19 THE CHAIRPERSON: Okay, we'll be back in
20 ten (10) minutes.

21

22 --- Upon recessing at 2:07 p.m.

23 --- Upon resuming at 2:23 P.M.

24

25 THE CHAIRPERSON: Okay, folks, it appears

1 that we're back together again. Mr. Williams...?

2 MR. BYRON WILLIAMS: Yes, and just to --
3 to assist the panel and to clarify any confusion, in --
4 there was an electronic version -- well, let me back up.
5 In the Board's paper copy of PUB-B-18 Revised, if you
6 work towards it, near the -- near the end is a -- a model
7 for a -- a small -- a smaller store with a volume of \$1
8 million.

9 What should have been included in the
10 paper version as well -- and this is an omission by the
11 Public Interest Law Centre in -- in reproducing Mr.
12 Robinson's -- Dr. Robinson's spreadsheets -- was another
13 one for a larger store with a volume of 3 million, which
14 I -- I would ask be introduced as Coalition Exhibit
15 Number 39.

16 And just to -- to clarify any confusion
17 that may have occurred, an electronic version of the
18 model -- or of the -- and the responses provided to
19 counsel for CPLA which included both -- both the large
20 and the small, as it properly should of -- but when we
21 were looking at the paper version, that's where the --
22 the confusion erupted. Through no fault of anyone but
23 me, so...

24 THE CHAIRPERSON: We have the same view,
25 Mr. Williams. Okay, Mr. Foran...?

1 CONTINUED BY MR. ALLAN FORAN:

2 MR. ALLAN FORAN: Thank -- thank you very
3 much. So, Dr. Robinson, just if you have that document
4 now.

5 DR. CHRIS ROBINSON: Yes, I have it.

6 MR. ALLAN FORAN: Coalition 39.

7 DR. CHRIS ROBINSON: I have it, and that
8 is also what is displayed on the screen.

9 MR. ALLAN FORAN: And my understanding is
10 that that was part of the revised response to
11 PUB/Coalition-B-18 in effect related to this store model
12 with a volume of \$3 million, correct?

13 DR. CHRIS ROBINSON: Yes.

14 MR. ALLAN FORAN: Now, I'd like to get
15 some information about the data you used in constructing
16 that \$3 million dollar model and --

17 DR. CHRIS ROBINSON: Yes.

18 MR. ALLAN FORAN: -- the -- the \$3
19 million just conveniently is similar to the volume of a -
20 - of a Money Mart store, correct?

21 DR. CHRIS ROBINSON: No, at this point it
22 -- it was -- it was deliberate. I mean, that was the
23 evidence I had.

24 MR. ALLAN FORAN: So -- so -

25 DR. CHRIS ROBINSON: It's not

1 coincidental.

2 MR. ALLAN FORAN: It wasn't coincidental.
3 It deliberately --

4 DR. CHRIS ROBINSON: No.

5 MR. ALLAN FORAN: -- targeted the \$3
6 million loan volume as being a Money Mart loan volume?

7 DR. CHRIS ROBINSON: Yes. At that point
8 I was still struggling with what exactly were the volumes
9 for Rentcash, or at least I didn't realize I was
10 struggling, but I was. So I thought they were higher
11 than they -- than they are.

12 MR. ALLAN FORAN: Okay, now looking again
13 at this document then, you've used an average loan size
14 of three hundred and forty-five dollars (\$345) in your
15 analysis, correct?

16 DR. CHRIS ROBINSON: If I could be
17 precise, what I did was what I thought was a reasonable
18 distribution of loans. I have, in fact, on occasion
19 asked the industry to comment, but they have not been
20 willing to do so.

21 The three hundred and forty-five dollars
22 (\$345) falls out of that so that -- so, in other words,
23 you see what I did was I have this fraction of total
24 loans which adds to one (1) and, of course, they're
25 concentrated around the three hundred dollar (\$300) level

1 don't -- I want to be fair to you.

2 DR. CHRIS ROBINSON: Yeah.

3 MR. ALLAN FORAN: You say it's a
4 coincidence and I look at page 40 of PUB --

5 DR. CHRIS ROBINSON: Okay, take a look,
6 maybe --

7 MR. ALLAN FORAN: -- Coalition-B-18. And
8 you probably should have that before you because my
9 questions actually will relate as much to your
10 explanation for the table as to the table itself.

11

12 (BRIEF PAUSE)

13

14 DR. CHRIS ROBINSON: So I stand
15 corrected. It was the -- yes, so I did, that was why I
16 used three forty-five (345). I'm sorry. I'd forgotten
17 that.

18 MR. ALLAN FORAN: So that the Board and
19 everybody participating can follow then, on page 40,
20 which is your revised answer explaining the analysis of
21 this model of a \$3 million store, under "Explanation of
22 the Analysis" about halfway down the page on page 40 in
23 the second paragraph there is a sentence that starts:

24 "The payday loan revenue of \$3 million
25 is my estimate from PUB/COALITION-B-

1 13."

2 Correct?

3 DR. CHRIS ROBINSON: Yes.

4 MR. ALLAN FORAN: And that's Money Mart
5 volume, correct?

6 DR. CHRIS ROBINSON: Yes.

7 MR. ALLAN FORAN: And then three (3)
8 sentences down you then say this:

9 "I can only do this if I have the
10 number of loans. The fractions are
11 chosen to get close to an average loan
12 size of three hundred and forty-five
13 dollars (\$345) which is what Gord
14 Reykdal of Rentcash reported in a
15 September 2007 speech."

16 DR. CHRIS ROBINSON: Yes.

17 MR. ALLAN FORAN: So it wasn't
18 coincidental. It was done deliberately, correct?

19 DR. CHRIS ROBINSON: Yes. I would like
20 to point out, however, that although I'm the only one who
21 did the work on the spreadsheet, if in fact you use
22 different loan sizes and a different distribution and
23 keep the total loan volume fixed, it makes virtually no
24 difference to the analysis.

25 I had not expected that to happen. I

1 didn't bother reporting it because it was unimportant.

2 MR. ALLAN FORAN: Well, my question -- my
3 next question is, did you just make up the distribution
4 of loans in lines 3 and 4 to fit your average of three
5 hundred and forty-five dollars (\$345), Dr. Robinson?

6 DR. CHRIS ROBINSON: Oh, yes, the
7 distribution approximates what we call "a normal
8 distribution" which is what we would expect. In other
9 words, I had talked with participants. I'd asked, How
10 often do you make loan sizes of a thousand (1,000) and
11 fifteen hundred (1,500)? And the answer was, Very
12 rarely. How often do you make small loans? Very rarely.

13 In fact, we now understand although this
14 happened since I -- I learned this later that Money Mart
15 makes no loans under a hundred and twenty (120) so that
16 what you see is that almost all the volume is
17 concentrated around that average.

18 MR. ALLAN FORAN: Yeah.

19 DR. CHRIS ROBINSON: Two hundred and
20 fifty (250), three hundred (300), three fifty (350), four
21 hundred dollar (\$400) loans. That's where almost all the
22 volume is. This is -- this is simply the experience of
23 somebody who's worked in finance for all -- for that
24 long. When you get a mean, almost always things are
25 distributed around it normally.

1 MR. ALLAN FORAN: But at the end of the
2 day, what you are really doing is you're not taking this
3 from objective third parties. You're looking at lines 3
4 and 4, the distribution of loans, and you're working the
5 numbers until you can get to the three hundred and forty-
6 five dollar (\$345) average, correct?

7 DR. CHRIS ROBINSON: Yes.

8 MR. ALLAN FORAN: And so we don't take it
9 as scientific that certain sized loans at certain numbers
10 for the purposes of COALITION-39 are accurate; it's
11 simply your depiction of how you get to three hundred and
12 forty-five dollars (\$345) using what you think is a
13 reasonable distribution, correct?

14 DR. CHRIS ROBINSON: That's not accurate.
15 First of all, I hate to be pedantic about language, but I
16 would like to remind you where the version of where
17 science comes from. It comes from "scientiam," Latin for
18 "knowledge," okay? "Scientific" does not mean that it is
19 mathematical reproducible; it simply means that it's
20 coming from some form of knowledge.

21 In my case it's coming from the knowledge
22 of a huge amount of experience in finance and accounting.
23 It's also coming from the experience of the world
24 statisticians who have observed in economic data that
25 most of it is distributed normally.

1 Furthermore, it's also coming from me
2 talking to the industry and saying, Do you make a lot of
3 big or -- or small loans? And, finally, it comes from
4 the fact that I have presented this evidence to the
5 industry and said, Would you comment, and they're not
6 willing to.

7 The Board may interpret that any way they
8 like. I think it is reasonable interpretation that
9 there's nothing wrong with the distribution.

10 And finally, as I've said, the scientific
11 test is, does it matter? And it doesn't matter. Okay?
12 It does not change the conclusions in any material way.
13 So if you want to use the word "science," you're -- I'm
14 going to continue to remind you of how -- what it
15 actually means.

16 MR. ALLAN FORAN: Line 15 is a line
17 called "Average Term and Default." Do you see that?

18 DR. CHRIS ROBINSON: Yes.

19 MR. ALLAN FORAN: And that line, that
20 number, that was just a guess, correct?

21 DR. CHRIS ROBINSON: It was the
22 impression I got from the people in the industry. Again
23 I have asked -- well, all these things have gone out and
24 nobody's given me another one. But yes, I have no
25 knowledge, specifically. I could have done some

1 calculations that might -- well, I did do some
2 calculations, but they're -- they're very chancy.

3 The only reason for that's there -- it has
4 virtually no effect on the results either -- the only
5 reason that it's there is because when I was doing the
6 original way I set up the fees, I was trying to figure
7 out two (2) things. One was: What is a working capital
8 requirement? And second: What is the -- when I have a -
9 - a default -- when I start charging money against people
10 in default.

11 Okay, you may recall that some of my fee
12 structures you say, okay, you can charge so much when
13 they default on the loans. So I need a term -- some sort
14 of estimate of the term to calculate what that's going to
15 be.

16 However, again, as you could see from the
17 numbers on the economic income statement, the interest
18 revenue on default loans was ten thousand dollars
19 (\$10,000) out of three hundred and eighty-eight thousand
20 (388,000). So even very large changes in that number,
21 whether I'm right or wrong, is irrelevant. They'll have
22 no significant effect on anything.

23 MR. ALLAN FORAN: Okay. My question
24 really went to the source of the number. I used the word
25 "guess" because that's the word you used on page 40. And

1 if you look on page 40, third line from the bottom:

2 "The average term in default is the
3 average length of time that it takes to
4 get final payment, and I simply
5 guessed."

6 DR. CHRIS ROBINSON: Yes. Now, of
7 course, the -- yeah, yeah. And the industry apparently
8 agrees with my guess, since they've never said anything
9 different nor, I observe, are you.

10 MR. ALLAN FORAN: Now, where did you get
11 the figure for cash on hand in line 21?

12 DR. CHRIS ROBINSON: Well, for that, you
13 have to actually look at the spreadsheet.

14 MR. ALLAN FORAN: That was just a guess
15 again, wasn't it?

16 DR. CHRIS ROBINSON: Yes. It's an
17 interesting guess. It comes out to forty-one thousand
18 dollars and ninety-six cents (\$41,000.96). The actual
19 calculation -- this is standard, as I said a little
20 earlier today, this is standard working capital
21 calculations.

22 What would a business of this nature need
23 as its cash on hand? And these things are usually done -
24 - in most businesses are actually worked out as
25 percentages of sales.

1 In this particular business, I determined
2 it was probably -- we're doing almost everything in
3 volume of loans, so I suggested that you need to have
4 some cash and, of course, Rentcash doesn't need any cash
5 on hand for a loan since it doesn't give you any money.
6 But other companies would need to have -- they would be
7 getting, of course, constant repayments as well, but they
8 would need to have some days of cash on hand.

9 Ernst & Young was not as -- as careful
10 about doing this kind of thing. They also were facing,
11 as I've told you already, the horrendous problem of --
12 well, sometimes it's just called "window dressing."

13 Okay, if you're got a business that's
14 running three hundred and sixty-five (365) days of the
15 year and you choose an arbitrary day on which you
16 determine, here's how much cash you had, and then try to
17 draw inferences from that, you can be very wrong.

18 So this is, from a businessman's
19 perspective, a reasonable allowance for the cash that you
20 would require, per store, to run this business, okay.
21 So, no, it's not -- it's not a guess and it's based on me
22 having modelled working cash for businesses of every kind
23 for, you know, twenty-five (25), thirty (30) years.

24 MR. ALLAN FORAN: Okay. And the only
25 reason I mention that is that when I -- when I look at

1 page 41, the second paragraph, when you speak to the cost
2 of capital you say, in the third sentence,

3 "I allowed five (5) days of loan volume
4 and cash which is my educated guess."

5 So I was just simply using your language
6 again.

7 DR. CHRIS ROBINSON: Yes. I see what --
8 I, yes, I see what you're saying, I'm sorry. I guess at
9 this point -- I was faced with the problem of just
10 exactly how much gruesome detail did any of you want for
11 this, so that, yes, I can answer all the analytical
12 questions. It would be interesting if other witnesses
13 were asked sufficient analytical detail about their
14 assumptions.

15 But I guess I'm partly relying, and this
16 maybe is a weakness of an academic, to provide you with
17 the electronic spreadsheets and all you have to do is
18 read the formulas and you can then see where they --
19 where a lot of the -- the stuff comes from.

20 MR. ALLAN FORAN: Well, your description
21 was helpful and, as I say, because --

22 DR. CHRIS ROBINSON: Yeah.

23 MR. ALLAN FORAN: -- in -- at least in
24 the last two (2) categories, notwithstanding the answers
25 you just provided, your information suggests that they

1 were guess --guesses.

2 One (1) was a guess and one (1) was an
3 educated guess. I'm content with that if you're content
4 with that.

5 DR. CHRIS ROBINSON: I think you're
6 understating my experience in modelling working capital.
7 But this, again, is not a major issue in the
8 determination; we all know what the major issue is in the
9 cost determination.

10 MR. ALLAN FORAN: Now where did you get
11 the capital investment per store in line 23?

12 DR. CHRIS ROBINSON: Why did I -- why did
13 I ask you, since you've read the notes more recently. I
14 think I said that.

15 MR. ALLAN FORAN: Well -- well, let me
16 tell you then if -- if you'd like me to assist --

17 DR. CHRIS ROBINSON: Yeah.

18 MR. ALLAN FORAN: -- that came from Greg
19 Reykdal --

20 DR. CHRIS ROBINSON: Yeah, okay, yeah,
21 that's what I thought.

22 MR. ALLAN FORAN: -- that came from
23 Rentcash, didn't it? Yeah.

24 DR. CHRIS ROBINSON: I estimated it from
25 the Money Mart values. Did I say so in there? Yeah, I

1 said so. I estimated from Money Mart, and I came out
2 with twenty-nine thousand (29,000), and I -- that seemed
3 too low. I mean, I'm not here to take a biased
4 viewpoint. I'm here to say what seems reasonable.

5 It seemed to me that forty-five thousand
6 dollars (\$45,000) was a more reasonable expense to allow
7 for the lease hold improve -- or sorry investment in the
8 original lease hold improvements than twenty-nine
9 thousand (29,000). So I put in forty-five (45), because
10 I was trying to -- to allow fairly for the industry.

11 MR. ALLAN FORAN: So -- so, in that
12 particular case, that came from Rentcash and that's fine.

13 DR. CHRIS ROBINSON: Yes.

14 MR. ALLAN FORAN: Now line 23, the
15 initial store loss, where did you get that?

16 DR. CHRIS ROBINSON: Well, this is
17 something also that Ernst & Young and Deloitte & Touche
18 did not allow for. And I didn't think about this
19 originally. I don't even remember if I had it in ACORN
20 or not. I think I did.

21 But, in any case, it sounds like a sunk
22 cost, but if you think about how this business operates,
23 it takes one (1) to three (3) years to start making
24 money, and that's what you expect.

25 However, if you are to regulate, you have

1 to allow them something for the fact that they did sink
2 that money in in the first place. In other words, that
3 is an investment just like buying lease hold.

4 So the question is how much did the store
5 lose in cash, not, you know, the accountants' version of
6 it, right? We know what accountants are like. But how
7 much cash did the owner actually have to sink in in
8 addition to the business that he didn't -- the non-
9 accountant in the Board is amused. The accountants
10 aren't.

11 So that, in other words, how much out of
12 pocket were you? And, so, if you're running a store --
13 this comes from me having run a whole bunch of these
14 simulations, none of which I can -- you know, none of
15 which I have right here or which are in evidence -- and
16 saying, okay, what's at the store is at half a million
17 dollars (\$500,000) volume? You know, I played around
18 with this and suddenly see that they're losing thirty
19 thousand dollars (\$30,000) or fifty thousand (50,000).

20 So it's -- based on the scale of this
21 business and all the simulations I'd run, it seemed like
22 a reasonable amount. There would, of course, be a high
23 variation. Some stores might get a good location and be
24 making money after three (3) weeks.

25 Mr. Reykdal actually said -- I may have

1 overestimated this figure, because Mr. Reykdal said the
2 stores were breaking even by months eight (8) to eleven
3 (11), which was faster than I had thought they would be.

4 But, yeah, if you want to use your
5 language and call it "an educated guess," what I'm saying
6 is that nobody else even tried it, and this looks
7 reasonable compared to the -- what the business is making
8 and losing if you set, you know, first year, five hundred
9 thousand (500,000); second year, 1 million; and so on.

10 MR. ALLAN FORAN: I'm reminded of some
11 previous evidence that you provided that, in some
12 instances, other people wouldn't dare to do the types of
13 calculations that you're prepared to do.

14 Is this one of those calculations that
15 nobody else has attempted?

16 DR. CHRIS ROBINSON: Well, it appears so,
17 because, in fact, Ernst & Young didn't do it, and
18 Deloitte & Touche didn't do it. And yet the concept is
19 not surprising, since every businessman knows that going
20 into a business -- you know, start up small business,
21 you've got to be prepared to lose some money at -- at the
22 first, even if you're very successful eventually.

23 And that is -- in other words, if I were
24 thinking, Do I want to go into payday lending today, and
25 -- and I knew what the Board's decision was going to be,

1 I'd have to make that kind of a decision -- including my
2 initial losses -- as to whether it was worth it in the
3 long run.

4 And the reason I included it was an
5 element of the just and reasonable rate. And the just
6 and reasonable issue is that it's a sunk cost from most
7 points of view, but we're cheating them.

8 We're cheating the businessmen if they
9 went into this and we then say, Now the long run has
10 arrived, we're gonna cut your rates, and we're not gonna
11 allow you to recover that loss that you originally
12 thought you could recover.

13 MR. ALLAN FORAN: A -- a significant
14 factor to consider, and you've explained your analysis.
15 Again though, I just want to come full circle.

16 For the purposes of your model, that
17 again, that line is a guess, correct?

18 DR. CHRIS ROBINSON: Better than a guess,
19 because it's based on running many of the spreadsheets
20 and seeing what sort of numbers -- what sort of losses
21 were generated by companies with much lower volumes. So
22 then I just simply extend that.

23 I simply say mentally, Okay, so they have
24 a year's worth of these low volumes -- you know, we now
25 know Mr. Reykdal -- I was thinking of more like two (2)

1 years before they got to break even. And so how much
2 cash would they have lost? And that's cash remember, not
3 accounting, no depreciation, et cetera. Though it's, you
4 know, there's not a big difference in this industry.

5 So, in other words, if you say did I
6 guess, well, could I have guessed a million? Could I
7 have guess twenty thousand (20,000)? The answer is those
8 are guesses, too. I have a very good basis for
9 estimating that number. An estimate is perhaps a more
10 reasonable way to put it, but I -- can I point to it
11 anywhere? No.

12 MR. ALLAN FORAN: Okay. And again I just
13 used your words and your -- your --

14 DR. CHRIS ROBINSON: Yeah.

15 MR. ALLAN FORAN: -- analysis that it was
16 an informed guess, but let's keep going. Line 20 is Cost
17 Capital Real Equity, which I understand that you have at
18 10 percent, correct?

19 DR. CHRIS ROBINSON: Yes.

20 MR. ALLAN FORAN: And my understanding
21 from one of the Information Requests that were directed
22 to the Coalition by CPLA -- and that's CPLA/COALITION-1-
23 141 -- is that this equity capital at 10 percent reels in
24 the range of 12 to 14 percent nominal, correct?

25 DR. CHRIS ROBINSON: Yes.

1 an amount of money in the form of dividends and capital
2 gains from TSX -- or now everything under the sun, given
3 income trusts -- or I will receive a stream of profits
4 from a payday loan business. In each case, I'm paying
5 individual personal income tax on -- on those returns.

6 Now, and -- you know, so this at the store
7 level. And so what would I invest my money in? Okay?
8 So, in effect, you're clarifying my thinking on this.
9 This is actually almost as if I am mentally saying, Am I
10 going to invest in a payday lender? So I'm doing this
11 analysis.

12 Oh, yes, right, now I remember. I'm doing
13 this payday anal -- this lending anal -- this cost of
14 capital analysis from the point of view of the individual
15 store owner. I do it whether it's large or small because
16 of course they -- they are the -- they are the ones that
17 -- that you have professed so much great concern for
18 since -- since you're afraid that I'm going to be hurting
19 them.

20 And they of course are observing this, and
21 they will then pay personal tax on that just as they
22 would pay personal tax if they invested that money in a
23 listed stock. And, so, they are -- the two (2) numbers
24 are wholly consistent and, furthermore, of course you
25 always discount pre-tax numbers at pre-tax discount

1 rates.

2 However, I also remind you that both Dr.
3 Gould and I have agreed that all this is virtually
4 irrelevant because the effect of cost of capital is so
5 small that it doesn't -- you know, it's swept away by all
6 the other more important considerations here.

7 MR. ALLAN FORAN: So your explanation
8 basically takes, if I understand, this line 20 and says
9 that that is the store owners' return, and this is after
10 taxes?

11 DR. CHRIS ROBINSON: It's before tax.

12 MR. ALLAN FORAN: And it's -- but it's
13 after corporate tax?

14 DR. CHRIS ROBINSON: Corporate tax is
15 irrelevant.

16

17 (BRIEF PAUSE)

18

19 MR. ALLAN FORAN: Now, what I'd like to
20 refer you to is PUB/COALITION-1B-13 Revised; if you can
21 get that in front of you, sir?

22 DR. CHRIS ROBINSON: You don't want
23 anything more than the spreadsheets? Okay.

24

25 (BRIEF PAUSE)

1 DR. CHRIS ROBINSON: Right. Got it.

2 MR. ALLAN FORAN: And the first thing
3 that I'd like to bring to your attention is that in this
4 response you indicated that the figures contained in the
5 table attached to this contributed a great deal to your
6 analysis and conclusions on the appropriate fee cap,
7 correct?

8 DR. CHRIS ROBINSON: Yes.

9 MR. ALLAN FORAN: And that's contained in
10 the first full paragraph under the heading "Revised
11 Response, PUB/COALITION-B-13."

12 Now what I'd like to do is look at the
13 table that was attached to this document.

14 DR. CHRIS ROBINSON: Which is page 34,
15 right?

16 MR. ALLAN FORAN: I believe it's page 34.

17 DR. CHRIS ROBINSON: Yes.

18 MR. ALLAN FORAN: Now, I'm going to
19 suggest to you that you haven't properly allocated head
20 office expenses to Money Mart.

21 And what this document purports to do, I
22 understand, is to -- to provide information relating to
23 Money Mart's operations, correct?

24 DR. CHRIS ROBINSON: Yes.

25 MR. ALLAN FORAN: And if you go down the

1 left-hand side of the page under -- on page 34, under
2 "Canadian Segment Values," there's sort of three (3)
3 discreet paragraphs; the second paragraph, second line
4 from the bottom, "Operating and Head Office Expense, US,
5 Thousands of Dollars."

6 DR. CHRIS ROBINSON: Yes.

7 MR. ALLAN FORAN: Now, we asked you about
8 that and I believe your response in one of the
9 Information Requests -- CPLA/COALITION-1-137 -- was that
10 it was an irrelevant question, but referred us back to B-
11 13. So I'm going to stop for just a moment.

12 If you go to the far right-hand side of
13 page 34, there's reference pages. Do you see that? So
14 if start at the top, the very first line --

15 DR. CHRIS ROBINSON: Yes.

16 MR. ALLAN FORAN: -- for example,
17 "Revenue Net of Loan Losses," there's a reference page; I
18 haven't been able to locate a reference page for
19 operating and head office expenses.

20 DR. CHRIS ROBINSON: Sorry, yes, you are
21 right. I'm sorry. And, I mean, there is a reference
22 page for this, but...

23 MR. ALLAN FORAN: And I just want to
24 reiterate, we did ask for the information but --

25 DR. CHRIS ROBINSON: Yeah.

1 MR. ALLAN FORAN: -- you declined to
2 provide it. So, again, for the record, I'm wondering if
3 you can confirm to me where that's located?

4 DR. CHRIS ROBINSON: Well, that -- it is
5 from the 10-K and -- and I'm really sorry, I didn't
6 notice that -- I don't recall saying that I thought it
7 was irrelevant; I wouldn't have said that.

8 But on the other hand, as I said, I got
9 kind of tired of the interrogatories. Just a minute. I
10 have the -- I should have the 2007 10-K here.

11

12 (BRIEF PAUSE)

13

14 MR. ALLAN FORAN: I -- I know you don't
15 doubt me, Dr. Robinson, but I did look at CPLA/COALITION-
16 1-137, which says that the information sought is
17 irrelevant.

18

19 (BRIEF PAUSE)

20

21 MR. BYRON WILLIAMS: I -- Mr. Chairman,
22 probably the 10-K is in evidence in a paper version
23 somewhere, and if we -- if we just stood down for a
24 couple minutes, we could assist Mr. Foran.

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: Mr. Chairman, I just
4 -- in conversation with My Friend, to give them --
5 because I know he wants to move along without an
6 Undertaking which -- and he's probably got about a half
7 an hour more, so maybe if we took a ten (10) or fifteen
8 (15) minute break right now --

9 THE CHAIRPERSON: Okay. We will take the
10 break now. Thank you. We have another appointment that
11 we are going to have to shut down today about ten (10) to
12 4:00, just so you're aware of it, so we will take the
13 break now.

14

15 --- Upon Recessing at 2:57 p.m.

16 --- Upon resuming at 3:13 p.m.

17

18 THE CHAIRPERSON: Dr. Robinson's back,
19 Mr. Foran.

20

21 CONTINUED BY MR. ALLAN FORAN:

22 MR. ALLAN FORAN: Thank you, Dr.
23 Robinson, you had the opportunity, I believe --

24 DR. CHRIS ROBINSON: Yes --

25 MR. ALLAN FORAN: -- to look at the 10-

1 Ks.

2 DR. CHRIS ROBINSON: -- so, all right,
3 now, I'm sorry. It's just you're, you know, I'm such a
4 shy fellow and you're sort of intimidating, so I forgot
5 what I was doing.

6 There is no reference number because
7 it's a calculated number, that's why there's no reference
8 number. It doesn't come off the 10-Ks, but all the data
9 into it does. So, here is where it comes from.

10

11 (BRIEF PAUSE)

12

13 DR. CHRIS ROBINSON: Well, but he
14 wants 2006 or 2007, so I've got them all, right. Okay,
15 so, what I did was it's called "backing the number out."
16 In other words, they didn't have in the segmented
17 specifically actually right head office and operating
18 expenses, but I can get it by going backwards.

19 Okay, so, and -- I'm sorry, I just can't
20 print everything, but -- these are the formulas right
21 here. So I'll read out what I calculated so it's on the
22 record.

23 MR. ALLAN FORAN: Can I just -- just --
24 and, again, I was just gonna do the same thing.

25 So that I understand the answer, can you

1 first of all tell me what do you have displayed right now
2 behind you?

3 DR. CHRIS ROBINSON: Okay, I'm sorry,
4 what I have displayed behind me right now is the
5 spreadsheet which is used to cal -- to produce page 34 of
6 B-13. And, in fact, that spreadsheet was also sent, but,
7 as you know, we've had great difficulties with
8 spreadsheets.

9 So -- and somewhere in the interrogatories
10 they asked for this spreadsheet, and I have produced it,
11 but, you know, we -- we know the difficulties we're
12 having with communicating on these spreadsheets.

13 So what we have -- and, in any case,
14 this is not the way you're sort of accustomed to thinking
15 of it. So if you take a look, line 3, Revenue. Okay --
16 okay, so line 3 is Revenue. You then deduct line 9,
17 which is Net Income. This is what I mean by going
18 backwards. Okay, I'm backing out the expense of interest
19 by deducting everything else from revenue.

20 Okay, so once you take out income, line 9,
21 you're now back to total expenses minus depreciation,
22 because I've dealt with depreciation separately, okay --
23 it's part of the cost of capital -- minus line 10 -- I'm
24 sorry -- minus line 11 which is Interest Expense.

25 We're doing everything on a -- well,

1 I'm use -- let me put it a different way. Interest
2 expense is irrelevant in the way I'm doing the analysis,
3 because I'm using an equity rate of return. That is, I
4 am doing the returns as if there were no interest
5 expense. So I'm just looking for the operating costs.

6 And minus F-11 plus F-12 -- plus the
7 capital expenditures. This is a -- I have agonized over
8 this problem for a long time. The proper way to do this
9 is, in fact, not capital expenditures, but something I
10 would call "sustaining capital expenditures." Nothing
11 expansion, because I've allowed for expansion elsewhere.

12 You can use depreciation as a proxy; you
13 can use capital expenditures. Fortunately, in this
14 business if you're regulating utility it would be -- this
15 must be a huge issue, but it's a small issue here.

16 What I am left with -- in other words,
17 what is left behind after this backwards procedure is the
18 head office expenses and the store operating expenses for
19 Canada.

20 And -- okay. Is -- is that clear? I'm
21 sorry that -- I guess I didn't describe that sufficiently
22 in the -- in the narrative part, so I've backed it out.
23 There's just nothing else left.

24 MR. ALLAN FORAN: So my suggestion to you
25 was that there's not something specifically in the 10-K

1 that has got this information in it.

2 Are you agreeing with me that it requires
3 you to perform some calculations to allocate some things
4 to -- I don't want to use the word "scientific" because
5 you'll get mad at me, but to use some personal judgment
6 that is not objective?

7 DR. CHRIS ROBINSON: No, it's not correct
8 at this point. At this point, all I have done is a
9 calculation. This number can be taken as if it came from
10 the 10-K. This is entirely the company's information,
11 however, I mean I -- I want to make this clear to the
12 Board -- it's a couple of lines further down that the
13 judgment comes in my part. Okay? So what you really
14 meant to ask was down at line -- I'm sorry, but --

15 MR. ALLAN FORAN: It's okay.

16 DR. CHRIS ROBINSON: -- I'm trying to
17 help the Board, and I know what you're trying to get at.
18 So if you go further down the line on page 34, you see
19 "Expenses Allocated to Payday Lending." That is the
20 number where I've had to use my judgment. Okay?

21 And that has been allocated simply on the
22 basis of the percentage of payday lending revenue to
23 total revenue, and so that's the same sort of -- and we
24 discussed that already. That's the kind of allocation
25 that's made in -- in general.

1 And you notice I have revenue net of loan
2 losses and I have gross revenue -- all business lines up
3 above, so I have the two (2) figures and if I were to
4 go...

5

6 (BRIEF PAUSE)

7

8 DR. CHRIS ROBINSON: Oh, I'm sorry, I've
9 actually calculated the percentage on line 8, "Payday as
10 a Fraction of Total Revenue." You notice that it's been
11 rising. This is an experience in the industry. Okay?
12 So up at the eighth line, "Payday as a Fraction of Total
13 Revenue." Okay?

14 And then I multiply that by the operating
15 and head office expense, and that is the amount of the
16 head office and operating expense which is then allocated
17 to payday lending divided by the loan volume gives you
18 the eight dollars and fifty-one cents (\$8.51).

19 And that, of course, looks like a
20 perfectly unobjectionable calculation, but that is a big
21 assumption that you allocate it on that basis. That is
22 the commonest assumption. That is what Ernst & Young was
23 doing. I think Deloitte & Touche thought they -- oh, no,
24 they didn't have to do that. They were just doing
25 single-store operators, so they didn't have to do that.

1 And I have no -- no better basis.

2 So that is where my judgment comes in, not
3 on the previous number. Okay? Is that...?

4 MR. ALLAN FORAN: If I refer you now,
5 please, to line 11 of that same spreadsheet, "Interest
6 Expense"?

7 DR. CHRIS ROBINSON: Yes.

8 MR. ALLAN FORAN: And if I refer you to
9 2007, the figure nineteen thousand nine hundred and
10 ninety-six (19,996).

11 DR. CHRIS ROBINSON: Yes?

12 MR. ALLAN FORAN: Where does that number
13 come from?

14 DR. CHRIS ROBINSON: It should come from
15 page 100 or 101.

16 MR. ALLAN FORAN: If I suggest to you
17 that that's a mistake could you -- would you quarrel with
18 me?

19
20 DR. CHRIS ROBINSON: Well, I'd want to
21 take a look at the numbers. Actually, now that I look at
22 that, of course, I said -- it -- it looks wrong. It
23 should be very small, because they were -- oh, unless
24 there's -- oh, I know what there is, I think. Just a
25 second.

1 I think there's a refinancing charge in
2 there. So that...

3 MR. ALLAN FORAN: Did you want to just a
4 moment and maybe tell me what you think has happened?

5 DR. CHRIS ROBINSON: Have you -- I -- I
6 don't have the 2000 -- I don't know why I don't, but I
7 don't have the 2007 10-K here. Now we have it, as has
8 been pointed out, it's in -- it's in the evidence some
9 where in the hundred thousand (100,000) pages or so of
10 evidence, but I don't have it to hand.

11 I'm pretty sure what happened is that it -
12 - I call it interest expense, but I was just using a line
13 conveniently. In 2007 Money Mart refinanced a bunch of
14 it's outstanding high interest rate debt, and it paid a
15 penalty to do so; it refinanced it to much lower rate. I
16 refer to that occurrence elsewhere in my evidence some
17 where. The reason being that it was able to borrow at
18 much lower rates.

19 And, this is a common transaction that
20 companies do. You take a -- a hit now, but you save a
21 huge amount on interest. And there was some penalty or
22 some premium they had to pay to buy the debt back in.

23 And I added that into interest because
24 remember what I said I was doing; I'm backing out all the
25 other expenses. So I'm pretty sure if you find the 10-K

1 that you will in fact find that this, you know, that
2 there's this big additional expense which only occurs in,
3 you know, is -- is refinancing charges, other charges,
4 and I've put it into that line.

5 MR. BYRON WILLIAMS: And -- and we'll on
6 behalf of Dr. Robinson, we'll undertake to look up the
7 207 10-K offline. And if we have any change to that
8 answer to assist Mr. Foran, we'll provide it.

9
10 --- UNDERTAKING NO. 98: For Dr. Robinson to look up
11 the 207 10-K offline and if
12 there is any change to his
13 answer to so advise.

14
15 DR. CHRIS ROBINSON: Of course, if the
16 Board were to institute -- and put internet access
17 directly in here for me I could do that now.

18 THE CHAIRPERSON: Another year.

19
20 CONTINUED BY MR. ALLAN FORAN:

21 MR. ALLAN FORAN: I'm going to suggest to
22 you that that number that we've just discussed on line 11
23 is inaccurate. And if you would just confirm if I'm
24 wrong I'm wrong, but you can let me know perhaps
25 tomorrow. thank you.

1 MR. BYRON WILLIAMS: We'll undertake to -
2 - to consider your -- your suggestion and respond to it,
3 Mr. Foran.

4
5 --- UNDERTAKING NO. 99: Coalition to look up the 207
6 10-K and indicate any changes
7 they might have to their
8 previous answers to Mr. Foran

9
10 CONTINUED BY MR. ALLAN FORAN

11 MR. ALLAN FORAN: Now, Dr. Robinson, what
12 I'd like to do is turn to your recommendations that you
13 provided to the -- the Board on December 13th, 2007, when
14 you provided oral evidence, sir.

15 DR. CHRIS ROBINSON: Okay, what is the --
16 that's a separate about an eight (8) page document or
17 something with...

18

19 (BRIEF PAUSE)

20

21 DR. CHRIS ROBINSON: Okay, Mr. Foran,
22 December 14th, you said? This is the document I believe.

23 MR. ALLAN FORAN: Yeah, just so and there
24 was actually several documents that were distributed that
25 day, so perhaps what I could do is just in terms of

1 sequencing of my questions the first few questions will
2 relate to Coalition Exhibit 24 which was actually your
3 slide presentation.

4 DR. CHRIS ROBINSON: Right. Yes. So you
5 wanted to ask about the -- the horse and rabbit, okay.
6 Yes.

7 MR. ALLAN FORAN: Now in presenting your
8 direct evidence, referring to Coalition 24, my
9 understanding is that your preferred recommendation was a
10 sliding fee schedule, sir. And that consisted of 17
11 percent of the first two hundred and fifty dollars (\$250)
12 -- and -- and I think it's slide 6 -- 17 percent of --

13 DR. CHRIS ROBINSON: Yeah, I've got it.

14 MR. ALLAN FORAN: -- the first two
15 hundred and fifty (250); 12 percent of the next two
16 hundred and fifty (250); 10 percent of anything over five
17 hundred (500); and a fixed fee of ten dollars (\$10) only
18 for new customers.

19 Is that correct?

20 DR. CHRIS ROBINSON: Yes.

21 MR. ALLAN FORAN: And then if I could
22 refer you to slide 9, alternatively you recommended a
23 flat fee of 17 percent to both new and repeat customers.

24 Is that correct?

25 DR. CHRIS ROBINSON: Yes.

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(BRIEF PAUSE)

MR. ALLAN FORAN: Now I want to refer you to Coalition Exhibit 27, which is actually another document that I believe that you may have just had up, but it was a document distributed that same time, that same day, and it's entitled, "In the Matter of Regulating Payday Loan Fees for the Manitoba Public Utilities Board Fee Recommendations", dated December 14th.

DR. CHRIS ROBINSON: Yes, yes.

MR. ALLAN FORAN: And I want to clarify something and -- and that's the status of what I believe or I had understood was a different recommendation that you had made in that document, on page 4 this is what you indicate, and it's, really, it's pretty much the second paragraph from the bottom, just above the title, "Why a One-Time Fee for New Borrowers"; it's the paragraph just before that, and starts:

"If the Board decides that the fee should be simplified further, then a reasonable alternative is to amend my proposal to use a single percentage as is done in most jurisdictions. The just and reasonable rate is to replace parts A, B and C of my recommended

1 limit on the cost to credit, is then
2 16 percent, which has approximately the
3 same effect on payday lender revenues
4 and profits."

5 Now, do you see that?

6 DR. CHRIS ROBINSON: Yes.

7 MR. ALLAN FORAN: So, what I understand
8 this to mean is that since -- and that relates to A, B
9 and C -- since Part D of your sliding scale
10 recommendation is the fixed fee for new customers, then
11 is what this telling us that something else that you've
12 recommended is a flat fee of 16 percent and a fixed fee
13 of ten dollars (\$10) only for new customers?

14 Is that --

15 DR. CHRIS ROBINSON: No. And I'm sorry.
16 You're -- you're correct and I made a mistake in this
17 other document, and the -- the slides were correct and,
18 well, actually, you could say either sixteen (16) or
19 seventeen (17).

20 What happens, and -- and I was -- I was
21 mentally flipping a coin and I guess I forgot that I had
22 flipped it already -- what happens is that you, if you go
23 through my analysis, you know, use the -- the whole
24 spreadsheet, and put in the one fee schedule, the sliding
25 scale, you get certain results, right; of certain -- at

1 certain levels they make profit, excess profit; at
2 certain levels they start losing.

3 If you then wipe out all of the fees
4 except a flat fee on the entire loan, and put in instead
5 a flat fee, you get -- you, of course, never get the
6 exact same result, right? I mean, you can't actually do
7 that.

8 But you get very close the same result,
9 somewhere in-between 16 and 17 percent and, so there's
10 sort of no clear cut -- you go to sixteen (16) or
11 seventeen (17). However, I -- I apologize for the mistake
12 here, or for forgetting to change the document that's now
13 in front of you. Please remind us again for the record
14 what that number is.

15 MR. ALLAN FORAN: So, here's my
16 perspective on it: You gave evidence on December 13th,
17 you distributed two (2) documents the same day, and the
18 two (2) documents have different fee recommendations in
19 them. One (1) is your slides that's contained --

20 DR. CHRIS ROBINSON: Yes.

21 MR. ALLAN FORAN: -- in Coalition 24, and
22 the other is, where my understanding is, you come up with
23 the recommendation of 17 percent; the other one is this
24 Coalition 27, where you have 16 percent, and so --

25 DR. CHRIS ROBINSON: And that is a

1 mistake. That should read -- what I'm telling you is, is
2 that it's actually a toss up, whether you say sixteen
3 (16) or seventeen (17). In the interests again of
4 allowing space for the industry I said -- I intended to
5 say 17 percent.

6 MR. ALLAN FORAN: When you were making
7 that coin toss did you think about 18 percent or
8 19 percent or 20 percent or...?

9 DR. CHRIS ROBINSON: Well, no, my choice
10 was between -- the choice was between sixteen (16) and
11 seventeen (17), unfortunately.

12 MR. ALLAN FORAN: Did you think about
13 anything lower, like, fifteen (15)? Or would that be
14 outrageous?

15 DR. CHRIS ROBINSON: Well according to
16 many US jurisdictions that would be the right rate.

17 No, I mean, my analysis, as I said, was
18 coming to somewhere between sixteen (16) and seventeen
19 (17). I put in seventeen (17), the excess profits are
20 slight -- are higher and -- are higher than they are for
21 the sliding scale, okay?

22 And as I told you, that's inevitable
23 because you can't get these things precise. I was not
24 going to recommend 16 ½ percent.

25 And so my decision was -- I said tossing a

1 coin, you can't really choose carefully; this is not such
2 a precise thing that between sixteen (16) and seventeen
3 (17) I can make a distinction.

4 I would really say that what I would want
5 to go forward with was the 17 percent, which is what I
6 thought I had been thinking all along and which is what I
7 turned up on my spreadsheets on the grounds that I'm
8 allowing that space for the industry.

9 Now, of course --

10 MR. ALLAN FORAN: So there is no new
11 information --

12 DR. CHRIS ROBINSON: No. No, this was
13 purely a mistake on my part. I had decided on 17 percent
14 and I did not write that correctly in the written -- in
15 the -- in the written document. I had it correct in my -
16 - so that my expert opinion is that 17 percent is a just
17 and reasonable rate if you're going to use a single
18 percent; so a single, flat percentage. And that does not
19 include a ten (10) -- that excludes any ten dollar (\$10)
20 fee for new customers.

21 MR. ALLAN FORAN: And you hadn't given
22 consideration to 18 percent, correct?

23 DR. CHRIS ROBINSON: Well, I had but I
24 rejected that in that my decision was that the -- at that
25 point the excess profits at the level I felt were, you

1 know, reasonable volumes were now high enough using those
2 metrics that I've provided on those spreadsheets, you
3 know, percentage of loan, percentage of revenue, et
4 cetera, were sufficiently high that I thought these were
5 definitely going to be excess profits and should not be
6 allowed.

7 MR. ALLAN FORAN: And you rejected
8 anything below 16 percent, correct?

9
10 (BRIEF PAUSE)

11
12 DR. CHRIS ROBINSON: Yes.

13
14 (BRIEF PAUSE)

15
16 MR. ALLAN FORAN: Dr. Robinson, I'd like
17 to turn to -- to your recommendations of December 13th,
18 2007. And specifically what I'd like to do is just maybe
19 stick with this document, COALITION-27, which is the
20 written version of your recommendation?

21 DR. CHRIS ROBINSON: Yes.

22 MR. ALLAN FORAN: And my understanding of
23 this recommendation that you've provided to the -- to the
24 Board is that although it supercedes ACORN and
25 PUB/COALITION-1B-18 Revised, you've used the same method

1 and the same cost analysis in coming to your conclusions
2 in this document that you have adopted in those previous
3 documents, correct?

4 DR. CHRIS ROBINSON: I used the same
5 method through all of the reports, going right back to
6 the original report to Industry Canada. I have used
7 different data as I get more data available.

8 And in the table that we discussed a few
9 minutes ago, from B13 Revised, I had thought -- I had of
10 course more data again, more recent data, and I had
11 thought more carefully about the -- the various
12 implications, so that although the method was the same --
13 I was allowing working capital and so on -- I was
14 allowing more for working capital.

15 I increased the amount that I allowed for
16 -- I increased -- in general increased the amount I
17 allowed for working capital. I believe I increased the
18 amount that I allowed for the initial loan loss -- sorry,
19 initial loss for the firm. I can't remember for sure.

20 I also changed the bad debt rate and that
21 was the sole piece of -- yeah, I think it was the sole
22 piece of information I used from Deloitte & Touche and
23 that is that -- although I found it hard to believe that
24 Manitobans would actually be less likely to pay off their
25 loans than -- than Canada as a whole I raised that rate

1 to 3 ½ percent from the 3 percent that I quite often
2 used.

3 There may have been other -- of course
4 there have been other data changes. None -- yes, I think
5 -- I think that summarizes the -- the essential
6 differences. But it is the same method, it is the same
7 philosophic point but, of course, the data and some of
8 the details can make a big difference.

9 MR. ALLAN FORAN: And -- and just to
10 source this out, on page on 3 of that document under
11 "Discussion" on the second paragraph, I'm just simply
12 using the words that you used to presenting this to the
13 Board. You've used the same method to arrive at the
14 three (3) sets of recommendations.

15 You've revised a spreadsheet to adopt a
16 different type of fee structure, but the cost analysis
17 remains the same. That's a -- in fact a direct quote
18 from your second paragraph under, "Discussion", Dr.
19 Robinson.

20 So we're on the same page there?

21

22 (BRIEF PAUSE)

23

24 DR. CHRIS ROBINSON: Yes, however, what I
25 meant by cost analysis was that I was focussing -- I was

1 treating bad debt expense as a separate expense. I was
2 treating cost of capital as a separate expense, and then
3 I was going through as we've already discussed quite a
4 lot of analysis of various sorts, to try to determine how
5 to use -- how -- how to use -- how to incorporate the
6 operating costs, including -- including allowance for
7 head office.

8 And, of course, in addition there is the
9 fact -- the fact of Advance America's entry and my use of
10 data from Advance America, which we haven't in fact
11 discussed so far during the cross-examination. But I
12 was, of course, using the same analytical technique
13 exactly with Advance America, though it's not always
14 obvious because they present their financial statements
15 slightly differently.

16 MR. ALLAN FORAN: Now for the purposes of
17 your final recommendation you use the model of costs that
18 you developed with different loan volumes in your
19 estimated cost of capital with different fee values,
20 until you find one that comes close to producing zero
21 excess profit.

22 Is that essentially correct?

23 DR. CHRIS ROBINSON: Yes.

24 MR. ALLAN FORAN: And in these
25 recommendations you've attempted to simplify the fee

1 structure to make it easier to implement and understand
2 so that you now accept that a flat percentage fee for all
3 borrowers is an acceptable fee structure.

4 Is that correct?

5 DR. CHRIS ROBINSON: Yes. And that has
6 been a change in my thinking, and it was in fact the
7 Board's questions about me that -- took me a while to
8 think -- to recognize the issue, but then as we have all
9 struggled with, even interpreting, through the mystery
10 shopping what certain fees were, I've recognized the
11 importance of -- of that. In terms of letting the costs
12 to the borrower flow where the borrower is creating the
13 costs this is not the ideal structure.

14 On the other hand the issue of
15 simplification is important. I've provided both sets of
16 recommendations to the Board because -- because of the
17 problem that I am an expert and independent, and so that
18 is one where I cannot find myself that I can say one is
19 better than the other. I can't balance that off.

20 The consumers wouldn't -- might understand
21 it better. On the other hand we've seen consumers, by
22 and large, don't understand what they're doing with this
23 borrowing anyway. We have a number of firms, many firms,
24 smaller firms now use fixed rates -- yeah, sorry, use a
25 single percentage. The Americans are -- are regulating

1 on that basis.

2 But these are things that -- there is
3 no I cannot think of any analytical tool that you could
4 use that would say, Well you should choose 17 percent or
5 you should choose this more complex sliding scale.

6 So I'm providing that to the Board, and
7 it's the Board's decision, not mine. What I've done is
8 try to get different types of fee structures that give
9 the same result to the industry, you know, in determining
10 a just and reasonable rate.

11 And, I should add, I've completely
12 abandoned, however, the really messy fee structure which
13 I originally -- the -- you know, the interest plus fixed
14 fee, plus this and that was solely because of
15 recommendation -- because of the recognition that while I
16 can understand how such things work, I don't think
17 anybody else does out there who is actually borrowing on
18 them. And I don't think they're necessary. I don't
19 think they help anybody.

20 I mean, I guess if I were to be giving
21 advice to the -- to Rentcash and Money Mart it's a given
22 that we're now regulating in an environment where they
23 don't need to pretend that they're charging interest as
24 opposed to something else, that -- that they would also I
25 expect will abandon such fee structures. Seventeen

1 percent -- I prefer a sliding scale, but if you made even
2 a very -- even a moderately strong argument to me that
3 consumers would be -- would be better able to understand
4 17 percent and forget this other nonsense, I would not
5 think that there would be much harm to anybody in
6 changing to -- to that.

7 MR. ALLAN FORAN: For the purposes of
8 your final recommendation you use the term "zero excess
9 profit", and when you use that term, perhaps you can just
10 hopefully agree with me, that you're referring to profits
11 that are in excess of the payday loan company's cost to
12 capital?

13 DR. CHRIS ROBINSON: Yes. I don't think
14 I'm missing anything in -- in your question. Just for
15 the illumination of the Board again, you -- you have two
16 (2), sort of two (2) mechanical ways of doing this:

17 One is that you charge cost of capital as
18 if it were an expense line; that's what Ernst & Young did
19 so I decided to do the same thing. Or, you can not
20 charge cost of capitals as an expense and then say here's
21 your rate of return and we don't let it get any higher.

22 It was actually easier to do it on the
23 spreadsheets the way I did it, but the two (2) should
24 give you essentially the same result, that's what they
25 are intended to do.

1 Of course, as Dr. Gould and I both noted,
2 the cost of capital part of this, unlike many of you are
3 hearing, is seems very small. It's the operating costs
4 that have all the effects on it.

5 MR. ALLAN FORAN: And -- and the fee
6 recommendation that you designed is designed, from your
7 perspective, to allow a payday loan company to earn a
8 reasonable profit defined as it's cost of capital,
9 correct?

10 DR. CHRIS ROBINSON: Yes.

11 MR. ALLAN FORAN: And you estimate the
12 cost of capital as a real as opposed to a nominal equity
13 return, using 10 percent as the cost of capital for your
14 model, correct?

15 DR. CHRIS ROBINSON: Yes.

16 MR. ALLAN FORAN: And that comes from, I
17 believe, Slide 22 of Exhibit 25.

18 DR. CHRIS ROBINSON: Well, I've described
19 it in a number of places but...

20 MR. ALLAN FORAN: So if we assume that
21 you've correctly -- correctly modelled all of the costs
22 of a payday lending operation, your recommended fee
23 structure won't allow a payday loan company to earn a
24 fair rate of return if your estimate of the costs of
25 capital is incorrect.

1 That's true by definition, correct?

2 DR. CHRIS ROBINSON: Well, not quite
3 correct, it -- it might earn too much if my estimate is
4 too high. I -- typically, in terms of my own investment
5 behaviour, would regard that as a very high real rate of
6 return.

7 MR. ALLAN FORAN: And if it's too low
8 then you would -- you would agree with me?

9 DR. CHRIS ROBINSON: Yes, if it's too
10 low.

11 MR. ALLAN FORAN: So if I pursue this, if
12 your recommended fee recommendation is adopted by the
13 Board and comes into effect; let's assume that for a
14 moment, Dr. Robinson.

15 DR. CHRIS ROBINSON: Yes.

16 MR. ALLAN FORAN: And that all the costs
17 in volumes in your model turn out exactly correct; that
18 is that all your expectations are realized; we'll use
19 that as a -- as a basis for proceeding.

20 DR. CHRIS ROBINSON: Yes.

21 MR. ALLAN FORAN: And that a payday loan
22 company would have zero excess returns using your
23 recommendation?

24 DR. CHRIS ROBINSON: Well, actually --

25 MR. ALLAN FORAN: Excess returns. They

1 would have --

2 DR. CHRIS ROBINSON: Actually, they would
3 -- as it happened in every case when I adopted -- if I
4 can recollect, from every spreadsheet -- and, you know,
5 this just the bias; remember, the number comes out to
6 zero, it comes out to some -- when I'm getting close at
7 some small positive or small negative, I always went for
8 the small positive, so in fact, if everything were
9 exactly realized as I expect, they would all make excess
10 returns.

11 I just don't think -- but they're excess
12 returns not a level that I believed were sufficiently
13 high that -- that, you know, that we would -- that we
14 would regulate to try and prevent that or that -- that we
15 would consider that a matter of consequence.

16 MR. ALLAN FORAN: So using those sort of
17 basis' on which I have suggested to you, my question is:
18 For each hundred dollars (\$100) that I invest at the
19 start of the year, what would be my dollar profit for the
20 year?

21

22 (BRIEF PAUSE)

23

24 DR. CHRIS ROBINSON: Okay. For the first
25 year, now, of course, we're now getting into some very

1 tricky things about when you try to do -- model a process
2 which is actually happening continuously.

3 If you're just buying a new payday lender,
4 of course, you'd expect to lose money, if you're just
5 starting up a business. But if you somehow -- just say
6 I'm investing a hundred dollars (\$100) in a payday lender
7 that's already going here -- I'm sorry, you'd actually
8 expect to earn about 11 percent in the first year, and
9 the second year based on the first years investment it
10 would be higher because of inflation.

11 The reason I said 11 instead of 10 percent
12 is because I built into this, remember, an allowance for
13 these losses that you suffered when you started the
14 business. So you will in fact in the future have to earn
15 what -- some slightly higher profits in order to
16 compensate -- the way I've modelled it, in order to
17 compensate you for -- for the loss that you suffered
18 originally.

19 MR. ALLAN FORAN: Would you agree with me
20 that if I can earn a fair nominal rate of return in
21 another comparable investment of say fourteen dollars
22 (\$14) that ten dollars (\$10) wouldn't be considered a
23 fair rate of return on a real basis?

24 DR. CHRIS ROBINSON: I'm sorry you can't
25 make that statement. The reason you can't is because

1 this model is a perpetuity. That is implicit in this we
2 are modelling a single year representing -- or I am
3 modelling a single year that represents in perpetuity
4 what this business will do. It is all in real dollars.

5 So if you wish to convert it to nominal
6 dollars, what you have to do, and I'm sure you would all
7 love me to do this is you now produce a spreadsheet --
8 the same spreadsheet for every year in the future. You
9 now inflate your revenues and your costs and you will
10 keep earning higher and higher nominal dollar profits.

11 I would point out for example that General
12 Motors just announced a loss of \$36 billion dollars.
13 Nobody lost \$36 billion dollars in the 1920s because, of
14 course, of inflation.

15 So now you can use your nominal rate of
16 return, but you'll be discounting an ever increasing
17 amount. So what I've done -- it's known as the Fisher
18 Equation (phonetic) -- what I am doing, implicitly -- and
19 this what I'm -- this for example is what is followed by
20 all of the thousands of students who use my textbooks and
21 who use any other finance textbooks -- is nominal rates
22 of return and nominal dollars. This is by its nature,
23 because it's a one (1) year projection forever, it's all
24 in real dollars.

25 So you can't use the 14 percent on this

1 because it's not the same thing, okay?

2 MR. ALLAN FORAN: Isn't it true that when
3 Boards set rates of return in equity for privately owned
4 public utilities they set nominal rates of return not
5 real rates of return?

6 DR. CHRIS ROBINSON: But they come back
7 every year.

8 THE CHAIRPERSON: Unfortunately, we're
9 going to have to call a pause right now. We'll come back
10 again at 9:00.

11

12 (WITNESSES RETIRE)

13

14 THE CHAIRPERSON: We've made some other
15 adjustments. So we'll just have a normal lunch hour
16 tomorrow so we'll make up a little time that way.

17 So we'll see you tomorrow at 9:00. Thank
18 you.

19

20 --- Upon adjourning at 3:50 p.m.

21

22 Certified Correct,

23

24

25 _____
Wendy Warnock, Ms.