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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 14th, 2008  
Pages 4632 to 4860

1	APPEARANCES		
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1 --- Upon commencing at 9:12 a.m.

2

3 THE CHAIRPERSON: Okay, folks, away we  
4 go. Mr. Williams, do you have something to comment on?

5 MR. BYRON WILLIAMS: Just -- just an  
6 apology for the delay, but we are ready to proceed.

7 THE CHAIRPERSON: Very good. Okay, Mr.  
8 Foran, do you want to return to your cross-examination?

9 MR. ALLAN FORAN: Yes, thank you.

10

11 CONTINUED CROSS-EXAMINATION BY MR. ALLAN FORAN:

12 MR. ALLAN FORAN: Dr. Robinson, I believe  
13 yesterday, when we broke for the day, I had been asking  
14 you questions about real rates of return and nominal  
15 rates return. So I'm just going to back up, maybe, one  
16 question, then take you to where we left off.

17 My understanding is that you used, in your  
18 -- in your calculations, a 10 percent real rate of  
19 return. Is that correct?

20 DR. CHRIS ROBINSON: Yes.

21 MR. ALLAN FORAN: And the answer to one  
22 of the interrogatories that we sent to you,  
23 CPLA/Coalition-1-141, the question was asked: What real  
24 rate of return of 10 percent would equate to in a nominal  
25 rate of return?

1                   And I believe your response was 12 to 14  
2 percent; that's correct, sir?

3                   DR. CHRIS ROBINSON:    Yes.

4                   MR. ALLAN FORAN:    And so my question  
5 really was this:  If you can earn a nominal return in  
6 another comparable investment of fourteen dollars (\$14),  
7 how can ten dollars (\$10) be considered a fair rate of  
8 return?  That was where I think we ended off.

9                   DR. CHRIS ROBINSON:   Well, I had actually  
10 answered that question, but I'll try again.

11                   You're -- you're basically comparing  
12 apples and oranges.  Let us suppose that -- I mean, the  
13 short answer is, of course, you can't do what you're --  
14 you're saying.  You can't actually invest in this same  
15 rate of return nominally in real, because you're not  
16 talking about the same dollars.

17                   So if you buy an investment today and you  
18 say, Well, I can get 14 percent nominal on this and only  
19 10 percent real on the other one, one (1) year from now  
20 the investment that was returning 10 percent real, you  
21 can't buy it.  And the 14 percent rate of return  
22 investment has been eroded, because it was in nominal  
23 terms.

24                   Now, short of -- of actually demonstrating  
25 to you for -- I mean, I can visualize an example from my

1 textbook. You get -- as long as you are consistent --  
2 that is, you say, Okay, everything is going to be in real  
3 dollars, which is the case with all of my analysis, then  
4 I use 10 percent.

5                   If I were to do it in nominal dollars,  
6 what I would have to do is I would -- next year's, you  
7 know, I wouldn't have a single column. I would to have a  
8 hundred (100) column spreadsheet and a hundred (100)  
9 years, shall we say. And then each year I will inflate  
10 all the numbers. I will then discount all those numbers  
11 at 14 percent.

12                   But you can't say, Well, this year I'm  
13 going to take the 14 percent investment, because it looks  
14 better. Next year you can't buy that same investment.  
15 It now costs you a lot more, whereas the 10 percent  
16 investment has become worth more so that if you were to  
17 be consistent -- and this is a common problem in -- in  
18 finance and in financial practice, is practitioners not  
19 understanding the difference between the two (2).

20                   So what I have done is done everything in  
21 real terms. Therefore, I use a 10 percent real rate of  
22 return.

23                   If you want to use a 14 percent rate of  
24 return, you cannot use the spreadsheet. That is, you  
25 know, you can't stick 14 percent into it. That is wrong.

1     Okay?

2                     MR. ALLAN FORAN:     Okay.   Let me just stop  
3     you right there, because I -- I actually don't recall one  
4     of your final answers to me yesterday.

5                     But I suggested to you that when Boards  
6     set rates for Public Utilities that they set nominal  
7     rates of return on equity, not real rates of return.  
8     Isn't that true?

9                     DR. CHRIS ROBINSON:   Well, I'm not  
10    appearing as an expert on utility hearings, and you're  
11    placing this question to me out of context.   You would  
12    have to show me the entire structure of the financial  
13    analysis.   And I would then be able to tell you whether  
14    they're doing it in nominal or real terms and, therefore,  
15    which discount rate they should use.

16                    MR. ALLAN FORAN:     So you can't agree or  
17    disagree with me when I put that assertion to you?   You  
18    are not prepared to do that today?

19                    DR. CHRIS ROBINSON:   You haven't provided  
20    me with any information.   So what you're doing is making  
21    a comment out of context.   So, therefore, it's, I  
22    respectfully suggest, completely inappropriate to ask me  
23    that question.

24                    I can't answer.   I mean, this is sort of  
25    like saying, Well, here's an investment.   It's paying 10



1 percent. I'll tell you absolutely nothing about it. Is  
2 that a good investment or a bad investment?

3 Well, of course, that's a silly question,  
4 because how would I make a decision with no information?  
5 So you're asking me to make a comment on a technical  
6 matter, but you're not providing me with any of the  
7 information that is required to answer that.

8 So what you're trying to portray me as is  
9 refusing to be cooperative. But in fact, you're asking a  
10 question that no responsible finance expert would, in  
11 fact, answer for you under those circumstances.

12 MR. ALLAN FORAN: Okay, so you're not  
13 going to answer my question?

14 DR. CHRIS ROBINSON: You didn't pose a  
15 question.

16 MR. ALLAN FORAN: When Board set allowed  
17 rates of return on equity for privately owned public  
18 utilities, they set nominal rates of return on equity,  
19 not real rates of return on equity. Isn't that true?

20 DR. CHRIS ROBINSON: I'm perfectly  
21 willing to answer the question if you will provide me  
22 with all of the documents from such a hearing so that I  
23 can review them.

24 MR. ALLAN FORAN: Okay. So if I don't  
25 produce you with any documents, you're going to decline

1 to answer that question?

2 DR. CHRIS ROBINSON: Could I speak with  
3 counsel, please?

4 MR. ALLAN FORAN: Sure.

5 MR. BYRON WILLIAMS: There's no need to  
6 talk with -- with counsel. Mr. Robinson noted yesterday  
7 that Board hearings are often on an annual basis. He's  
8 given his answer to this. And if, Mr. Foran, if you want  
9 to provide him with -- from a Centra Gas hearing the  
10 specific context and the specific decision you're  
11 referring to.

12 Or if you're making the assertion that  
13 every Board and every circumstance is making decisions  
14 based upon nominal, then -- then I -- I guess that's the  
15 case.

16 So I would suggest you move on.

17 MR. ALLAN FORAN: My day started well.  
18 I'm getting a lot of suggestions from a lot of people.  
19 So...

20 I don't have an answer from you on that  
21 question with respect to nominal rates of return or real  
22 rates of return.

23 But you have indicated that you would need  
24 to change your analysis consistently if real rates -- I'm  
25 sorry, if nominal rates of return were to be used instead

1 of real rates of return. Correct?

2 DR. CHRIS ROBINSON: Yes.

3 MR. ALLAN FORAN: And so that if the  
4 Board determined that what should be applied here is a  
5 real rate of return on equity, then your analysis  
6 wouldn't be applicable to the Board's determination.  
7 Correct?

8 DR. CHRIS ROBINSON: No.

9 MR. ALLAN FORAN: Now, incorporated  
10 companies such as Money Mart or Rentcash have to pay  
11 corporate taxes. If a nominal rate was 14 percent, with  
12 a corporate tax of 30 percent, thirty (30) -- I'm sorry,  
13 36 percent, that a company has to earn to get to a pre-  
14 corporate tax profit of about 22 percent -- I'm sorry.

15 If a nominal rate were 14 percent, with a  
16 corporate tax rate of 36 percent, a company has to earn a  
17 pre-corporate tax profit of about 22 percent to earn 14  
18 percent after corporate taxes. Isn't that true?

19 DR. CHRIS ROBINSON: I -- I didn't  
20 realize you were a tax practitioner, Mr. Foran. In order  
21 to answer a question like that, I would require a copy of  
22 the Tax Act and the Manitoba Tax Act. And in any case,  
23 the question is irrelevant.

24 I did explain this yesterday. If I were  
25 to use -- okay, this is -- this is actually conceptually

1 similar to the issue of using a discount rate, a real  
2 versus a nominal discount rate -- something which, as  
3 I've already indicated, many finance practitioners and  
4 professors don't understand.

5           The same issue applies with taxes and,  
6 again, can be seen in my textbook. If you were to  
7 discount pre-tax or after-tax rates of retur --  
8 cashflows, you must use a consistent discount rate. You  
9 will get the correct answer using either one, provided  
10 you are consistent.

11           So that the 10 percent discount rate that I  
12 am suggesting is, from the point of view of the investor,  
13 a pre-tax rate. The same is true of the investor, no  
14 matter whether he's buying shares of Money Mart or buying  
15 shares of somebody else or holding a private -- holding an  
16 unincorporated entity, in which case the corporate tax  
17 wouldn't appear at all.

18           So that if I am investing a hundred dollars  
19 (\$100) in one or another of these things, the corporate  
20 tax rate, of course, is relevant in terms of how much I  
21 will make on that.

22           But I am observing the rates of return that  
23 are actually coming pre-tax to individuals by using a 10  
24 percent discount rate. And in fact, as I have indicated -  
25 - you're -- you're arguing about the 10 percent -- as I've

1 indicated, in order to be -- even on this point, which is  
2 in fact, as -- as your own expert witnesses admitted, is  
3 not very important, since cost of capital is so trivial in  
4 this issue.

5 I would have in fact used much lower. I  
6 don't myself expect to earn 10 percent real rate of return  
7 in the long run. It's an outrageously high rate. My real  
8 estimate was 7 percent, but I decided that I would err on  
9 the side of very great conservatism and use 10 percent.

10 However, that is a pre-tax rate, because  
11 it's my money I put on the line, and I choose this -- this  
12 array of investments, and I'm discounting the pre-tax  
13 cashflow.

14 So whether I decided to go and open a  
15 payday lender myself or not -- in fact it was  
16 unincorporated. As I said, income tax would be only  
17 personal, and most of these probably are unincorporated,  
18 most of the small ones. So that it is the same cashflows  
19 that I'm looking at.

20 If I were to take the cashflows and apply  
21 the income tax rate to them, I would then start using a --  
22 an after-tax rate, which would be much lower. And  
23 therefore, I'd be discounting a smaller set of cashflows  
24 at a lower discount rate, as I have shown in the textbook  
25 and as is known to -- to any competent finance professor.

1                   You get the same answer. That is to say,  
2   you are adjusting by the same factor in both cases.

3                   So again once you're -- what the Board  
4   needs to realize is that you have to be consistent in how  
5   you use pre- and after tax. It is easier and less complex  
6   to do it the way I have done it. And I've been doing it  
7   this way for, you know, for thirty (30) years.

8                   I -- if the Board wishes me to turn all of  
9   this into a nominal after-tax rate, you will have to delay  
10   your Hearings for a while, because it will -- it's -- it's  
11   because the spreadsheets becomes absolutely massive, and  
12   the answer will turn out the same.

13                  I actually had a student who didn't believe  
14   me on this, and so he wrote two (2) major assignments --  
15   each were about eighty (80) pages each -- to see if I  
16   actually knew what I was doing. He came up with the same  
17   answer. He also got an A+.

18                  But so, I mean, I -- without giving a  
19   complete course in finance here and getting into very  
20   technical matters, I can't -- I can't really go any  
21   further than that.

22                  I'm reminded of Eugene Brigham, who wrote  
23   one of the best known texts in finance. And in one of the  
24   editions of his textbook he pointed out that he had been  
25   called in to referee a dispute in a huge American

1 corporation. He didn't tell us which one, in which two  
2 (2), you know, sort of two (2) warring factions were  
3 complaining about should they or should they not take a  
4 certain action.

5                   And he said as far as he could tell the  
6   reason that they couldn't agree with each other was  
7   because they were being inconsistent in matching the type  
8   of cashflow and the type of discount rate. And you can in  
9   fact mix and match. That is, you could do part of you  
10  cashflows real and part nominal. Again, you have to be  
11  very careful.

12 I have done everything in real pre-tax  
13 terms and I have used a real pre-tax discount rate. If  
14 you feel that it will help you, I can redo it, and you can  
15 read all of the additional spreadsheets. And I will show  
16 you that you're going to get the same result.

17                   So that, unfortunately, what Mr. Foran is -  
18 - is perhaps confusing you with here is that he wants to  
19 use the highest possible discount rate and the lowest  
20 possible cashflows in order to -- to obtain the lowest  
21 possible profit rate and demonstrate that -- that a  
22 different, you know, that my conclusions are incorrect.

23                   But in fact, the method that he proposes to  
24 do so is not admissible. Okay, you cannot make --

25 MS. ANITA SOUTHALL: Dr. Robinson...?

1 DR. CHRIS ROBINSON: -- those changes.

2 MS. ANITA SOUTHALL: I'm just going to  
3 interrupt you there. In order for us to complete the  
4 evidence by tomorrow, which is our game plan, you're going  
5 to have just listen to Mr. Foran's questions and only  
6 answer the question that he poses.

7 Because quite frankly, the last few  
8 minutes, when you've been providing the extra description  
9 strays quite far from his specific question, which was a  
10 hypothetical on a particular -- a very particular outcome  
11 with respect to the corporate tax rate.

12 So, sir, if you could just very carefully  
13 listen to Mr. Foran's questions and only provide an answer  
14 to that question, that will assist. Thank you.

15 MR. ALLAN FORAN: I'd like to turn now, if  
16 I could, to Coalition Exhibit 23, which is an assessment  
17 of Advance America costs.

18

19 (BRIEF PAUSE)

20

21 MR. ALLAN FORAN: And, first, I wanted to  
22 ask you, Dr. Robinson -- and you may -- you may have  
23 actually provided some information about this before.

24 But I'd like to have you explain again why  
25 you used Advance America as a company on which to prepare



1 an analysis in helping you arrive at your recommendations  
2 on a fee structure for payday lending operators in  
3 Manitoba.

4 Could you just maybe let me know that,  
5 please?

6 DR. CHRIS ROBINSON: Board counsel  
7 requested me to do so.

8 MR. ALLAN FORAN: So, that's -- and can  
9 you perhaps then tell me when Ms. Southall -- becau --  
10 because this interests me -- when Ms. Southall requested  
11 that you prepare an analysis of Advance American costs,  
12 please, sir?

13 DR. CHRIS ROBINSON: Short of reading --  
14 reading my way through all the oral transcripts, no, I  
15 can't.

16 MR. ALLAN FORAN: Did Ms. Southall retain  
17 you, sir, independently of Mr. Williams?

18 MR. BYRON WILLIAMS: I think there's a  
19 misunderstanding of the -- the question. Just give me one  
20 second, Mr. Foran.

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: Just to clarify, and  
25 -- and I think Dr. Robinson misunderstood the question. I

1 -- I think, just -- and I'm not trying to take over Mr.  
2 Foran's job; he's very ably doing it.

3 But Dr. Robinson, I think the -- the  
4 question was: Why was the Advance America information  
5 incorporated into your analysis for your purposes of your  
6 recommendation?

7 DR. CHRIS ROBINSON: Okay, well I,  
8 obviously, was not recollecting correctly who asked me to  
9 do what. But, in any case, when Advance America, quite  
10 unexpectedly, opened seven (7) outlets in -- in Manitoba  
11 and the Board filed -- well, actually, I was informed of  
12 that. I just realized you said they filed, but I actually  
13 found the information before the Board filed it and  
14 started looking at it.

15 And I had, of course, looked at American  
16 companies -- not -- not only this one; Ace Cash Express,  
17 for example and somebody else, who I can picture but can't  
18 remember their name.

19 But they were not -- since they were not  
20 operating in Canada, I hadn't pursued them further.  
21 Dollar Financial, of course, was operating in Canada  
22 through Money Mart.

23 However, once Advance America did this, it  
24 seemed -- specifically did it in Manitoba -- it seemed  
25 that it was highly relevant. And, so -- and I thought

1 that -- actually, I thought that the Board had asked me or  
2 that the counsel had asked me, but obviously, I'm -- I'm  
3 told that I -- I -- that that's not the case.

4 So I went ahead and performed the same  
5 format of cost analysis to see what the results would look  
6 like for this American company in the US, especially given  
7 that it's very large.

8 And then, in the process of investigating -  
9 - I mean, I didn't -- you know, didn't recall the details  
10 -- I discovered that it had certain characteristics that  
11 made it particularly useful for us.

12 Those characteristics were that it was  
13 huge; it does payday lending only, since one of our issues  
14 has been the separation of costs; and it disclosed lots of  
15 information, which is always nice, it disclosed even more  
16 than Money Mart -- than Dollar Financial did; and it was  
17 providing -- it was operating in far more states than --  
18 than Dollar Financial in the US; and it was a lower volume  
19 operation, substantially lower volume operation.

20 So that this allowed me an opportunity, if  
21 you like it -- it, the term in qualitative research is  
22 triangulation. That is, you're able to be more  
23 comfortable about a point -- about some piece of  
24 information. And we have lots of numbers here, but we've  
25 all agreed that they're very uncertain numbers.

1                   However, Advance America gave me a  
2 legitimate other comparative firm. As I've already  
3 testified, I couldn't use Rentcash very easily. I was  
4 having too much difficulty with the numbers. So that this  
5 looked like an opportunity; this firm's clearly  
6 advertising to us that it's willing to, excuse me, that  
7 it's willing to operate in Canada.

8                   And I had the same sort of data, so I could  
9 in fact perform an analysis. And this was the second  
10 point of my triangulation, the third point being what were  
11 the American states doing in their regulation.

12                  So that's -- I mean, as I said I thought I  
13 was actually directed to do this. But this is why I felt  
14 that it was a highly appropriate one to -- to analyse.

15                  MR. ALLAN FORAN:   Okay, so basically I --  
16 I understand then that your position now is the Board did  
17 not direct to do this, correct? That's what you --

18                  DR. CHRIS ROBINSON:   I just don't  
19 remember. I thought that somebody had actually told me to  
20 do it, but I don't remember. I mean, what I've testified  
21 is that it seemed to me perfectly -- this seemed to me  
22 very useful. I was very happy to be able to do this,  
23 because whatever results I was going to produce would give  
24 me more confidence in the recommendations.

25                  And as it did turn out -- of course, this

1 is getting after the fact; I didn't know what I'd get when  
 2 I'm going in, of course -- is that I found -- I'm looking  
 3 at the numbers now -- that the rates for this monoline  
 4 provider with smaller volumes, that the cost per hundred  
 5 dollar (\$100) loan was exactly as we expected, quite a bit  
 6 higher than Money Mart's.

7                   And that gave me a verifiable source of  
 8 information where I, you know, where I actually knew what  
 9 was going on with the information, unlike the Ernst &  
 10 Young or Deloitte & Touche, that told me this is what a  
 11 reasonable cost is.

12                   So then I could enter it into exactly the  
 13 same analysis, which I have done. And whereas previously  
 14 I had given you a wider range, I was now much more  
 15 confident in providing a -- a point figure so that my  
 16 final recommendations to the Board were the 17 percent as  
 17 opposed to that earlier range.

18                   Among other things it told me, and you  
 19 brought this out yourself in your cross-examination  
 20 yesterday, you said, So you wouldn't go below 17 percent?  
 21 You didn't think of flipping a coin for sixteen (16) or  
 22 eighteen (18)?

23                   And part of the reason -- and your question  
 24 of yesterday was very -- very much to the point and  
 25 actually made me recognize what had happened -- is that

1 once I had Advance America, the lower bound that I had  
2 suggested before, which is lower than 17 percent, was not  
3 -- did not look like it was appropriate anymore. In other  
4 words, I had more information to tell me, no, I shouldn't  
5 go lower than this.

6 Now there are, of course, other arguments  
7 you can make differently. But following the form of  
8 analysis that I am doing, this said, I'm getting more and  
9 more comfortable with saying 17 percent. Okay, so that  
10 was the -- but that, of course, is partly hindsight.

11 I mean, then I actually got to see that. I  
12 didn't know what the numbers would of been. I mean, they  
13 might of come out at fifteen dollars (\$15), in which case  
14 I would have had to change my analysis much more -- or not  
15 change my analysis, but change my conclusion considerably.  
16 And they didn't; they came out at ten dollars and ninety-  
17 six cents (\$10.96) in the most recent numbers.

18 MR. ALLAN FORAN: Okay, would you agree  
19 with me, Dr. Robinson, that the information contained in  
20 Coalition Exhibit 23, which is the Advance America Cost  
21 Analysis, is based totally on the US operations of Advance  
22 America?

23 DR. CHRIS ROBINSON: Yes.

24 MR. ALLAN FORAN: There are no aspects of  
25 that document that relate to the new Canadian operations,

1 correct?

2 DR. CHRIS ROBINSON: Yes.

3 MR. ALLAN FORAN: Are you aware of other  
4 large US payday loan companies?

5 DR. CHRIS ROBINSON: Yes.

6 MR. ALLAN FORAN: Check 'n Go, for  
7 example?

8 DR. CHRIS ROBINSON: I'm aware of it. I  
9 have not done any analytical work on its statements.

10 MR. ALLAN FORAN: Check Into Cash, for  
11 example?

12 DR. CHRIS ROBINSON: The names are all so  
13 similar, I can't remember. The one -- the giants that I  
14 had analysed most specifically to save you chasing the  
15 other numbers are, in fact, that I had -- that I recall  
16 specifically looking at -- and this goes back to Industry  
17 Canada, of course -- was -- were Ace Cash Express, Dollar  
18 Financial, and Advance America.

19 But at the time, as I said, it was not  
20 clear what I should be doing, and they had no connection  
21 with Canada. I would not have looked at Advance America  
22 had it not been -- suddenly open these Manitoba outlets  
23 and been placed on the Manitoba record. And it is true  
24 that there is no Canadian information.

25 However, as I have indicated elsewhere,

1   there are -- there are both differences and similarities  
2   between the operations, but Dollar Financial seems to have  
3   found that it was perfectly appropriate to operate in both  
4   countries. So I felt that it was reasonable to use an  
5   American firm that has also indicated it would like to  
6   operate in both countries.

7                   MR. ALLAN FORAN:    So you didn't perform  
8   any financial analysis for this Hearing of any other US  
9   payday loan companies apart from the Advance America,  
10   Coalition Exhibit 23, and then what you did with respect  
11   to Money Mart to strip out their operations from the 10-Ks  
12   at Dollar Financial Group, correct?

13                  DR. CHRIS ROBINSON:   Yes, that's correct.  
14   I may have done some back in 2004, done some preliminary  
15   work on that, but I can't remember any details. So you'd  
16   have to say that it has no influence or no -- it has no  
17   influence on what I'm presenting or saying here.

18                  MR. ALLAN FORAN:    In your financial  
19   analysis of Dollar Financial did you exclude the data from  
20   the US operations?

21                  DR. CHRIS ROBINSON:   Yes. The sourcing is  
22   -- is very clear on all of those. They are -- well,  
23   actually, I have performed -- I have just -- am replying  
24   to a request from Board counsel. I have actually just  
25   last night performed a small amount of analysis on the



1 Dollar Financial US results for -- for a specific piece of  
2 evidence.

3 But I didn't perform the same kind of  
4 analysis. I didn't try to determine what, you know, for  
5 example, what would be the appropriate rate of return for  
6 Dollar Financial. And, of course, I had no, you know, I  
7 was not focussing down to a single state; this was  
8 national.

9 MR. ALLAN FORAN: And I'm just responding  
10 to your answers, Dr. Robinson.

11 But considering what you've told me about  
12 Advance America, why were the US operations of Dollar  
13 Financial Corporation not relevant when you analysed Money  
14 Mart?

15 DR. CHRIS ROBINSON: Oh, because I had  
16 Canadian. That was -- that was the reason. I mean, I  
17 simply -- I had the Canadian operations, and I was  
18 operating in Canada so that it was closer to what I wanted  
19 to look at rather than anything else.

20 MR. ALLAN FORAN: Would you agree with me  
21 that when you -- when you -- just given what you've said  
22 to me now about your analysis of Money Mart compared to  
23 your analysis of Advance America, we're really talking  
24 about two (2) analyses that are an apple and an orange,  
25 correct?

1                   Advance America relates solely to US  
2 operations, whereas you've done the exact opposite for  
3 Money Mart. You have taken the US 10-K filings and  
4 stripped out anything that's US related to try and get you  
5 to the Canadian experience, correct?

6                   Two (2) different analyses?

7

8                   (BRIEF PAUSE)

9

10                  DR. CHRIS ROBINSON: I think to -- to  
11 assist the Board, if you want to go down this road, we'd  
12 really have to discuss what the differences and what the  
13 similarities are. And possibly I haven't discussed that  
14 sufficiently.

15                  I mean, it's an interesting point. I  
16 could, of course, have, I mean, assuming that I had given  
17 the rest of my -- my living activities, analysed all of  
18 the American experiences as well.

19                  There's a limit to the amount of energy and  
20 time I have to perform pro bono work. And, I guess,  
21 partly I put the limit on that. I -- I don't think you're  
22 performing your job right now unpaid.

23                  So those were the most relevant with the --  
24 with the most controllable differences. That is, they  
25 could be compared most reasonably. And I already

1 explained why Advance America turns out to be particularly  
2 beneficial for this Hearing. Okay?

3 A point that has been raised in many places  
4 has been we don't have a monoline provider. Rentcash,  
5 quite understandably, has been concerned about that issue.  
6 I'm analysing a mono -- a multiline provider.

7 MR. ALLAN FORAN: I was really trying to  
8 come to what I -- really what I -- for the Board's  
9 purposes, my point is this. Advance America was an  
10 analysis you prepared using nothing but US data. I'll  
11 call that an "apple."

12 The 10-K of Dollar Financial Group  
13 contained American data and Canadian data, and you  
14 focussed on the Canadian data and prepared an analysis.  
15 I'll call that an "orange."

16 Is that a fair way of portraying what you  
17 have done here?

18 DR. CHRIS ROBINSON: No.

19 MR. ALLAN FORAN: And why do you disagree  
20 with me?

21 DR. CHRIS ROBINSON: It wasn't an apple  
22 and an orange. Your attempts to use -- to mix the real  
23 and nominal is a more appropriate one.

24 If I were trying -- a better example would  
25 be if I were trying to compare the UK results. I made no

1 attempt to do the UK results at all. We have discovered  
2 in -- in other contexts that there is absolutely no  
3 regulation of any kind in the UK. And it's -- the  
4 practices that are there are such that -- that we wouldn't  
5 condone them in Canada for an instant.

6 So to compare the operations of the UK and  
7 try to draw any inferences for Canada -- other than, I  
8 suppose, a warning about what happens if you don't  
9 regulate -- would -- would not be helpful.

10 So that would certainly be an apple and an  
11 orange.

12 MR. ALLAN FORAN: So that would be  
13 outrageous to actually try and do something out of a 10-K  
14 that had combined American, Canadian, and UK experience?  
15 It would be outrageous to compare Canadian experience to  
16 UK experience? But it's not outrageous to do it comparing  
17 Canadian experience to US experience?

18 Is that what you're telling me?

19 DR. CHRIS ROBINSON: Yes.

20 MR. ALLAN FORAN: You don't think the UK  
21 is -- has any materiality to what's happening in Manitoba  
22 in payday lending?

23 DR. CHRIS ROBINSON: Well, since you ask,  
24 Dr. Carter spent Christmas in England and investigated for  
25 us the -- well, you asked. If you don't -- if the Board

1 would rather I didn't answer the question, I -- I can, but  
2 you asked. I didn't present this in evidence, but --

3 THE CHAIRPERSON: Go ahead, Dr. Robinson.

4 DR. CHRIS ROBINSON: Okay. The United --  
5 Dr. Carter was over in the United Kingdom and discovered -  
6 - and we mentioned this briefly -- that there are  
7 something -- Dr. Buckland referred to "doorstep lenders,"  
8 who are apparently are -- they -- they're not payday  
9 lenders. But they're filling -- if you like, they could  
10 be filling the same niche in the financial system.

11 However, they -- I'm sorry, it -- it sounds  
12 so absolutely crazy, it's hard to believe. But they  
13 actually literally go to the housing estates, which, if I  
14 can give you the characterization -- the housing estates  
15 are large, public-assisted housing areas in the UK.

16 I don't know if Manitoba even has anything  
17 that would be called "a housing estate." We have them in  
18 -- in Toronto. And they literally go door to door and --  
19 and offer you loans.

20 I mean, I know this sounds really amazing,  
21 I mean if you can imagine going door to door today, but --  
22 and, in addition, it was being alleged and there were  
23 charges being laid, right at the time Dr. Carter was  
24 there, that they were also colluding with building  
25 inspectors so that the building inspectors would go slap

1 an order on a house in a housing estate that work had to  
2 be done on it. And, lo and behold, within a day the  
3 doorstep lender would be there willing to provide, on no  
4 security, the amount of money you needed.

5 Now, this in itself wouldn't be bad -- this  
6 wouldn't be so -- so terrible if they, in fact -- these  
7 people were all behaving like Canadian payday lenders.  
8 Okay? You'll recall that I said at the beginning I did  
9 not regard this -- you know, was this a business story or  
10 a story of a bunch of rapacious evil people? And I told  
11 you it was a business story.

12 It seems that in England it's a story of --  
13 of absolute rapacity. One particular case that Dr. Carter  
14 reported to us was one where a woman had borrowed three  
15 hundred pounds (300) from one of these lenders. Not, in  
16 this case, on a false builder certificate; just borrowed  
17 three hundred pounds (300), and it literally was a payday  
18 loan.

19 And at this point -- they didn't give us  
20 all the details, but at this point she was making monthly  
21 repayments -- remember I said she borrowed three hundred  
22 pounds (300) -- she was making monthly repayments of eight  
23 hundred pounds (800) on this loan. And seven hundred  
24 pounds (700) of that was -- was interest charges.

25 I mean, they didn't give me -- I looked at

1 this and -- and the -- the public information wasn't  
2 sufficient for me to actually work out what the rates of  
3 return were. But, you know, we have had some really  
4 heated debate about rates of return in Canada. I mean,  
5 the zeros on the end were so large that I couldn't really  
6 comprehend them. You know, they're billions and trillions  
7 of precent.

8                   So in this particular environment, you  
9 know, as opposed to the American environment, where there  
10 are state regulations which, well, you know, sort of like  
11 the Manitoba regulation. And some states, like Quebec,  
12 don't allow it all, and there's different parties. The  
13 American experience is quite reasonable to compare with  
14 Canada.

15                   The principle difference that we have noted  
16 extent -- extensively is the concentration of the Canadian  
17 market, both in Canada and in Manitoba. You will recall  
18 that I submitted to you a piece about Missouri, which Mr.  
19 Slee had brought up. And Missouri's really very  
20 interesting.

21                   But Missouri the big -- the biggest lender,  
22 Advance America, has 8 percent of the market, as opposed  
23 to -- as I've shown here -- the biggest two (2) have 80  
24 percent of the market. I couldn't even find if Money Mart  
25 -- or if, excuse me, if Dollar Financial was operating in

1 Missouri. And Ace Cash Express had 1 percent of the  
2 market or something like -- by number of stores.

3 So in that sense there are, of course,  
4 differences. And we have been keenly aware. And we have  
5 underscored those differences in our analysis in -- not  
6 just in the work that I've done, but in the work of the  
7 entire Coalition.

8 So, no, it's not reasonable to compare,  
9 because the environment of what's happening in the UK is  
10 completely unreasonable. And so other than this  
11 cautionary principle -- but, you know, I say this  
12 cautionary principle -- unregulated, the Canadian payday  
13 industry has not behaved like the UK industry.

14 So almost immediately -- I mean, I don't  
15 know why that is. But I looked at that, and I say, I  
16 can't compare these people to the people that I'm talking  
17 about here.

18

19 CONTINUED BY MR. ALLAN FORAN:

20 MR. ALLAN FORAN: Just to go back one step  
21 then.

22 But in your analysis, you determined that  
23 the US operations of Dollar Financial Group were not  
24 relevant to be assessed because you focussed on the  
25 Canadian operations, correct?



1 DR. CHRIS ROBINSON: Well, no. I think, I  
2 -- I mean, I haven't thought of it in this way. I decided  
3 the most relevant comparisons, the most relevant piece of  
4 information -- you know, I went sequentially -- first was  
5 Canadian operations.

6 I tried Rentcash. I was not able to for  
7 various reasons, including its -- just its business model  
8 is more difficult to evaluate. It's clear that it's much  
9 higher cost operator. But I could use Money Mart, and  
10 that was Canadian.

11 Then Advance America signalled that it was  
12 going to come into Canada, which suggested, among other  
13 things, that it felt its business model would work in  
14 Canada. And as I've indicated elsewhere, they have gone  
15 to a Money Mart model as opposed to a Rentcash model, as  
16 they've abandoned -- abandoned brokerage.

17 However, what -- I guess what you're really  
18 suggesting is it would have been really nice if in fact I  
19 had analysed the Dollar Financial America and if I'd  
20 analysed Ace or a bunch of others. And, of course, your  
21 expert witnesses were free to do that analysis, and  
22 possibly they -- they have, although you haven't presented  
23 it.

24 I'm just basically at, you know, far beyond  
25 the limits of the amount of time that I'm either paid to

1 work and even physically give to this Hearing.

2 MR. ALLAN FORAN: Okay, so you did it  
3 because you didn't have time and you weren't being paid?  
4 I'm sorry, maybe I should rephrase that.

5 You didn't do it because you ran out of  
6 time and weren't being paid?

7 DR. CHRIS ROBINSON: Yeah.

8 MR. ALLAN FORAN: Now looking at Exhibit  
9 23 -- thank you again, Dr. Simpson, for the assistance on  
10 that answer.

11 DR. WAYNE SIMPSON: You're welcome. I was  
12 getting tired of it myself.

13 MR. BYRON WILLIAMS: Okay, just I'm -- I'm  
14 going to to -- to just stand down for two (2) minutes if I  
15 might, Mr. Chair.

16

17 (BRIEF PAUSE)

18

19 CONTINUED BY MR. ALLAN FORAN:

20 MR. ALLAN FORAN: Coming back to Coalition  
21 23 if I could, Dr. Robinson. Now I have some -- some  
22 questions about that document.

23 DR. CHRIS ROBINSON: Yes, it's up.

24 MR. ALLAN FORAN: Now, one of my first  
25 questions is: Did you allocate expenses between

1 installment loans and payday loans?

2

3 (BRIEF PAUSE)

4

5 DR. CHRIS ROBINSON: No. Yes, I'm aware  
6 there are installment loans in there.

7 MR. ALLAN FORAN: So then, can I just stop  
8 you for a second?

9 DR. CHRIS ROBINSON: Yes.

10 MR. ALLAN FORAN: So that we all  
11 understand what's happening here. So you didn't allocate  
12 expenses between installment loans and payday loans?

13 But, you agree with me that there are  
14 installment loans that are made by Advance America, as  
15 identified in its 10-K. Correct?

16 DR. CHRIS ROBINSON: Yes.

17 MR. ALLAN FORAN: Did you estimate the  
18 operating costs per hundred dollar (\$100) loan for Advance  
19 America based solely on three (3) month and nine (9) month  
20 data?

21 DR. CHRIS ROBINSON: Yes.

22 MR. ALLAN FORAN: Why did you not use the  
23 actual 2006 annual data and annualized nine (9) months  
24 2007 data?

25 DR. CHRIS ROBINSON: I used the first sets

1 of materials -- okay, so these are 10-Qs of course. I  
2 wanted the most recent chunks I could get that were  
3 comparably three (3) and nine (9) months. So I was using  
4 a September 30th, '07, which is the most recent I had  
5 available when I did -- that I had available when I did  
6 this.

7 And the reason is because they -- because  
8 they changed their business model, as I indicated earlier.  
9 That is, they went from a mixture of brokerage and  
10 company-funded loans to a solely company funded.

11 And so only this very recent data is  
12 largely escaping it. If you take a look at the Column D  
13 that's appearing on the screen, it says nine (9) months,  
14 and it says Payday Revenue. And then it says, Other Fees,  
15 September 30th, '06, nine (9) months.

16 And you notice it's 12 million of fees in a  
17 -- and then the -- in the three (3) months ended September  
18 30th, '06. That's disappeared almost. And then in these  
19 '07 values it's disappeared completely.

20 So consequently, there was this big change  
21 in their business model. And you can also -- so that I  
22 was -- I would have had to figure out what to do with the  
23 other fees, which are servicing revenue.

24 So you're doing some servicing, but you're  
25 not -- they're not your own loans. You're acting as a

1 conduit, as Rentcash does. And the complications of that,  
2 I have not -- I mean I could figure out ways of doing it,  
3 but they would add more judgments.

4                   So I used the most recent data -- this one,  
5 which has the least amount of the problem. And I focussed  
6 ultimately -- and of course, I want to have some different  
7 data points. In other words, is it happening? Is it  
8 seasonal? Is it jumping around? If you like, I'm  
9 exploring to some extent here.

10                   And what we see is that we now have -- you  
11 know, it may well be that they've overstated their --  
12 they're not overstated -- that their costs are  
13 artificially high because of this change. We certainly  
14 had that argument from Rentcash.

15                   But ultimately, as you will recall, I  
16 present all the information here. But I chose the highest  
17 figure, the ten ninety-six (10.96), actually made it  
18 eleven dollars (\$11) in the analysis, okay, which is  
19 September 30th, '07 nine (9) months, because it gives me  
20 the largest chunk of time, no other fees, so no servicing  
21 revenue.

22                   So it's clean and, therefore, most  
23 comparable to the way that they're going to do business in  
24 Canada and the way that the -- that Money Mart -- which of  
25 course is implicitly as a comparison.

1                   And again, of course, I could have -- and I  
2 contemplated trying to do six (6) months and do different  
3 periods. What you see here is a reasonable sample of the  
4 total; and there was again, a limit to the amount of time.

5                   Remember, now I was putting new material in  
6 front of the Board on very short notice. And you know,  
7 I've seen the looks on your faces when the Board presents  
8 you with another few hundred pages to read. So this was  
9 it.

10                  Of course your expert witnesses have  
11 doubtless provided all the analysis of the other months to  
12 -- to show where I've made mistakes. But that's what I  
13 did.

14                  MR. ALLAN FORAN: Just based on your  
15 answer, so there was real data that existed. You didn't  
16 use on the basis that there was a business model that you  
17 wanted to exclude from your analysis. There was a change  
18 that had taken place.

19                  Is that correct?

20                  DR. CHRIS ROBINSON: I -- I'm not willing  
21 to answer your question in the way that you proposed it.  
22 I didn't want to exclude a particular business model. I  
23 wanted to take the most recent data that would be most  
24 comparable.

25                  You've been concerned about me using non-

1 comparable data, so I was attempting to anticipate your  
2 concerns that I might do something that was not  
3 comparable. So, I didn't want to specifically exclude  
4 that.

5 I actually would have found it really  
6 interesting to spend, you know, another six (6) months of  
7 my life trying to figure out how to analyse the brokerage  
8 model in a way that I could compare it.

9 I mean, we've been aware -- Ernst & Young  
10 was aware of this problem back in 2000 -- in 2004,  
11 although, they didn't actually -- like me, they were  
12 unable to figure out a way to address it separately or to  
13 -- to -- and they didn't discuss it very much. But we had  
14 discussed it, so we're all aware of that difficulty.

15 My basis for doing this is that the costs  
16 of a business -- we don't care how our apples and oranges  
17 are sold to us; we want to get them -- the same quality  
18 apples and oranges -- at the lowest cost.

19 Since I felt a just and reasonable rate was  
20 the lowest cost, and since I already had pretty -- I had  
21 very compelling evidence. First, the cost structure of  
22 Rentcash was much higher. Second, the largest payday  
23 lender in -- probably in -- presumably in the world --  
24 pure payday lender -- says, This is a lousy business  
25 model, and we're getting out of it.

1                   It kind of suggests that were I to try to  
2 analyse the earlier one, I'd kind of be analysing  
3 yesterday's problem, you might say. So it didn't seem  
4 that it was suitable for this Hearing for the Board.

5                   Would I want to? I love analysing numbers,  
6 and I'm not being sarcastic. I have great fun doing this.  
7 I haven't figured out how to do this in a way that would  
8 be -- actually be helpful to -- to you or your clients or  
9 the Board. I just haven't figured out a way to do it yet.

10                  MR. ALLAN FORAN: I'd like to refer you to  
11 line 16 of that document, "Operating Cost per Hundred  
12 Dollar (\$100) Loan, Canadian."

13                  DR. CHRIS ROBINSON: Yes.

14                  MR. ALLAN FORAN: And it appears to me,  
15 Dr. Robinson, that your estimate of costs of approximately  
16 eleven dollars (\$11) Canadian per hundred dollars (\$100)  
17 is based solely on the first nine (9) months of 2007.

18                  Is that true?

19                  DR. CHRIS ROBINSON: Well, no, it isn't.  
20 I mean, it -- it's easy to say now it is. But, in fact,  
21 you see four (4) columns of data there. And so I looked  
22 at that, and I said, Okay, eight ninety-nine (8.99) was --  
23 eight ninety-nine (8.99), ten fifty (10.50), ten forty  
24 (10.40), ten ninety six (10.96). Well, ten fifty (10.50),  
25 ten forty (10.40), and ten ninety-six (10.96) are actually



1 pretty close. So three (3) of my four (4) columns are  
2 looking very similar.

3 The 2007 is the most recent data and has  
4 the -- and, therefore, is -- you know, we tend to believe  
5 in any finance or business proceeding that most recent  
6 data is the most useful.

7 But a significant part of it was the fact  
8 that I had the other four (4). In other words, would I  
9 have done ten ninety-six (10.96) alone, I would have felt  
10 much less comfortable about it. And if I'd had ten  
11 ninety-six (10.96) there and the others had all been  
12 higher, I'm not sure what I would have done at that point.

13 I would have certainly been thinking --  
14 well, especially if Column C had been higher. Okay,  
15 Column C being the closest to Column E -- remember, it's  
16 the three (3) months -- you could, in fact, make a  
17 reasonable argument. That's the most recent three (3)  
18 months that I had. So it would be excluding, you know,  
19 six (6) months of earlier data.

20 I could argue that that, in fact, was the  
21 most appropriate and most recent data. But, as I have  
22 consistently done throughout, I felt that I should take  
23 the higher cost and, in this case, recent data,  
24 uncontaminated by the servicing fees, gives me the highest  
25 cost.

1 I already had a much lower cost estimate  
2 from Money Mart. I'm trying to triangulate, to get more  
3 reasonable. So I finally chose -- I mean I didn't choose  
4 ten ninety-six (10.96) either. I chose eleven dollars  
5 (\$11.00). So I actually -- you know, the usual thing,  
6 round off a few cents. It's easier to print.

7 I -- I wouldn't have had the ten ninety-six  
8 (10.96) and been as confident at using that if I had not  
9 seen the other numbers. I know this is a very long  
10 answer, but you have to understand there's an analytic  
11 process, and it doesn't just -- the answer doesn't just  
12 pop out as the right one.

13 And you could, you know, your expert  
14 witnesses, for example, could argue that I should use  
15 eight dollars and ninety-nine cents (\$8.99) if they -- if  
16 they wished. And that, of course, would yield a much  
17 tighter fee level.

18 MR. ALLAN FORAN: Looking at that same  
19 line, Dr. Robinson, the operating cost per hundred dollar  
20 (\$100) loan increased by 17 percent from eight dollars and  
21 ninety-nine cents (\$8.99) for the first three (3) months  
22 ending September 30th of 2006 -- you see that under Column  
23 B?

24 DR. CHRIS ROBINSON: Yes.

25 MR. ALLAN FORAN: To ten dollars and fifty

1 cents (\$10.50) for the three (3) months ending September  
2 30th 2007.

3 You see that under Column C?

4 DR. CHRIS ROBINSON: Yes.

5 MR. ALLAN FORAN: Can you explain what  
6 accounted for that large increase?

7 DR. CHRIS ROBINSON: Okay, I can try to  
8 act as the CFO again. The -- I believe -- I mean, I  
9 actually believe that the ten ninety-six (10.96) is  
10 probably an overestimate. It's probably much too high,  
11 but until I get more -- until, you know, until we have  
12 another year's worth of history, I can't tell.

13 I think we're seeing, and I think that  
14 they're -- and they're suggesting in their 10-Ks that  
15 we're seeing the same effect that Rentcash had. That  
16 Rentcash's case -- the change was that they went -- they  
17 stopped doing the rollovers and suffered a drop in volume.

18 I think here that they suffered an increase  
19 in costs even though they believe it's a -- a more  
20 efficient business model in the long run. I think they  
21 may have suffered an increase in costs due to a change --  
22 due to this change in the business model and, in fact, we  
23 may see the costs decline. I don't have that evidence.  
24 And that is getting highly speculative. I mean, I'm not  
25 in this business, so I can't tell.

1                   There could also -- since it's only a three  
2   (3) month, there could have been seasonal effects. There  
3   could be all kinds of things going on. I didn't analyse  
4   the entire financial statements the way I would if I were  
5   making an -- an investment decision. In other words, you  
6   know, do I really think their costs are eight ninety-nine  
7   (8.99) or ten ninety-six (10.96)?

8                   I wanted to provide some evidence. This  
9   gave me a good triangulation. Eleven dollars (\$11) is  
10   substantially higher than Money Mart, as I indicated, for  
11   a company that is mono-line, you know, so it's lacking  
12   both econ -- economies of scale and scope. It's half  
13   (1/2) -- almost half (1/2) the sales of Money Mart and  
14   only one (1) line of business.

15                  So I've now got some -- some credible  
16   evidence to support. And, of course, you can see what  
17   happened in my recommendations. I then eliminated the  
18   lower fee limit that I had originally proposed and settled  
19   on -- on 17 percent.

20                  MR. ALLAN FORAN:   Now, I know you  
21   indicated season -- seasonality might have been a factor.  
22   I just -- I guess I'm curious because Columns B and C both  
23   end September 30th.

24                  Is that not the same season? Three (3)  
25   months ending --

1 DR. CHRIS ROBINSON: Oh, yeah, I'm sorry--

2 MR. ALLAN FORAN: -- September 30?

3 DR. CHRIS ROBINSON: -- when I say

4 "seasonality," a three (3) month season in one (1) year  
5 can be quite different from another. You normally see  
6 this in the, you know, retail soft goods business, where  
7 you get some dramatic effects.

8 For reasons which -- I mean, there is a  
9 reason for it. I don't know what it is, but we tend to  
10 expect that an annual result, year to year, will be more  
11 consistent than a seasonal result, year to year. Sorry,  
12 is -- make that clear.

13 MR. ALLAN FORAN: A -- a fair comment.  
14 And so, really, the part of the point of this is -- or the  
15 caution to the Board that you would agree with, is that  
16 depending on the period you select, there could be  
17 dramatic differences.

18 You could pick a three (3) month period  
19 from January to March. You could pick a -- have a  
20 different result from September -- September to December,  
21 correct?

22 DR. CHRIS ROBINSON: Yes, it's -- it's --  
23 it is a problem and, of course, I would have preferred  
24 that Advance America had -- had arranged its business  
25 operations to suit our needs so that they had not -- so

1 they had been -- spent last five (5) years, like Money  
2 Mart, doing exactly the same thing, and I could of used  
3 five (5) years of results. But the world didn't permit me  
4 to do that.

5 MR. ALLAN FORAN: Okay, the loan volumes  
6 that you're indicating here are not actual loan volumes on  
7 an annual basis, correct?

8 They're your estimates based on annualizing  
9 three (3) months or nine (9) months data?

10

11 (BRIEF PAUSE)

12

13 DR. CHRIS ROBINSON: Oh, no -- no, they're  
14 -- they're the actual -- they're coming off the -- they're  
15 for the -- the reference the 2006 10-Q is the one where I  
16 happened to do the page numbers, and that was so it was  
17 page 25 in the 2006 10-Q.

18 MR. ALLAN FORAN: Line 21 says,  
19 "Annualized Loan Volume Per Store."

20 What did you mean by the word "annualized"?

21 DR. CHRIS ROBINSON: Oh, I'm sorry. I'm  
22 sorry. I was looking at line 14 and line 15. Yes, you're  
23 right. I, yes, I annualized that loan volume per store.  
24 And the reason was I wanted to get -- and I -- so that  
25 wasn't -- that had nothing to do with the cost. I'm

1   sorry, I didn't understand your question.

2                   MR. ALLAN FORAN:   That's all right.

3                   DR. CHRIS ROBINSON:   Yes.   Yes.   Line --

4   line 21 and then line 22, where I've adjusted for the

5   change in store openings, are -- are a -- a simple

6   projection, just a simple -- as you can see from the

7   formula at the top, just four-thirds ( $4/3$ s) or --

8                   MR. ALLAN FORAN:   But another caution when

9   looking at this table is that these aren't actual loan

10  volumes, they're annualized to using --

11                  DR. CHRIS ROBINSON:   Yeah.   The loan

12  volume per --

13                  MR. ALLAN FORAN:   -- calculator --

14                  DR. CHRIS ROBINSON:   -- store.

15                  MR. ALLAN FORAN:   -- correct?

16                  DR. CHRIS ROBINSON:   Yes.   This is the

17  common practice.   I would like to point out that the

18  average of those numbers is -- is over 1.6 million, and

19  what I used was 1.6 million in the analysis, so you can

20  see there.   In fact, I did use all four (4) of them, sort

21  of look at it and say, Well, I -- I really don't know for

22  sure.

23                  What struck me, of course, was that this

24  annualized loan volume was, you know, on the order of a

25  half ( $1/2$ ) of Money Marts; this was particularly, I think,

1 useful for the Board.

2 MR. ALLAN FORAN: Now, in the September  
3 30th, 2007 10-Q, there was reference by Advance America  
4 that it was closing thirty-one (31) centres in  
5 Pennsylvania and --

6 DR. CHRIS ROBINSON: Yes.

7 MR. ALLAN FORAN: -- you're aware of that?

8 DR. CHRIS ROBINSON: Yes.

9 MR. ALLAN FORAN: And on page 26 the 10-Q  
10 states:

11 "We have no current plans to shut down  
12 all of our remaining centres in  
13 Pennsylvania and are actively exploring  
14 other options and product lines for  
15 meeting customer demands in that state."

16 Do you recall reading that?

17 DR. CHRIS ROBINSON: Yes.

18 MR. ALLAN FORAN: Are you aware that on  
19 December 18th, 2007, Advance America announced that it  
20 would close the sixty-six (66) remaining centres in  
21 Pennsylvania?

22 DR. CHRIS ROBINSON: Well, now I'm going  
23 from memory, but my recollect -- I was -- as you were  
24 reading this I was trying to remember, and my recollection  
25 was that they had cleared out of Pennsylvania entirely.



1 If I -- I mean, unravelling all the complexities of  
2 American law is -- is a challenge beyond me.

3 But, as I recollect, in Pennsylvania they'd  
4 had some kind of arrangement that was getting shut down in  
5 the courts, and so they had hoped that they would find a  
6 way to continue operating business there. And instead,  
7 they got out.

8 And -- but I -- I don't remember the  
9 details. I know there's something peculiar about  
10 Pennsylvania. But I think that it has to do with the  
11 suitcase banks, you know, the convenient banks  
12 representing, you know, they supposedly represent a bank  
13 and thereby evade federal law. And they had received an  
14 unfavourable court decision.

15 So at that point, they had to -- I mean,  
16 that was it. They're -- because they're not cheque  
17 cashers, so that if they can't do payday lending, they've  
18 got nothing.

19 MR. ALLAN FORAN: You'd agree with me that  
20 Advance America is undergoing large changes in its  
21 operations, however, correct?

22 DR. CHRIS ROBINSON: Relative to its size,  
23 I wouldn't agree with that. They're not -- they're not as  
24 -- well, I mean, all these things are relevant on a  
25 continuum, so we can review Money Mart as not undergoing

1 significant changes, and yet it's buying in its  
2 franchises.

3                   These guys would change their business  
4 model in certain states and then do exit a couple of  
5 states, but they're still the largest.

6                   MR. ALLAN FORAN:    So they changed their  
7 business plan, correct?

8                   DR. CHRIS ROBINSON:   Only in some states.  
9 I mean, the -- the bulk of their -- you -- you have to  
10 remember, the bulk of their business --

11                  MR. ALLAN FORAN:    From a broker model to  
12 something different?

13                  DR. CHRIS ROBINSON:   No, the bulk of their  
14 business was company originated.  It's just they've exited  
15 the broker model entirely now.

16                  MR. ALLAN FORAN:    So they've exited that  
17 entirely --

18                  DR. CHRIS ROBINSON:   Yeah.

19                  MR. ALLAN FORAN:    -- and that's something  
20 that you said was a factor as to why you --

21                  DR. CHRIS ROBINSON:   Yeah.

22                  MR. ALLAN FORAN:    -- couldn't use annual  
23 data.  The US regulatory scheme is changing, correct?

24                  DR. CHRIS ROBINSON:   Pennsylvania.

25                  MR. ALLAN FORAN:    Well, it's a US state,

1 is it not?

2 DR. CHRIS ROBINSON: Well, yes, but you're  
3 talking about a company that had what -- twenty-six  
4 hundred (2,600) outlets, and you're talking about thirty-  
5 eight (38). So you're talking about a very small  
6 percentage of their total operation.

7 I -- I mean, I don't want to -- I agree  
8 with you, yes, they're have been significant changes and  
9 they made it difficult in places to use the analysis here.

10 MR. ALLAN FORAN: They're expanding into  
11 Canada, and that's a new and unproven venture, correct?

12 DR. CHRIS ROBINSON: That's not reflected  
13 in any of the numbers here.

14 MR. ALLAN FORAN: No, but that's something  
15 that's changing from out of their business perspective,  
16 correct?

17 My -- my question was this: Advance  
18 America is undergoing large changes. And I'm just trying  
19 to give you some examples, Dr. Robinson, that they're  
20 moving into Canada, correct?

21 DR. CHRIS ROBINSON: I would say that  
22 they're not as large as you're painting them, and the  
23 company, itself doesn't regard them as being as  
24 significant as you're painting them. I would think that  
25 if you want to see the example of the really over heavals

1 -- sorry, overwhelming over changes, it would have been  
2 some of the things that happened to Rentcash when it  
3 changed from -- stopped rollovers and bought Instalogs  
4 pretty much at the same time.

5 MR. ALLAN FORAN: In view of the change in  
6 business plans, in view of the changes, for example, we've  
7 seen in Pennsylvania, in view of the expansion into  
8 Canada, wouldn't you agree with me that basing estimates  
9 on a single three (3) month or a nine (9) month period is  
10 subject to error?

11 DR. CHRIS ROBINSON: Basic estimates on  
12 anything in social science is subject to error. I mean --  
13 I mean, every single estimate that I or any other expert  
14 witness here has done has been subject to quite a bit of  
15 error. This is not an area in which we can make exact  
16 pronouncements, and we have said so.

17 I don't see that Advance America is  
18 dramatically outside of it. I've made more attempt to  
19 adjust for those than Ernst & Young did in its report. So  
20 you deal with the -- with the problems that you've got at  
21 hand. And I have dealt with them, as I've indicated to  
22 you and to the Board.

23 MR. ALLAN FORAN: Did you include in your  
24 analysis of Advance America, its actual costs of capital?

25 DR. CHRIS ROBINSON: No.

1                   MR. ALLAN FORAN: Did you include in your  
2 analysis of Advance America actual income taxes?

3                   DR. CHRIS ROBINSON: No.

4                   MR. ALLAN FORAN: Now I'd like to refer to  
5 Advance America's 10-K at page 34.

6                   DR. CHRIS ROBINSON: Which year?

7                   MR. ALLAN FORAN: 2006.

8                   DR. CHRIS ROBINSON: Okay, I don't have  
9 it. Well, I can take a look. I don't -- no, I don't have  
10 it, because my memory stick is being operated on by the  
11 Board staff. But I'm not sure I have it on that. No,  
12 don't bother, I'm not sure I have it in that anyway. Has  
13 it been filed? Yeah, okay. Yeah, oh, okay. Just a  
14 second.

15

16                   (BRIEF PAUSE)

17

18                   MR. ALLAN FORAN: It was page 34 and it  
19 relates to rates of return.

20                   DR. CHRIS ROBINSON: Page 34, okay.

21 Sorry, it's the wrong one.

22

23                   (BRIEF PAUSE)

24

25                   MR. ALLAN FORAN: Mr. Chairman, if I could

1 -- I just -- I probably need a few minutes. We just need  
2 to source the document.

3 THE CHAIRPERSON: Okay, we'll just take  
4 our morning break now. Thanks.

5

6 --- Upon recessing at 10:14 a.m.

7 --- Upon resuming at 10:38 a.m.

8

9 THE CHAIRPERSON: Okay, Mr. Foran, if you  
10 want to continue.

11

12 CONTINUED BY MR. ALLAN FORAN:

13 MR. ALLAN FORAN: Thank you very much, Mr.  
14 Chairman.

15 Just at the break, Dr. Robinson, I had  
16 attempted to refer you to some source information in  
17 Advance America's 10-K. Rather than taking you there, let  
18 me just go back.

19 When you prepared your analysis of Advance  
20 America that has been filed as Coalition-23, did you have  
21 the opportunity to look at Advance America's market rate  
22 of returns?

23 DR. CHRIS ROBINSON: I'm sure I had the  
24 opportunity, but I did not do so.

25 MR. ALLAN FORAN: And if I suggested to

1 you that an investor in Advance America stock would have  
2 lost 25 percent between December 2004 to 2006, would you  
3 be able to agree or disagree with me?

4 DR. CHRIS ROBINSON: No.

5 MR. ALLAN FORAN: You'd have no knowledge  
6 of the massive losses that the investors have taken on  
7 Advance America stock in that period of time?

8 DR. CHRIS ROBINSON: No.

9 MR. ALLAN FORAN: And if I suggested to  
10 you in that same period of time the financial indexes in  
11 the US increased by over 30 percent, would you be able to  
12 agree or disagree with me? December 2004 to December 2000  
13 to December --

14 DR. CHRIS ROBINSON: Yeah, I mean, I -- I  
15 don't keep the specific numbers in my head. I would have  
16 to refer to something else, but it -- it may well have  
17 done so. Certainly, they were rising at the time. I  
18 don't know the exact amount.

19 MR. ALLAN FORAN: When preparing an  
20 analysis that's based solely on -- on costs and expenses,  
21 it -- it doesn't take or reflect consumer confidence in  
22 the companies activities, does it?

23 DR. CHRIS ROBINSON: Say that again,  
24 please.

25 MR. ALLAN FORAN: An analysis of costs and

1 expense, for example, as you prepared for Advance America  
2 in Coalition-23, does not reflect how investors perceive  
3 the operations of a company, does it?

4 DR. CHRIS ROBINSON: It's more complicated  
5 than that. I mean, presumably, the investors I would hope  
6 are reading the same things that -- that I'm reading.  
7 However, my analysis is not the same as the one that they  
8 would do.

9 MR. ALLAN FORAN: I think you've indicated  
10 before, or at least the -- the appearance you've given is,  
11 that you're a financial analyst who makes -- who does  
12 weighty consideration prior to your own personal  
13 investing.

14 Based on what you've seen, you wouldn't  
15 invest in a payday lending company that was losing money,  
16 would you?

17 DR. CHRIS ROBINSON: Sorry, that -- if I  
18 do weighty analysis, it isn't going to get summarized so  
19 simply. I did not perform that kind of analysis on  
20 Advance America.

21 As a general principle, my observation from  
22 an investment point of view in the entire industry -- not  
23 Advance America alone, but the entire industry -- is that  
24 there is a high potential for overvaluation of the stocks  
25 because of regulatory effects and because the businesses



1 themselves don't seem to me to be fundamental or long-run  
2 sustainable in -- in many ways.

3 I -- I do believe -- and I have said this  
4 on other occasions, and I was reminded of these thoughts  
5 from Mr. Hansford -- that the banks and credit unions can  
6 very easily, and if they choose to do so, can -- can  
7 provide devastating competition. So that I take -- I'm  
8 sorry I'm taking so long with this, but you're asking me  
9 to -- to summarize weighty considerations that I make.

10 So I would be looking at an industry as a  
11 whole before I even considered a single firm. So that if  
12 they in fact have lost a lot of money, I don't know that  
13 when their share price was right or not. In other words,  
14 when Nortel's share price plummeted, it -- you know, it  
15 was related to the -- the costs, and the realities, and  
16 the realization. But, in fact, Nortel's share price  
17 clearly had gone to a level it should never have gone to,  
18 that there was no reason for that.

19 So I can't really comment on the specifics  
20 of this company without doing exhaustive analysis. My  
21 general view is that the entire industry is one that I  
22 think that the share prices may well be inflated, and that  
23 they -- that it's a risky one for that -- that, at those  
24 prices of the public companies, a risky one to invest in.

25 And so if you say, Well, in a certain

1 period they lost a whole lot of money, maybe the markets  
2 finally recognized what they should have recognized  
3 originally, and the share should never have been that  
4 high. In other words, it may have nothing to do with the  
5 current results; it may be that they've suddenly realized,  
6 Hey, this is not a long-run good investment and never was.

7 But it's very tricky. I mean, nobody has  
8 ever figured out why the market dropped 20 percent in 1987  
9 and, you know, in a few days. And I was watching it at  
10 the time as an expert, and I actually -- in one of the  
11 bizarre little turns of life, I actually made money on the  
12 market crash. I actually, my portfolio went up, but I  
13 can't tell you why the market fell now, twenty (20) years  
14 later, or the day before.

15 So I can't really make any comment -- nor  
16 can anybody reasonably -- about what the drop in share  
17 price of Advance America has to do with what -- what we  
18 should be regulating the rates to -- the payday rates to  
19 be here.

20 I -- I know that's a long answer, but this  
21 kind of -- it's a very complicated matter you're raising.

22 MR. ALLAN FORAN: I'd like to refer you to  
23 CPLA-11, which was a report to Industry Canada, Regulation  
24 of Payday Lending, CPLA-11.

25 DR. CHRIS ROBINSON: Report to...?

1 MR. ALLAN FORAN: Yeah, I'm sorry, Dr.  
2 Robinson, it's your report to Industry Canada.

3 DR. CHRIS ROBINSON: Oh, my report, oh,  
4 I'm sorry, okay. Just a second.

5

6 (BRIEF PAUSE)

7

8 DR. CHRIS ROBINSON: Well, while I'm  
9 finding it, suppose you ask your question. Okay, I have  
10 the report, thank you.

11 MR. ALLAN FORAN: Now, I'd like to ask you  
12 some questions about the Industry Canada report and, in  
13 particular, how you viewed Ernst & Young at the time that  
14 you prepared the report for the Government of Canada. If  
15 you refer to page 29 of that report --

16 DR. CHRIS ROBINSON: Yes.

17 MR. ALLAN FORAN: -- you'll agree with me  
18 that you stated to Industry Canada that Ernst & Young  
19 gathered its data carefully and that you did not believe  
20 there were likely to be serious errors, correct?

21 DR. CHRIS ROBINSON: Yes.

22 MR. ALLAN FORAN: And, similarly, on page  
23 29, you stated that although you disagreed with some of  
24 Ernst & Young's choices in its work, none of the  
25 disagreements were significant, correct?

1 DR. CHRIS ROBINSON: At the time, that's  
2 what I thought, yes.

3 MR. ALLAN FORAN: And on page 31 of that  
4 report you indicated that you, in fact, thought it was  
5 possible that Ernst & Young had been too vig -- vigilant  
6 in rooting out overcompensation and that it may have  
7 actually understated operating costs a bit because of it,  
8 correct?

9 DR. CHRIS ROBINSON: Yes.

10 MR. ALLAN FORAN: And on page 32, you also  
11 indicated that because Ernst & Young had worked with a  
12 sample data set that was voluntary, you believed there was  
13 a selection bias that would tend to select the more  
14 efficient companies so that the data represented the best  
15 in the industry, not that average, correct?

16 DR. CHRIS ROBINSON: That's actually not  
17 on page 30; did you say 32?

18 MR. ALLAN FORAN: Page 32, lines 1 to 6.

19 DR. CHRIS ROBINSON: Oh, okay, it's on --  
20 it's on 31 in my copy. But, oh, you're looking at the  
21 right-hand number. It's the pagination of the report  
22 itself in the centre of the page is page 31, but I now see  
23 your reference. Yes. Yes.

24 MR. ALLAN FORAN: Thank you, Dr. Robinson.

25 DR. CHRIS ROBINSON: Yes, I think -- I

1 think, and I still believe that.

2 MR. ALLAN FORAN: If I could just have a  
3 moment, Mr. Chairman.

4

5 (BRIEF PAUSE)

6

7 MR. ALLAN FORAN: Subject to the new  
8 information that -- well -- potential new information that  
9 may be provided by Dr. Robinson or Dr. Simpson or others,  
10 I've concluded my questions of Dr. Robinson. Thank you.

11 THE CHAIRPERSON: Thank you, Mr. Foran.  
12 We will keep in mind your comment about the possibility of  
13 something new coming up.

14 Okay, we will move now to Mr. Hacault. Mr.  
15 Hacault...?

16

17 CONTINUED CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

18 MR. ANTOINE HACAULT: Thank you, Mr.  
19 Chairman, members of the Board.

20 While we're -- we have this document in  
21 front of you, the CPLA-11, Dr. Robinson, could you  
22 indicate whether at the time you prepared this report you  
23 knew the purpose for which it was going to be used?

24 I'm not asking you what the purpose was;  
25 I'm just asking whether you knew.

1 DR. CHRIS ROBINSON: Just give me a second  
2 to -- to figure out what I thought I knew at the time.  
3 Yes, I thought that I -- I mean, you don't want me to say  
4 what I thought, you just want me to say whether I actually  
5 thought something.

6 Okay, yes, I thought I knew.

7 MR. ANTOINE HACAULT: Okay. And you knew  
8 this was a report that would be given some weight  
9 presumably by people who would be advising the government  
10 on policy issues?

11 DR. CHRIS ROBINSON: No, I didn't know  
12 that, and I didn't believe that that was necessarily the  
13 case at the time.

14 MR. ANTOINE HACAULT: So, can I take from  
15 that, that you were not careful at all then in preparing  
16 any of the recommendations and opinions in that report,  
17 because it wasn't --

18 DR. CHRIS ROBINSON: No, you cannot draw  
19 that conclusion.

20 MR. ANTOINE HACAULT: So is the opposite  
21 true, that you were very careful in preparing these  
22 recommendations and you were serious about the  
23 consideration that you gave to the recommendations and  
24 opinions in this report?

25 DR. CHRIS ROBINSON: Yes.

1                   MR. ANTOINE HACAULT:   What information did  
2   you have in preparing this report?  It refers to the Ernst  
3   & Young report.

4                   Is that one piece of information, sir?

5                   DR. CHRIS ROBINSON:   You just asked two  
6   (2) questions.  Yes, the Ernst & One -- Ernst & Young  
7   report was -- well I -- I -- more than one (1) piece of  
8   information, it was one (1) document.

9                   Did your question mean you also wanted me  
10  to discuss all the other sources of information?

11                  MR. ANTOINE HACAULT:   I'll -- I'll deal  
12  with them one (1) at a time.

13                  So with respect to Ernst & Young, did you  
14  have access to any of the underlying information which the  
15  accountants used to generate the Ernst & Young report?

16                  DR. CHRIS ROBINSON:   No.

17                  MR. ANTOINE HACAULT:   Okay.  The report  
18  refers to confidential information from one (1) company?

19                  DR. CHRIS ROBINSON:   Yes.

20                  MR. ANTOINE HACAULT:   What did you have  
21  from that company?

22                  DR. CHRIS ROBINSON:   I don't recall the  
23  exact details, and I'm not prepared to tell you very much.  
24  I had the -- this was a -- an attempt to assist -- the ans  
25  -- I'm not going to tell you who the company was -- I

1 think I would prefer not -- as I say, I mean it was very  
2 limited information. It was not financial statements and  
3 things like that.

4 It was simply an indication of, This is  
5 sort of what a typical store looks like. But I had no --  
6 you know, I didn't sort of promise any confidentiality,  
7 nor did they ask for any.

8 MR. ANTOINE HACAULT: My question to you  
9 was quite simple. And -- and thank you for trying to go  
10 further. I just wanted to know the information that you  
11 received from that company.

12 If you didn't receive financials and it was  
13 limited information, I'm happy with that answer.

14 DR. CHRIS ROBINSON: Okay.

15 MR. ANTOINE HACAULT: I'm not trying to  
16 cut you off if -- if you're completing the answer. But if  
17 -- if that is the answer then, let's move on.

18 DR. CHRIS ROBINSON: That -- that's fine.

19 MR. ANTOINE HACAULT: I think you've  
20 mentioned that you also had access and looked at American  
21 company information at the time of writing this report?

22 DR. CHRIS ROBINSON: Well now, there's  
23 actually -- there's yet another earlier report. Which, as  
24 I've indicated, wouldn't help you at all. That was total  
25 fishing expedition for me and the government.



1                   I cannot now recall when I was looking at  
2 the various American -- I can sort of picture things like  
3 Ace Cash Express and Dollar Financial and their 10-Ks. I  
4 may actually have been doing the reading more when I was  
5 doing this scoping report, which is referred to in the  
6 evidence.

7                   So, I just -- I can't recall whether I was  
8 using that at the time, but the information that I  
9 actually used is documented in the -- in the report to  
10 Industry Canada. So you might say that any American data  
11 was just me continuing to learn about the industry, rather  
12 than formal numerical use of it.

13                  MR. ANTOINE HACAULT: Thank you. I was  
14 trying to determine whether -- I'll back up a little bit.  
15 The report refers to the Ernst & Young information, and it  
16 refers to the confidential information. It doesn't refer  
17 to any other information.

18                  And I was just trying to determine whether,  
19 to your recollection, you had relied on any different  
20 information than that which is identified in the report?

21                  DR. CHRIS ROBINSON: Well, the problem is,  
22 of course, I mean, I've been talking to payday lenders on  
23 the phone. I have been talking to the Canadian Payday  
24 Lenders Association. I had spoken with Norman Bishop, so  
25 that there are a, you know, a number of people. I mean, I

1 know this sounds rather odd, but of course I would have  
2 actually gone and looked at payday lenders.

3 I also had a research assistant, so I was  
4 reading all kinds of material. And it doesn't necessarily  
5 formally -- but you know, it will affect -- affected my  
6 thinking and how I viewed the problems. But I can't, you  
7 know, I can't be specific, how did X, Y or Z affect how I  
8 analysed it.

9 MR. ANTOINE HACAULT: Okay. If you turn  
10 to page 1; on the right-hand side it says page 2, but it's  
11 page 1 of the report. I believe it is entitled,  
12 "Executive Summary." And here, bear with me.

13 There's three (3) different bullets with  
14 three (3) different recommendations, and this report was  
15 prepared on -- as of what date, sir, the report to  
16 Industry Canada?

17 DR. CHRIS ROBINSON: I can't remember.  
18 Somewhere else in the evidence, I have it. Actually, Mr.  
19 Foran has provided the -- his opinion. Remember, you had  
20 the dates of -- but I thought the date was on the front  
21 page. So I can't -- 2005 sometime, but I don't recall --

22 MR. ANTOINE HACAULT: Okay.

23 DR. CHRIS ROBINSON: -- the exact date.

24 MR. ANTOINE HACAULT: I don't need an  
25 exact date.

1 DR. CHRIS ROBINSON: Yeah.

2 MR. ANTOINE HACAULT: So it was before the  
3 May 2006 report to ACORN that's been filed as part of the  
4 Coalition evidence?

5 Is that correct?

6 DR. CHRIS ROBINSON: Yes. It was filed  
7 with them before I had even heard of ACORN.

8 MR. ANTOINE HACAULT: Okay. And what  
9 additional financial information did you receive and base  
10 your report to ACORN on?

11 DR. CHRIS ROBINSON: Well, I can't recall  
12 the exact year-ends and -- and so on, but I -- at that  
13 point, as the difference in the reports indicate, I then  
14 moved into using more information, relying more on the  
15 publicly available information and trying to analyse both  
16 Rentcash and -- and Money Mart through -- through Dollar  
17 Financial, so that my -- I had concluded that the -- that  
18 the difficulties -- and, of course, my analysis kind of  
19 showed it for Money Mart -- that the difficulties with the  
20 volume --

21 MR. ANTOINE HACAULT: So I'm -- I'm just  
22 trying --

23 DR. CHRIS ROBINSON: -- the volume  
24 changes --

25 MR. ANTOINE HACAULT: -- to determine

1 what --

2 DR. CHRIS ROBINSON: Yeah.

3 MR. ANTOINE HACAULT: -- information you  
4 had.

5 DR. CHRIS ROBINSON: Okay, so --

6 MR. ANTOINE HACAULT: I'm not asking you  
7 further information.

8 DR. CHRIS ROBINSON: -- I mean, there --  
9 there again, the trouble is I make more phone calls, I  
10 talk to more people --

11 MR. ANTOINE HACAULT: Okay.

12 DR. CHRIS ROBINSON: -- and so that there  
13 are many other things. But the biggest part of it was the  
14 public disclosures of Rentcash and -- and Dollar Financial  
15 for Money Mart.

16 MR. ANTOINE HACAULT: Now, these are just  
17 to set the factual differences, so I'm not going to ask  
18 you to explain why.

19 But in this executive summary, the first  
20 bullet, what has changed between this report and the ACORN  
21 report is the ten dollar (\$10) fixed fee and the  
22 60 percent effective annual interest remains the same, but  
23 by the time you get to providing the report to ACORN, you  
24 move from 12 percent of the principal to 5 percent of the  
25 principal.

1 Is that correct?

2 DR. CHRIS ROBINSON: Yes.

3 MR. ANTOINE HACAULT: And then going to  
4 the next bullet, which says

5 "20 percent on the first two hundred and  
6 fifty (250),"

7 you move from 20 percent down to  
8 12 percent, an 8 percent difference in a year.

9 Is that correct?

10 DR. CHRIS ROBINSON: Yes.

11 MR. ANTOINE HACAULT: And the next number  
12 in that same line is 8 percent on the next two hundred and  
13 fifty (250) of principal -- that's two hundred and fifty  
14 dollars (\$250) -- you moved from 8 percent to 6 percent.

15 Is that correct?

16 DR. CHRIS ROBINSON: Yes.

17 MR. ANTOINE HACAULT: Now the other thing  
18 that you explain, and it's not the first time you explain  
19 it, is that in your view the industry wouldn't be able to  
20 continue if it was limited to charging 60 percent per  
21 annum. Is that correct?

22 DR. CHRIS ROBINSON: Yes.

23 MR. ANTOINE HACAULT: Now here I'm going  
24 to take you to a -- a different sequence of events, but  
25 related to this issue.

1                   Do you recall being on a panel in May of  
2   2007 with Sharon Shrieve -- for the court reporter, S-H-R-  
3   I-E-V-E -- from ACORN?

4                   DR. CHRIS ROBINSON:   Are you referring to  
5   a panel in the legislative building of Ontario?

6                   MR. ANTOINE HACAULT:   That's my  
7   understanding.

8                   DR. CHRIS ROBINSON:   Yes.

9                   MR. ANTOINE HACAULT:   Okay.

10                  DR. CHRIS ROBINSON:   I -- I had forgotten,  
11   Sharon Shrieve, okay, that -- I don't recall that name,  
12   but yes.

13                  MR. ANTOINE HACAULT:   And were you aware  
14   prior to being on that panel what position that panel was  
15   going to take on what the annual interest rates should be  
16   on payday loans?

17                  DR. CHRIS ROBINSON:   Yes.

18                  MR. ANTOINE HACAULT:   And what was the  
19   position that panel was going to take?

20                  DR. CHRIS ROBINSON:   I'm -- I'm afraid  
21   you're placing this out of context for the Board. I would  
22   like to place this in the proper context. May I do so?

23                  MR. ANTOINE HACAULT:   Well, you can answer  
24   my question. If Mr. Williams believes that it requires  
25   additional explanation, he can have a chance to ask you

1 questions on -- on re-exam. Let me ask my questions; it  
2 may not be that you feel that you need additional  
3 clarification.

4 I'm asking -- I asked you first whether or  
5 not you knew of the position they were going to take on  
6 the percentage that should be charged on payday loans. I  
7 believe you answered "yes." And the next question was:  
8 Well, what was that number?

9 DR. CHRIS ROBINSON: Yeah, I think I -- I  
10 guess what I'm realizing is I should -- is that you're  
11 stating -- you're implying very strongly that this was a  
12 panel which was making a recommendation.

13 I was there at the request of a member of  
14 the legislature, and she was presenting a Private Member's  
15 Bill, which she is, I understand, going to reintroduce.  
16 Actually, I think she's had a press conference to  
17 reintroduce it, Sherry Dinovo -- have I got that right?  
18 And it was --

19 MR. ANTOINE HACAULT: For the court  
20 reporter D-I-N-O-V-O.

21 DR. CHRIS ROBINSON: Yes, thank you. And  
22 she was going to present this -- a Private Member's Bill -  
23 - and the percentage was either -- I'm sorry I can't be  
24 more accurate -- it was either 35 or 36 percent APR.

25 MR. ANTOINE HACAULT: Why would you want

1 to associate yourself with a public presentation at 35  
2 percent per annum, when you know industry can't survive at  
3 60 percent?

4 DR. CHRIS ROBINSON: Well, I had already  
5 explained that to them. You have, I believe, seen public  
6 presentations before where there are people of -- who  
7 disagree in public, presidential elections, et cetera, who  
8 actually appear on the same panel.

9 MR. ANTOINE HACAULT: So are you  
10 suggesting to the panel of the Public Utilities Board,  
11 that you assisted, with Sharon Shrieve from ACORN and this  
12 private member, at their request to object to a proposal  
13 at 35 percent?

14 DR. CHRIS ROBINSON: No, I was actually  
15 there, as I recall, to simply provide some background  
16 information. The -- and to point out that I had written a  
17 report which had -- you know, for ACORN, which was  
18 publicly available, which had explained a great deal about  
19 the industry and came to different conclusions.

20 I don't remember exactly what I said. I  
21 was not asked to assist them. I am not a member of the  
22 Ontario New Democratic Party. And they had -- I mean,  
23 they -- I had written this report for ACORN, so they said,  
24 well, we're -- we're appearing in this.

25 You may recall that ACORN had endorsed the



1 report itself. So that ACORN was appearing on this panel  
2 and yet it had -- on this, well, panel is the wrong word;  
3 it was a press conference. And ACORN was, in fact, had  
4 published -- endorsed and published a report which also  
5 disagreed with Sherry Dinovo. So, I'm -- I'm not sure the  
6 point you're making.

7 I have written and published what my  
8 opinions are and canvassed them exhaustively in front of  
9 the Board. I did not express an opinion on a just -- that  
10 a just reasonable rate would be 35 percent. And I haven't  
11 changed that opinion. And I didn't change it in that  
12 forum.

13 I mean if -- if the fact that I actually  
14 appear somewhere in the legislature now tars me with a  
15 brush I'm going to have to be very careful where I go in  
16 the future.

17 MR. ANTOINE HACAULT: Now, I'll provide  
18 something to you, through your counsel, and then I'll ask  
19 a question or two (2) with respect to it. It relates to  
20 the ACORN report and your statements that you've made  
21 throughout this evidence.

22

23 (BRIEF PAUSE)

24

25 MR. ANTOINE HACAULT: I do have extra

1 copies, but I'm not sure that we're going to have to  
2 distribute them. It may be, just with the answers that  
3 Dr. Robinson gives, that we don't need to.

4 THE CHAIRPERSON: I will rather see it.

5 MR. ANTOINE HACAULT: Okay.

6

7 (BRIEF PAUSE)

8

9 MR. ANTOINE HACAULT: Since it's been  
10 distributed to everyone, perhaps we can give it an Exhibit  
11 number?

12 MR. BYRON WILLIAMS: Just -- just, Mr.  
13 Hacaault, just in terms of laying a foundation for it, you  
14 may want to ask -- it looks like that any quote being  
15 attributed to Dr. Robinson is coming from the Toronto  
16 Star.

17 So to lay a proper foundation, you may wish  
18 to inquire whether he's been interviewed by a Desmond  
19 Carlisle or not. That might assist you.

20 MR. ANTOINE HACAULT: I'll -- we'll give  
21 it a number, and then I'll proceed with my questions.

22 MR. BYRON WILLIAMS: Well, no perhaps you  
23 might like to just lay a foundation for your exhibit  
24 first, sir.

25 THE CHAIRPERSON: I don't have any problem

1 with asking Dr. Robinson. Were you interviewed by Desmond  
2 Carlisle?

3 DR. CHRIS ROBINSON: No. I've never heard  
4 of the Payday Loan Times. I've never heard of Desmond  
5 Carlisle, and I -- and I've never been interviewed by him.

6 MR. BYRON WILLIAMS: The problem, Mr.  
7 Hacaault, it looks like they may have -- have some  
8 secondhand information from the Toronto Star. So that's  
9 the -- the unfairness to the -- to the witness. And I  
10 don't mean to -- you know, you can ask Dr. Robinson  
11 whether he can -- concurs with those views. I don't have  
12 a problem with that. But I don't think it's fair to -- to  
13 put this in as an exhibit.

14

15 CONTINUED BY MR. ANTOINE HACAULT:

16 MR. ANTOINE HACAULT: I hadn't suggested  
17 yet that he had spoken to Desmond Carlisle, because I  
18 don't think the article suggests that. The article  
19 suggests that it's taken from interviews at the Toronto  
20 Star. Now this particular writer starts the article by  
21 indicating:

22 "Providers of Payday loans insist that  
23 they provided -- provide a needed  
24 service."

25 Do you agree with that statement?

1 DR. CHRIS ROBINSON: No.

2 MR. ANTOINE HACAULT: So, I'm not too sure  
3 you understood my question. This writer is saying that  
4 the providers of payday loans insist that they provide a  
5 needed service. That would -- providers would be like  
6 Rentcash, they're saying that they provide a needed  
7 service.

8 And you say that they aren't saying that?

9 DR. CHRIS ROBINSON: I'm sorry I -- okay,  
10 I'm sorry. Yes, I agree that -- that it's possible they  
11 were saying that. I don't -- don't know that of my own  
12 evidence since I never asked them that question.

13 MR. ANTOINE HACAULT: Okay. Now this  
14 report attributes to you a different opinion. It  
15 indicates that you beg to differ, implying that your view  
16 is not that they provide a needed service.

17 Do you agree or disagree?

18 DR. CHRIS ROBINSON: Since Mr. Carlisle  
19 did not interview me, I've never heard of him, and -- and  
20 the Payday Loan Times are there, any statement he  
21 attributes to me is in fact his own statement and not  
22 mine. So, I'm not -- I see no reason why I would answer  
23 this question or, indeed, any questions on this article.

24 MR. ANTOINE HACAULT: So you're refusing  
25 to let the know -- the Board know your bias on whether you

1 beg to differ as to whether they provide a needed service?

2 Because you have indicated in this  
3 proceeding that you have a bias, but you haven't explained  
4 what that bias is.

5 MR. BYRON WILLIAMS: Mr. Hacaault, if you  
6 want to put all those questions to Mr. -- or Dr. Robinson,  
7 you can do so. But you can't use an article that he has  
8 never been interviewed by -- like, you know, those are --  
9 if you, not that we -- we haven't covered these issues in  
10 exhaustive detail for the last ten (10) days, but though  
11 you're perfectly willing, you know, able to explore that.

12 Just don't use an article that has -- from  
13 a -- a reporter for which Dr. Robinson has never been  
14 interviewed, from a journal that he's not aware of. Like,  
15 that's just unfair, sir.

16 But if you want to put those general  
17 questions, put the article away. You know, I have no  
18 objection if you want to -- to ask that, but I -- I think  
19 it's fundamentally unfair the way you're presenting this.

20 MR. ANTOINE HACAULT: Well, my last  
21 question, if we read the transcript, I think, was  
22 unrelated to the article. It was whether or not he begged  
23 to differ and was of the view that they did not provide a  
24 needed service. And he said he was going to refuse to  
25 answer that.

1                   It wasn't related to the article. It was  
2 related to his stated bias. He has stated on the record  
3 that he is biased.

4                   MR. BYRON WILLIAMS: Dr. -- as counsel for  
5 Dr. Robinson, we -- I'll just suggest to Dr. Robinson,  
6 leave aside the issue of this article and just go back to  
7 your -- the -- the views you've stated many times on the  
8 record over the past ten (10) days, sir.

9                   DR. CHRIS ROBINSON: Thank you. So, for  
10 the record, my answer has nothing to do with this article  
11 written by a person I've never heard of, who has never  
12 interviewed me, and who is attributing statements to me  
13 that obviously I did not make to him.

14                   So, Mr. Hacault is not referring to that  
15 article in any way. He is asking me whether I am biased.  
16 Mr. Hacault, I respectfully suggest to the Board, is  
17 taking the statements that I made completely out of  
18 context and misinterpreting them.

19                   I stated at the beginning of my direct  
20 evidence that everyone who appears in front of this Board,  
21 or anybody in society, has biases, and that I have them  
22 too, and I recognized them and attempt to allow for them.

23                   The specific bias that I was able to  
24 identify that was relevant to this Hearing, I stated very  
25 explicitly in my direct evidence. I posed the question:

1 Are these rapacious, evil moneylenders or are they a  
2 business -- which is the problem that I'm investigating.

3 I stated that I saw this as a business  
4 problem. I was using business analytic techniques, and  
5 that is how I've proceeded throughout the Hearings.

6 I found, by actually investigating what my  
7 biases were and thinking about them -- something which is  
8 perhaps not as common as it should be -- that that was the  
9 way I thought about this problem at every stage. That I  
10 thought this is a problem that the Board has a particular  
11 mandate, wants me to resolve particular issues for it, or  
12 give it advice, and that is what I'm attempting to do.

13 Since the mandate for the Board, as I  
14 interpreted it -- formally, in writing -- was to determine  
15 a just and reasonable rate, and that required a balancing  
16 act. The question of whether payday lenders are providing  
17 a needed service is not, in fact, an issue under the bias  
18 that I'm -- that I'm operating under.

19 In other words, I mean to put it in -- in  
20 somewhat more commonplace terms. I really enjoy crunching  
21 numbers in complex and messy problems. And that is what  
22 the Board wants me to do and that is what my bias is to  
23 do. When I get irritated is when people don't give me  
24 more numbers to crunch.

25 And so, that was the bias. I do not have a

1 bias. I hear the bias you have. The Toronto Sun has  
2 recently published an article full of righteous outrage --

3 MR. BYRON WILLIAMS: Okay, Dr. --

4 DR. CHRIS ROBINSON: -- about payday

5 lenders.

6 MR. BYRON WILLIAMS: Dr. Robinson...?

7 DR. CHRIS ROBINSON: Okay.

8 MR. BYRON WILLIAMS: Just try and respond  
9 to his question.

10

11 CONTINUED BY MR. ANTOINE HACAULT:

12 MR. ANTOINE HACAULT: The next thing this  
13 article reports -- and, again, you can, without the  
14 article being right or wrong -- as you indicated to Mr.  
15 Foran on the record yesterday that the ACORN report would  
16 have allowed, I believe, three (3) to ten (10) companies  
17 to survive?

18 DR. CHRIS ROBINSON: Yes.

19 MR. ANTOINE HACAULT: That's my  
20 recollection. Now, this --

21 DR. CHRIS ROBINSON: Or a handful, but --

22 MR. ANTOINE HACAULT: -- this reports a  
23 different view.

24 Do you recall ever saying to anybody that  
25 the ACORN report would only allow one (1) or two (2) large



1 chains to survive, sir?

2 DR. CHRIS ROBINSON: I can't recall that.  
3 We now know that -- that that is true and that's why I've  
4 withdrawn. That's why I have said that I don't believe  
5 that the ACORN report is appropriate for this Board  
6 Hearing.

7 MR. ANTOINE HACAULT: Okay. Next --  
8 yesterday Mr. Foran was speaking to you about loan volumes  
9 of Rentcash.

10 DR. CHRIS ROBINSON: Yes.

11 MR. ANTOINE HACAULT: I'm going to suggest  
12 to you that if you have the total loans brokered as far as  
13 information and the number of brokered stores, and if that  
14 information is reported in each year in the financial  
15 reports of Rentcash, that you can make a determination,  
16 with those two (2) numbers, of whether the loan volume is  
17 increasing or decreasing.

18 Do you agree or disagree?

19 DR. CHRIS ROBINSON: I have to see the  
20 specific numbers you're referring to. On the base -- face  
21 of what you just said, no I can't. But I have to actually  
22 see the -- the detail. You'll have to actually provide it  
23 to me.

24 MR. ANTOINE HACAULT: So if you know the  
25 total loans brokered, what else do you need apart from the

1 total loans brokered to give average loan volume per  
2 store?

3 Don't you just take the total loans for all  
4 the stores and divide by the number of stores to find out  
5 what the average is?

6 DR. CHRIS ROBINSON: Are saying total  
7 number of loans brokered or total value of loans brokered?

8 MR. ANTOINE HACAULT: Total value of loans  
9 brokered.

10

11 (BRIEF PAUSE)

12

13 DR. CHRIS ROBINSON: Well, it sounds like  
14 -- it sounds that -- that I should be able to from that.  
15 I mean, what you're suggesting is that there's something I  
16 missed in the annual reports.

17 MR. ANTOINE HACAULT: Well, I'll show you  
18 an extract from -- and -- and the 2006 and 2007 reports  
19 were filed, and this has already been filed as an exhibit.  
20 So it will be easier for everybody to follow if they have  
21 the extracts, I guess. We don't need to mark this as a  
22 further exhibit.

23

24 (BRIEF PAUSE)

25

1                   MR. ANTOINE HACAULT:   Now Mr. Foran was  
2 asking you questions about the loan volume per store, and  
3 you had responded at page 4556 of the transcript:

4                   "I had no way of finding out, since  
5 employees did not know what the fee  
6 structure was and the public statements  
7 were misleading."

8                   So, sir, those are very strong words as  
9 against a public company to make. Where in these numbers  
10 that I've shown you is there, according to you, misleading  
11 statements which don't allow you to calculate the average  
12 loan volume based on the number of stores?

13

14                   (BRIEF PAUSE)

15

16                   MR. ANTOINE HACAULT:   You have had a  
17 couple minutes now; have you found those misleading  
18 statements, sir?

19                   DR. CHRIS ROBINSON:   You're asking two (2)  
20 different questions in -- in one (1), and I cannot answer  
21 them together.

22                   So since you wish to deal with the  
23 misleading statements, I'm sorry that I've caused you such  
24 distress. However, you cannot ask that question based on  
25 three (3) pages extracted from, literally, thousands of

1 pages of evidence, that is to say the misleading  
2 statements appear in other places. So are they --

3 MR. ANTOINE HACAULT: Where, sir?

4 DR. CHRIS ROBINSON: -- these three (3)  
5 pages? I've already stated in the evidence where they  
6 are. If you wish to provide those and show me that  
7 they're not misleading, I will retract that statement.  
8 But you cannot --

9 MR. ANTOINE HACAULT: Where, sir?

10 DR. CHRIS ROBINSON: I have stated on the  
11 record, under oath, where they appear: Mr. Reykdal's  
12 public speeches; your website.

13 MR. ANTOINE HACAULT: Which statements,  
14 sir?

15 MR. BYRON WILLIAMS: Let's just be -- be  
16 clear, Mr. Hacaault. What I am going to ask Mr. Robinson,  
17 or Dr. Robinson, to do is, there are two (2) separate  
18 questions.

19 As I understood the concern Dr. Robinson  
20 had with statements, it was with the fees charged by  
21 Rentcash, some of the statements of Mr. Reykdal, being  
22 that they're at 20 percent when they were actually  
23 somewhere higher.

24 But leaving aside the other issue, I think  
25 your other question is directed at: Is there information

1 on the record of Rentcash which will assist in calculating  
2 loan volumes?

3 So, Dr. Robinson, perhaps you can help Mr.  
4 Hacault in -- in answering that, and then if -- if we want  
5 to --

6 MR. ANTOINE HACAULT: Well, with due  
7 respect, I quoted directly from his evidence yesterday,  
8 and his statement was:

9 "I had no way of finding out, since  
10 their employees did not know what their  
11 fee structure was and the public  
12 statements were missta -- were  
13 misleading."

14 And that was directly with respect to the  
15 loan volume. The question was on loan volume.

16 MR. BYRON WILLIAMS: But the answer, Mr.  
17 Hacault, was about fee structure. You just said it out  
18 loud, sir. So I'm going to ask Dr. Robinson -- and you  
19 proceed as you wish with your cross.

20 But you have a very valid question about  
21 whether there's information on the record that would  
22 assist in calculating loan volumes. Dr. Robinson will ask  
23 about that. He's already given you his answer about the  
24 statements of Mr. Reykdal in terms of saying that the --  
25 the fees were 20 percent when they turned out to be higher

1 than that. So -- but let's -- let's not confuse the two  
2 (2) points, sir.

3 MR. ANTOINE HACAULT: Well, I'll read for  
4 the record what Mr. Foran's question was on the previous  
5 page. I'm quoting:

6 "So at the time you prepared this  
7 report, you were aware that it was  
8 likely or possible that the Rentcash  
9 volumes increasing was a statement that  
10 could be wrong, correct?"

11 That was the question. There is nothing in  
12 that question that relates to the 20 percent, nothing in  
13 that question that relates to the calculation of the 20  
14 percent. That is the question that immediately precedes  
15 his answer.

16 And if he's not willing to retract his  
17 statement, let him show where and with -- with these two  
18 (2) numbers that he can't calculate the loan volumes.  
19 I'll accept a question or an answer that he was mistaken  
20 and simply didn't read this report.

21 MR. BYRON WILLIAMS: And I'll -- I'll move  
22 it over to Dr. Robinson. We're trying to move this on.

23 But, Mr. Hacault, the quote that you read  
24 from Dr. Robinson talked about fee structure expressly.  
25 I'm sorry, but that's what it says. You've read it out

1 loud twice so far I've heard it today.

2

3 CONTINUED BY MR. ANTOINE HACAULT:

4 MR. ANTOINE HACAULT: And the question,  
5 again, for the record, immediately following his answer --  
6 and this is Mr. Foran on page 4556:

7 "And so you wouldn't know whether their  
8 volume was growing or not at that time  
9 by September 17, would you?"

10 Both the question before and after were on  
11 loan volume.

12 DR. CHRIS ROBINSON: Okay, well, I've  
13 already answered one (1) part of your two (2) part  
14 question, even though you're not willing to acknowledge  
15 that you're asking two (2) questions.

16 Yes, you are correct. I apologize to -- to  
17 you and to the Board. I did, of course, read all these  
18 reports, but I didn't focus on the fact that in the MDA,  
19 under Retention Payments, they had in fact reported the  
20 total loans brokered.

21 As you will see in -- in other annual  
22 reports -- okay, so this is on page 25, under Retention  
23 Payments.

24 "The loan payments reflect total loans  
25 brokered decreasing to 499 million loans

1 compared to 556 million in the prior  
2 year."

3 And -- and I'm sorry, and of course it  
4 would have saved me a lot of trouble had I found that.

5 Furthermore, and this is I think important  
6 for the Board to know, this number is in fact consistent  
7 with the number that -- it's -- it's virtually the same as  
8 the number that I'm using as -- as a proxy for Rentcash.  
9 And it is consistent with the Rentcash disclosure during  
10 its -- in its response to interrogatories.

11 I can't -- I can't go back through -- I  
12 can't remember, you know, which reference it was. But  
13 I've been assuming a \$1.4 million volume for Rentcash, and  
14 -- nationally -- and that what it seems to come out. And  
15 so -- so this -- this is all worked out.

16 With respect to the other matter, I  
17 respectfully suggest to the Board that it is not relevant  
18 to the determination of a just and reasonable rate.

19 However, my statement at the time that the  
20 disclosures were misleading, I would like to remind the  
21 Board that Rentcash, in fact -- after I discovered this  
22 and after the mystery shopping also showed this up -- that  
23 Rentcash in fact submitted a revised version of its fees,  
24 which shows in fact very clearly that the statements I  
25 made were absolutely correct, that the actual charge that



1 Rentcash is making is 25 percent plus a whole bunch of  
2 other charges, not 20 percent, as was stated by Mr.  
3 Reykdal, and as is state -- was stated on its website.

4 MR. ANTOINE HACAULT: And the record will  
5 speak for itself. I'm not going to get into this. The  
6 actual filing by Rentcash on September 17 indicated 20  
7 percent of the total loan brokered, and the total loan  
8 brokered including all the elements. And there was just  
9 further detail provided later on on that. I'll move on.

10 With respect to the extract from the 2007  
11 report, you'll agree on the first page of that report,  
12 this management discussion analysis was dated as of August  
13 31, 2007?

14 And that report, you'll agree with me, was  
15 released prior to your evidence, which was filed after  
16 September 17?

17 DR. CHRIS ROBINSON: Yes.

18

19 (BRIEF PAUSE)

20

21 MR. ANTOINE HACAULT: I'll take you back  
22 to your Industry Canada Report, which is CPLA-11, sir.  
23 Could you go to page 10 of that report?

24

25 (BRIEF PAUSE)

1

2 DR. CHRIS ROBINSON: Yes.

3 MR. ANTOINE HACAULT: First to make the  
4 record clear, it was you who wrote this report, and the  
5 opinions set out in this report are yours.

6 Is that correct?

7 DR. CHRIS ROBINSON: Yes.

8 MR. ANTOINE HACAULT: Okay. So at the end  
9 of -- on this particular page, you actually provide other  
10 scenarios for rates which are higher than in the Executive  
11 Summary. Is that correct?

12 DR. CHRIS ROBINSON: Yes.

13 MR. ANTOINE HACAULT: And under those  
14 particular options, there is a full paragraph, and the  
15 sentence that I'm quoting says:

16 "There is much variation in the cost  
17 structure of all the players [comma],  
18 regardless of size [comma], and so some  
19 small firms might be more efficient than  
20 some medium or even large firms."

21 And that was a conclusion you based after  
22 having reviewed all the information that you previously  
23 identified earlier on. Is that correct?

24

25 (BRIEF PAUSE)

1 DR. CHRIS ROBINSON: That conclusion, that  
2 there's much variation -- which is of course very  
3 important -- I believe I -- I'd have to read too much  
4 material right now to answer it absolutely conclusively.

5 But I believe -- and I think it's -- I  
6 think it's -- this is a good question you're asking, for  
7 the record. I believe that my -- that statement would  
8 have been influenced by Ernst & Young's comments.

9 They of course did not provide me with any  
10 individual data. I can't remember whether they said  
11 inside their report. Certain aspects they testified to.  
12 I can't remember if they said inside their report or just  
13 simply said to me as they were going through it that there  
14 was a -- an enormous amount of variation in the cost  
15 structures.

16 So I'd have to -- to tell you whether that  
17 comes from the Ernst & Young report or this other comment  
18 to me, I would have to go back and re-read the Ernst &  
19 Young report.

20 They did of course report enormous  
21 variation in certain aspects of the cost structures, such  
22 as the estimate of how long it takes to give a repeat  
23 versus a -- an original -- first-time loan, so that they  
24 said they took an average of that in determining their  
25 repeat versus first-time costs.

1                   But they said that -- that the -- the  
2   variation was huge. I believe they made other similar  
3   statements about the variation. In any case, it comes --  
4   this does come from Ernst & Young, because clearly, I  
5   didn't have enough public company reports. I had only  
6   Rentcash and Money Mart and the American ones, which I was  
7   not analysing.

8                   So the source is Ernst & Young; I just  
9   can't tell you whether they put all of it writing or some  
10  of it they actually said to me.

11                  However, I think all the industry  
12  participants with -- would know better than I do just how  
13  much variation there is.

14                  MR. ANTOINE HACAULT:   And, sir, to  
15  confirm, you were paid to provide this opinion?

16                  DR. CHRIS ROBINSON:    Sorry, I'm getting  
17  cold.

18                  MR. ANTOINE HACAULT:    Sorry, I didn't  
19  think by -- my questions were -- were making you frigid,  
20  sir.

21                  DR. CHRIS ROBINSON:    I'm sorry, I didn't  
22  realize how that would appear. I've got a headache and  
23  I'm getting cold so -- you know, Winnipeg is finally  
24  getting to me.

25                  MR. ANTOINE HACAULT:    But did you -- you

1 got paid to provide that opinion to Industry Canada, did  
2 you not, sir?

3 DR. CHRIS ROBINSON: I got paid to provide  
4 a report. And it wasn't clear, as has been the case with  
5 everything I've done, it wasn't clear what they wanted in  
6 the report. They --

7 MR. ANTOINE HACAULT: My question was  
8 simple, sir. Did you get paid to provide this opinion?

9 DR. CHRIS ROBINSON: No, I got paid to  
10 provide the report.

11 MR. ANTOINE HACAULT: Okay.

12 DR. CHRIS ROBINSON: A report.

13 MR. ANTOINE HACAULT: And in the report  
14 there is this opinion. Is that correct?

15 DR. CHRIS ROBINSON: Yes.

16 MR. ANTOINE HACAULT: Okay. The next  
17 part, sir, in the next paragraph, at that time, and I'm  
18 quoting:

19 "In assessing the fee schedules, I have  
20 also allowed interest on delinquent  
21 loans continuing at 60 percent [comma],  
22 effective annual rate period [period].  
23 This is not a significant part of the  
24 revenues [comma], but it does provide an  
25 incentive to pay on time [comma], and

1                   some compensation to the lender  
2                   [period]."

3                   End of quotation.

4                   DR. CHRIS ROBINSON:   Yes.

5                   MR. ANTOINE HACAULT:   That was an opinion  
6   that you included in this report to Industry Canada, was  
7   it not, sir?

8                   DR. CHRIS ROBINSON:   Yes.

9  
10                   (BRIEF PAUSE)

11  
12                   DR. CHRIS ROBINSON:   I would like to add  
13   the context.  At the time -- it is not true now, but at  
14   the time, Money Mart had informed me that they charged  
15   nothing on overdue loans.  And I actually -- that's  
16   explicitly why I stated that, because I said somebody  
17   should be free to do that if they wish.

18                   But it seemed to me -- and I've had payday  
19   lenders make really strong representations to me about how  
20   they're tired of carrying these bums who don't pay off --  
21   but that -- that there should, in fact, be built into the  
22   legislation a provision.

23                   If you're going to kill rollovers, you have  
24   to make a provision that -- that it isn't free once you  
25   fail to pay off.

1                   MR. ANTOINE HACAULT:    I would suggest to  
2   you that the reverse is true then, sir.  If there is no  
3   continuing interest, there is no financial incentive for  
4   anybody to pay on time.  Because if they just pay a flat  
5   fee, then they can leave that loan outstanding for ten  
6   (10) years or twenty (20) years for all they care.  They  
7   don't have any incentive to pay it quicker.

8                   DR. CHRIS ROBINSON:    Oh, yes, I agree.

9                   MR. ANTOINE HACAULT:    Okay.  That was  
10  quick.  Sorry.

11

12   (BRIEF PAUSE)

13

14                   MR. ANTOINE HACAULT:    Could you turn to  
15  page 16 of that report, sir?  That's the number in the  
16  middle of the page at the bottom.

17                   DR. CHRIS ROBINSON:    Yes.

18                   MR. ANTOINE HACAULT:    The second full  
19  paragraph, and I'm quoting:

20   "Adopting a tighter fee schedule will  
21   cause some stores to close [comma], and  
22   there is no very precise way to estimate  
23   when a significant number of communities  
24   will lose a necessary service."

25   End of quote.

1 DR. CHRIS ROBINSON: Yes.

2 MR. ANTOINE HACAULT: And that tighter fee  
3 schedule was the one where there would be, for example,  
4 two (2) hun -- 20 percent on the first two hundred and  
5 fifty dollars (\$250), 8 percent on the next two hundred  
6 and fifty dollars (\$250), and 5 percent on principal over  
7 five hundred (500).

8 Is that correct?

9 DR. CHRIS ROBINSON: Yes.  
10

11 (BRIEF PAUSE)

12

13 MR. ANTOINE HACAULT: Can you turn to page  
14 20 of that report, sir?

15

16 (BRIEF PAUSE)

17

18 MR. ANTOINE HACAULT: Have you found that  
19 page?

20 DR. CHRIS ROBINSON: Yes.

21 MR. ANTOINE HACAULT: I'm quoting from the  
22 top of that page, first paragraph:

23 "The effective annual rates on these  
24 loans are hard to grasp [period]. For  
25 shorter periods they are so large that



1           the number is meaningless [period]."

2 DR. CHRIS ROBINSON: Yes.

3 MR. ANTOINE HACAULT:

4 "You can't borrow for twenty-eight (28)  
5 days at all lenders [semicolon]; even at  
6 the maturity the [capital] E [capital] A  
7 [capital] R [for the reporter] never  
8 goes below 200 percent."

9 DR. CHRIS ROBINSON: Yes.

10 MR. ANTOINE HACAULT: Those were the  
11 opinions that you provided to Industry Canada. Is that  
12 correct?

13 DR. CHRIS ROBINSON: Yes.

14 MR. ANTOINE HACAULT: And quoting further:

15 "I have not recommended that the lenders  
16 be required to disclose the EAR [in  
17 capitals again] because these numbers  
18 are so large that they will not help  
19 anyone make better decisions [period].  
20 Even with my thirty-five (35) years of  
21 post-secondary education and research I  
22 cannot really grasp the significance of  
23 6,000 percent versus 8,000 percent on a  
24 two (2) thou -- two hundred dollar  
25 (\$200) loan [comma], except by comparing

1                   the dollar amount [period]."

2                   End of quotation.

3                   That was your opinion to Industry Canada,  
4 was it not?

5                   DR. CHRIS ROBINSON:    Yes.

6                   MR. ANTOINE HACAULT:   Now could you flip  
7 to page 22 of that report?

8                   DR. CHRIS ROBINSON:    Yes.

9                   MR. ANTOINE HACAULT:   Midway through the  
10 page, the first full paragraph after the heading, and the  
11 heading's entitled, "What Will Be the Competitive Response  
12 to Regulated Fees [question mark]?"

13                  And I'm quoting:

14                  "I cannot answer this question with  
15 absolute certainty [period]. EY [which  
16 I would believe is Ernst & Young]  
17 believes that regulation is bad because  
18 it will discourage competition to lower  
19 costs [period]. This is a pretty simple  
20 business [comma], and I am hard pressed  
21 to imagine a dramatic innovation that  
22 will lower costs [period]. However  
23 higher volume through the same facility  
24 will lower costs [comma], and every firm  
25 always has an incentive to try and

1                   accomplish that [period]."

2                   That was your opinion to Industry Canada in  
3 2005, was it not, sir?

4                   DR. CHRIS ROBINSON:    Yes.

5                   MR. ANTOINE HACAULT:   And that opinion was  
6 provided after consultation with Ernst & Young,  
7 consultation with this private lender.

8                   Is that correct, sir?

9                   DR. CHRIS ROBINSON:    Yes. Well, it would  
10 be -- I wouldn't say "consultation of the private lender."  
11 The private lender provided me some -- some information  
12 and insight, but I didn't consult with them about what I  
13 was doing with the report or anything else. And -- but  
14 yes, I was discussing -- it all went one way. I -- I was  
15 learning from them for the most part.

16                  MR. ANTOINE HACAULT:   Okay. Could you  
17 turn to page 23, sir, of that report?

18                  DR. CHRIS ROBINSON:    Yes.

19                  MR. ANTOINE HACAULT:   And the third full  
20 paragraph down, and I'm quoting:

21                         "One big question is what those  
22                         companies charging less than either the  
23                         fee of the fee schedules would do."

24                         So you have the higher ones, which you  
25 didn't put in your executive recommendations, and the

1 lower ones. Is that correct, first? That's what  
2 you're --

3 DR. CHRIS ROBINSON: Yes --

4 MR. ANTOINE HACAULT: -- talking about --

5 DR. CHRIS ROBINSON: Yes.

6 MR. ANTOINE HACAULT: -- in the context.

7 I'm continuing in my quote:

8 "I can only give my informed opinion  
9 [period]. I think Money Mart intends to  
10 succeed by efficiency and scale and will  
11 not change its fee structures  
12 significantly [period]. Tight  
13 competition will favour it in any battle  
14 because it has low costs and [open  
15 parentheses] (relatively) [close  
16 parentheses] deep pockets."

17 That was the opinion you provided to  
18 Industry Canada, was it not, sir?

19 DR. CHRIS ROBINSON: Yes.

20 MR. ANTOINE HACAULT: Then further down in  
21 the next paragraph, midway through the paragraph, and I'm  
22 quoting:

23 "There doesn't seem to be a lot of room  
24 left for profitable expansion [comma],  
25 and the next phase is usually

1 competition to secure market share and  
2 profits from existing competitors  
3 [period]. Ernst & Young staff told me  
4 that during their study they discovered  
5 many of their potential respondents from  
6 a list of the [and these are all  
7 capitals] CACFSP..."

8 And that would be the equivalent of the  
9 Canadian Payday Loan Association right now. Is that  
10 correct, sir?

11 DR. CHRIS ROBINSON: Yes.

12 MR. ANTOINE HACAULT:

13 "...gave them were no longer in  
14 business."

15 So that means that they were exiting. Is  
16 that correct, sir?

17 DR. CHRIS ROBINSON: Yes.

18 MR. ANTOINE HACAULT: And I'm continuing  
19 the quote:

20 "And others were talking of exiting."  
21 Is that the information you were provided  
22 with, sir?

23 DR. CHRIS ROBINSON: Sorry, yes.

24 MR. ANTOINE HACAULT: Continuing in the  
25 quote:

1                   "There have been some takeovers  
2                   [period]. Ernst & Young believes the  
3                   industry is at or close to maturity."

4                   Was that what Ernst & Young told you, sir?

5                   DR. CHRIS ROBINSON:    Yes. I mean, I'm  
6 willing -- if it will save the Board some time, I'm  
7 willing to agree that I wrote this report and that I said  
8 all of these things. I -- I'm not sure that I -- I need  
9 to agree again that I wrote them and said them.

10                  MR. ANTOINE HACAULT:    So -- sir, do you  
11 take opinions that you provide lightly, especially in a  
12 report like this to Industry Canada?

13                  Or do you think that the people who would  
14 have access to this would take it seriously?

15                  DR. CHRIS ROBINSON:    I've already answered  
16 that question. I take my work seriously. That does not,  
17 however, mean that I write one report and then never learn  
18 anything more.

19                  MR. ANTOINE HACAULT:    So did Ernst & Young  
20 tell you something different than what I quoted to you,  
21 subsequent to this?

22                  Did you learn something different from  
23 Ernst & Young?

24                  DR. CHRIS ROBINSON:    No.

25                  MR. ANTOINE HACAULT:    Well, but you may

1 have. You're implying that the last question I asked you  
2 was with request to Ernst & Young.

3 DR. CHRIS ROBINSON: I have filed vast  
4 amounts of analysis with the Board which is replying on  
5 all kinds of information not provided by Ernst & Young.  
6 And much of this information did not exist at the time. I  
7 have continued to learn about the industry and continue to  
8 use most recent data.

9 What you're implying is that what I did  
10 here is -- is sort of it, and if I should ever change my  
11 opinion, there must be something wrong with my mental  
12 processes.

13 I suggest that there's something wrong with  
14 mental processes that are not capable of changing or  
15 learning.

16 MR. ANTOINE HACAULT: Sir, the -- you have  
17 not identified anywhere, any other financial information  
18 that came to your attention except for the Deloitte &  
19 Young -- Deloitte & Touche, sorry, report.

20 Is that correct as far as Manitoba or  
21 Canada specific information?

22 DR. CHRIS ROBINSON: I have the benefit of  
23 all of the work that the other members of the panel did.  
24 I have the subsequent disclosures of Dollar Financial and  
25 Money mart, subsequent disclosures of Rentcash, speeches

1 by Mr. Reykdal, Statistics Canada information, continued  
2 discussions, continued attempts to make phone calls.

3 I have -- I will be making more phone calls  
4 tonight. I mean, I'm not quite sure why you suppose I've  
5 not received any further information or done any further  
6 analysis or learned anything. But perhaps that's your  
7 opinion.

8 MR. ANTOINE HACAULT: So the Deloitte  
9 Touche report, we all know, show higher numbers, but you  
10 didn't deem that information useful at all though?

11 Isn't that correct?

12 DR. CHRIS ROBINSON: I thought that  
13 possibly the information on bad debts was -- was useful.  
14 As I and other members of the panel have explained to the  
15 Board at some length, there are very significant problems  
16 with Deloitte & Touche, not the least of which they did  
17 not learn anything and, therefore, didn't change their  
18 analysis to reflect the problems that I had indicated in  
19 the ACORN report.

20 MR. ANTOINE HACAULT: Now, sir, your model  
21 purports to be a public utility model where -- not -- not  
22 even going that far, because it's not based on actuals of  
23 a particular utility. It's a model taken from a whole  
24 bunch of different parts, not from one (1) company.

25 Do -- do we have that first -- straight?



1 It's not -- we're not like a public utility. We're not  
2 dissecting Manitoba Hydro's financials to know exactly  
3 what's good and what's wrong with it. We are doing that  
4 in this Hearing.

5 MR. BYRON WILLIAMS: Mr. Hacaault, I heard  
6 about twelve (12) different speeches or -- or arguments  
7 there, so -- so maybe if you can just -- just because --  
8 maybe it was just me that was confused.

9 Just, what's your question, sir?  
10

11 CONTINUED BY MR. ANTOINE HACAULT:

12 MR. ANTOINE HACAULT: Yeah. Contrasting  
13 this hearing to a public utility hearing, we are not in  
14 this Hearing analysing one (1) company's financials and  
15 its efficiency.

16 Is that correct?

17 DR. CHRIS ROBINSON: That's down to only  
18 three (3) or four (4) questions.

19 Okay. This is not a public utility. Okay,  
20 so I can -- I can answer that question. So the payday  
21 lenders are not public utilities and, therefore, this is  
22 not a Public Utility Regulation Hearing.

23 I have provided a model using information  
24 available to me. I am not trying to compare or contrast  
25 this with a public utility hearing. I'm not sure what

1 other question I'm supposed to be answering at this point.

2 MR. ANTOINE HACAULT: Let's take it one  
3 (1) step further then. If you say it's not a public  
4 utility hearing, is it your view, sir, that any definition  
5 of "just and reasonable" as it relates to a public utility  
6 hearing is totally inapplicable to this Hearing?

7 MR. BYRON WILLIAMS: Just on that point,  
8 you can certainly hear from -- my views on that in closing  
9 argument. If you want to ask Dr. Robinson whether he used  
10 just and efficient criteria or whatever, that's fine. But  
11 what's applicable in the context of the Hearing, I think,  
12 is in my province, Mr. Hacault.

13 MR. ANTOINE HACAULT: But I need to know  
14 what this -- how this witness approached it; if he  
15 approached it based on what "just and reasonable" is using  
16 a public utility test, and he said this is not a public  
17 utility hearing.

18 I am entitled to know how this witness  
19 approached his evidence.

20 MR. BYRON WILLIAMS: And he can answer it.  
21 But he's said it about seven (7) times; he's been using an  
22 efficiency model, sir. It's all over his evidence.

23 DR. CHRIS ROBINSON: Yes, well, I was -- I  
24 think I was going to give the same answer as Mr. Williams  
25 was. Well, no, not quite the same answer. I don't think

1 it's Mr. Williams' province; I think it's the Board's  
2 province to determine what the criteria are and it's the  
3 legislature's.

4 The legislature, and as I read the  
5 legislation and then as I interpreted it, I have  
6 explained, I used what I thought was a just and reasonable  
7 rate approach, and the balance -- I described that both in  
8 writing and orally, and I haven't changed my opinion.

9 So that whether it's a public -- it's a  
10 Public Utilities Board, but they were given a mandate by  
11 the legislature with a specific piece of legislation. And  
12 that is what I'm responding to, so that I am not -- I'm  
13 not trying to put a label on this as being a public  
14 utilities hearing, a public utilities model, or anything  
15 else. It is exactly what it is. And I have given you  
16 great detail, including even the spreadsheets with the  
17 logic behind them.

18 So, that is your -- that's -- the answer to  
19 your question is already resident in everything I've  
20 provided.

21

22 CONTINUED BY MR. ANTOINE HACAULT:

23 MR. ANTOINE HACAULT: Okay. Filed as RC-  
24 15 is an extract from a Public Utility Regulation book,  
25 and it talks about the approach with respect to a public

1 utility. At page 177 it indicates the formula that's  
2 used: R is the total revenue required.

3 Do you have, in your sheet, the total  
4 revenue required?

5 DR. CHRIS ROBINSON: Yes.

6 MR. ANTOINE HACAULT: Do you -- the next  
7 is the total revenue required is the sum of, and the first  
8 one is the operating costs.

9 Do you have in your model the operating  
10 costs?

11 DR. CHRIS ROBINSON: Yes.

12 MR. ANTOINE HACAULT: The next item is the  
13 gross value of tangible and intangible property.

14 Do you have in your model the gross value  
15 of tangible and intangible property, sir?

16 DR. CHRIS ROBINSON: This looks like we're  
17 going to go on for a long time. Could I have the sheet  
18 from which you are reading, please, since I don't have it  
19 in front of me?

20 MR. ANTOINE HACAULT: Actually, there's  
21 just two (2) questions to ask, and I'll be finished.

22 MR. BYRON WILLIAMS: Just assist Mr.  
23 Hacault.

24 DR. CHRIS ROBINSON: Okay. Yes.

25

1 CONTINUED BY MR. ANTOINE HACAULT:

2 MR. ANTOINE HACAULT: The next item is  
3 accrued depreciation of the tangible and reproducible  
4 property.

5 Do you have that in your model, sir?

6 DR. CHRIS ROBINSON: I can't quite  
7 describe it in that way. I think for the purposes of the  
8 Board, you'd say, yes. What I'm really using is the --  
9 because I'm using a forward-looking model in a perpetuity.  
10 I'm using the replacement costs.

11 MR. ANTOINE HACAULT: And the last item is  
12 the allowed rate of return.

13 Do you have that in your model?

14 DR. CHRIS ROBINSON: Yes.

15

16 (BRIEF PAUSE)

17

18 MR. ANTOINE HACAULT: Now, sir, I believe  
19 you had acknowledged when you were with all the panel that  
20 you have never been in the business of providing payday  
21 loans or advised management with respect to that  
22 particular business.

23 Is that correct?

24 DR. CHRIS ROBINSON: You could suggest  
25 some of the things I've been saying during the Hearings

1 are advice to management it seems, but no I've never --  
2 I've been in the business of making payday loans other  
3 than to my children.

4 MR. ANTOINE HACAULT: Oh, I can sympathize  
5 with that, I tell you. Usually they don't wait until  
6 payday though.

7 Sir, the next statement -- I don't think  
8 you need to refer to a book, but I'll give it to your  
9 counsel anyways. It's Volume II of the continuing  
10 disclosures by the Public Utilities Board. It was dated  
11 January 18, 2008. And at Tab 22 of that particular book,  
12 there was a quote, and I'll read it in for the record --  
13 it -- and I'll provide it first to you so you can look it.  
14 And then I'll ask you the question.

15 The document, for the record, is entitled,  
16 "Payday Loans with a Conscience." It's dated November 2,  
17 2007, and it was found at Tab 22, and I'll be referring  
18 the witness to page 4 of 5 at the bottom.

19

20 (BRIEF PAUSE)

21

22 MR. ANTOINE HACAULT: The witness is still  
23 reviewing the document. I don't think they were able to  
24 find their own copy, so I provided mine, members of the  
25 Board. It's a fairly simple question, but I wanted him to

1 have the opportunity to review the statements made, or  
2 attributed as being made, to a representative of Royal  
3 Bank of Canada.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: I thank Mr. Hacaault  
8 for sharing that with the witness.

9

10 (BRIEF PAUSE)

11

12 MR. ANTOINE HACAULT: Sir, I'm going to,  
13 for ease of reference at a later time, read some of what  
14 was stated here. And these statements are attributed to  
15 Anne Lamont, Vice President of Policy and Regulatory  
16 Affairs of RBC, and the quote that they attribute to her  
17 is as follows:

18 "Obviously [comma], there is a perceived  
19 need out there [period]. We would want  
20 to be looking at it [period]. The one  
21 thing that we do not want to promote is  
22 something that is going to be a  
23 spiralling effect [comma], so somebody  
24 can't get thems -- get themselves out of  
25 debt [period]."

1 And then the new paragraph:

2 "The banks [comma], Lamont says [comma],  
3 can't offer customers small [comma],  
4 short-term loans with interest rates of  
5 less than 60 percent [comma], as critics  
6 have suggested they should."

7 New paragraph continuing in the quote:

8 "When you start talking about sitting  
9 down [comma], talking to a client  
10 [comma], processing an application  
11 [comma], putting it into your system  
12 [comma], having the technology to  
13 support it [comma], it becomes a very  
14 [comma], very costly way to advance  
15 three hundred dollars (\$300) [period]."

16 Have you spoken to any bank representatives  
17 that have expressed a different view than what is  
18 attributed to Ms. Lamont, sir?

19 DR. CHRIS ROBINSON: No.

20 MR. ANTOINE HACAULT: Mr. Chairman and  
21 members of the Board, it may be an appropriate time to  
22 break. We're just past 12:00.

23 THE CHAIRPERSON: Very good, we will take  
24 our lunch break now and come back at 1:00, thank you.

25



1 --- Upon recessing at 12:03 p.m.

2 --- Upon resuming at 1:09 p.m.

3

4 THE CHAIRPERSON: Okay, welcome back  
5 everyone. Mr. Hacault, do you want to continue with your  
6 cross-examination?

7 MR. BYRON WILLIAMS: Mr. -- Mr. Chairman,  
8 if I might --

9 THE CHAIRPERSON: Yes, Mr. Williams?

10 MR. BYRON WILLIAMS: I do -- I still have  
11 a list of, by my count, six (6) or seven (7) undertakings.  
12 Most of them are quite short, but one (1) of the ones that  
13 -- that -- and I can -- related that is ready now was that  
14 the -- Dr. Simpson and Dr. Robinson were asked to come up  
15 with an estimate of how much a single family or person  
16 might spend on payday loan fees in a year.

17 So what they've done is they've prepared --  
18 Dr. Simpson has prepared that, and then that's in kind of  
19 one exhibit that we're prepared to present right now, is  
20 response to the undertaking.

21 And I'll seek the Board's guidance on that.  
22 Dr. Robinson has gone one step further, which is to look  
23 at the same impact at different fee structures; some of  
24 the fee structures in place.

25 So if the Board would like that as well,

1 we'd be happy to share that.

2 THE CHAIRPERSON: I don't see any harm in  
3 it, Mr. Williams. Okay, do you want to file it now?

4 MR. BYRON WILLIAMS: Yeah, they're over, I  
5 believe, on Mr. Gaudreau's desk or the Board Secretary's  
6 desk.

7 THE CHAIRPERSON: This is the Coalition's  
8 response -- or their undertakings.

9 MR. BYRON WILLIAMS: And one (1) of them,  
10 Mr. Gaudreau, should be a document dated February 13th,  
11 2008 called "Frequency of Payday Loan Use." It's a -- for  
12 environmental purposes, it's two-sided copying.

13 The other one is a doc -- "How Much Does an  
14 Average Family Spend on Payday Loans?" So I'll ask Dr.  
15 Simpson to lead off and then Dr. Robinson to finish up on  
16 this.

17 THE CHAIRPERSON: Given our schedule, in  
18 fairness, as Mr. Foran pointed out, it probably good -- as  
19 quick as we can to get the completion of the undertakings  
20 from all parties, it would be a very good idea.

21 MR. BYRON WILLIAMS: And we'll do our best  
22 to accommodate. We're just have a few time stresses on  
23 Mr. Williams' side of the table, Mr. Chairman.

24 THE CHAIRPERSON: Mr. Williams, who did  
25 you say was going to address this?

1                   MR. BYRON WILLIAMS:   Dr. Simpson first and  
2 then Dr. Robinson.

3                   THE CHAIRPERSON:    Very good.  
4 Gentlemen...?

5                   DR. WAYNE SIMPSON:   Hello, should I begin  
6 while -- I see they're distributing.

7                   Well, I think I had said that it would be  
8 possible to estimate the frequency of payday loan use and  
9 -- and that's what I've done here -- I've tried to do  
10 here.

11                   I've taken the FCAC survey results, which  
12 was ninety-one (91) individual respondents who answered  
13 the question about -- that were payday loan consumers, and  
14 all but one (1) answered the question about how frequently  
15 they use payday loans.

16                   From that, I've made explicit what my  
17 assumptions would be in the ranges that they've mentioned.  
18 And there's enough ranges there that I think, you know, we  
19 can make some -- some reasonable assumptions about what  
20 the mean would be within each of those ranges and from  
21 that we can construct a -- an estimate of the average  
22 number of loans a person uses in a year, of the payday  
23 loan consumers.

24                   And, so, I've done that. I basically said  
25 that those who said they took out a payday loan more than

1 once a month -- has to be at least twelve (12) and can't  
2 be any more than twenty-one (21), because if you divide --  
3 well at least -- loans are at least twelve (12) days long.

4               So I've taken twelve (12) days as the  
5 number -- the average number of days of a very, very  
6 frequent user and I've come up with thirty (30) loans  
7 there, and twelve (12) loans as once a month. And the  
8 average between those two (2) is twenty-one (21). So,  
9 I've taken twenty-one (21) payday loans as typical if  
10 someone says they do it more than once a month.

11              Then I've said once a month means twelve  
12 (12) payday loans a year. A few -- every few months I've  
13 taken few to be three (3), and I've said that's about four  
14 (4) loans a year. I think normal parlance is three (3)  
15 but that's obviously again a -- an estimate.

16              And then took out a payday loan once or  
17 twice a year, I've taken that as one and half (1 1/2)  
18 loans a year, and then took out a payday loan more than  
19 once a year. Well, these open-ended questions, I mean,  
20 there's no reasonable guess. My only answer there is that  
21 it doesn't really matter. This end of the distribution is  
22 -- is immaterial to the calculations.

23              The average number of loans is then the  
24 weighted average of those numbers, and I've done that  
25 below and come up with four point eight (4.8) loans per

1 year for the average payday loan customer.

2 I point out below that, that this is driven  
3 by the first two (2) categories: the people who take out  
4 payday loans more than once a month or at -- about once a  
5 month. These are the really frequent users that have been  
6 discussed in these Hearings and are clearly the people  
7 that there's some concern about, both in terms of -- of  
8 the financial difficulties they might get in, the need for  
9 credit counselling, and -- and other matters.

10 And they -- they account for 85 percent of  
11 all loans taken out by these estimates. In other words,  
12 they account, themselves, for four point one (4.1) loans  
13 per year and the total is four point eight (4.8). So  
14 that's about 85 percent of the total.

15 And then over leaf on yours, on the second  
16 page on mine, I've simply illustratively said that from  
17 those numbers -- four point eight (4.8) loans a year, you  
18 can estimate the average spent on loans in any given year.  
19 I've taken three hundred dollars (\$300), I think.

20 Dr. Robinson, who -- who knows more about  
21 this industry than I ever will, has taken three hundred  
22 and forty-five dollars (\$345). I've taken three hundred  
23 (300) as illustrative and a 20 percent fee and come up  
24 with two hundred and eighty-eight dollars (\$288) a year.

25 The frequent users, however, pay a lot

1 more. Again, using the same calculations, if a per -- the  
2 people who are saying "more than once a month," if that's  
3 twenty-one (21) times a year, that amounts to twelve  
4 hundred and sixty dollars (\$1,260) per year.

5 And those who say they're using the service  
6 about once a month, that estimate would be about seven  
7 hundred and twenty dollars (\$720) a month using a service  
8 fee of 20 percent and a -- an average loan amount of three  
9 hundred dollars (\$300).

10 THE CHAIRPERSON: Thank you, Dr. Simpson.  
11 Dr. Robinson...? You want to briefly introduce the --

12 DR. CHRIS ROBINSON: Yes.

13 THE CHAIRPERSON: -- pending exhibit, "How  
14 Much Does the Average Payday Borrower Spend?"

15 DR. CHRIS ROBINSON: Yes, so I'll just  
16 simply turn to the table. So you have -- what I've done  
17 with this table is look at all kinds of families from the  
18 single-time borrower to multiple borrowers.

19 The average loan I've taken as three  
20 hundred and forty-five dollars (\$345), and then I have  
21 number of loans. I have two (2) columns there which don't  
22 have a number of -- which don't have a number of loans  
23 shown. And -- or sorry one (1) column, it shouldn't have  
24 number of loans shown, one (1) which is uneven. So single  
25 borrower would have three hundred and forty-five dollars

1 (\$345) a year annual loan volume on average.

2                   The frequent borrowers get into quite a few  
3 thousand dollars worth of them. There is -- I've made one  
4 (1) additional estimate. Dr. Simpson provides the column  
5 four point eight (4.8), the number of loans; so this is  
6 one (1) estimate of the average number of use.

7                   Another way to look at that, to try to  
8 investigate this question -- and, of course, we -- we  
9 don't know, but it gives a range -- is to look at the  
10 estimate of loan volume for Canada, divide by the number  
11 of users which -- and that estimate of users is to be  
12 found in the Buckland, et al, report, four hundred and  
13 forty-seven thousand (447,000).

14                   The 1.7 billion estimate of annual loan  
15 volume is what I estimated for Industry Canada some years  
16 ago, so that may have gone up or -- or down. I just  
17 decided to use the older figure as -- as one that I had a  
18 source for, even if it's my own source. And that say s  
19 thirty-eight hundred dollars (\$3,800) a year loan volume.

20                   Then I can simply apply simplified version  
21 of all the sorts of fees that we've heard about in the --  
22 of all the different fee levels we've heard of in the  
23 Hearings: 36 percent APR, which a bunch of states are  
24 using; 15 percent of principal, which is several US states  
25 are regulated to; 17 percent, which is the Coalition

1 recommendation or the pan -- sorry, not the Coalition, the  
2 panel recommendation, I guess I should say; 19 percent  
3 which, ignoring the details of Money Mart, is sort of the  
4 average across all loans for their charges; 20 percent,  
5 which is Cash Money, the CPLA recommendation, at one (1)  
6 point at least, and Dr. Gould's minimum level; 23 percent,  
7 which is Dr. Gould's maximum of his range; 24 percent,  
8 which is approximately what Loans Per Payday -- Loans 'Til  
9 Payday is, charging when you include their interest;  
10 31 percent first loan, then 29 percent, which is -- it's -  
11 - it's hard to summarize Rentcash's structure in any  
12 single number, but that's approximately what Rentcash is  
13 charging.

14                   And so then you can see what the family  
15 would pay.

16                   So the single user could pay, you know,  
17 fifty (50), sixty dollars (\$60), up to a hundred dollars  
18 (\$100) -- up to over a hundred dollars (\$100) on -- on  
19 this loan.

20                   The -- the four point eight (4.8), the  
21 average user, using Dr. Simpson's estimates of average,  
22 would be paying anywhere from the Coalition recommendation  
23 of two hundred and eighty-one (281) up to five hundred  
24 (500) under Rentcash.

25                   If you get to the other, and -- and there



1 is no way to reconcile of -- of -- at least not that we're  
2 aware of -- to reconcile the fact that there's such a  
3 difference between the -- the two (2) ways of estimating  
4 the average.

5                   But if you go to a thirty-eight hundred  
6 dollar (\$3,800) average, it's -- which is looking like  
7 it's, you know, somewhere around a dozen (12) loans a year  
8 -- it's eleven hundred (1,100), over eleven hundred  
9 dollars (\$1,100) at the top end or, going down the to  
10 Coalition recommendation, six hundred and forty-six (646).

11                   And then the table goes -- well, I did as  
12 high as twenty (20), I think. So it, you know, they can -  
13 - it gets even higher. So that you can see -- this gives  
14 us an idea of the magnitude of the fees. And these are,  
15 on average, relatively a lot of money for families at the  
16 income levels that we have seen or for, certainly, many of  
17 the families. But that's -- and that -- that's it. So it  
18 gives you a range. Some -- some families it, of course,  
19 would be minimal. If they're taking one (1) loan a year,  
20 then it doesn't matter much.

21                   We do know from the Ernst & Young data,  
22 however, that the high frequency that Dr. Simpson noted is  
23 driving it, that's, in fact, entirely consistent with what  
24 Ernst & Young reported since, they said fifteen to one  
25 (15:1) repeat to new lenders -- to, sorry, to new

1 borrowers.

2 MR. BYRON WILLIAMS: Dr. Robinson, thank  
3 you for that. Just one question of clarification: I --  
4 in -- in -- and -- and I think it's just a typographical  
5 error.

6 On the table itself, there's an estimate of  
7 users, and the figure is four hundred -- four hundred and  
8 forty-seven thousand (447,000); in the written text it may  
9 say four hundred and seventy-seven thousand (477,000).

10 But, subject to check, I'd ask you to  
11 confirm that the proper number is four hundred and forty-  
12 seven thousand (447,000).

13 DR. CHRIS ROBINSON: Sorry, my mistake.  
14 Yes, it's four hundred and forty-seven thousand (447,000).  
15 That's what's used in the calculations.

16 MR. BYRON WILLIAMS: Yes. So just for the  
17 benefit of other parties, on the written text, if you  
18 would take out a seven (7) and put in a four (4), for four  
19 hundred and forty-seven thousand (447,000). Thank you.

20 And the witnesses are ready for cross-  
21 examination.

22 THE CHAIRPERSON: Thank you, gentlemen.  
23 Do we have an exhibit number?

24 MS. ANITA SOUTHALL: Yes, Mr. Chairman.  
25 So the document entitled "Frequency of Payday Loan Use,"

1 which is one of the answers to undertakings, Coalition  
2 Exhibit 40.

3

4 --- EXHIBIT NO. COALITION-40: Document entitled "Frequency  
5 of Payday Loan Use."

6

7 MS. ANITA SOUTHALL: And the second  
8 document, which was the -- the undertaking response of Dr.  
9 Robinson, "A Matter of Regulating Payday Loan Fees before  
10 the Manitoba Public Utilities Board - How Much Does an  
11 Average Payday Borrower Spend on Payday Loans?" Coalition  
12 Exhibit 41.

13

14 --- EXHIBIT NO. COALITION-41: Document entitled "A  
15 Matter of Regulating Payday  
16 Loan Fees before the Manitoba  
17 Public Utilities Board - How  
18 Much Does an Average Payday  
19 Borrower Spend on Payday  
20 Loans?"

21

22 THE CHAIRPERSON: Very good. I am sure  
23 the other parties other than the Coalition want a few  
24 minutes to consider this. So we will go back now to Mr.  
25 Hacault's cross-examination of Dr. Robinson.

1

2 CONTINUED BY MR. ANTOINE HACAULT:

3 MR. ANTOINE HACAULT: Thank you, Mr.  
4 Chairman.

5 When explaining the table, Dr. Robinson,  
6 you had referred to the Ernst & Young report. That was a  
7 report that was done when the CPLA had not yet introduced  
8 its non-rollover environment.

9 Is that correct?

10 DR. CHRIS ROBINSON: They may have done it  
11 when they -- when they had introduced it, but, of course,  
12 they were looking at historic numbers. So, no, I  
13 shouldn't think that much of the -- the change in  
14 rollovers was in -- was in there in those numbers.

15 However, I just want -- what table are you  
16 referring to?

17 MR. ANTOINE HACAULT: Well, no, you just  
18 referenced your Ernst & Young report.

19 DR. CHRIS ROBINSON: Okay, you're just  
20 talking about what --

21 MR. ANTOINE HACAULT: Yes.

22 DR. CHRIS ROBINSON: -- the report said?  
23 Yeah.

24 MR. ANTOINE HACAULT: And my understanding  
25 is at that point that report preceded the subsequent

1 policy that the CPLA put in place on no rollovers for its  
2 members.

3 Am I correct?

4 DR. CHRIS ROBINSON: Yes.

5 MR. ANTOINE HACAULT: Okay. I guess the  
6 other point, the -- the FCAC in this may have been  
7 commented on before -- is ninety-two (92) respondents,  
8 some of which were not only payday loan people, and the  
9 number that you took out of SFS is that they put a number  
10 of four hundred and forty-seven thousand (447,000).

11 So, we have a sampling of much less than 1  
12 percent on which we're trying to draw conclusions. Is  
13 that correct?

14

15 (BRIEF PAUSE)

16

17 DR. CHRIS ROBINSON: Yeah, it's less than  
18 1 percent of the population. It's 1.8 percent of the  
19 sample. But yes, of course, you're quite right. The --  
20 these are -- this is the nature of how such statistical  
21 inferences are drawn. That is partly why I presented the  
22 table saying, Well, if you've got ten (10), twelve (12),  
23 fourteen (14) loans or whatever per year -- and we know  
24 that in fact the number is high because of the number of  
25 repeats which the industry -- those are not rollovers,

1 those are repeats. But -- and, of course, Deloitte &  
2 Touche didn't canvas that information.

3 But we can -- we're not really drawing  
4 conclusions from it. We're simply providing a range of --

5 MR. ANTOINE HACAULT: Okay.

6 DR. CHRIS ROBINSON: -- of information.  
7 And of course, we hadn't thought of calculating this  
8 before so it had no influence on our -- on our  
9 determination of the fee cap.

10 MR. ANTOINE HACAULT: And in fact, for the  
11 Deloitte & Touche report, and if my recol -- recollection  
12 serves me right, it was rejected by you as not being  
13 statistically significant because you only had about a  
14 third (1/3) of the private companies represented in that  
15 sample?

16 DR. CHRIS ROBINSON: Yes, but there was a  
17 bias in the sample selection, which was really our point.

18 MR. ANTOINE HACAULT: Now it's not a -- a  
19 big point, but I think I just want to understand when you  
20 had said Advance America no longer operated, where it  
21 referred loans to third parties.

22 Am I understanding your evidence correct  
23 that they -- you're -- you've based your conclusion on the  
24 fact that throughout the United States they don't refer  
25 loans to third parties?

1                   In other words, there aren't lenders, such  
2 as the Rentcash broker model, who provide the funds  
3 directly to the borrower?

4                   DR. CHRIS ROBINSON:   They report in their  
5 10-K one thing for Texas. They report that they're using  
6 a -- a consumer organization model. That doesn't sound  
7 right, consumer service operation -- I'm sorry, I can't --  
8 it's CSO, and I can't remember what it stands for now.  
9 And they don't explain what that is. They're showing no  
10 service fees anymore, so that they're making all the loans  
11 on their own account. But I don't know exactly what it is  
12 they're doing in Texas.

13                   Excuse me, so as far as their reporting  
14 goes, I it -- it appears to me, my best opinion is that it  
15 -- that they have ceased entirely acting purely as a  
16 broker, but I don't know what they're doing in Texas.

17                   In all the other states it seems they have  
18 stopped. That was partly the issue in Pennsylvania,  
19 because I think in Pennsylvania, I think part of the  
20 regulation issue was that they were sort of appearing as  
21 if they were not making the loans themselves or something.  
22 But I don't -- again, I mean there are, they're in an  
23 awful lot of states.

24                   But, as I said, if you take a look at the  
25 financial statements that -- that we were examining

1 earlier, they are showing no service fee revenues  
2 recently. Okay, like they -- they were large and then  
3 they disappeared, so that if there is something in some  
4 way where they're getting money indirectly from somebody,  
5 I can't detect it. I mean --

6 MR. ANTOINE HACAULT: Did --

7 DR. CHRIS ROBINSON: -- perhaps you have  
8 talked to them directly.

9 MR. ANTOINE HACAULT: -- did you include  
10 the total number of companies or payday loan outlets in  
11 doing your calculations, or did you subtract the ones from  
12 Texas then?

13 DR. CHRIS ROBINSON: Well, no, as far as I  
14 can tell from Texas, as far as I can tell -- as I said,  
15 I'm point out Texas because, you know, I'm trying to  
16 assist the Board in this matter. I'm not providing much  
17 assistance, since I don't know what's going on in Texas.

18 According to their reports, everything is  
19 now flowing through as a loan that they are lending, and  
20 so I can do exactly what I did with the analysis. That's  
21 what it appears to be now. And I could find nothing to  
22 contradict that.

23 I mean if you have something -- some other  
24 evidence, then I would be happy to assist you with it.  
25 But I'm not -- I don't see any such evidence. I'm telling



1 you everything that I do know. But financial statements  
2 say that everything's included.

3 MR. ANTOINE HACAULT: But my question to  
4 you was whether or not you included or excluded those  
5 Texas stores.

6 DR. CHRIS ROBINSON: Oh no, I didn't  
7 include the Texas stores. There's no reason to.

8 MR. ANTOINE HACAULT: So you took the  
9 number of stores out of -- when you did your calculations?

10 DR. CHRIS ROBINSON: No, I include -- what  
11 did I say, or did I list too much?

12 MR. BYRON WILLIAMS: The opposite.

13 DR. CHRIS ROBINSON: Oh, I'm sorry. No,  
14 no, Texas is included. There was no reason to exclude  
15 Texas.

16 MR. ANTOINE HACAULT: Okay.

17 DR. CHRIS ROBINSON: Perhaps if it would  
18 assist you, one of the odd things -- I'm going by memory  
19 here, but this memory stretches over back several  
20 examples --

21 MR. ANTOINE HACAULT: Can -- can I just --

22 DR. CHRIS ROBINSON: Okay.

23 MR. ANTOINE HACAULT: -- refer you to one  
24 (1) or two (2) pages in the report, sir? At page 23 of  
25 PUB-25 which is the 10-Q for the time period ending

1 September 30, 2007, in the overview --

2 DR. CHRIS ROBINSON: Sorry, can I have  
3 that page number again please?

4 MR. ANTOINE HACAULT: Page 23.

5

6 (BRIEF PAUSE)

7

8 MR. ANTOINE HACAULT: It's the second  
9 paragraph after the heading "Overview." Midway through  
10 that paragraph there is the reference, and I'm quoting for  
11 the record:

12 "In Texas [comma], where we operate as a  
13 credit services organization we refer  
14 customers to a third-party lender that  
15 may approve and fund advances to  
16 customers.

17 Under the terms of our agreement with  
18 this lender, we process customer  
19 applications and are contractually  
20 obligated for all losses."

21 Do you see that?

22 DR. CHRIS ROBINSON: Yes.

23 MR. ANTOINE HACAULT: Okay. Are you  
24 suggesting that they would incur and be responsible for  
25 losses but receive no revenue?

1 DR. CHRIS ROBINSON: No, and that's why I  
2 presume that the revenue is included in the fees. Yeah,  
3 in the -- I mean they're showing -- I'm not concluding  
4 anything. I'm reading the annual -- the 10-K that they  
5 provided, from which you're quoting. And it shows no  
6 service fee revenue.

7 So, I mean, I -- again, I'm not the Chief  
8 Financial Officer of -- of these companies.

9 MR. ANTOINE HACAULT: And the stores  
10 represent approximately 10 percent of their US stores. Is  
11 that correct?

12 MR. CHRIS ROBINSON: If you'll wait until  
13 I find the appropriate reference --

14 MR. ANTOINE HACAULT: Page 29.

15

16 (BRIEF PAUSE)

17

18 MR. ANTOINE HACAULT: Getting close. It  
19 represents two hundred and fifty-three (253) stores out of  
20 two thousand nine hundred and ten (2,910). Is that  
21 correct?

22 DR. CHRIS ROBINSON: Yes.

23 MR. ANTOINE HACAULT: Dr. Robinson, I'd  
24 like to move to your slide presentation now please.

25

1 (BRIEF PAUSE)

2

3 MR. ANTOINE HACAULT: Unfortunately my  
4 slides are not numbered. It's the sec -- or the third  
5 slide after the picture of the horse and the rabbit, the  
6 horse and pony show. It says, "Recommended fee caps."  
7 There you go.

8 DR. CHRIS ROBINSON: Yes.

9 MR. ANTOINE HACAULT: Now, on the document  
10 which we've marked as Coalition Exhibit 41, you've  
11 indicated as, if I understood this correctly, that Money  
12 Mart's average charge, as you've put it down there, is 19  
13 percent.

14 Is that correct?

15 DR. CHRIS ROBINSON: Yes.

16 MR. ANTOINE HACAULT: So that -- are you  
17 aware of any other provider which charges less than 19  
18 percent, or is Money Mart the lowest provider?

19 DR. CHRIS ROBINSON: I don't know what  
20 Mogo in Manitoba is charging. I've been informed of  
21 various rates. And I think they changed their rates. So  
22 it is possible that MOGO is charging slightly lower than  
23 that, but I'm not sure of that.

24 Other than that, I'm not aware of any. And  
25 Mogo not -- is not charging a great deal less. At one

1 point they were offering 20 percent on -- or a -- a higher  
2 rate; I don't remember what it was -- on the first six (6)  
3 loans and then a lower rate after that, so that you'd have  
4 an average.

5 If they're still doing that, then on  
6 average they would be charging less than Money Mart, but  
7 not a great deal.

8

9 (BRIEF PAUSE)

10

11 MR. ANTOINE HACAULT: Sir, you've  
12 acknowledged that you haven't operated a business of  
13 payday loans.

14 Your model assumes a certain loan loss. Is  
15 that correct?

16 DR. CHRIS ROBINSON: My model provides for  
17 loan losses. You can enter anything you'd like into the  
18 model. I have made assumptions about loan losses.

19 MR. ANTOINE HACAULT: Could you provide me  
20 a list, sir, if I was a payday lender or somebody who  
21 wanted to enter the bus -- business of payday lender and  
22 wanted to have a client base that would only result in a 3  
23 percent loan loss, what's the list of things I have to ask  
24 the clients to be able to run my business that way?

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: If you can help Mr.  
4 Hacaault, Dr. Robinson, without venturing too far afield,  
5 then do so. If you can't, just say that you're not able  
6 to assist him. It's up -- you know, if you can help him,  
7 help him. If not, move on.

8 DR. CHRIS ROBINSON: No. I don't think I  
9 could assist you with that or say anything helpful.

10 MR. ANTOINE HACAULT: Thank you.

11

12 (BRIEF PAUSE)

13

14 CONTINUED BY MR. ANTOINE HACAULT:

15 MR. ANTOINE HACAULT: Sir, I think you  
16 were present when I had introduced into evidence, in  
17 asking Dr. Buckland questions, the number of major US  
18 companies, which were all above the 4 percent loan loss  
19 rates.

20 Is it your view that all these public  
21 companies are inefficient?

22 DR. CHRIS ROBINSON: I don't have an  
23 opinion, not having investigated them.

24

25 (BRIEF PAUSE)



1 loss rate down with respect to those thousand (1,000)  
2 borrowers?

3 DR. CHRIS ROBINSON: You don't lend to  
4 the six (6) that -- who defaulted.

5 MR. ANTOINE HACAULT: So, it would be --

6 DR. CHRIS ROBINSON: Sorry, sorry, sixty  
7 (60).

8 MR. ANTOINE HACAULT: But you weren't  
9 able to tell me how I might identify those sixty (60).  
10 Is that correct?

11 DR. CHRIS ROBINSON: No, but we are  
12 talking multiple years. If we're talking, furthermore,  
13 borrowers who borrower multiple times in a year. So that  
14 having lost from the first pool of those, you're now  
15 lending to a pool of nine hundred and forty (940). We  
16 know that there's a very heavy repeat business, that the  
17 same people are coming back to the payday lenders. So --

18 MR. ANTOINE HACAULT: Okay, let me just  
19 test what you just said. That assumes that you just have  
20 one (1) lender. If each lender has a pool of a thousand  
21 (1,000) borrowers, your thesis no longer is valid.

22 And we have a number of lenders in  
23 Manitoba. Isn't that correct?

24 DR. CHRIS ROBINSON: What you want me to  
25 do is calculate a conditional probability on how quickly



1 they will cycle through those borrowers. What I said  
2 doesn't change. It will take you six (6) months instead  
3 of one (1) month to start figuring it out.

4 MR. ANTOINE HACAULT: So if there's  
5 fifteen (15) borrowers, it'll take six (6) months, so  
6 that they go through each borrower in Manitoba, and each  
7 borrower finds out that they're defaulting and no longer  
8 going to pay?

9 Can you say that with certainty, sir?

10 DR. CHRIS ROBINSON: No.

11

12 (BRIEF PAUSE)

13

14 MR. ANTOINE HACAULT: Now, sir, in  
15 Manitoba are you aware of any other payday lenders that  
16 provide the higher-risk product, which is referenced as  
17 signature loans, which are longer-term loans between  
18 fourteen (14) and thirty-one (31) days?

19 Are you aware of anybody else providing  
20 that higher-risk product?

21 DR. CHRIS ROBINSON: I'm sorry, you're  
22 making an assertion in that rather than a question.  
23 You're asserting that this is a higher-risk product, and  
24 I do not --

25 MR. ANTOINE HACAULT: Well, that was the

1 evidence of Mr. Reykdal. Do you have any other evidence?

2 Have you spoken to anybody that you would  
3 be able to establish that his evidence is incorrect and  
4 that his company experience is incorrect?

5 DR. CHRIS ROBINSON: Mr. Reykdal also  
6 said he charged 20 percent fees. I have -- I was not  
7 present for Mr. Reykdal's evidence.

8 However, we've had lengthy discussions  
9 about what is or isn't risky. And I am not persuaded  
10 that in fact the signature loans are necessarily riskier.

11 As to the other part of your multiple  
12 question, I have not discussed the loan lengths. Since  
13 the Manitoba legislation allows for considerably longer  
14 periods of payday loans, I have no doubt that there are  
15 some payday lenders who are lending for longer periods.  
16 But I have not investigated all of them and -- nor have  
17 you presented any evidence that -- to inform me as  
18 whether you've investigated them.

19 MR. ANTOINE HACAULT: See, Dr. Robinson,  
20 sorry to be, I'm going to say, critical. But you've just  
21 made a statement again without any foundation. You've  
22 indicated that there must be other people out there.

23 DR. CHRIS ROBINSON: Under the law of  
24 the --

25 MR. ANTOINE HACAULT: Is there any

1 evidence in this proceeding that there are, that offer  
2 this longer-term product? All the mystery shopping  
3 indicated the shorter loan product.

4 Is there any evidence that there is --

5 DR. CHRIS ROBINSON: Excuse me, the  
6 mystery shopping --

7 MR. ANTOINE HACAULT: -- that product.

8 DR. CHRIS ROBINSON: -- we asked for a  
9 shorter loan product. That's not the same thing as not  
10 finding that there was one there.

11 No, we didn't ask about the term -- about  
12 the length of term of loans, or the mystery shoppers did  
13 not ask about the length of term loans that they might --  
14 that they might obtain. So in the absence of any  
15 investigation or evidence of this, I -- I don't know.

16 The law permits all the lenders, so that  
17 tomorrow any lender can offer -- you know, once this law  
18 is passed any lender can offer a loan up to the limit --  
19 up to the time period limit.

20 So what they might have done yesterday,  
21 it's very difficult to tell what they might do tomorrow.  
22 We started out not knowing that Advance America was going  
23 to open seven (7) stores either.

24 Do they have -- have I encountered anybody  
25 who has decided separately to name a loan differently and

1 attempt to differentiate it in that way and, therefore,  
2 claim that they should be able to charge you higher fees,  
3 no, I have not.

4 MR. ANTOINE HACAULT: So you're asking  
5 this Board to speculate that there might be other people  
6 out there who might be willing to offer this longer term  
7 product?

8 But you haven't spoken to anybody about it  
9 and you have no direct knowledge that anybody else might  
10 be willing to offer this higher risk product for the  
11 rates that you are suggesting?

12 MR. BYRON WILLIAMS: Mr. Hacault, I  
13 believe Dr. Robinson just indicated he has no knowledge  
14 of someone else calling a longer term loan by a different  
15 name.

16

17 CONTINUED BY MR. ANTOINE HACAULT:

18 MR. ANTOINE HACAULT: But that wasn't my  
19 question. My question was whether he's asking this Board  
20 to make an order on the speculation that there might be  
21 somebody else willing to offer this high risk product at  
22 the rate that he's recommended.

23 Has he spoken to anybody that might  
24 justify --

25 DR. CHRIS ROBINSON: Okay, if you're --

1 MR. ANTOINE HACAULT: -- speculation.

2 DR. CHRIS ROBINSON: Okay. So we can  
3 move on. Yes, I'm asking the Board to make a wild  
4 speculation on my evidence.

5

6 (BRIEF PAUSE)

7

8 MR. ANTOINE HACAULT: Sir, with respect  
9 to the payday lenders in Manitoba, are you able to tell  
10 me with respect to each payday lender what their hours of  
11 operation are?

12 DR. CHRIS ROBINSON: Those are the phone  
13 calls I was going to make tonight. I have, in fact,  
14 investigated this and left my notes in Toronto.

15 I can give -- provide you with some  
16 information on that.

17 MR. ANTOINE HACAULT: To date, all of  
18 your speculation is based on not knowing anything about  
19 the hours of operation; is that correct, sir?

20 DR. CHRIS ROBINSON: I beg your pardon?

21 MR. BYRON WILLIAMS: No, no, Dr.  
22 Robinson. Mr. Hacault, the answer given to you by Dr.  
23 Robinson was that he has made some phone calls, his notes  
24 are in Toronto. He certainly would be willing and I'd be  
25 more than happy to share with you right -- those notes

1 with you because I think they'll be helpful.

2 Otherwise, we can undertake to do that or  
3 Dr. Robinson can go off memory and give you some insight  
4 into it. But the answer you were given was that he has  
5 investigated, his notes are in Toronto.

6 So if you want us to share the results of  
7 those notes by way of undertaking, we're more than happy  
8 to. If you would like a recitation from memory, subject  
9 to check, we can assist you in that way as well.

10 But it would be inaccurate to say that  
11 he's just speculating.

12

13 CONTINUED BY MR. ANTOINE HACAULT:

14 MR. ANTOINE HACAULT: Well my question  
15 was directed to finding out and I'll ask it directly  
16 then. You said you made -- hopefully I understood this  
17 correctly.

18 You started making calls in the last few  
19 days, is that correct?

20 DR. CHRIS ROBINSON: No.

21 MR. ANTOINE HACAULT: When did you start  
22 making those calls? What's the date?

23 DR. CHRIS ROBINSON: 2004 when I first  
24 started learning about the business.

25 MR. ANTOINE HACAULT: With respect to all

1 of the Manitoba companies, you started making the calls  
2 in 2004, is that correct?

3 DR. CHRIS ROBINSON: No. You asked me  
4 when I started making the calls. I started making them  
5 in 2004.

6 MR. ANTOINE HACAULT: Okay.

7 DR. CHRIS ROBINSON: For example, Money  
8 Mart --

9 MR. ANTOINE HACAULT: I'm sorry my  
10 question wasn't clear. With respect to the Manitoba  
11 stores, when did you start making the calls to find out  
12 what their hours of operation were?

13 DR. CHRIS ROBINSON: If you'd allow me to  
14 finish my answer. Money Mart follows a policy nationally  
15 of following the same hours. I believe that Rentcash  
16 does.

17 So as I've already indicated, it's -- I  
18 find it sometimes difficult speaking with Rentcash store  
19 people. I have been talking to payday lenders since  
20 2004, including asking them about their hours.

21 I didn't appreciate it at the time that it  
22 would be such -- that it might prove to be such a  
23 critical issue for Manitoba. So with Manitoba I started  
24 making -- I mean, I've already -- when I first arrived in  
25 Manitoba, the first thing I did was go to the Money Mart

1 and the Rentcash and take a look at their house of  
2 operation but you don't want me to say anything about  
3 that.

4 So that would have been back in November.  
5 And then I started making some calls about three (3)  
6 weeks ago to identify more of them because I decided that  
7 this might be an important issue after all in terms of  
8 the times.

9 MR. ANTOINE HACAULT: I think you've  
10 answered my question, thank you.

11 MR. BYRON WILLIAMS: Mr. Hacault, if it  
12 will assist you then we'll be happy to --

13 MR. ANTOINE HACAULT: I've asked the  
14 questions and he has answered --

15 MR. BYRON WILLIAMS: -- undertake to  
16 provide those notes.

17 MR. ANTOINE HACAULT: -- them, I'd like  
18 to move on otherwise we won't finish this Hearing.

19

20 (BRIEF PAUSE)

21

22 CONTINUED BY MR. ANTOINE HACAULT:

23 MR. ANTOINE HACAULT: Prior to coming up  
24 with your recommendations, how many owners of payday loan  
25 companies in Manitoba did you speak to?



1

2

(BRIEF PAUSE)

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DR. CHRIS ROBINSON: Well, it's tricky to define owners. I've spoken with -- and sometimes they don't want to talk to me, but I've spoken, of course, with people from Money Mart and Rentcash, who represent over 80 percent of the volume in Manitoba.

9

10

11

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16

I've spoken with Mr. Slee, who is indirectly doing business in Manitoba through the telephone and Internet. And I have this feeling, but I can't really -- that I may well have talked with Mr. Sorensen. That was not when I was doing Manitoba. But previously I talked with somebody from Sorensen, somebody from Sorensen's, when I was trying to compile my information for Industry Canada.

17

18

19

20

21

22

However, in terms of, you know, dealing with Manitoba, so I've talked to people representing -- or and I'm sorry, I've also talked with Cash Money. So that at one time or another, I've talked with people representing most of the volume of payday loans in Manitoba.

23

24

25

I have not, however -- what I think you're aiming at at this point -- talked to people who are specific individual payday lending store operators in,

1 you know, single -- single-store operations in Manitoba.  
2 The closest I've gotten so far was voice mail, because he  
3 wasn't open.

4 MR. ANTOINE HACAULT: Am I right in  
5 understanding that one of your criticisms is that you  
6 didn't have all the detailed financial information from  
7 all of these companies and the opportunity to speak to  
8 owners about that financial information?

9 Is that a criticism that you have?

10 DR. CHRIS ROBINSON: Criticism of what?

11 MR. ANTOINE HACAULT: Of being able to  
12 come up with accurate recommendations.

13 DR. CHRIS ROBINSON: I mean that's simply  
14 the data that I had available. I wasn't criticizing. I  
15 regret that I don't have the -- more data. I've already  
16 told you, I love crunching data, but I didn't have it.  
17 So I wasn't criticizing. It's not there.

18 MR. ANTOINE HACAULT: Do you have any  
19 experience in how a chartered business valuator might  
20 come up with what represents a rate of return or how a  
21 company is doing or what its costs might be?

22 Do you have any idea of -- of that area?  
23 It may just be, no.

24 DR. CHRIS ROBINSON: I'm sorry. The  
25 question is too broad, and you just covered enough fields

1 for ten (10) people. Chartered business valuatio --  
2 valuation, yes. I teach business valuation and have for  
3 many years. The -- so I'm well aware of how to do that.  
4 Two (2) weeks ago I was doing that, teaching Wood Gundy  
5 staff how bus -- business valuator models work.

6 In terms of -- but the rest of your  
7 question, at least as I'm hearing it, is: Am I a general  
8 business consultant to industries on anything at all that  
9 might conf -- concern their operations?

10 And I have, of course, consulted with  
11 companies on occasion, but that's not a major part of my  
12 work.

13 MR. ANTOINE HACAULT: Would you agree,  
14 sir, that one of the main criteria before anybody can  
15 write a report that makes -- that is qualified under  
16 their standards is that you have to speak to management  
17 and discuss the financials?

18

19 (BRIEF PAUSE)

20

21 DR. CHRIS ROBINSON: Okay, could you say  
22 that again?

23 MR. ANTOINE HACAULT: Would you agree  
24 that in order for them to write a recognized report under  
25 their standards, they are required to speak to management

1 about the financials.

2 DR. CHRIS ROBINSON: Okay. Who are --

3 MR. BYRON WILLIAMS: Just answer --

4 DR. CHRIS ROBINSON: -- the "they"?

5 MR. BYRON WILLIAMS: You're talking about  
6 valuers, Mr. Hacault?

7

8 CONTINUED BY MR. ANTOINE HACAULT:

9 MR. ANTOINE HACAULT: Chartered business  
10 valuers.

11 DR. CHRIS ROBINSON: It depends on the  
12 circumstance in which they're doing the valuation.  
13 They're not always in a position where they can speak to  
14 management. Given the opportunity, they ordinarily  
15 would. But, for example, in a hostile takeover, unless a  
16 data room is set up, they will not be able to do so. And  
17 there are limitations and confidentiality provisions  
18 around that.

19 The -- a very common case of business  
20 valuation issues is estate -- estate plan -- not estate  
21 planning, in -- in estate settlements, where you can't  
22 talk to the manager because he's dead. So given the  
23 opportunity, yes, you would.

24 I mean, I would, of course, have loved to  
25 spent the rest of my life interviewing payday lenders,

1 but it didn't seem to me really reasonable that they  
2 would in fact want me to value their businesses, which is  
3 -- seems to be where you're heading, or -- or become a  
4 management consultant to them.

5 MR. ANTOINE HACAULT: No, I think you've  
6 answered my question. It's -- it's something desirable.  
7 And if you don't do it you're missing something. Isn't  
8 that correct?

9 It's pretty critical to come up with an  
10 accurate valuation and accurate numbers. Isn't that  
11 correct?

12 DR. CHRIS ROBINSON: They have to be  
13 willing to talk to you.

14 MR. ANTOINE HACAULT: Yeah. And you're  
15 not suggesting that Rentcash wasn't willing to do so?

16 They provided to this Board the  
17 opportunity for both Coalition/PUB counsel to have that  
18 opportunity as long as the competitive information wasn't  
19 disclosed to competitors.

20 Isn't that right?

21 DR. CHRIS ROBINSON: Well since,  
22 presumably, the competitive information is what you need  
23 to do the business valuation, I'm not sure what the  
24 opportunity provided was. But I -- I do understand that  
25 Mr. Reykdal provided a speech to the -- to the Board.

1                   But if he didn't share any confidential  
2 information, then it would be the same as a business  
3 valuator who was sitting outside with no access.

4                   MR. ANTOINE HACAULT:   Part of your  
5 presentation seems to assume that if there's a higher  
6 rate, cap, as recommended by Rentcash, that everybody  
7 will charge that higher amount.

8                   Do you have any evidence that there is  
9 collusion between the parties and that's going to happen?

10

11                                   (BRIEF PAUSE)

12

13                   DR. CHRIS ROBINSON:   You're -- you're  
14 asking several questions at once. I have no evidence  
15 that there was collusion among the parties.

16                   But collusion is not a necessary  
17 requirement for prices to change, so collusion does not -  
18 - is not necessarily a logical connection with the other  
19 question you asked at the same time, which is: Do I  
20 believe that rates would rise?

21                   And the answer is: Yes, I do believe  
22 rates would rise. And, of course, I've already presented  
23 evidence showing that they've been rising.

24                   MR. ANTOINE HACAULT:   To who -- to whom  
25 have you spoken to in the industry to base that statement

1 on? Who in the industry has told you that they're going  
2 to raise their rates and it's going to change?

3 Right now there's no limit. It's -- could  
4 -- we could put theoretically the limit at two hundred  
5 dollars (\$200) per hundred dollar (\$100) loan, because  
6 there is no limit.

7 Who in the industry has told you because  
8 we would put it at thirty-seven fifty (37.50), all of a  
9 sudden they would change?

10 DR. CHRIS ROBINSON: So what you're  
11 telling me is that it doesn't matter if the Board sets a  
12 limit, because everybody will in fact charge the low --  
13 very low rates anyway.

14 Nobody in the industry has -- has made any  
15 such comments. Presumably their -- their counsel would  
16 have advised them not to.

17 During the time that I have been  
18 investigating payday loans, Money Mart has raised its  
19 rates twice. And I -- it's -- since I've been unable to  
20 determine what Rentcash's rates were over the time, it  
21 doesn't seem they have. They did, however, when they  
22 took over Instalogs, I believe, raised the rates at  
23 Instalogs.

24 So I have evidence of what the actual  
25 behaviour is.

1                   MR. ANTOINE HACAULT:   Now, see, that's  
2 another problem every time you continue to make  
3 statements. Let's just go back to your industry report.

4                   Rentcash charges twenty dollars (\$20) per  
5 hundred (100) now, is that correct? On the full amount  
6 loan? Is that correct?

7                   And then let's go to the industry report.

8                   DR. CHRIS ROBINSON:   No, it's not  
9 correct.

10                  MR. ANTOINE HACAULT:   Okay, on the total  
11 amount loaned they charge 20 percent, and the amount  
12 loaned includes broker fee, et cetera.

13

14                                   (BRIEF PAUSE)

15

16                  DR. CHRIS ROBINSON:   The Board has asked  
17 me here to give it advice as a qualified expert witness,  
18 and I've given my advice as a finance professor that that  
19 is not a true statement.

20                  If you wish to state that it is true, you  
21 can do so. I will not agree with that statement, and I  
22 will give you the same answer if you ask it to me in a  
23 different form, as you have been trying for quite some  
24 time.

25                  MR. ANTOINE HACAULT:   Do you have the



1 Industry Canada report that you wrote?

2 Will it tell us what Instalogs was  
3 charging at that time?

4 DR. CHRIS ROBINSON: I don't know that it  
5 will, because I don't know now that I could rely on what  
6 -- what information I received from Instalogs at the  
7 time. At the time, I thought that I had all those  
8 numbers correct. We now know that I was wrong.

9 MR. ANTOINE HACAULT: Well, for the  
10 record at page 6 of your report you reported that  
11 Instalogs was charging 25 percent.

12 Are you saying now that that's another  
13 error and that you want to change that too?

14 MR. BYRON WILLIAMS: Mr. Hacaault, in --  
15 in one of Dr. Robinson's interrogatory responses, he  
16 identified as a result of his own research in the mystery  
17 shopping that -- that past information with regard to  
18 Rentcash firms was inaccurate.

19 He put that information on the record.  
20 So, you know, I'm happy to go around this circle forever,  
21 I guess, but he's already made that clear on the record,  
22 maybe, four (4) months ago, sir.

23

24 CONTINUED BY MR. ANTOINE HACAULT:

25 MR. ANTOINE HACAULT: Well, with due

1     respect I wasn't asking about that. It was his statement  
2     on Instalogs, that was charging less --

3                     DR. CHRIS ROBINSON:     Okay, I'm sorry. I  
4     apologize. I understand what you're saying. I don't --  
5     I no longer have any faith in what thought Instalogs was  
6     or wasn't charging.

7                     If they were charging 25 percent, then  
8     aside from the additional fees that Rentcash may or may  
9     not have added -- well, sorry did add to Instalogs in  
10    forms of debit cards, third-party charges, and so on.

11                    No, they didn't change the fees as  
12    dramatic upwards as I indicated. I was going from  
13    memory, and I thought that Instalogs was charging 22 1/2  
14    percent.

15

16                             (BRIEF PAUSE)

17

18                    MR. ANTOINE HACAULT:     Sir, prior to  
19    making your recommendations, have you taken the  
20    opportunity to observe, for example, in Rentcash during  
21    the course of a day the type of service that's offered by  
22    that company and then spent a day at another competitor  
23    to see the difference in service that's provided by the  
24    competitor?

25                    DR. CHRIS ROBINSON:     No.

1 (BRIEF PAUSE)

2

3 MR. ANTOINE HACAULT: I believe, and  
4 hopefully I'm recollecting correctly, that you've  
5 suggested that other payday lenders can go to Money Mart  
6 and ask them and find out how to lower their loss rates.

7 Am I right in understanding that?

8 DR. CHRIS ROBINSON: No.

9 MR. ANTOINE HACAULT: Okay, so you would  
10 agree that that type of information is not something that  
11 Money Mart is likely to give up and that there really  
12 isn't any way right now, with the competitive nature of  
13 this industry, that you'll be able to go to the  
14 competitor and find out how they're reducing their loss  
15 rates?

16 DR. CHRIS ROBINSON: In my experience in  
17 how information is transmitted in industries, your --  
18 your question is -- your assertion is not accurate.

19 In fact Money Mart, Rentcash, Cash Money,  
20 all these different competitors know far more about what  
21 each other are doing than I -- than I know about them or  
22 can find out, that they're hiring each other's employees.

23 And I don't mean in a -- in a sense of,  
24 Well, we'll hire you and, you know, the West Jet case of  
25 steal a bunch of information. I mean that they hire the

1 employees and the employees, as you heard from Mr.  
2 Hansford, he went from the finance companies to the banks  
3 because he was an expert in lending.

4 One of the things that I envisage is that  
5 the payday lending industry has trained a bunch of people  
6 in -- in credit issues, and those people, among other  
7 things, are going to end up working for banks and credit  
8 unions.

9 They will take their knowledge and  
10 information with them. And I'm not talking about, you  
11 know, proprietary secrets of the sort, you know, that,  
12 you know, we can -- we can, you know, we can look at  
13 their fingerprints and, you know, we've studied  
14 fingerprints, but simply the normal financial services  
15 businesses are much the same.

16 So in terms of learning how whatever magic  
17 thing it is that Money Mart does, and remember, Money  
18 Mart's rates are higher -- or loss rates are higher than  
19 quite a number of Canadian companies, Rentcash already  
20 knows.

21 Maybe they haven't told you about it, but  
22 Rentcash already knows whatever it is that Money Mart is  
23 doing.

24 MR. ANTOINE HACAULT: If -- if you  
25 speculate that Rentcash knows everything that Money

1 Mart's doing, and you want us to believe that, I guess  
2 we'll move on.

3 DR. CHRIS ROBINSON: I didn't say  
4 everything. I said -- you asked specifically about  
5 methods of doing credit checks of lending.

6 If you want to put Mr. -- well --

7 MR. BYRON WILLIAMS: Let's move on.

8 THE CHAIRPERSON: Dr. Robinson, just one  
9 short question. Did you mean to say that Money Mart has  
10 lower loss ratios?

11 DR. CHRIS ROBINSON: Yes. Money Mart has  
12 lower loss ratios than -- than Rentcash.

13

14 CONTINUED BY MR. ANTOINE HACAULT:

15 MR. ANTOINE HACAULT: Now you've made  
16 some statements with respect to credit unions and banks  
17 in your material and their operating efficiency.

18 Do you know what the average wage is that  
19 banks pay to their employees and credit unions pay to  
20 their employees in Manitoba?

21 DR. CHRIS ROBINSON: No.

22

23 (BRIEF PAUSE)

24

25 MR. ANTOINE HACAULT: If we might take a

1 break, Mr. Chairman and members of the Board, I think I'm  
2 at the end of my questions. But I -- what I've been  
3 trying to do is obviously not duplicate anything Mr.  
4 Foran has done and, frankly, I hadn't had a chance to  
5 double check that --

6 THE CHAIRPERSON: Sure.

7 MR. ANTOINE HACAULT: -- before I  
8 started.

9 THE CHAIRPERSON: That's quite  
10 reasonable, Mr. Hacault. We will just take ten (10)  
11 minutes then and we will come back.

12

13 --- Upon recessing at 2:06 p.m.

14 --- Upon resuming at 2:18 p.m.

15

16 MS. ANITA SOUTHALL: Mr. Chairman, I  
17 believe that -- just carrying on with the proceedings  
18 this afternoon, I believe that Mr. Hacault has completed  
19 his cross-examination of Dr. Robinson.

20 MR. ANTOINE HACAULT: That's correct. I  
21 don't believe I'll have further questions but again,  
22 there's some Undertakings which has just been provided  
23 and some to be coming.

24 So I don't want to completely close my  
25 cross-examination, but --

1 THE CHAIRPERSON: We'll leave an opening  
2 for that for tomorrow morning, how is that?

3 MR. ANTOINE HACAULT: Thank you.

4 THE CHAIRPERSON: We may get some more  
5 undertakings by then too, hopefully.

6 Is that all right with you too, Mr. Foran?

7 MR. ALLAN FORAN: Yes, and our  
8 undertakings will be filed first thing tomorrow morning.  
9 They are prepared and my colleague is just finalizing one  
10 of the answers at the office now.

11 THE CHAIRPERSON: Oh, very good. If we  
12 could get those this afternoon, that would be helpful.

13 MR. ALLAN FORAN: More likely first thing  
14 tomorrow. They are prepared right now; she's just making  
15 the final amendments.

16 THE CHAIRPERSON: Oh, very good, okay.

17 All right. Ms. Southall, do you want to  
18 have your cross-examination of --

19 MR. ANTOINE HACAULT: Sorry to interject.  
20 I had a conversation with Ms. Southall, and she believes  
21 that we've done all our -- our undertakings. But I think  
22 there may be one, and so I'll double check just to make  
23 sure that it also had been filed, and we'll confirm that  
24 tomorrow also.

25 THE CHAIRPERSON: Thank you, sir. Ms.

1 Southall...?

2 MS. ANITA SOUTHALL: And perhaps the last  
3 word on undertakings this afternoon, not that it -- not  
4 that the Board has any undertakings it's answering.

5 But rather, Mr. Sardo, for Cash-X, had  
6 provided me with answers to undertakings and I have  
7 neglected to circulate those, though I do have them and  
8 I've provided them to Mr. Gaudreau only earlier this  
9 morning.

10 So we will be able to put those on the  
11 record as well. I caution that we have one (1) response  
12 which includes a couple of electronic documents, one (1)  
13 of which is over four hundred and sixty (460) some pages  
14 long. So that we will not be producing in paper form,  
15 but it will be circulated to all Intervenors, and counsel  
16 will ensure that we get that done in an electronic form.  
17 Thank you. So --

18 THE CHAIRPERSON: We have to keep some of  
19 the rainforest still standing.

20

21 CONTINUED CROSS-EXAMINATION BY MS. ANITA SOUTHALL:

22 MS. ANITA SOUTHALL: I think I have the  
23 unenvi -- unenviable task of -- of trying to conclude  
24 this cross-examination, Dr. Robinson. And so I -- I do  
25 have, though, a few questions for you, sir. And I will



1 ask everyone's indulgence as I flip through my notes  
2 where I, like Mr. Hacault, have crossed out many of the  
3 follow-up questions that I once had.

4 But firstly, Dr. Robinson -- and -- and  
5 you don't have this in front of you but I am going to  
6 read you an excerpt of a quote from Dr. Clinton's  
7 testimony early in this proceeding from November 28th,  
8 2007. And it is at page 1416, 1-4-1-6, of the  
9 transcript. And specifically at lines -- pardon me, I'll  
10 just put it in context.

11 Dr. Clinton was talking about the work  
12 that he performed for Bank of Canada and his access to  
13 data. And beginning at line 16, to assist with the  
14 context:

15 "And so that was the issue, and I would  
16 pour over the data: debt data, asset  
17 data, income data, and so on and so  
18 forth, and produce a note. And that  
19 would go to the senior management. And  
20 -- and without giving [pardon me] --  
21 without giving any secrets away, what I  
22 can tell you is the general conclusion  
23 was always, and it still is, if -- if  
24 you look at recent reports in the  
25 financial system review of the Bank of

1                   Canada, that the household sector is in  
2                   sound shape in Canada, that it manages  
3                   its finances very well. And the debt  
4                   levels that we've seen, up and to  
5                   including now, let alone back what they  
6                   were in the 1990s, are sustainable and  
7                   reasonable."

8                   I've read in quite a bit of that  
9                   transcript, but -- but, Dr. Robinson, could you follow  
10                  that quotation from Dr. Clinton?

11                  DR. CHRIS ROBINSON:   Yes. I've probably  
12                  read it, because I did read a lot of the transcripts.

13                  MS. ANITA SOUTHALL:   And I'm wondering,  
14                  Dr. Robinson, what is your view in terms of debt  
15                  management, based on not -- not only Dr. Robinson's --  
16                  pardon me, Dr. Clinton's comment, but in addition I -- I  
17                  understand and my recollection is that Dr. Buckland has  
18                  put in some additional debt ratio information for the  
19                  benefit of -- of the Board.

20                  Are you able to speak to that, just given  
21                  your particular background?

22                  DR. CHRIS ROBINSON:   Yes. Others, of  
23                  course -- and you've also had Dr. Barry's (phonetic)  
24                  evidence in front of you. But all of these things are  
25                  comparative so that we are in fact right now -- and even,

1 I mean, even since Dr. Clinton presented that, there's  
2 been more evidence come forward. And also we've had the  
3 horrendous example of the United States shooting itself  
4 in the foot again or, rather, we've now seen the wounds.

5 Relative to the -- to the US, Canadian  
6 debt management, you know, Canadian families' debt  
7 management is substantially better. There are  
8 substantially fewer problems. However, there has been a  
9 trend which in -- there have been significant increases  
10 in debt ratios in families.

11 And we have a social classes effect as  
12 well in that the -- parallelling the income effect that  
13 the rich are getting richer and the poor are getting  
14 poorer, that there is more of a disparity and the middle  
15 class tends to be, in Canada, longer -- much later than  
16 it was in the US -- tends to be getting somewhat eroded.

17 Canadian absolute debt levels are now at a  
18 point where they don't cause a -- they wouldn't cause me  
19 to think that there is a problem collectively for the  
20 Canadian economy, for payday lenders, for banks, for  
21 anyone on a collective basis.

22 So we would not see the kind of collapse  
23 ss we seen in the US collapses which -- I must admit I  
24 haven't thought of what they will do with payday lending.  
25 They may make many more people dependent on it. But the

1 savings rate in Canada has, during my lifetime, declined  
2 from being one of the highest in the world to being quite  
3 low and sometimes negative. And so, consequently, that  
4 debt, of course, is increasing.

5                   What this means is that there is an  
6 increasing number of families and individuals who are  
7 much more vulnerable to any kinds of disruptions or  
8 inability to plan or manage their debt. So that the  
9 credit counsellors that I have sometimes giving lectures  
10 to my professional planning classes are saying that they  
11 are seeing more in recent years -- sort of a more  
12 widespread problem. But, you know, it's not  
13 destabilizing society but, however, there are an  
14 increasing number of families.

15                   That, of course, is the kind of thing that  
16 Dr. Buckland is reporting on in his -- not just in the  
17 work in front of the -- this Board, but his earlier work  
18 on the study of the North End and financial exclusion.  
19 And so that is part of where payday lenders are engaged  
20 in that, however, payday lenders are not in any way  
21 responsible for that problem.

22                   So that if I were looking at solutions to  
23 and ways that you would engage that problem, it -- other  
24 than the provision of financial education, a matter which  
25 we have also discussed and Board Member Proven was asking

1 me about -- no regulation by the Board can assist  
2 families that are in trouble to some extent. But it  
3 isn't the payday loan fees that are putting them into  
4 trouble in the first place. It is their own debt  
5 management.

6 And so the rise of payday lenders and the  
7 rise of debt are going together; not because of payday  
8 lending, but because of the behaviour of people and  
9 payday lending is providing a means for them to do this.

10 I'm -- I may be going well beyond your --  
11 your question, but that -- that's what I feel. There is  
12 definitely -- and even since Dr. Clinton spoke to you so  
13 that more you know is we get statistics on this coming  
14 out frequently. There is an increasing debt problem in  
15 Canada, but it's not social level problem. It's a  
16 problem for some -- for an increasing number of people.

17 MS. ANITA SOUTHALL: Thank you. My next  
18 question is a -- what I noted as a -- a summary of what  
19 Dr. Clinton spoke to on a particular issue, which is that  
20 he empathized, as I recall and as I noted it, that repeat  
21 loans are clearly distinct from rollover loans.

22 And I believe he was addressing that  
23 within the context of his understanding of how that would  
24 work in the banking system, that there were very distinct  
25 lines between something that would -- and I know they

1 don't call them "rollover loans" in the banking system,  
2 but perhaps he was getting at the concept of you would be  
3 in default otherwise.

4 I'm not sure if you've had an opportunity  
5 to review those particular comments of Dr. Clinton. I  
6 obviously didn't ask you to review them before today, but  
7 do you see -- I'm -- I'm giving you that as the context.

8 Do you see a distinction -- a significant  
9 distinction between the concept of the repeat loan versus  
10 the rollover loan for -- for payday borrowers, for the  
11 consumer?

12 DR. CHRIS ROBINSON: This is a -- this is  
13 an enormously important question for the Board, I think,  
14 and everybody has posed this question, you know, has  
15 tried to discuss this question.

16 First of all, as I said, I've learned a  
17 great deal during the Hearings, and I've learned more and  
18 more how difficult it is really to differentiate between  
19 rollovers and repeat loans.

20 We know that there are problems. We know  
21 that Rentcash stopped doing rollovers and by rollovers  
22 I'm now thinking of the classic, You can't pay the loan,  
23 we'll let you carry it but we're going to charge you all  
24 the fees again.

25 That is the way that I've been thinking of

1 rollovers. But perhaps I can add, and I hope this will  
2 not bother the industry Intervenors, but since I don't  
3 live in Manitoba, I have to talk to payday lenders where  
4 I am.

5                   And I was talking with a payday lender and  
6 he said -- and I told him what I had been recommending.  
7 And he said, Well, that's outrageous. You can't do that.  
8 He wasn't talking about the fees, he was talking about  
9 the fact that I said they should -- that they should be  
10 constrained.

11                   I recommended a specific fee, remember --  
12 ten (10) or twenty dollars (\$20) plus 1 percent per week.  
13 And he said, No, you should allow us to charge the entire  
14 fee over again because otherwise -- because otherwise  
15 what they'd have to do is pay us back, and two (2) days  
16 later they'd be back.

17                   And he, of course, it was very clear to  
18 him that these people were -- were unable to manage their  
19 own financial affairs and, in fact, he said he kept  
20 telling them, You're nuts, you shouldn't be doing this,  
21 you're just asking for trouble.

22                   And we know from the evidence that the  
23 CPLA and Rentcash have presented in evidence, which I  
24 don't dispute at all, that they -- that their members  
25 also sometimes -- and Mr. Slee -- they sometimes just

1 have to tell people, Don't do this, you know, you're  
2 nuts.

3                   So that there is this problem. Dr.  
4 Buckland has brought up the suggestion that really what  
5 we need is a range of loans, some of which are for longer  
6 periods recognizing that, in fact, lending for fourteen  
7 (14) days isn't doing any good.

8                   And then you would -- so if you had --  
9 now, of course, what this brings up is Mr. Hacault's  
10 signature loan comment. Whether in fact what we need is  
11 a range of regulation that allows for loans of, you know,  
12 not -- not one (1) year and two (2) and three (3) year  
13 loans -- those are, you know, normal competitive loans --  
14 but a loan that you take out because you're in trouble  
15 now. But instead of having two (2) weeks to pay it back,  
16 you have several months.

17                   And there are some of these installment  
18 loans, so they're a very small part of the business to be  
19 seen in the US, for example.

20                   The conditions of this Hearing are not  
21 such that we can really engage in that question, and yet  
22 it is an important one because we know that there are the  
23 significant default rates.

24                   And so -- what would I say? I guess I  
25 would say that we need to set some conditions and rules



1 on what constitutes rollovers, and I tried to do that  
2 when I was writing very specifically about the fees.

3 But we don't -- it's always easy to say we  
4 need more research, right? This is what we always say as  
5 professors. But some more consideration of that issue so  
6 that possibly on the next round, the legislation can be  
7 expanded slightly so that, in fact, we figure out what to  
8 do about Mr. Hacault's concern with the signature loans  
9 and loans up to say -- I'm going to again have to be  
10 arbitrary -- but say up to three (3) months permission,  
11 you know, time to repay without it being a rollover, but  
12 at the same time being a reasonable recompense.

13 I mean, you know, I rejected the 60 per --  
14 you know, I rejected that -- that you could just do it  
15 for -- you know, they say, Okay, after your loan is  
16 overdue, now we just charge 10 percent per annum or  
17 something, and that's not reasonable.

18 But this is sort of past the scope of what  
19 we're doing right now and yet, because of these Hearings,  
20 it's become evident to me it is important.

21 So, I'm sorry, I know I'm not giving you  
22 quite the answer you wanted, but it's actually really  
23 difficult. I have tried to differentiate between repeats  
24 and rollovers. Dr. Buckland and I did not come to  
25 agreement exactly on that. He really is concerned about

1     there being too many repeat loans.

2                     And my view has been that we are not,  
3     under this legislation or, indeed, socially, in a  
4     position we could really stop people from coming back  
5     every two (2) weeks and borrowing.

6                     Even though I just presented evidence to  
7     you, Dr. Simpson, I showed you how much that costs them.  
8     But we're not a nanny state. But it is a significant  
9     issue. And one way of -- of dealing with it is, as I  
10    said, the, you know, longer terms to repay the loans even  
11    though the loan was only needed for a short term purpose.

12                    And I guess I would really like it if the  
13    Board took that under advisement and sometime in the  
14    future could look at that.

15                    But I realize it's very difficult because  
16    you have particular rules of how you proceed.

17                    MS. ANITA SOUTHALL:   Thank you, Dr.  
18    Robinson.

19                    I'm going to turn to a different subject  
20    which is in respect of a question arising out of an  
21    Information Request -- pardon me, I was looking for the  
22    words. It was PUB/Coalition-B4, and the question was  
23    essentially -- and I'm not going to read it; it was  
24    actually fairly long.

25                    But the -- you were being asked to comment

1 on what would happen if rates much lower than those  
2 proposed by ACORN were implemented and banks and credit  
3 unions did not enter the market, as you had in -- in the  
4 ACORN 2006 report you had speculated about those entities  
5 entering the market.

6 But if they didn't enter the market; you  
7 went on to prophecies -- prophecy because we had requested  
8 that. And, in particular, there is one statement that I  
9 just wanted to ask you about, which is in about the  
10 middle of the first -- pardon me, the second paragraph of  
11 the response.

12 There is a statement, "I would expect  
13 them..." -- this would be the -- the players who remain  
14 in the market. I believe you identified possibly Money  
15 Mart, the Cash Store and Cash Money.

16 So it would be -- that's -- that's the  
17 "them" that I believe you're referring to. And the  
18 statement is:

19 "I would expect them to set up some  
20 form of register of defaulters and thus  
21 drive down the default rate."

22 Did you see that spot in your response?

23 DR. CHRIS ROBINSON: Yes. Yes. I am  
24 following you.

25 MS. ANITA SOUTHALL: Do you have -- or

1     could you just explain why you would expect an industry  
2     sort of default registry to form as a result of what --  
3     what I'm taking to be a -- a comment about potential  
4     consolidation in that industry?

5                     DR. CHRIS ROBINSON:     Well, I'm -- there's  
6     -- you asked -- sort of implied two (2) questions here:  
7     One is, I'm actually in the process of finalizing a  
8     response to an earlier undertaking to provide more detail  
9     on how consolidation will -- will go.    So I have actually  
10    much -- a much more thorough and nuanced consideration of  
11    the consolidation and changes in the market, which you  
12    will receive.

13                    I'll get it finished this afternoon, if  
14    those questions end now.

15                    And the -- but the second part of it, it  
16    has seemed to me -- first of all, I have heard and I -- I  
17    can't give you the source, but I have heard that there  
18    has been some consideration to this, both in the US and  
19    Canada.   It is a perfectly natural and logical response  
20    so that in the comparable corporate market is not the  
21    market for big loans.

22                    The market for small, unsecured loans is  
23    in fact the suppliers selling on credit, and they have  
24    Dunn & Bradstreet, and that's a cooperative operation.  
25    That is -- I mean, Dunn & Bradstreet's a company, but

1 it's a co-op operation in that the companies that are all  
2 engaged first agree to send in their huge data tapes of  
3 who's paying off when.

4 And, of course, I've worked with clients  
5 when I was an auditor as they were going through these  
6 trying to determine just exactly where they were at risk.  
7 I would see the same thing happening; not of course in  
8 such detail -- no annual reports or anything like that --  
9 but simply simple recording of the customer names, you  
10 start to pick out the -- the obvious defaulters.

11 And then Mr. Hacault, of course, is -- was  
12 referring to that problem. How do you find these people  
13 if they just keep circulating around the -- the ring? If  
14 there are fewer companies, it now becomes efficient to do  
15 that. Single-store operations -- pretty hard to do.

16

17 (BRIEF PAUSE)

18

19 MS. ANITA SOUTHALL: Now, Dr. Robinson,  
20 I'm going to ask you to turn to your September 17, 2007  
21 report. Do you have that handy in front of you?

22

23 (BRIEF PAUSE)

24

25 DR. CHRIS ROBINSON: Of course, pleased

1 to see the amount of paper we're producing here since I  
2 have a lot of shares in Tembec, which operates in Pine  
3 Falls, but... Yeah, so, if I submit more, will you  
4 use more paper and help improve my share price which is  
5 around forty (40) cents right now.

6 Yes, okay, I have the report.

7 MS. ANITA SOUTHALL: I apologize, because  
8 I've -- I've crossed out a number of questions that would  
9 have arisen in that report, and I'm -- I'm trying to  
10 direct -- I -- I thought I had something referenced on  
11 page 9, but that -- that's certainly the -- that's  
12 certainly the section out of which this particular  
13 question has derived.

14 And I -- and I think it relates, really,  
15 to economies of scale, which I think is covered, to some  
16 degree, towards the bottom -- "returns to scale," I think  
17 is how it's referenced.

18 Do you see that?

19 DR. CHRIS ROBINSON: Yes, I'm on page 9  
20 and the bottom paragraph is talking about returns to  
21 scale.

22 MS. ANITA SOUTHALL: So my question, and  
23 it's not a particular wording you've used there, but the  
24 question is: Beyond the volume of loans, what economies  
25 of scale would allow a dominate supplier to reduce its

1 costs on a per-store basis? And I'm asking you to  
2 consider that in comparison to a single-store operator.  
3 So, in other words, if you ignore just increasing the  
4 volumes. Thank you.

5

6 (BRIEF PAUSE)

7

8 DR. CHRIS ROBINSON: Okay, I think I'm  
9 ready for that now. All right, so we're keeping the  
10 volume fixed. So we've got a store that's got -- so it's  
11 a chain store, it's a Money Mart store, it's got 3  
12 million in volume.

13 Now, one of the benefits of belonging to  
14 Money Mart is that -- well there is one benefit in  
15 addition to increasing volume; it is, itself, more  
16 recognizable because it's with a chain, so it can get the  
17 higher volume more easily, quite aside from being at a  
18 higher volume.

19 However, one aspect is in the information  
20 systems, the computing. Okay, they will have -- be able  
21 to develop and maintain the programs they need. This is  
22 not a complex business, but on the other hand, it costs  
23 money to develop the computer programs, maintain the  
24 computers, and so on. You buy in bulk, you get all of  
25 that and you equip a whole bunch of stores. So that

1 would be one aspect.

2                   And it's a non-trivial one -- this is a  
3 finance -- the financial industry today lives entirely  
4 electronically, so that even though these are very small  
5 businesses, the payday lenders, in general, you walk in  
6 and they are operating off a computer system centrally.  
7 In fact in the big -- in the big chains, as far as I can  
8 tell now, they don't even determine the loan rates. It's  
9 determined centrally.

10                   So when I ask them, they don't know  
11 because they have no control on it; and of course a  
12 single-store operator would know exactly. And that saves  
13 quite a lot of money.

14                   Second, the advertising costs, and they  
15 will benefit from this in two (2) ways. One (1) is that  
16 when you're doing advertising and improving your image on  
17 scale, you've got to get people into your store somehow.  
18 You, of course, you get economies of scale in the  
19 advertising itself. You also get an economy of scale in  
20 terms of spillover -- is "spillover" the right word?

21                   If you are a local store, a single store,  
22 and you advertise in the local newspaper, outside a  
23 certain range of distribution of that newspaper, it's  
24 less and less value to you.

25                   If, however, you're Money Mart advertising



1 in a paper, or a Cash Store, or Instal loans, your boundary  
2 -- you have no boundaries, and so consequently the  
3 advertising so if somebody happens to drive into Winnipeg  
4 for the day, buys a paper and there's an ad for Money  
5 Mart in it, and they drive back to Brandon, well there's  
6 a Money Mart in Brandon.

7 So the Brandon one just got the benefit of  
8 the Money Mart advertising in the Winnipeg paper. So  
9 that -- but the local store can't get that.

10 You have an advantage in staff training.  
11 Now this is not an onerous business with really difficult  
12 training. But, nonetheless, as I understand it, the --  
13 the major chains are exactly as we would expect. They're  
14 developing their own training programs.

15 This is a natural evolution in a business,  
16 to train people to figure out how to -- how to spot who's  
17 not going to provide -- and who is not going to pay off,  
18 how to deal with customers. All -- all of the aspects of  
19 the service aspects.

20 And that again, if each store manager has  
21 to do it, it's -- it's just more time consuming and  
22 uneven. Among other things, one way that we formalize  
23 these things is training manuals sometimes; less so now  
24 than it used to be.

25 But you'll still have written materials

1 producing -- one (1) person's producing this for a  
2 hundred (100) stores. And -- sorry, I've got to remember  
3 the fourth one now.

4 Oh yes, sorry -- the regulatory costs.  
5 As, of course, has been pointed out, I didn't include  
6 regulatory costs in my original reports to ACORN and  
7 Industry Canada. There was no regulation in place. I  
8 didn't have the regulatory costs, but I hadn't even  
9 thought of it.

10 And so I -- but I did incorporate it for  
11 the Manitoba results and, however, just thinking back to  
12 my model, very clear evidence of it. Or think back to  
13 my, you know, one of my computer runs, I allowed for the  
14 deposit and that becomes part of cost of capital. And  
15 that's per store and so is the annual fee per stores.

16 There's no benefit there. However, in  
17 addition, you got to file forms of some kind. And so,  
18 when I put in an extra thousand dollars (\$1,000) for  
19 that, it's basically saying that the single-store owner -  
20 - the owner is going to have to sit and spend a whole lot  
21 of time.

22 I mean, you know, any small businessman  
23 hates this sort of part of the work. However, for Money  
24 Mart, which has three hundred and sixty (360) and  
25 Rentcash, which has three hundred and fifty-eight (358) -

1 - and these are the last numbers I had -- stores aside  
2 from franchises, my allowance on that model now comes out  
3 to three hundred and sixty thousand dollars (\$360,000)  
4 for people to manage that regulatory process.

5 That will actually, you know, contribute  
6 towards the plane fares of some people that we've had  
7 spending a lot of time in this room. And so that is a  
8 very considerable benefit to a chain.

9 Now there may be more. I mean there are,  
10 of course, in every aspect of purchasing and so on, but I  
11 think those are the four (4) largest ones, and I could be  
12 missing something but -- oh no, I'm sorry there is a  
13 fifth one, lessor.

14 It will be for the larger chains, easier  
15 for them to actually borrow money without pledging their  
16 souls. Okay, you recall I said 10 percent because I was  
17 looking at this individual operators because they have to  
18 -- they basically have to pledge their house in every  
19 case.

20 And so Money -- well, you can answer for  
21 whether Mr. Reykdal had to pledge his house for Money  
22 Mart -- for Rentcash's loans, but I doubt it somehow.  
23 And so that's also an advantage.

24 But it's the first four (4) that really  
25 matter.

MS. ANITA SOUTHALL: Thank you, Dr.

1 Robinson. Now, if I could ask you to turn to the bottom  
2 of page 10 of your September 17, 2007 report.

3 This is under the heading "How are Fees  
4 Calculated?" And you have referenced and used an example  
5 of going overdraft on a bank account.

6 Do you see that in the middle of that  
7 first paragraph under that heading?

8 DR. CHRIS ROBINSON: Yes.

9 MS. ANITA SOUTHALL: And within context,  
10 at the beginning of the paragraph, you indicate that:

11 "Payday lenders do not follow the  
12 traditional lending model of charging a  
13 defined interest rate compounded  
14 monthly or annually or perhaps some  
15 other specified frequency [and then  
16 make the statement which leads you to  
17 your bank account example].

18 Indeed, many lenders do not follow this  
19 model strictly anymore. Particularly  
20 in the consumer lending field attaching  
21 various fees and charges to their  
22 loans."

23 And I think that takes you to the  
24 overdraft fee concept. Is that correct?

25 DR. CHRIS ROBINSON: Yes.

1 MS. ANITA SOUTHALL: Is the bank account  
2 overdraft fee, in your opinion, comparable to a payday  
3 loan transaction fee?

4 DR. CHRIS ROBINSON: Yes, I have treated  
5 it as such. I had not thought of this until I started  
6 working on payday loans, and it was Mr. Whitelaw, then  
7 Head of the CPLA, who in fact, made me understand this.

8 That when a bank charges that, it's doing  
9 the same thing as a payday lender is doing. They're  
10 saying, Here's a fixed service fee we're going to charge  
11 you -- we're going to whack you if you do anything.

12 So if you're -- you know, if we have to  
13 cover your one dollar (\$1.00) overdraft, we're still  
14 going to charge you a two dollar (\$2.00) overdraft fee.  
15 As he pointed out, depending on the size of the  
16 overdraft, these can be very, very high rates of  
17 interest.

18 I have in fact, somewhere in my  
19 interrogatory responses, taken TD Canada Trust's  
20 overdraft fees -- they have two (2) different kinds -- I  
21 just chose TD because it's my own bank -- and shown what  
22 they would be compared with a payday loan, and -- and  
23 shown that they were much cheaper.

24 But, in fact, and I -- I'm not sure if I'm  
25 just overstepping what you want from me, but this is

1     mentally what I have in mind as the way that banks and  
2     credit unions should be exploring treating this. In  
3     other words, we've had this description of -- from a --  
4     Mr. Carlisle quoting Ms. Lamont on sitting down, doing  
5     the lending, all the rest of it.

6                     And, of course, the banks and credit  
7     unions aren't going to do that, and can't profitably.  
8     But if they simply set up, and I've -- I was visualizing  
9     most recently a -- the no-credit-check credit line, the  
10    charge is double the rate of the credit check credit  
11    line, or triple the rate or something like that. So  
12    instead of 10 percent, you pay 30 percent per annum.

13                    Okay. So you go in, you have your first  
14    interview and they say, Okay, your limit's five hundred  
15    (500), you know here's -- they'll look at the same things  
16    payday lender does -- set it up, and then let -- just let  
17    it run through the systems forever.

18                    And so -- like, overdraft protection. I  
19    have overdraft protection. I -- I don't look  
20    impoverished, but -- and I -- and so it's much better  
21    than payday loans for me. But I have, in fact, because I  
22    sometimes screw up, had to use it if I'm not paying  
23    attention.

24                    So, in that sense, yes. I am thinking of  
25    overdraft protection as being comparable. And overdraft

1 protection, when you calculate the rates on it, just like  
2 payday loans, looks way, way higher than what you're --  
3 you know something else you're comparing it to.

4 Overdraft protection is not a bargain, but they're small  
5 amounts in total.

6 And I guess Mr. Hacault has also asked me  
7 about my biases, and my bias is that we should be trying  
8 to get more people in society to be able to access the  
9 benefits that -- that I'm able to get by that.

10 MS. ANITA SOUTHALL: Do you happen to  
11 know, Dr. Robinson, whether or not the overdraft fee that  
12 a bank would charge and -- and let's take your example,  
13 and I apologize for -- for not having happened upon that  
14 particular response to the Interrogatory.

15 But if -- if it's TD Bank, for example,  
16 whether or not they're attempting to recover their costs  
17 by imposing that particular overdraft fee? Have you done  
18 any analysis of that to determine whether or not it's a -  
19 - an attempt at a cost recovery model or would it also be  
20 a profit centre?

21 DR. CHRIS ROBINSON: I have not done that  
22 work. The banks have a very -- have a hugely difficult  
23 problem, which we've seen only in a tiny bit in here, in  
24 that they have all these multiple products, all being run  
25 through the same bank, all funded from the same source,

1 and trying to figure out which one is most profitable, or  
2 even, indeed, which branch is most profitable, is  
3 unbelievably difficult.

4 And they all have models and they're  
5 working on this as a constant matter. And they have  
6 gotten some way along, but it -- it's -- the banks know,  
7 they may not wish to admit to publicly, but they know  
8 that they don't know how profitable most things are.

9 And so, something this size -- I mean,  
10 overdraft protection is not a big deal, is -- is not  
11 something that will have investigated or be able to  
12 investigate. In other words, they'd use up the profits  
13 in a year, just to set somebody analytically to work on  
14 it for -- for a few months. And so, it sort of -- to  
15 some extent it's gotta be a gut feel.

16 If the bank as a whole is profitable, then  
17 we seem to be fine. And if it's not, then we have to  
18 start charging more or saving money or something all  
19 over. So payday lenders actually have an easier job of  
20 figuring out whether they're making money or not than  
21 banks do on any given thing.

22 MS. ANITA SOUTHALL: And, Dr. Robinson, I  
23 can't refer you to the specific Information Response  
24 answer, but I believe it was an answer provided by the  
25 Coalition at one point, probably in Round 2 IRs. And



1    there -- there was information provided that research  
2    indicated that ninety (90) days was the minimum time to  
3    turn around a financial crisis due to an unexpected  
4    expense.

5                   Mr. Williams is furrowing his brows. I  
6    take it he doesn't recall that particular response. I'm  
7    confident that it's in the materials, although I  
8    apologize for not being able to cite the particular IR.

9                   Have you seen that particular or -- or any  
10   information which supports what I'm now putting to you?

11                  DR. CHRIS ROBINSON:   That it takes about  
12   ninety (90) -- well this is actually going back to the  
13   previous -- to this earlier thing, the matter where I was  
14   saying that one thing we have to consider is longer  
15   periods to repay loans.

16                  And Dr. Buckland -- this was Dr. Buckland  
17   who would of said that and who would have -- who has been  
18   concerned and -- and I've now come to understand the  
19   significance of his concerns, both social and business.  
20   In other words, it -- it seems like we need a different -  
21   - we need the business to respond differently.

22                  You get the classic once off, you know the  
23   -- the automobile example. The car fails. You got to  
24   get it repaired. You got to borrow money to do that.  
25   But that's, in fact, a very small part of the business,

1 as we have seen from all the evidence. So for the other  
2 people in it, it seems like they're staggering from  
3 crisis to crisis and, therefore, they're in a permanent  
4 state of crisis. So it isn't over ninety (90) days; it's  
5 takes a long time.

6                   However, if we take the limits and -- and,  
7 as I said, I don't know -- all of the firms advertise now  
8 limits of 50, sometimes even 60 percent. They themselves  
9 will perhaps know if they do actually lend to that extent  
10 of salary. There has been some evidence that they  
11 frequently don't, or they don't at first.

12                   But just think to yourself if 50 percent  
13 of your salary were to go on something emergency and the  
14 salary after -- or sorry -- if 50 percent of your next  
15 salary had to go repay this loan plus the interest on it.  
16 And since the interest would have been, say, 20 percent,  
17 then we're now talking 60 percent of your next paycheck  
18 -- net paycheck -- goes to a lender.

19                   It's not the fee, of course, that's  
20 killing you. It's -- I mean, that certainly hurts, but  
21 it's that 50 percent that you gave up. So if you have no  
22 -- and so then if you -- what you say is, Okay, let's  
23 spread this out over ninety (90) days -- which, if we're  
24 assuming two (2) week pay periods, is -- yes, thank you,  
25 yes, four and a half (4 1/2). So let's say -- let's

1     assume four (4). So over four (4) pay periods, now  
2     you're paying 12 1/2 percent of your salary instead.

3                     So that ninety (90) days is sort of, you  
4     know, from my perspective as a -- as a professional  
5     financial planner, makes a lot more sense. Somebody who  
6     is very wealthy, it may be, you know, do it right away,  
7     but they're not using payday lenders.

8                     So ninety (90) days is not something that  
9     I've seen any statistical evidence on, though Dr.  
10    Buckland might have some from some areas. But it's a  
11    sensible sort of number from the point of view of what  
12    can you achieve in -- in common sense, here's your  
13    budget.

14                    MS. ANITA SOUTHALL: And -- and because  
15    it's come up in -- and I think in that response, Dr.  
16    Robinson, I'm just going to ask you, and -- and I  
17    apologize that it -- that it may actually be in the  
18    Coalitions recommendations, like the -- the broad  
19    recommendations beyond the -- the fees or charges issue.

20                    But have you given any thought or do you  
21    have an opinion on whether or not there is benefit to a  
22    maximum amount of -- of a loan that a person could borrow  
23    from a payday lender?

24                    In other words, have you turned your mind  
25    to sort of what -- what the maximum allowable percentage

1 of income ought to be for a particular transaction?

2 DR. CHRIS ROBINSON: I -- I have turned  
3 my mind to that, and so has the -- so have the other  
4 members of the panel, because it is an important issue.  
5 However, my memory is no better than yours, so I can't  
6 remember if we actually said anything.

7 I have stated on the record and I have not  
8 changed from that. Nobody's actually asked about it, but  
9 in my previous submissions, you know, ACORN and so on, I  
10 said something like 25 percent should be the maximum,  
11 25 percent of salary. And even that's sort of arbitrary.

12 But it was difficult for us to agree on  
13 it, and it does not appear that -- it was something  
14 certainly the Board would want to consider -- but it does  
15 not appear to me in my non -- capacity as not being a  
16 lawyer, that the Board has the power under the  
17 legislation to make any such determination. So we kind  
18 of ended up concentrating on the other aspect.

19 But it's almost you should ask the  
20 industry: How often do you actually allow somebody to  
21 borrow 50 percent? And I suspect that the industry  
22 participants -- I mean, we actually -- we need some --  
23 we need some payday lenders, store lenders in here so  
24 that Mr. Hacault can put me in a corner with him and I  
25 can talk to them.

1                   And I think they would say -- a lot of  
2   them would say: We don't let you have that much unless  
3   you've already borrowed from us a number of times and  
4   we're confident -- really confident -- you can repay it.

5                   But, I mean, did -- if -- if there is a  
6   recommendation, it will be in Dr. Buckland's submission  
7   where he did the more general recommendations.

8                   MS. ANITA SOUTHALL: Yes, I'm sorry, I  
9   was trying to put my hands on that particular exhibit and  
10  I can't. Mr. Williams...?

11                  MR. BYRON WILLIAMS: I'll try and help  
12  you with that, if we have a -- a quick break. And I  
13  apologize, I should have my -- I should be able to put my  
14  hands on it too and it's --

15                  MS. ANITA SOUTHALL: It -- well, it will  
16  be there. I mean, I don't want to waste time --

17                  MR. BYRON WILLIAMS: Not -- you're not  
18  misleading the -- the record though.

19                  DR. CHRIS ROBINSON: Yeah. I mean, I am  
20  willing to be on the record as saying that I -- well,  
21  either we need a provision, we need not just Mr.  
22  Rentcash's twenty-eight (28) day signature loans, but we  
23  need a provision that we somehow regulate appropriately  
24  for several months of repayment on a loan or a phased  
25  repayment or something.

1                   And I -- I mean, that, you know, I've -- I  
2   can't give more detail than that. Or we need a  
3   limitation on the amount you can borrow at a particular  
4   time.

5                   But I'm not sure that the Board has the  
6   power to do that under this order. I mean, the -- the  
7   Board Chairman is -- is looking at me, I can't quite see  
8   what he's signalling me, because I've got my reading  
9   glasses on, but -- okay.

10                  So, but I -- you know, given nothing else,  
11   I would say 25 percent and, you know, I'll -- I'll even  
12   give you consulting for free to the industry. I think  
13   that when you go to more than 25 percent, I would expect  
14   that that probably is going to crank up your loan losses  
15   quite a lot, but...

16                  MS. ANITA SOUTHALL: Just for the -- the  
17   Board members, update as to where I'm at. I anticipate I  
18   should be done within fifteen (15) minutes; ten (10) to  
19   fifteen (15) minutes. Did we want to break now or shall  
20   we continue until I complete my cross?

21                  THE CHAIRPERSON: I think you should  
22   finish.

23

24   CONTINUED BY MS. ANITA SOUTHALL:

25                  MS. ANITA SOUTHALL: Thank you very much.

1                   So, Dr. Robinson, I would just ask you to  
2 turn to the document that was the rebuttal evidence of  
3 the Coalition dated October 31, 2007.

4                   DR. CHRIS ROBINSON:    Yes.

5                   MS. ANITA SOUTHALL:   And if I could ask  
6 you to look at page 7 --

7                   DR. CHRIS ROBINSON:    Yes.

8                   MS. ANITA SOUTHALL:   -- there's  
9 commentary in the first full paragraph on that page about  
10 the findings of, or -- or opinion of Dr. Clinton and the  
11 statement that, "Clinton argues that a 20 percent spread  
12 in prices across outlets is the norm in retail products."

13                   Do you see that?

14                   DR. CHRIS ROBINSON:    Yes.

15                   MS. ANITA SOUTHALL:   And then -- well,  
16 first of all, would you agree with Dr. Clinton's analysis  
17 in that respect?

18                   DR. CHRIS ROBINSON:   Sorry. Do you mean  
19 do I agree with his assertion that 20 per -- a 20 percent  
20 spread in retail products across -- then retail products  
21 across a span of companies or --

22                   MS. ANITA SOUTHALL:   Mm-hm.

23                   DR. CHRIS ROBINSON:   -- stores would be  
24 normal? I mean, that's an assertion rather than an  
25 analysis. He's asserting that, but I'm not aware of the

1 evidence upon which he is relying for that. But -- so,  
2 what I -- I mean, he made that statement, he's making an  
3 assertion there. There's no analytic content to it.

4 If you're then looking toward -- sorry, if  
5 what you're then asking is that -- and -- and, you know,  
6 the Coalition has -- has written, you know, following  
7 that, has written some -- some critique of how he's  
8 arriving at that.

9 I guess -- I don't think it's appropriate  
10 for him to be using a price spread. First of all, he's  
11 referring to some older economic literature. I don't  
12 know that literature well, but it is not an absolutely  
13 up-to-date literature.

14 And it is, as so much of this literature  
15 is done, is done mostly in goods that are not immediately  
16 transferrable. And we're talking about a financial  
17 service that is run electronically and, therefore, is  
18 very moveable.

19 So that you would expect, just as in fact  
20 you observe, that there are posted rates in -- for the  
21 banks for example. In other words, the comparable thing  
22 would be to comparable analysis.

23 A proper analytical technique to use here  
24 would be to look at other financial services and see what  
25 the dispersion among them is. And the dispersion among



1 mortgage rates, interest rates, et cetera, is generally  
2 much smaller so that you're shaving, you know, very  
3 narrow points.

4                   You look at trading of securities of  
5 interest, you know, interest-based securities of the same  
6 risk, and they're talking in bases points which is one  
7 hundredth (1/100th) of a percent. And that -- that's how  
8 they measure them.

9                   So that this idea of a 20 percent or 40  
10 percent spread, or whatever might be normal, is, in fact,  
11 for something -- is based on something. I mean payday  
12 loans is somewhere in between there, but it's based on,  
13 Do you have to travel across town to buy toilet paper  
14 somewhere else?

15                   And we -- we know we don't have the  
16 comparable situation, so I'm -- I'm not -- I'm not  
17 particularly covering -- there's a bunch of other  
18 critique as -- as well of the suitability and in any case  
19 the price spread is much larger.

20                   What I'm saying is that I would expect the  
21 proper comparison with the financial services industry  
22 would show that nowadays, okay, in -- you know, if we did  
23 this research today, would get a much tighter price  
24 spread than 20 percent.

25                   And this huge price spread among the

1 payday lenders would be completely abnormal. We would  
2 never expect to see this in the usual way.

3 MS. ANITA SOUTHALL: And -- and you may  
4 have already -- sorry. Dr. Simpson, did you have  
5 something to add?

6 DR. WAYNE SIMPSON: Well, you've got the  
7 rest of that. I wrote this paragraph, so I feel some  
8 obligation to either advise my colleague or kick in my  
9 two (2) cents worth.

10 MS. ANITA SOUTHALL: No, feel free to  
11 answer yourself, sir.

12 DR. WAYNE SIMPSON: Well, the evidence we  
13 did have, which really contradicted Dr. Clinton, was the  
14 mystery shopping. But we found a range of -- a price  
15 spread range of around 40 percent.

16 And what strikes me about this, following  
17 up on -- on Dr. Robinson's comments, is that this is a  
18 large price spread and reflects, you know, for example,  
19 mortgages. Mortgage rates are -- are pretty tight.

20 I mean you can find differences of -- of  
21 half (1/2) or three quarters (3/4s) of a point which he  
22 considered quite significant. But in this case, there  
23 are much larger price spreads, and I think that reflects  
24 part of the -- the problem that's been identified of  
25 consumers having adequate information to make the proper

1 decisions on which is the best provider for their  
2 purposes.

3

4 CONTINUED BY MS. ANITA SOUTHALL:

5 MS. ANITA SOUTHALL: Thank you. Dr.  
6 Robinson, if I could follow up on the point you were  
7 making a moment ago. There is another statement made at  
8 page 9 of the rebuttal evidence, if you would just turn  
9 there.

10 And it was -- it was another question I  
11 was going to ask, but it may be the point you're making  
12 and if -- if so you can just, you know, you can just say  
13 that.

14 It's the last paragraph on page 9 where  
15 you're -- you're essentially saying credit is different  
16 from these other consumer goods because credit is a means  
17 to an end of consumption and can lead to accumulation of  
18 debt.

19 I -- I don't know if that's a different  
20 point that you're making, or if you're saying that it  
21 isn't comparable to other retail goods, the way you were  
22 saying a few moments ago on -- on the record.

23 DR. CHRIS ROBINSON: Yes, it is partly  
24 the same. Dr. Buckland wrote that paragraph, and what  
25 he's reflecting is a more classical or a more -- a

1 broader economics perspective in that they're all kinds  
2 of characteristics of goods, and I was focussing on the  
3 transportability, comparability and then, as Dr. Simpson  
4 pointed out, the information availability and the ability  
5 to understand the information.

6               However, at the same time, I have pointed  
7 out that in -- in a much broader sense, for industrial  
8 organization purposes, which is what we're talking about.  
9 I mean, how are we going to charge the -- sorry, how are  
10 -- what's going to happen to firms if we set these rates?

11              They still act like small businesses. The  
12 product is different, but they're still acting like small  
13 businesses and the biggest problem for a small business  
14 opening up is getting enough business to -- to justify  
15 operating at all.

16              I know that's not quite what you asked,  
17 but it -- it -- it's enormously complicated here. There  
18 is -- there are differences between what credit is and  
19 goods are.

20              I don't think that Dr. Clinton's analysis  
21 is suitable for the -- in the way that he used it, and I  
22 think if he had done it using financial services, he'd  
23 find very different values. But even with the values he  
24 did find -- or the values that we found -- it still looks  
25 like it doesn't work.

1

2

(BRIEF PAUSE)

3

4 MS. ANITA SOUTHALL: I -- I always dread  
5 answering a -- an open-ended question like this, so I'll  
6 -- I'll preface it that way, but -- and -- and either one  
7 of you -- and Dr. Robinson, and I'm -- I'm not sure who,  
8 from the Coalition group, provided the follow-up  
9 documentation on the second-round responses related to  
10 experience of credit unions offering a payday loan kind  
11 of product to this point.

12 And -- and my question, though, derives  
13 from the information that has been supplied on -- on the  
14 record, and those responses with some of the experience  
15 of credit unions in the United States and whether there  
16 are any significant differences between the US and  
17 Canadian markets in respect of that kind of product being  
18 introduced that would allow it to succeed in the United  
19 States, but not in Canada.

20 DR. CHRIS ROBINSON: I can't imagine why  
21 you would be worried about asking me an open-ended  
22 question. But since you want to go home tonight...

23 All right, I'm -- I've been partly engaged  
24 in this. The other person is Bob Whitelaw, the -- the  
25 former president of the CPLA who was consulting with

1 credit unions, and whom I referred to the Coalition, but  
 2 didn't refer him until after it was too late to register  
 3 him as, you know, an expert witness or something like  
 4 that. So that he has informed us and some of his  
 5 material has been placed on -- on the record.

6 In terms of the American credit unions,  
 7 Mr. Whitelaw did extensive research into the credit  
 8 unions in the United States. I had the unusual  
 9 opportunity of attending a -- a session on payday lending  
 10 being offered to directors of American credit unions in  
 11 Toronto to which Canadian credit unions were not invited.

12 And I was not able to detect any  
 13 differences there in -- between Canadian credit unions --  
 14 for example, I'd been involved in meetings with them with  
 15 respect to broader social issues -- and the credit union,  
 16 you know, between the credit unions in the two (2)  
 17 countries. They are much, you know, they're much smaller  
 18 in size. They're community based.

19 There is one difference -- it's entire --  
 20 one difference in Canada credit unions community base  
 21 comes either physical, you know, geographic community,  
 22 ethnic, or language community, or occasionally industrial  
 23 affiliation.

24 The US has added faith-based credit unions  
 25 as well. Now there may be some in Canada, but they're

1 certainly not a very important part of the -- they're  
2 much important in the US and so they have -- I can't  
3 remember the exact terms, but you know they had, you  
4 know, Stand by God loans, and things like this. I kid  
5 you not. There was one that -- there was -- there was  
6 some really clever marketing, in fact.

7                   But they are all functioning on the same  
8 sort of model which is that it's more membership, it's  
9 community based, people get engaged, and should stay  
10 related to the credit union. Their members were asking  
11 for this.

12                   And their analysis of those who were doing  
13 it and those who were thinking of it, the analysis -- the  
14 point of this session was they're saying, Folks, you  
15 should really consider getting your credit union into  
16 this, because we're finding that we can actually do it,  
17 meet our credit union objectives, make some money at it,  
18 you know, in a -- in a -- make money in a socially  
19 desirable way.

20                   And we can do it at rates that are -- and  
21 the rates were all over the map relative to other  
22 products -- but were generally rates around credit card  
23 rates -- so, you know, in the 20 percent -- 20 to 30  
24 percent range -- 20 to 30 percent per annum range.

25                   So other than the faith-based credit

1 unions, I've not observed any difference. Mr. Whitelaw,  
2 in various oral discussions with me, did not suggest  
3 there was any particular difference that he had noticed.  
4 But he, himself, when he was working for Alterna, was  
5 designing one specifically.

6 And, of course, there are different laws,  
7 different customs, so that they wouldn't be exactly the  
8 same. But, no, the credit unions, even though there's  
9 many apparent differences, don't seem to have a lot of  
10 difference between Canada and the US

11 MS. ANITA SOUTHALL: I am going to ask  
12 you to turn your mind again to what -- what, no doubt,  
13 you may recall from Dr. Clinton's recommendations through  
14 his evidence for Rentcash.

15 He introduced a particular view of the  
16 regulatory process which was intended to be sort of a  
17 gradual, cautious approach -- if I can paraphrase -- less  
18 disruptive to the market, and that the Board should  
19 consider that approach going forward. And then, over a  
20 period of years, consider then what the actual market  
21 effects are in the industry, and make further adjustments  
22 down the road, as required.

23 You're recommending, obviously, the  
24 particular rate schedule that you've introduced. But  
25 could you just address your -- what your view of that



1 approach is?

2 In other words, allowing the market to  
3 effectively work itself out and take a more gradual  
4 approach to this regulatory process?

5 DR. CHRIS ROBINSON: I thought you were  
6 worried by open-ended questions. Okay. Yes, the  
7 imposing a specific cap at a much lower rate than -- than  
8 many participant -- many industry participants are now  
9 charging, is, in fact, disruptive.

10 It isn't quite as disruptive as 36 percent  
11 APR. So, I'm sort of being, you know, a typical Canadian  
12 as well. I'm being very cautious and conservative. And  
13 I've built in a lot of conservative elements so that I  
14 don't regard my fee recommendations as being particularly  
15 radical.

16 I -- there's a substantial cost to  
17 consumers if we continue with the high rates. And this  
18 is not a difficult business to exit for the smaller  
19 operators. That is, they don't lose a lot.

20 So consequently, they would simply --  
21 there --there is no incentive for them to, in fact,  
22 change their rates if they believe that eventually the  
23 rates are going to be cut -- or sorry, to change their  
24 practices. They'll simply stay and earn what they can  
25 now.

1                   So that, I guess on balance I'm saying I  
2 think that the benefits to the consumer would outweigh  
3 the -- the benefits to the consumer of having the -- as I  
4 -- and I've quantified those benefits in various places -  
5 - a very substantial reduction in fees is more valuable  
6 than the protection of the industry for a continued  
7 period of time to allow it to adjust more easily.

8                   This is not an industry with huge fixed  
9 costs. This is not like telling Manitoba Hydro that  
10 we're going to take your -- all your -- are there nuclear  
11 plants in Manitoba? No? No, okay. So we're going to  
12 take all your coal-fired generation offline tomorrow. No  
13 coal-fired either? Gosh you guys are lucky. One? Okay,  
14 well Ontario's facing having to take nine (9) coal-fired  
15 generators out, and the effect will be catastrophic.

16                   This is, you know, nothing on the same  
17 order. Since I remind you that prior to the early 1990 -  
18 - or mid 1990s, there were no payday loans in Manitoba.

19                   And I haven't observed that Manitobans  
20 have suddenly become enormously wealthier because of  
21 payday loans. So it's not going to have a huge effect,  
22 you know, in a broad sense. And it will benefit  
23 consumers a lot, to introduce the appropriate levels  
24 right away.

25                   And, of course, it does make for

1 regulatory certainty, or at least much closer to  
2 certainty in that you actually know what it is your  
3 planning instead of saying, Well, in three (3) years the  
4 Board's going to change the rate again for sure, and it's  
5 going down. And is it going to go down enough that we  
6 should just quit now?

7 MS. ANITA SOUTHALL: Okay, thank you, Dr.  
8 Robinson. One other -- one final question, and then I  
9 have to -- a correction to introduce that was part of  
10 your testimony and which your counsel might have brought  
11 to your attention. So I will finish with that.

12 But first, it -- it --

13 MR. BYRON WILLIAMS: Counsel might have  
14 forgotten. I apologize, Ms. Southall, but I'll -- I'll  
15 remind Dr. Robinson.

16

17 CONTINUED BY MS. ANITA SOUTHALL:

18 MS. ANITA SOUTHALL: Well, that's fine.  
19 I -- I don't think it's particularly controversial, so  
20 we'll -- we'll get to that.

21 But my last question: harkening back to,  
22 and -- and I guess now that I'm at the mic, in fact, I  
23 did not ask you to do the Advance America calculations.

24 But -- but what I -- what I did ask you  
25 off the record at one point, and I think it was as a

1 result of Mr. Slee's questioning of you and -- and the  
 2 fact that it became apparent to me that you had done a  
 3 lot of research associated with the American payday  
 4 lending experience and all of the rate information that  
 5 you had gathered -- I did ask you one day, at the  
 6 conclusion of the Hearing, whether you had analysis of  
 7 Dollar Financial's rate charges in the United States.

8                   And that's something that I think you may  
 9 have alluded to early in -- in the evidence today. But  
 10 I'm wondering whether or not you do have that information  
 11 for Money Mart. And -- and, again, and I think you've --  
 12 you've indicated this; that I believe Money Mart in  
 13 Canada charges the standard rate, nationally, for its  
 14 payday lending.

15                   Could you just --

16                   DR. CHRIS ROBINSON: Yes.

17                   MS. ANITA SOUTHALL: -- provide --

18                   DR. CHRIS ROBINSON: Yes. I -- I -- yes,  
 19 as far as I'm aware, Money Mart and Rentcash, under both  
 20 the subsidiaries -- and Cash Money, all charge the same  
 21 rate nationally. But that is not the case in the US for  
 22 -- for the -- I mean, there may be some companies that do  
 23 that, but not the ones that I've seen.

24                   If you just wait a second...

25

1 (BRIEF PAUSE)

2

3 DR. CHRIS ROBINSON: Yeah, there we are.

4 Okay. I'm not actually going to put this one up because  
5 it contains materials that counsel and I have not agreed  
6 on yet. Yeah.

7 Okay. So I can file this in writing for  
8 you and, I mean, unless counsel is objecting, yeah, I  
9 don't think -- yeah. Yeah, so there -- so I will just  
10 read -- simplify your trouble right now, I'll just read  
11 onto the record what I've written, but I'll then provide  
12 it for you in writing:

13 "Board counsel requested that I provide  
14 the average fees for Dollar Financial's  
15 US results as I had provided them for  
16 Advance America."

17 In the Advance America material, you'll  
18 see that they record -- that -- that I actually wrote  
19 down and -- and then calculated averages.

20 "Advance America... I cannot provide  
21 them from an identical source, because  
22 Advance America discloses its average  
23 loan and average fee per loan while  
24 Dollar Financial does not. I divided  
25 Dollar Financial's US payday loan

1 revenue by its US payday loan volume;  
2 all figures coming from the 2007 10-K,  
3 page 11. The result is an estimate of  
4 the average percentage of the loan  
5 charged by Dollar Financial."

6 So if you think about it, I've got the  
7 total revenues, I've got the total volume, so the result  
8 should be -- is a reasonable estimate of the average fee  
9 they're charging.

10 "The figures are 2007, 15.7 percent;  
11 2006, 16.0 percent; 2005, 15.6 percent.  
12 These figures are very close to those  
13 for Advance America in its recent  
14 reports, and they are also in the range  
15 regulated rates in the various US  
16 States in which they operated -- in  
17 which they operate, but not at the  
18 lowest of the regulated rates. This is  
19 exactly what we would expect to see."

20 And the Board has those. Advance America,  
21 on the two (2) page submission which was Money Mart costs  
22 and Advance America costs, and they were ranging from  
23 14.7 to 16 percent over those four (4) periods.

24 In fact, we had them up on the screen  
25 earlier when we were looking at Advance America.

1                   So that they are, in fact, exactly what  
2   I'd expect. As I've said already, the regulated rates  
3   for most of the States are 14 -- I mean for the States  
4   that are -- haven't just killed payday lending entirely,  
5   are 14, 15 percent and then you get up, some seventeen  
6   (17), eighteen (18), some twenty (20) and one (1) or two  
7   (2) higher.

8                   And, so, the weighted average is going to  
9   be sort of what we're looking like.

10                  Now this is not a perfect  
11   representation -- neither of them is -- but this one's a  
12   little further, because their -- all their fees are  
13   included in there, so default fees or anything else.

14                  But as we've seen, those are very small  
15   relative to the actual raw payday charge. You borrow for  
16   fourteen (14) days and pay it back on time, this is what  
17   you pay. Okay.

18                  So there's your -- your figures. I should  
19   have thought to provide them when I was doing that  
20   originally but...

21                  MS. ANITA SOUTHALL: No, I anticipated  
22   actually asking you this question when it was my turn on  
23   this -- in this cross-examination process, Dr. Robinson.

24                  I -- I am now going to just enter that  
25   correction on the record from the transcript, and this

1 was brought to our attention actually by Mr. Nathan Slee  
2 and it was during his cross-examination of Dr. Robinson.

3 It appeared in the transcript day January  
4 11, 2008, and on page 3893, line 12 and 13 in particular.  
5 So, I'm -- I'm going to indicate what -- beginning --  
6 sorry, beginning on line 12 and 13, so the statement was  
7 Dr. Robinson:

8 "So in general I'm expecting that  
9 stores that are under a million anyway,  
10 single stores that are under a million,  
11 are -- are very likely efficient enough  
12 to survive in under the rate caps."

13 And -- and Mr. Slee has asked us to  
14 inquire of you if you meant very likely inefficient  
15 enough to survive under the rate caps? I'm going to show  
16 you the -- the portion of the transcript.

17 DR. CHRIS ROBINSON: Yes, it -- it  
18 doesn't seem like there's any question that -- that I  
19 would have meant to say inefficient, so I'm perfectly  
20 comfortable to have that, though we did have these  
21 debates about the use of the word efficiency, and I might  
22 have chosen a better word.

23 But, yes, I was not suggesting that they  
24 were great at that level, it's the reverse.

25 MS. ANITA SOUTHALL: And just -- and just



1 for everybody else's edification, you do go on to say  
2 immediately thereafter at line 16:

3 "They -- they don't meet my definition  
4 of an efficient provider."

5 So that would be consistent with you  
6 having meant that -- that they were inefficient?

7 DR. CHRIS ROBINSON: That -- what I said  
8 -- that wouldn't be the lowest cost pro -- what I should  
9 of said was probably the lowest cost provider, but, yes,  
10 the -- the record is -- yes, it's reflecting what I said.

11 MS. ANITA SOUTHALL: So -- so the  
12 correction's appropriate?

13 DR. CHRIS ROBINSON: Yes.

14 MS. ANITA SOUTHALL: Thank you. Those  
15 are my questions of Dr. Robinson. Thank you.

16 THE CHAIRPERSON: Okay. We're going to  
17 have re-direct by Mr. Williams if he has any, but before  
18 that I just got a couple of other questions of Dr.  
19 Robinson and then we'll have a short break. And then  
20 we'll come back with the re-direct.

21 Do you have any re-direct by the way Mr.  
22 Williams?

23 MR. BYRON WILLIAMS: I -- I probably have  
24 one (1) question of Dr. Robinson, but I guess the only  
25 question I have is whether I should wait till our

1     undertakings come in; whatever -- whatever works for the  
2     -- the Board.

3                     THE CHAIRPERSON:     Probably best to wait  
4     until the undertakings come in.

5                     MR. BYRON WILLIAMS:    Yeah, but -- yes,  
6     but I'm fine --

7                     THE CHAIRPERSON:     Yeah.

8                     MR. BYRON WILLIAMS:    -- with what --

9                     THE CHAIRPERSON:     Okay. Well, we'll see  
10    where we are after this, and then you -- you might do  
11    with your one (1) question, and then if there's more  
12    afterwards we'll deal with that.

13                    Dr. Robinson just a couple of questions  
14    that come to mind after today's following up Mr.  
15    Hacault's question re. potential bias. At the outset and  
16    again today you mentioned two (2) perspectives on payday  
17    lending. One (1) involved the moral and -- and negative  
18    perspective, the other seeing issues through a business  
19    prism if you like.

20                    DR. CHRIS ROBINSON:    Yes.

21                    THE CHAIRPERSON:     You advised us that  
22    your work on the -- on the file that you took the latter  
23    perspective. In other words you looked at it as a  
24    business issue. I'm wondering why is that? Is there no  
25    ethical dimension to the case?

1                   I ask this because you seem to have an  
2     interest in the other dimension, given your poll in the  
3     paper with your colleague and your indication at this  
4     proceeding that you intended to update it.

5                   DR. CHRIS ROBINSON:   Yes.   And in fact it  
6     occurred to me as I was giving the answer that I wasn't  
7     capturing exactly what I mean, so I should have included  
8     the extra sentence.

9                   I believe, exactly as Dr. Buckland does  
10    and has said, that ethics is an important part of the  
11    business analytics; that it's an important part of how  
12    businesses operate and I teach that directly.  What I --  
13    so that when I say there's a business aspect I am  
14    thinking of ethics -- ethical issues as well.

15                  However, the question really goes to bias.  
16    In other words, I believe that ethics -- having ethics is  
17    believing that ethics is part of your analytical process  
18    is not a biased perspective at all.  What I was  
19    referring to, I guess, if I'm to be -- so this is perhaps  
20    giving a better answer to that question about bias, is  
21    what do you actually -- what are you actually thinking  
22    these firms are behaving like ethically, in terms and --  
23    and, therefore, how does that colour your analysis?

24                  And what I concluded was that -- and this,  
25    of course, conclusion comes from having learned a lot

1 about the businesses so that I don't remember now what I  
2 might have first thought. Well, I first thought nothing  
3 -- I didn't know what they were, back in 2004 -- was that  
4 there are very significant business issues that lead that  
5 they have to charge high rates.

6                   So that the ethical issue is not, you  
7 know, so that -- I -- I make no ethical claim, I don't  
8 feel that they are rapacious because they are charging  
9 higher than credit card rates. That's simply not the  
10 ethical issue.

11                   The ethical issue would be, what are the  
12 appropriate rates under a just and reasonable rate to  
13 charge, and that is a business analytic question. And so  
14 the ethical issues that I took into account and that were  
15 not -- these are rapacious scoundrels who should be  
16 driven out of business, but rather, what is the ethical  
17 balance between maintaining some kind of industry, some  
18 kind of payday lending industry and protection of  
19 consumers, or you know, reduction of the cost to  
20 consumers or the harm to consumers that these loans may  
21 cause?

22                   So that -- and of course, we had that  
23 discussion of are they criminal or not? Well yes, under  
24 the law they are, but nobody's prosecuted them. And I'm  
25 not -- that doesn't concern me. What concerned me was,

1    how do we now get to the right balance.

2                   So, if I had been -- and I think it shows  
3    up in my recommendations -- because I could -- I can show  
4    you the argument, quite legitimately, for the 36 percent  
5    APR. The argument is well known.

6                   And -- I'd show, you know, and so if I had  
7    been totally biassed -- if I'd been biassed in that I  
8    really wanna drive these scoundrels out of business --  
9    but my bias is not to regard them as scoundrels, and if I  
10   really thought that they were that bad, I wouldn't be  
11   seeking out a payday lender near me and talking to him to  
12   him just to find out about the business. I would regard  
13   him as too unsavoury. But in fact, I find it really  
14   interesting talking to him, learning more about it, and  
15   I've represented some of his opinions to you.

16                  And so there is what I mean by bias.  
17   Using ethical analysis, being aware of the ethical issues  
18   is part of a normal business analysis. Any business  
19   professor who doesn't do that, as far as I'm concerned,  
20   is demonstrating a very serious bias.

21                  THE CHAIRPERSON: Thank you. Today, once  
22   again, the issue of repeat loans and the implications for  
23   the borrowers arose. You tested out or suggested, of a  
24   possible solution, one being a lengthier repayment period  
25   and perhaps reducing the levy for the additional period.

1                   If the majority of payday loans volume is  
2 associated with repeat loans, would not this tentative  
3 solution that your trotted out, not have a major impact  
4 on the revenue base and viability of the industry?

5                   DR. CHRIS ROBINSON:   Yes, you're right.  
6 And I should have said -- I should have discussed that  
7 and incorporated that. I was trying to do an awful lot  
8 on very short notice.

9                   But yes, you're -- you're absolutely  
10 right, because we know that this industry survives on  
11 repeat business. Well, of course, many businesses do,  
12 but they would survive -- they are -- their big volume  
13 which I've already said is essential for them to operate,  
14 because they aren't big volume, but their -- a large part  
15 of their volume comes from people coming in, frequently,  
16 to -- to take out payday loans. And if what we do is set  
17 up a structure whereby they are able to borrow for --  
18 make their single borrow for longer periods, then they  
19 may -- this may damage the industry.

20                   And so that would, and I know I'm starting  
21 to anticipate your analysis -- but where -- in terms of  
22 my recommendations, of my actual formal recommendations  
23 to the Board, where that goes to is that part of the fee  
24 structure, which we haven't discussed a whole lot,  
25 because it isn't such a big -- seems such a big deal, and

1   that's the -- where I suggested 1 percent per week, plus  
2   -- plus, you know, ten dollars (\$10) if they -- if they  
3   dealed fairly with you, and twenty bucks (\$20) if they  
4   don't talk to you and go into default.

5                   And I don't know how to test. As I said,  
6   I referred to this other payday lender who said, You  
7   can't do that, that's -- that's rotten, that's terrible.  
8   You know, they'll -- they'll screw me around if you do  
9   that. You gotta make them pay if they're going -- pay  
10  heavily if they're going to keep doing this.

11                  And I was actually, when -- it was one of  
12  the -- when Mr. Hacault was asking one of his questions,  
13  I started trying to figure out, Okay, suppose I do 2  
14  percent a week, and it looks too high. But of course,  
15  when you move out of even percent -- so there's a very  
16  significant issue there that's kind of hidden, because it  
17  doesn't look like it's big dollars -- but if we went to  
18  that.

19                  So as I said, this requires, you know,  
20  it's typical right? I mean, I -- they -- requires more  
21  research. That's how we -- we survive in academia; we  
22  just keep on inventing problems for us to solve.

23                  THE CHAIRPERSON: Well, there's a final  
24  argument phase yet to come. Dr. Robinson, you raised a  
25  question about, today, about the long term viability of

1 the industry. You were speculating about your own  
2 investment portfolio, I believe.

3                   Noting for the potential for the banks and  
4 credit unions to offer a product that might address some  
5 of these short cash needs and the risk that may lay,  
6 therefore, inherent with payday lenders. Given that the  
7 industry has been around for at least a decade longer  
8 than that probably in the US and the credit unions and  
9 the banks haven't rushed into this, what type of risk do  
10 you think this is?

11                   DR. CHRIS ROBINSON: I'll try to refrain  
12 from to long a lecture on personal finance and investment  
13 management. First of all, of course, I take very long  
14 run views so that -- you know for the -- you know, all  
15 these young people in the audience here you have to  
16 recognize how long your time frame is. Your time frame  
17 probably -- and I'm actually referring to my research,  
18 and to my publications in personal finance.

19                   You should actually be thinking about not,  
20 Well till I retire, you should actually be thinking bout  
21 till when I die. And the conditional probability is that  
22 you got a long time to go -- so that I am currently at  
23 fifty-eight (58), I still can think in thirty (30) year  
24 time frames. Okay.

25                   And I don't, I mean, you know there's been



1 a market crash recently -- I have no idea how much money  
2 I've lost, because I, you know, I may get around to  
3 looking at one (1) of these days and thinking about it.  
4 I have, however made several very large transactions.

5 So that's a long run perspective that I'm  
6 taking, and essence -- essentially you have to take that  
7 sort of perspective in investments because the long run  
8 always does come back to bite you.

9 Now the reason it's not moving fast is  
10 because this business is small potatoes to the banks.  
11 It's bigger to the credit unions which is why we see them  
12 more interested and it has this potential social  
13 dimension. The banks just aren't noticing, and in fact  
14 the banks -- Canadian banks are not the swiftest reactors  
15 to anything. They run a wonderfully efficient system,  
16 and they get paid very well for doing it. I do own lots  
17 of bank shares.

18 But something like this which has only,  
19 you know, is a -- is a pin prick of business, and can be  
20 very profitable for them, they just haven't gotten around  
21 to really thinking about how to do it.

22 And I think Mr. Hansford gave you some  
23 insight into that. They don't even have the credit. You  
24 know, they don't have the people who have the kind of  
25 knowledge how to do that so they'd have to build up the

1 staff to do it. And, so it's the sort of thing you've  
2 got -- you're a senior bank strategist, and you think  
3 about what you're going to do.

4 Now, what they all do is they all think  
5 we'll go to New York; we saw what happened to CIBC when  
6 they did that. Okay, they lost billions. And they don't  
7 see and don't think in terms of I should change; I  
8 should, you know, do these things on the retail level  
9 where I'm sure to make some money.

10 So it is quite possible that I'm wrong. I  
11 just see that as a risk which is an absolutely  
12 unanswerable risk. In other words if they do decided to  
13 do that, the payday lending industry is unlikely to  
14 survive. And I -- those are the kinds of things, I  
15 regard -- you know, in other words, that's, using my term  
16 from an earlier IR, that's a value at risk of a 100  
17 percent, and I only do that -- take those kinds of risks  
18 and only recommend them to people when you can earn 400  
19 percent on the other side maybe. And I don't see any  
20 evidence that the payday lending industry will return  
21 that.

22 But the counter thing is, of course, that  
23 nothing's going to happen in the short run, and it may be  
24 that in the very long run the banks will continue to  
25 decide it's just not worth us even being in the; payday

1 lenders are just fine by us, let them go and do what  
2 they're doing.

3 THE CHAIRPERSON: Thank you. One (1)  
4 last question. You've -- you've done some work with the  
5 Feds, you pointed that out, and filed a report, and  
6 commented on that. Interest rates fall within Federal  
7 jurisdiction.

8 Do you have any view why Parliament would  
9 cede to the Province's regulation of an industry that's  
10 dominated by national players, with national rate charge,  
11 national operating procedures?

12 DR. CHRIS ROBINSON: Well, interestingly  
13 I had wondered about that, because in fact it was clear  
14 from Senate documents -- I actually phoned Gerry  
15 Grafstein (phonetic), but he never phoned me back. I  
16 guess they're like the payday lenders who don't phone me  
17 back.

18 But it was clear that my report as  
19 suppressed so that they were not allowed to have it.  
20 Okay, so that the Senate when investigating this question  
21 actually never saw the report that the Government had  
22 paid for, which does seem really ridiculous and must have  
23 frustrated the civil servants to no end. And this is not  
24 a matter of -- of liberal versus conservative. I'm not  
25 sure when it happened. It sounds like both of them

1     didn't.

2                     I could be misquoting. I'm not -- sorry,  
3     not misquoting, misattributing, I don't think so. Let me  
4     think for a second.

5                     No, it was Mr. Sardo. I -- I'm sure it  
6     was Mr. Sardo who gave me what he believes is the reason,  
7     which I now accept as the reason. It was a very simple  
8     political one. It was, because I recommended the Federal  
9     government should do it. They had -- they had this Act,  
10    they could do what Manitoba is doing for the whole  
11    country, and instead of us having ten (10) hearings, we  
12    could have one (1).

13                    I think that Mr. Sardo was right. He was  
14    certainly very sure himself that it was simply a  
15    political manoeuvre to avoid having to take  
16    responsibility, because, and this has been huge issue  
17    with use, what are the interest rates?

18                    Well, even after you apply what I'm  
19    recommending or what anybody else -- any of my  
20    recommendations, and you just turn it -- it into an APR,  
21    forget the EARs, they're still huge rates, hundreds of  
22    percent. And the argument was that no Federal government  
23    wanted to take responsibility for something which could  
24    be played as: Federal government allows rapacious  
25    lenders to charge 200 percent, which we now know is, you

1 know, way -- is below what I'm recommending.

2 And so he said, let -- let's make the  
3 provinces carry the can for this, we've got the power to  
4 do so.

5 I think that that is probably the reason  
6 because I've -- I've -- the Government has never advanced  
7 any other reason for it.

8 THE CHAIRPERSON: Thank you, sir.

9 Mr. Williams, I am just looking at the  
10 time. Do you have any redirect at this point?

11 MR. BYRON WILLIAMS: We -- we'll take a  
12 two (2) minute, just two (2) or three (3) minutes and I  
13 think I have one (1) question of Dr. Buckland -- Dr.  
14 Robinson. There -- there might have been something we  
15 wanted to bring in from Dr. Buckland, again, on one (1)  
16 simple question but we might be able to do that via a  
17 letter, just to save bringing him back.

18 THE CHAIRPERSON: Okay. We will take  
19 five (5) minutes --

20 MR. BYRON WILLIAMS: Okay.

21 THE CHAIRPERSON: -- or so and give you a  
22 chance. Thank you.

23 MS. ANITA SOUTHALL: Mr. Chairman, I just  
24 had a series of emails from Mr. Sardo with respect to  
25 undertakings, if I could just introduce them on the

1 record, please.

2 THE CHAIRPERSON: Please

3 MS. ANITA SOUTHALL: So as I indicated  
4 earlier today, Mr. Sardo, of CashX had responded to me  
5 directly by email and had sent me three (3) emails: One  
6 (1) dated November 16, 2007; one (1) dated November 20,  
7 2007; and the third one dated January 9, 2008.

8 And so as a package we're going to  
9 introduce those as CashX Exhibit 4, constituting his  
10 undertakings.

11 I remind everyone that...

12

13 (BRIEF PAUSE)

14

15 MS. ANITA SOUTHALL: okay, I -- I changed  
16 my mind, as directed by the Board's secretary, and we'll  
17 call them three (3) exhibits.

18 And so the November 16, 2007 email and  
19 attachments will be CashX 4; November 20th, 2007 email  
20 CashX 5; and Nov -- pardon me, January 9, 2008 will be  
21 CashX Exhibit 6.

22

23 --- EXHIBIT NO. CASH-X-4: November 16, 2007 email and  
24 attachments

25 --- EXHIBIT NO. CASH-X-5: November 20th, 2007 email

1 --- EXHIBIT NO. CASH-X-6: January 9, 2008 email

2

3 MS. ANITA SOUTHALL: And just one (1)  
4 final caveat with respect to CashX Exhibit 4, as I  
5 indicated there were electronic attachments to it that  
6 are not printed out in the hard copy of what we're  
7 marking for the record, because the attachment  
8 spreadsheets were so voluminous.

9 So those will be circulated to Intervenors  
10 and Counsel.

11 THE CHAIRPERSON: Thank you, Ms.  
12 Southall.

13 MS. ANITA SOUTHALL: Thank you.

14 THE CHAIRPERSON: Okay, then, we will  
15 take that short break to provide Mr. Williams an  
16 opportunity.

17

18 --- Upon recessing at 3:44 p.m.

19 --- Upon resuming at 3:51 p.m.

20

21 THE CHAIRPERSON: Are you ready, Mr.  
22 Williams?

23

24 RE-DIRECT EXAMINATION BY MR. BYRON WILLIAMS:

25 MR. BYRON WILLIAMS: Dr. Robinson -- it's

1 -- it will be very quick, Mr. Chairman and Members of the  
2 Board.

3 Dr. Robinson, I just want to direct your  
4 attention back to the Industry Canada report. You'll --  
5 you'll recall that Mr. Foran had some questions for you  
6 about that, sir?

7 DR. CHRIS ROBINSON: Yes.

8 MR. BYRON WILLIAMS: And the specific  
9 page I want you to turn your attention to, it's got two  
10 (2) page numbers on it: In the bottom right-hand corner  
11 it's page 29, in the middle it's page 28. I believe in  
12 his conversation Mr. Foran referred to it as page 29.

13 And you'll recall in the -- he put to you  
14 in the -- the second paragraph with regard to Ernst &  
15 Young, a statement:

16 "I do not believe there are likely to  
17 be serious errors."

18 Do you recall that, sir?

19 DR. CHRIS ROBINSON: Yes.

20 MR. BYRON WILLIAMS: And you -- you  
21 confirmed that -- that statement came from your report,  
22 correct?

23 DR. CHRIS ROBINSON: Yes.

24 MR. BYRON WILLIAMS: I wonder, following  
25 that statement there is a -- a fairly lengthy paragraph.



1 I don't want you to read it all, but I wonder if you can  
2 read in the next few sentences.

3 DR. CHRIS ROBINSON: Yes. I'm, however,  
4 just for convenience of reference going to start with a  
5 para -- with the beginning of the paragraph. So this is  
6 the second paragraph, on page 28 my numbering, page 29  
7 the Board's numbering, of the report to Industry Canada,  
8 which is CPLA Exhibit 11.

9 "EY gathered its data carefully and had  
10 a large sample of four hundred and  
11 seventy four (474) stores belonging to  
12 nineteen (19) companies. I do not  
13 believe there are likely to be serious  
14 errors. There is one (1) significant  
15 issue that could not be avoided. The  
16 data is a snapshot at a specific point  
17 in time of an industry that was still  
18 expanding rapidly. The cost figures  
19 lumped together stores that were just  
20 starting up with those that had an  
21 established clientele. Since EY  
22 presented its results on the basis of  
23 dollars per hundred of loan, stores  
24 that are in start up will show almost  
25 full costs but less than full volume,

1                   and hence bias the cost upwards. The  
2                   only way to avoid this problem is to  
3                   collect data on stores open for more  
4                   than one (1) year, but we don't have it  
5                   now. Perhaps in two (2) or three (3)  
6                   years the EY study can be repeated to  
7                   see if costs have changed."

8                   MR. BYRON WILLIAMS: That -- that's fine,  
9                   Dr. Robinson. If there's anything else you want to add,  
10                  but otherwise...

11                  DR. CHRIS ROBINSON: And I would like to,  
12                  if the Board -- I would just like to say that it's the  
13                  word "errors"; that is that Ernst & Young collected the  
14                  data, as far as I can observe, properly; dealt with the  
15                  great difficulties in it, as well as anybody could be  
16                  expected to do; and in fact the problem -- and I did not  
17                  realize at the time of writing this report how serious  
18                  that problem is in the analysis. The problem is in the  
19                  way that they reported it, the way that they aggregated  
20                  and summarized their data.

21                  Unfortunately, that problem is what led me  
22                  to understand, when I did more analysis of Money Mart,  
23                  that I couldn't use the Ernst & Young -- well, nobody  
24                  could use the Ernst & Young data reliably, simply because  
25                  the costs are highly upward biased.

1                   And, of course, you can see that in my  
2 results, that Money Mart -- which was a substantial part  
3 of this survey -- Money Mart is a large part of the --  
4 had many of the stores in this survey and yet the costs  
5 show dramatically higher. And the reason is because they  
6 made no allowance -- they're making none of the  
7 allowances for the fact they had the store open for a  
8 month showing a huge loss and, therefore, its costs  
9 become tremendously biased, whether you weight or  
10 unweight the averages. And I have stated this in Acorn  
11 as well.

12                   MR. BYRON WILLIAMS:   Thank you, Dr.  
13 Robinson. I -- I have no further questions of re-direct  
14 of Dr. Robinson. Again, there's the one (1) point from  
15 Dr. Buckland that I'll reflect, and I'll -- I'll submit  
16 electronically and -- and see if parties have a -- but I  
17 don't see a real need to bring Dr. Buckland back.

18                   THE CHAIRPERSON:   Now, when the  
19 undertakings are all filed tomorrow, I'm wondering is Dr.  
20 Simpson and Dr. Robinson going to be back tomorrow?

21                   MR. BYRON WILLIAMS:   Dr. Robinson will be  
22 here, and I'll -- I'll have to -- in terms of Dr. Simpson  
23 I'm not sure if I'm getting a dirty look from him or not,  
24 but I will -- I'll confer with him offline, Mr. Chairman.  
25 But we'll -- we'll make sure that we can answer the --

1 the questions for the -- for anyone.

2 THE CHAIRPERSON: Ms. Southall, do you  
3 want to remind the parties of our plans for tomorrow.

4 MS. ANITA SOUTHALL: The game plan for  
5 tomorrow which will be the conclusion of the evidence for  
6 the Winnipeg hearing, is that Mr. Hacaault will introduce  
7 Rentcash rebuttal evidence at 9:00 as our starting item.  
8 We will proceed with -- to the extent that there's any  
9 cross-examination which would, of course, be limited to  
10 cross-examination on the rebuttal alone -- would then --  
11 we will then move to probably Mr. Williams answers to  
12 undertakings; followed by Mr. Foran's answers to  
13 undertakings; followed by CPLA rebuttal evidence, if any.

14 And -- and we don't have direction yet I  
15 think in -- in a final wave, unless Mr. Foran now knows  
16 whether he's introducing rebuttal evidence.

17 Not yet. He doesn't know yet. Sorry, I'm  
18 interpreting nods across the room, for the record.

19 So that will be the conclusion of the  
20 evidence and that will all be completed by 4:00 p.m.  
21 tomorrow, Mr. Chairman.

22 Mr. Hacaault, you had something to add?

23 MR. ANTOINE HACAULT: I just want to  
24 confirm again and I'll look tonight, that there's one  
25 undertaking from Dr. Clinton which I'm not sure has been

1 filed. And so I'll double check that and file it, if  
2 necessary.

3 But I can advise the Board it's not our  
4 intention to have Dr. Clinton here tomorrow on the  
5 rebuttal part. So unless his presence was required for  
6 some reason, we don't intend to have him here.

7 THE CHAIRPERSON: Well, very good then.  
8 So we'll look forward to seeing everyone in the morning.  
9 Stay warm.

10 Thank you, Dr. Simpson, in case you don't  
11 come back for tomorrow.

12 And well see you all tomorrow.

13

14 (WITNESSES STAND DOWN)

15

16 --- Upon adjourning at 3:57 p.m.

17

18 Certified Correct,

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22 \_\_\_\_\_  
Wendy Warnock, Ms.

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