

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
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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
November 19th, 2007
Pages 623 to 860

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	PAGE NO.
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
TABLE OF CONTENTS	
List of Undertakings	626
Canadian Payday Loan Association PANEL:	
HONOURABLE STAN KEYES, SWORN	
NORMAN BISHOP, SWORN	
MICHAEL MARZOLINI, SWORN	
LAWRENCE GOULD, SWORN	
DEAN SCHINKEL, SWORN	
Examination-in-chief by Mr. Allan Foran	629
(Voir dire commenced)	
Examination-in-chief by Mr. Allan Foran	643
Cross-examination by Mr. Antoine Hacault (Qual)	648
(Voir dire concluded)	
Examination-in-chief by Mr. Allan Foran	651
Cross-Examination by Ms. Anita Southall	675
Cross-Examination by Mr. Bryon Williams	756
Cross-Examination by Mr. Antoine Hacault	806
(MICHAEL MARZOLINI STANDS DOWN)	
Continued Examination-in-chief by Mr. Allan Foran	820
Certificate of transcript	860

	LIST OF UNDERTAKINGS		
	No.	Description	Page No.
1			
2			
3	9	A request of CPLA for tabulation	
4		of a distribution of data comparing	
5		the information in Question 55 and	
6		Question 62. (Taken under advisement)	707
7	10	For CPLA to provide with the actual	
8		Statistics Canada reference	
9		information that was used for this	
10		particular finding (Taken under	
11		advisement)	709
12	11	Mr. Keyes to provide what percentage	
13		of Manitoba customers borrowing a	
14		hundred dollars (\$100) for two (2)	
15		weeks might expect to pay ten dollars	
16		(\$10) or less in terms of administration	
17		and interest charges. (Taken under	
18		advisement)	765
19	12	Mr. Michael Marzolini to provide	
20		income range for the 15 percent who	
21		borrow money. (Taken under advisement)	796
22	13	For Mr. Bishop to research out the	
23		Small Claims issue and so advise	819
24			
25			

1 --- Upon commencing at 9:10 a.m.

2

3 THE CHAIRPERSON: So it would appear that
4 we're ready to go. Ms. Southall, just to start us off
5 today, do you want to remind us at what point we've
6 reached.

7 MS. ANITA SOUTHALL: Good morning, Mr.
8 Chairman, panel members, and everyone else present today.
9 We're now at the point in the proceeding where we will be
10 hearing from the panel for CPLA.

11 And they're assembled and present this
12 morning. Mr. Foran represents CPLA, he is their counsel.
13 He will be taking them through a short introductory
14 comment section this morning, followed by the direct
15 evidence of Mr. Marzolini, one of the witnesses who is in
16 Winnipeg for today only.

17 And so we will then proceed to ensure that
18 we finish our cross-examinations and followup questions
19 with Mr. Marzolini today if we could. Thank you.

20 THE CHAIRPERSON: Very good. Okay, Mr.
21 Foran, if you wouldn't mind introducing the witnesses
22 then we'll swear them in and you can start.

23 MR. ALLAN FORAN: Yes, thank you very
24 much, Mr. Chairman, Members of the Panel. I have this
25 morning the representatives of CPLA plus the expert

1 witnesses who have all filed reports and evidence in this
2 proceeding.

3 By way of introduction I'll start with the
4 Honourable Stan Keyes, the President of CPLA. Good
5 morning, Stan. Also representing CPLA is Mr. Norman
6 Bishop, good morning, Norman.

7 We have three (3) august
8 experts. We have Mr. Michael Marzolini, Chairman of
9 Pollara Research. We have Dr. Larry Gould, a professor
10 of finance at the University of Manitoba and we have Mr.
11 Dean Schinkel who is a representative of Deloitte &
12 Touche.

13 And the intention I have this morning is
14 after they're sworn in, to turn it over to Mr. Keyes.

15 THE CHAIRPERSON: Than you, sir. Mr.
16 Singh?

17

18 CANADIAN PAYDAY LOAN ASSOCIATION PANEL:

19 STAN KEYES, Sworn

20 NORMAN BISHOP, Sworn.

21 MICHAEL MARZOLINI, Sworn.

22 LAWRENCE GOULD, Sworn,

23 DEAN SCHINKEL, Sworn.

24

25 THE CHAIRPERSON: Thank you, Mr. Singh.

1 Mr. Foran, do you want us to go directly to Mr. Keyes?

2

3 EXAMINATION-IN-CHIEF BY MR. ALLAN FORAN:

4 MR. ALLAN FORAN: Yes, please.

5 THE CHAIRPERSON: Mr. Keyes, welcome.

6 HONOURABLE STAN KEYES: Good morning.

7 Mr. Chairman, Members of the Board, thank you for the
8 opportunity to provide comments on the CPLA evidence
9 filed in this proceeding.

10 My name is Stan Keyes and I'm President of
11 the Canadian Payday Loan Association and joining me
12 today, Mr. Norm Bishop, Secretary to the CPLA.

13 Mr. Bishop and I intend to provide you
14 with an overview of CPLA evidence. We also have with us
15 the authors of the various expert evidence that we have
16 provided in this proceeding. To repeat what our legal
17 counsel Mr. Allan Foran has said Mr. Mike Marzolini who
18 is chairman of Canada's leading public opinion survey
19 company Pollara, Mr. Dean Schinkel of Deloitte Touche,
20 and Dr. Larry Gould, Professor of Finance at the
21 University of Manitoba. We would like to acknowledge
22 them all and thank them for participating in this
23 proceeding.

24 It would be appropriate if I provide you
25 with a few words about the Canadian Payday Loan

1 Association. The CPLA represents all sizes of lenders in
2 this vibrant industry from the smallest to the largest.
3 We represent twenty-three (23) companies with five
4 hundred one (501) retail financial service outlets in
5 rural and urban communities right across Canada. In
6 Manitoba the CPLA represents five (5) companies with
7 twenty-four (24) outlets. There are another eleven (11)
8 companies in Manitoba who are nonmembers.

9 Our mandate as an association has been to
10 introduce consumer protection through our code of best
11 business practices and advocate for balanced regulation
12 of the industry. Our members support regulation that
13 fosters a viable competitive industry with strong
14 consumer protection in order to provide services to those
15 two (2) million Canadians that have used payday loans.

16 We believe in educated, informed consumers
17 making informed decisions about their own money. What
18 binds our members together is a commitment to voluntary -
19 - voluntarily follow a tough code of best business
20 practices and submit themselves to independent oversight.
21 It is the most stringent code for payday lenders anywhere
22 and we are very proud of it.

23 Our independent ethics and integrity
24 commissioner who monitors compliance with our code
25 conducts regular mystery shopping and has the authority

1 to fine our members up to thirty thousand dollars
2 (\$30,000) per infraction of our code.

3 As you can imagine, there are a number of
4 payday loan companies that have chosen not to join the
5 Association due to those onerous but important conditions
6 of membership. The CPLA is the only national association
7 that has worked closely with governments to introduce
8 legislation and rules that protect consumers and make
9 sense for the industry. We have been leading the call
10 for legislation and regulations, not fighting it.

11 We continue to work closely with the
12 Government of Manitoba and applaud them for their
13 leadership in being the first province in the country to
14 pass consumer protection legislation and launch hearings
15 to set maximum allowable fees.

16 We acknowledge that the CPLA's code of
17 best business practices is reflected in the new legi --
18 regulations that have been introduced here in Manitoba.
19 We have filed our code with the Board as part of our
20 evidence and I would like to highlight five (5) of the
21 eighteen (18) specific consumer rights that our members
22 follow.

23 First, no rollovers. The second is
24 limitation of default fees. In that regard, CPLA members
25 may not charge a penalty fee or NSF fee that in total

1 exceeds an amount set from time to time by the
2 Association which is currently forty dollars (\$40).
3 Interest on arrears for each one hundred dollars (\$100)
4 of a Payday loan in default is not to exceed ninety (90)
5 cents per week for the first thirteen (13) weeks and
6 fifty (50) cents per week thereafter.

7 The third is that our members may not
8 take title to chattels or assets of a borrower for
9 security or repayment of Payday loans.

10 Fourth, consumers have the right to
11 rescind a Payday loan at no cost before the close of the
12 following business day. Now, we understand that the new
13 regulations in Manitoba will extend this to two (2)
14 business days and we are in support of this right which
15 expands upon our current business practices.

16 Finally, I'd like to bring to your
17 attention the credit counselling services that are
18 available to consumers in Manitoba. Every member must
19 have credit counselling brochures prominently displayed
20 in their lobby. In Manitoba members have brochures of
21 community financial counselling services who were a
22 presenter just last week before the Board.

23 Pursuant to our code our members must
24 advise customers who have defaulted twice within one (1)
25 year of credit counselling services and offer to forego

1 accrual of interest if the customer obtains credit
2 counselling.

3 I mentioned the independent oversight of
4 this code for -- just a few minutes ago. The Office of
5 the Independent Ethics and Integrity Commissioner was
6 created close to two (2) years ago to ensure compliance
7 with the code by our members. The commissioner has a
8 full-time compliance officer that receives complaints
9 from customers and acts to effect resolution and
10 recommend an investigation where required. This officer
11 also seeks redress of complaints that are received from
12 non-members.

13 The commissioner conducts random
14 nationwide mystery shops on members to verify compliance
15 of the code. We understand that the coalition in this
16 proceeding has also attempted to conduct some mystery
17 shopping with respect to information provided to
18 customers.

19 The mystery shopping conducted by our
20 independent commissioner is done independently by trained
21 individuals who specifically look at members business
22 practices to ensure that the code of conduct is followed.
23 For your information some provincial consumer protection
24 officers now refer all complaints they receive regarding
25 payday loans to the commissioners directly.

1 We strongly believe in educated consumers,
2 and we remain committed to continually increasing
3 consumer awareness of available credit counselling
4 assistance programs, provide standardized information to
5 consumers about their rights, and set fees that are well
6 published.

7 Let me now be more specific about the
8 payday loan product here in Manitoba. In our evidence we
9 have provided a site map of locations of all payday
10 lenders here in the city of Winnipeg. Winnipeg is the
11 home of approximately fifty-two (52) of the sixty-seven
12 (67) payday loan outlets in Manitoba, and they are
13 located in all geographic and economic areas of the city.

14 Wholly 77 percent of Winnipeg outlets are
15 located in areas with average annual household incomes of
16 thirty-five thousand dollars (\$35,000) or greater. A
17 majority are located in areas with average annual
18 household incomes higher than forty-five thousand dollars
19 (\$45,000). By comparison 12 percent of outlets located
20 where average annual household incomes are twenty-five
21 thousand dollars (\$25,000) or less. This is consistent
22 with what we will hear shortly from Mr. Mike Marzolini.

23 Our evidence from Pollara clearly
24 indicates that customers are educated, informed, and
25 deliberate in choosing the payday loan product. They

1 consciously choose a payday loan even where they have
2 available credit options at banks and at credit unions.
3 Customers want the convenience of borrowing small sums of
4 money for short periods of time. And they pay their
5 loans back on time. Customers in Winnipeg focus groups
6 didn't appreciate the betrayal of them as poor,
7 uneducated, and not aware of what they were getting
8 themselves in too.

9 The evidence provided by Pollara is the
10 first ever statistically-relevant data collected on
11 payday loan customers in Manitoba. I will grant you
12 quite honestly that I believe there are examples of
13 payday loan customers that have been badly taken
14 advantage of by unscrupulous and greedy payday loan
15 companies, but this is not the experience for the
16 majority of customers. I understand the attraction for
17 the media and long-time critics of the industry who point
18 to the worst and most abused payday loan customer, but I
19 would ask everyone -- everyone to closely consider our
20 evidence including Pollara's ground-breaking survey.

21 Fee caps that allow strong competition in
22 the industry will allow customers choice in deciding
23 where to obtain payday loans. Competition will likely
24 keep fees below the established cap with companies openly
25 competing with each other for customers. This is

1 healthy. There was an opinion last week that the
2 competition does not exist in the industry today, that
3 there are only a couple of large players and a handful of
4 mom and pop shops. This is patently untrue.

5 There are several mid-size firms that are
6 currently expanding. For example, I've spoken to the
7 owners of Easy Cash Advance, Cash Money, and Cash For
8 You, Corp. Easy Cash Advance has doubled in size in each
9 of the last three (3) years now with thirty-three (33)
10 locations. Cash Money has a hundred and two (102)
11 outlets with forty-four (44) built in just the last three
12 (3) years.

13 Cash For You, Corp. has opened four (4)
14 stores in 2006, six (6) stores this year, and currently
15 has a total of seventeen (17) stores. The CPLA believes
16 that the Board should, as its objective, ensure that the
17 maximum fees its sets allow for a viable competitive
18 market that fosters competition so that consumers in all
19 areas of Manitoba have access to credit at reasonable
20 rates.

21 The CPLA has had a position on the issue
22 of a reasonable rate since January of this year, but I do
23 have to say that I'm disappointed to see that not all the
24 other Intervenors have yet to put their recommendation
25 rate on the record. This hearing is too important to

1 waffle on this point.

2 Let me briefly expand on the CPLA position
3 on rate caps. The membership of the CPLA got together in
4 January 2007 to discuss the future of the en -- industry
5 under regulation.

6 After many years, a bill was finally
7 before the House of Commons to amend section 347 of the
8 Criminal Code which would allow for regulation of the
9 industry.

10 Knowing that rates would be set by
11 Provinces, members wanted to discuss what would be a
12 realistic rate that should be set.

13 The Association felt it was very important
14 to have credible input in the rate-setting process. The
15 membership agreed on the position, and there was a press
16 release, taking a position on twenty dollars (\$20) per
17 one hundred dollars (\$100) was the outcome of that
18 meeting.

19 Since then, the CPLA has had more time to
20 reflect on the important issues of regulation. We have
21 retained experts in finance to research, analyze, and
22 provide us with information on what the actual costs of
23 operation are.

24 The CPLA advocates for a rate that, first
25 allows for a viable competitive marketplace, and second,

1 that will ensure the payday loan product is available for
2 all Manitobans.

3 We are opposed to a monopoly of one (1) or
4 two (2) large operators and do not believe that it is in
5 anyone's best interest.

6 Based on the research of Dr. Gould, the
7 CPLA supports his conclusion, and I quote:

8 "I recommend that the Board set the
9 maximum fee for payday lending in the
10 range of twenty dollars (\$20) to twenty-
11 three dollars (\$23) per one hundred
12 dollars (\$100) of a payday loan."

13 Furthermore, the rate must be increased to
14 incorporate the costs of the five thousand five hundred
15 dollar (\$5,500) per outlet per year bonding, and the costs
16 associated with that per outlet per year, and the cost of
17 these hearings.

18 In taking our position of twenty (20) to
19 twenty-three dollars (\$23), we have been deliberate to
20 ensure our smallest members could continue to viably
21 operate under this cap.

22 Now Doug Forbes (phonetic) is one of those
23 members. He operates one (1) payday loan outlet here in
24 Manitoba and has three (3) others in Northern Ontario.

25 Doug and I spoke over the past weekend. He

1 wanted to get an update on these hearings, and during that
2 call, he reiterated his support of our position. I'd like
3 to quote him directly, with his permission.

4 Doug said:

5 "Twenty dollars (\$20) to twenty-three
6 dollars (\$23) strikes the right balance.
7 I can still operate at that level and
8 also sleep at night knowing that I'm
9 charging fees that are fair, but not
10 excessive."

11 He also said:

12 "Any company, especially ones bigger
13 than me who say that they need a fee cap
14 higher than twenty (20) to twenty-three
15 dollars (\$23) either don't know how to
16 run a business or are simply driven by
17 pure greed."

18 In our association, we have the largest
19 player in the industry, Money Mart. We also have twenty-
20 two (22) competitors to Money Mart, all small and medium-
21 sized players, and they concur with the position being
22 advanced and advocated by the CPLA in this hearing.

23 Further to our ra -- rate recommendation,
24 we also suggest to the Board that the maximum charge that
25 may be levied on default, exclusive of interest, should be

1 forty dollars (\$40), which is consistent with the maximum
2 charged by the big five (5) banks.

3 In relation to the interest rate that may
4 be charged on arrears, we recommend that it remain at 60
5 percent. These are the rates which CPLA members have
6 chosen to restrict themselves to by virtue of membership
7 and organization that is reasonable on default.

8 On a final point, we believe it is very
9 important that the Board have a full understanding of the
10 product, the industry, and consumers. Therefore, I have
11 spoken to my counsel, and we'd like to offer the Board the
12 opportunity, if the Board believes it is of assistance, to
13 tour one (1) or more of our member's facilities.

14 We believe this would provide the Board
15 with hands-on knowledge of the experience of the Manitoba
16 consumer who have come to appreciate dealing with the CPLA
17 members.

18 I'm advised by my counsel that the Board
19 had the opportunity of visiting a facility in the cheque
20 cashing hearing that was held approximately a year ago
21 with a view to seeing how cheque cashing services are
22 provided. We'd like to afford you, Mr. Chairman, Members
23 of the Board, a similar opportunity to learn more about
24 the payday lending industry.

25 Thank you, Mr. Chairman, Members of the

1 Board for the opportunity to present to you this morning,
2 and we look forward to answering any and all of your
3 questions.

4 THE CHAIRPERSON: Thank you, Mr. Keyes.
5 Mr. Foran, are you proposing now that we move onto to
6 cross-examination?

7 MR. ALLAN FORAN: With a -- with a twist.
8 What I'm proposing we do now to make sure that there's
9 sufficient time to deal with Mr. Marzolini's evidence is
10 to -- now with the introductory overview of CPLA's
11 evidence on the record, what I propose is to turn it over
12 to Mr. Marzolini to do his direct evidence, followed by
13 cross-examination of Mr. Marzolini, if that's acceptable.

14 THE CHAIRPERSON: That is fine. Mr.
15 Marzolini...?

16 MR. MICHAEL MARZOLINI: Thank you very
17 much. Mr. Chairman, Members of the Board, it's my
18 pleasure to be here in Manitoba today going over some --
19 what we believe is very ground-breaking public -- public
20 opinion research that we've -- we've recen -- recently
21 done on the people who -- who use payday loans.

22 Who these people are, what their -- you
23 know, what they -- what their demographics are, what their
24 behavioural characteristics are, how they compare payday
25 loan organizations to financial institutions, how

1 satisfied they are with the experience, and why do they
2 use them in the first place.

3 Now, I represent a company called Pollara.
4 Pollara is a -- is what we -- what we believe to be the
5 largest Canadian-owned public opinion firm in Canada. We
6 have seven (7) or eight (8) offices across the country. I
7 -- I can't be more specific than that.

8 I'm not the -- we -- we keep -- we keep
9 opening up new ones, and we're on both coasts. We do not
10 have an office in the -- in Winnipeg yet, but we -- we
11 hope to in the future. We are in everywhere from
12 Bathurst, New Brunswick, Vancouver, Ottawa, Montreal, even
13 Toronto, Sudbury, places like that. We have about eight
14 hundred (800) employees, and we do stakeholder research.

15 I've been in this business for thirty-six
16 (36) years. I have collected public opinion data on every
17 topic imaginable: social issues, social concerns, issues
18 management, you know, everything from customer
19 satisfaction research; worked for banks, airlines, rail
20 travel, insurance companies, public utilities,
21 electricity, gas.

22 I don't believe there is -- there is any
23 area that we have not polled the public in terms of their
24 views, their attitudes, their behaviour. It's a
25 fascinating -- fascinating business. I love it. I would

1 probably poll the public even if we did not have clients.

2 It might be a little difficult to afford,
3 but I think, you know, the -- the public opinion is really
4 quite -- quite fascinating the way that -- the way it
5 moves, the way it changes, and what -- what motivates
6 people in certain situations.

7 Now, we have completed a rather large
8 survey on behalf of the payday loan industry -- or -- or
9 association --

10

11 CONTINUED BY MR. ALLAN FORAN:

12 MR. ALLAN FORAN: I'd like to interject
13 for just a moment, if I could, Mr. Marzolini. If I could
14 just ask you just a little bit more detail about your own
15 personal experience involved in -- in polling, and then
16 also ask you just to bring to the attention of the Panel,
17 perhaps, some of the accreditations, if any, that relate
18 to Pollara.

19 What I propose to do is, I propose to
20 tender Mr. Marzolini and the Pollara research's expert
21 conclusions. And I suppose, without -- without making
22 this too intensive, if you could just describe a little
23 bit about -- about you, of what you do, about Pollara then
24 I'm going to simply tender him as an expert, and if
25 there's any objections, I'd like to hear that from the

1 other Intervenors.

2

3

(VOIR DIRE COMMENCED)

4

5

MR. MICHAEL MARZOLINI: Well, thank you.
6 I'm usually a very modest man, not used to speaking about
7 myself in that manner, but first off, the -- the second
8 part of -- of that, the accreditation, Pollara is a gold
9 seal member of the Market Research Industry Association,
10 as such we are audited every year in terms of our
11 methodology to ensure that our methodology is scientific,
12 objective.

13

That we are not pushing our questions, that
14 are samples are selected properly, that everything is --
15 is proper in terms of the survey work that we undertake.

16

I personally, have been on their board for
17 many years and have pushed them to -- to increase the --
18 the audit capacity of those organizations and the
19 enforcement. Because there are -- again, in any industry
20 companies that -- that aren't quite to the standards of
21 many of the other companies.

22

And, certainly, that, you know, that to us
23 is very important. Public opinion, the measurement of
24 such, is a public trust. You know, public opinion should
25 never be skewed in any way. It should never be twisted.

1 It should never be misrepresented.

2 It is sacred. You cannot tax it. You
3 can't take it away from people. It is -- it is really the
4 -- as we call it, the most powerful currency in
5 civilization.

6 MR. ALLAN FORAN: And can you just
7 describe to the participants in this Hearing, how, then,
8 you -- you fulfill that? What do you do to measure,
9 survey, assess, analyze? How does that go? Just very --
10 on a high-level basis.

11 MR. MICHAEL MARZOLINI: Well, scientific
12 part of it is through survey research, through telephone
13 interviews. We are those terrible people that interrupt
14 you when you're having your dinner at 6:30 every evening,
15 trying to get your opinion either on a product that you've
16 used, on maybe, a service that you've -- you've taken.
17 You know, what, you know, hotel that you stayed in. For
18 example, what was wrong with it? How could the experience
19 have been better? A lot of that is our -- is our work.

20 We also use online panels. We have online
21 panels of thousands upon thousands of people right across
22 Canada that we -- we're able to -- to get certain target
23 groups, for example, for pharmaceutical companies. And
24 we're able to find people that have certain -- or have
25 suffered from certain diseases.

1 We also do focus groups, which is
2 anecdotal, which is the range of opinions. It's not a
3 scientific way of measurement, but it gives you a flavour
4 for what people are talking about.

5 And we have done focus groups on behalf --
6 on -- as part of the work we have done for the Payday Loan
7 Association here.

8 MR. ALLAN FORAN: Is it fair for me to
9 suggest, sir, that over the course of the last twenty (20)
10 years since you've been associated with Pollara -- and I
11 believe it's a bit longer than that, in fact, is it not?

12 MR. MICHAEL MARZOLINI: I founded the
13 company twenty-two (22) years ago, which came out of a --
14 a company -- consulting company -- that I ran for five (5)
15 years. And before that I was ten (10) years in this
16 business working for somebody else.

17 MR. ALLAN FORAN: And is it fair for me to
18 suggest that over the course of the -- the last twenty
19 (20) years, or excess of twenty (20) years, that you have
20 been personally involved in the collection, survey and
21 analysis of -- of data -- public data, private data -- to
22 come to conclusions, formulate opinions?

23 MR. MICHAEL MARZOLINI: I -- I estimated
24 that I've reviewed eight (8) to twelve (12) surveys a week
25 for the past thirty-six (36) years.

1 MR. ALLAN FORAN: And can you confirm that
2 your evidence has been accepted as expert evidence in
3 other proceedings, sir?

4 MR. MICHAEL MARZOLINI: Yes, I can.

5 MR. ALLAN FORAN: I would like to offer up
6 Mr. Marzolini as an expert, his evidence as conclusions
7 based on the collection, survey, analysis of -- of public
8 data and opinion, segmented into public data and opinion
9 for specific stakeholders in this Hearing and, in
10 specific, relating to payday loans.

11 THE CHAIRPERSON: Thank you, Mr. Foran.

12 Mr. Williams, do you have any comments?

13 MR. BYRON WILLIAMS: Certainly, on behalf
14 of the Coalition, later on we may have a few questions
15 about Mr. Marzolini in terms of his past experience. But
16 there's no question that he is an expert in public opinion
17 surveys.

18 THE CHAIRPERSON: Thank you, Mr. Williams.
19 Mr. Hacault...?

20 MR. ANTOINE HACAULT: I have no issue with
21 respect to the public opinion part, but My Learned Friend
22 also talked about data. And I would have a couple of
23 questions of this witness as to his expertise in
24 terminology used for payday loans and to see whether he
25 has any specific knowledge in this area that's useful for

1 us, because he has put some numbers in his report.

2 But I'm not so sure he's qualified to do
3 that.

4 THE CHAIRPERSON: Mr. Marzolini, do you
5 want to comment on that?

6 MR. MICHAEL MARZOLINI: Sorry, a little
7 high-tech for me here.

8 The -- I think I should probably reserve
9 comment until I fully understand what those questions
10 would be. As far as -- as the understanding of the payday
11 loan industry, I'm not an expert in the payday loan
12 industry. I am an expert in public opinion, and I am a
13 statistician.

14 THE CHAIRPERSON: Mr. Hacault, why don't
15 you ask your questions?

16

17 CROSS-EXAMINATION BY MR. ANTOINE HACAULT (QUAL):

18 MR. ANTOINE HACAULT: Sure. For example,
19 sir, prior to setting out your questions, did you review
20 the definitions in the Consumer Protection Act?

21 MR. MICHAEL MARZOLINI: We word our
22 questions to be very objective and scientific. We also
23 word them in order to reflect reality of the situation
24 that we're trying to measure.

25 What -- what specifically in the Consumer

1 Protection Act would impact upon that?

2 MR. ANTOINE HACAULT: My -- if you could
3 just answer my question, sir.

4 Did you review the definitions in the
5 Consumer Protection Act prior to conducting --

6 MR. MICHAEL MARZOLINI: Definitions of
7 what?

8 MR. ANTOINE HACAULT: Definition, for
9 example, of "payday loan."

10 MR. MICHAEL MARZOLINI: We did not read
11 the -- we did not review the -- the pro -- Canadian
12 Protection Act --

13 MR. ANTOINE HACAULT: Okay.

14 MR. MICHAEL MARZOLINI: -- for the --

15 MR. ANTOINE HACAULT: So you wouldn't have
16 also reviewed definitions of "cost of credit," sir?

17 MR. MICHAEL MARZOLINI: Definitions of
18 cost of credit? Why would we need to review those
19 definitions?

20 I realize you're asking the questions, but
21 I can't see the relevance.

22 MR. ANTOINE HACAULT: Okay. Well, I think
23 I have enough information on the record to qualify that
24 this person does not know anything with respect to the
25 terminology when used in his surveys. And that's the only

1 qualifi -- submission -- qual -- sub qualification I'd
2 like to address with respect to -- to Mr. Foran's
3 presenting this person as an expert. Thank you.

4 THE CHAIRPERSON: Mr. Foran...?

5 MR. ALLAN FORAN: Sir, my understanding of
6 an expert is somebody that takes their qualifications and
7 applies it to the facts and matters at issue. And I
8 believe that Mr. Marzolini has done that.

9 If there is a specific carve-out that My
10 Learned Friend would like, I think it would be far more
11 appropriate to put that to him on cross-examination, to
12 suggest that there might be different interpretations if
13 different suggestions or definitions were used, and ask
14 him for his opinion at that stage.

15 But for the purposes of this Hearing, this
16 is an individual that has been specific to the matters at
17 issue before the Board. I do believe he's an expert on --
18 on matters and applying his expertise to payday lending
19 issues.

20 THE CHAIRPERSON: Ms. Southall, do you
21 have any questions?

22 MS. ANITA SOUTHALL: I don't have any
23 questions. If the Board wants to consult, I'm prepared to
24 do that. If you -- if you'd like to take an adjournment,
25 or --

1 THE CHAIRPERSON: No, I don't think an
2 adjournment is necessary. We'll certainly hear Mr.
3 Marzolini, and we'll give him such weight as we determine
4 is advisable.

5

6 (VOIR DIRE CONCLUDED)

7

8 EXAMINATION-IN-CHIEF BY MR. ALLAN FORAN:

9 MR. ALLAN FORAN: Thank you very much, Mr.
10 Chairman and members of the panel.

11 I -- I'd like to make, if I could, just one
12 editorial comment, is that I'm not satisfied there's an
13 expert on payday loans for any purpose that you're going
14 to hear. But we've tried very hard to bring relevant
15 information to bear on a -- what is a very new matter that
16 you're about to regulate.

17 MR. MICHAEL MARZOLINI: Thank you. I'll
18 continue to -- to go over the public opinion results, if -
19 - if I may.

20 I really don't need to look up the
21 definition of "loans" in an encyclopaedia to know what a
22 loan is. And, as such, the methodology that I'm going to
23 take you through this morning will feature -- feature many
24 of the -- the overall findings, a very brief executive
25 summary.

1 And then we're going to look at the actual
2 findings and the wording of the question, because the
3 wording of questions is the most important part of a
4 survey.

5 It can be garbage in, garbage out.
6 Perception of -- or the results of what -- what many of
7 these -- these questions are are the perception of people
8 who have also not read the Consumer Protection Act. But
9 that is their perception of what that issue is and how it
10 impacts upon them.

11 So taking -- taking us through the -- the
12 methodology of this survey, and what we -- what we did was
13 we selected a random sample of payday loan -- payday loan
14 customers through interview.

15 We were given seven thousand nine hundred
16 and fifty-nine (7,959) records by the -- by the companies
17 doing business in Manitoba that are members of the -- the
18 Association. And we selected randomly, based on the
19 proportion of the market share of each of those companies,
20 a sample which we then set out to interview.

21 We called those people back, up to six (6)
22 times, because it's very important that we get the people
23 we set out to interview to answer our survey.

24 If we -- if we tried calling you on an
25 evening and you don't -- don't answer the -- the

1 telephone, there may be a reason for that. You may be a
2 shift worker. You may be a workaholic. You may do a lot
3 of entertaining. You may like going out to movies.

4 It's important we get the people that we
5 set out to. So, we will make call-backs and try to -- up
6 -- up to six (6) times, calling at various times of the
7 day, to get a hold of you in order to -- to interview you
8 for such a study -- study such as this.

9 If -- if we just burn through the numbers,
10 then we get whoever is -- is at home, and that would not
11 be as representative of the -- the sample here -- of the
12 population as we are trying to -- to interview.

13 With the -- we completed a total of three
14 hundred and fifty (350) interviews. And that's in early
15 September -- mid-September. And the results are accurate
16 -- We're required by law to tell you to plus or minus 5.2
17 percent, nineteen (19) times out of twenty (20).

18 Now, the overall findings of this study --
19 and we're going to just review the -- the executive
20 summary very -- very quickly, and then move on to the
21 actual questions.

22 And these are the -- the demographics as we
23 took from the survey. And we -- we ask people a lot of
24 questions in the study about -- about their experience,
25 their perceptions, their attitudes, their satisfaction

1 with -- and -- and the reasons for taking out a payday
2 loan. But we also ask a lot of demographic questions.

3 We asked them if -- what their age is, what
4 they do for a living, what their income is. And, overall,
5 we've found that these are -- these are not the
6 stereotypical payday loan customers that results from
7 anecdotal discussion, but, in fact, are a very highly --
8 highly mobile, well-employed, group of people. In fact,
9 77 percent of them are employed full-time.

10 They're an average of thirty-eight (38)
11 years of age. One half (1/2) have a post secondary
12 education from a community college. 20 -- 23 percent --
13 you -- sorry, have a post secondary education from a
14 community college, university, or postgraduate
15 professional program. In fact, 4 -- 4 percent of these
16 people have actually done postgraduate studies, which is
17 quite -- quite impressive in terms of the demographics.

18 We have 48 percent of them married, while
19 16 percent are separated, divorced, and 35 percent have
20 never been married.

21 The households are largely comprised of
22 adults. Two (2) in three (3) live in households with no
23 children under the age of ten (10), and three-quarters
24 (3/4s) do not have any children ages ten (10) to seventeen
25 (17) in their households.

1 Three (3) in five (5) have -- have annual
2 incomes of between twenty-five thousand (25,000) and fifty
3 thousand dollars (\$50,000) per year. That's 39 percent or
4 fifty thousand (50,000), and seventy-five thousand
5 (75,000), which is a further 23 percent.

6 The average amount of money that the
7 respondent payday loan customers in Manitoba currently
8 owed a financial institutions, excluding their mortgages -
9 - we don't take that into account -- is twenty-four
10 thousand three hundred and fifty-six dollars and sixty-
11 nine cents (\$24,356.69).

12 Respondent payday loan customers would
13 expect to pay, on average, twenty-four dollars and sixty-
14 seven cents (\$24.67) for interest and administration fees
15 on every hundred dollars (\$100) they would borrow over a
16 period of two (2) weeks.

17 Almost all payday loan customers currently
18 have a debit card and a checking account at a bank or a
19 credit union. Two (2) in three (3) -- about 65 percent --
20 have a savings account at a bank or a credit union, and
21 half (1/2) have a major credit card. Less than one (1) in
22 three (3) currently has a house -- a house mortgage.

23 Now, respondent payday loan customers rate
24 their impression of payday loan companies slightly lower
25 than other financial institutions and the same as credit

1 card companies.

2 Payday loan companies and credit card
3 companies receive average impressions of five (5) out of
4 ten (10). Actually, it's four point nine four (4.94) for
5 credit card companies and five point zero four (5.04) for
6 payday loan companies, but that's within the margin of
7 error.

8 So basically we would say that they are
9 tied -- although I would rather have five point zero four
10 (5.04) rather than four point nine four (4.94) -- while
11 credit unions have the highest average impression, and
12 they're at six point eight (6.8).

13 Now, there is no significant difference in
14 awareness of the approximate amount of money payday loan
15 customers pay for all fees for their loans with various
16 financial institutions. A similar proportion of
17 respondents are aware of the appropriate amount that they
18 pay for all fees, including administration fees and
19 interest charges, on their payday loans and for their
20 various bank accounts and their credit cards.

21 Now why -- why do people take out payday
22 loans? And this was -- this was something that we did not
23 set out a list -- a list of options for. We actually
24 asked people to answer this in a totally open-ended
25 format. We later took their actual sentences into

1 account, and we coded them into categories.

2 But, according to the majority of
3 respondents, the attraction of payday loans has to do with
4 the process being quick and easy -- that about half (1/2)
5 of all people -- while about two (2) in five (5) are the
6 most important reason for their requiring a payday loan is
7 that they have more convenient locations.

8 One (1) in five (5) -- only 15 percent of
9 the customers -- indicate they use payday loans because
10 they have no other alternative sources for borrowing.

11 The main reason for securing a payday loan,
12 according to the respondents, is that they needed money to
13 pay for necessities. That's 35 percent.

14 One (1) in four (4) say they needed payday
15 loan to help with an unexpected expense like a car or
16 household expense. Sometimes that would include -- as we
17 saw in the focus groups -- medicine, things that people
18 needed very quickly, household crises, that type of thing.

19 Four (4) in five (5) that -- or close to
20 eight (8) in ten (10) respondent payday loan customers say
21 they paid all of the loans they received in the past back
22 on time, while eighteen (18) report that they paid most of
23 the loans back on time.

24 On the average, payday loan customers rate
25 their satisfaction with the understanding of the terms of

1 their payday loan and when payment on the loan was due, at
2 eight point five (8.5) out of ten (10).

3 Also rated high is satisfaction with the
4 way that they're treated by the customer service
5 representative who provided the loan and the overall
6 customer service experience.

7 More than two-thirds (2/3s) of respondent
8 payday loan customers in Manitoba think "easy to use,
9 convenient, fast and long hours of operation" best
10 describe payday loan providers compared to other financial
11 institutions.

12 And indeed, we did a comparison with people
13 when we offered them other financial institutions as well
14 as payday loan. And we asked them to, basically, judge
15 each in terms of which was providing the -- the best ease
16 of use and convenience and -- and fast and hours of
17 operation.

18 And the payday loan industry certainly did
19 a lot better than the other -- other firms or other
20 financial -- financial institutions.

21 Now, question that we used in this is:

22 "I'd like to ask you some questions
23 about different types of companies in
24 Canada, using a scale of one (1) to ten
25 (10), where each is -- where one (1) is

1 not at all favourable and ten (10) is
2 very favourable. How would you rate
3 your impression of each of the following
4 groups of businesses in Canada?"

5 And what we see here is the -- the mean
6 impression on the right, which is based on a scale of one
7 (1) to ten (10), payday loan companies and credit card
8 companies at five point zero (5.0). Taking into account
9 the 1 to 10 scales, you'll see that payday loan companies,
10 7 percent gave them a ten (10) out of ten (10).

11 In terms of the favourability, a further 22
12 percent rated them, somewhat, save (7) to nine (9); and 39
13 percent rated them what we would -- what we've listed here
14 as "neutral," four (4) to six (6). Though that's more
15 technically neutral than perceptually neutral -- a 6 being
16 for a politician, for example, a very high score and one
17 that no politician that we've seen in Canada has ever --
18 every done better than.

19 And at the bottom end, 16 percent would --
20 would rate that "not -- not at all favourable," giving the
21 payday loan companies a one (1) out of ten (10); 15
22 percent, not very favourable.

23 So overall, you know, 20 -- 29 percent,
24 "very" or "somewhat," which -- which compares favourably
25 with credit card companies, which are lesser at the "very

1 favourable" end -- 3 percent lower -- and "somewhat
2 favourable" at 2 percent higher.

3 Higher than that are credit unions, which
4 have always had a very high impression level across
5 Canada.

6 We've been tracking, by the way, all of
7 these industries -- not payday loan, but all of the -- the
8 other industries for -- for more than two (2) decades at
9 Pollara.

10 And, in fact, we -- we've maintained and
11 advised a number of banks -- three (3) Schedule "As" and
12 about another four (4) Schedule "Bs" -- on their
13 impression rating.

14 And we do a lot of the -- well, do the
15 Insurance Bureau of Canada and many other of the home and
16 car insurance companies across Canada, not that that's at
17 all relevant to Manitoba.

18 But the -- certainly the -- the impression
19 of those -- of banks has always been very high. For exam
20 -- for the reason that you -- you do keep your money in
21 the bank. You may not like them, but in terms of the
22 impression, because of the trust level, they do incredibly
23 well.

24 So do all insurance companies and -- and
25 credit card firms. Now, the -- the current -- the

1 financial instruments that are currently being used for --
2 for most people -- and again 100 percent of these people
3 do have a payday loan or have had payday loan, and usually
4 within the last three (3) months on the sample that was
5 selected.

6 But we found that 96 percent of these
7 people also have a debit card, chequing account at a bank
8 or credit union. We actually gave them this list, and the
9 question -- the question was:

10 "Which of the following financial
11 products or services do you currently
12 have?"

13 We didn't read the Consumer Protection Act
14 before we asked this question, but that is what people
15 actually do have.

16 And we allowed multiple mentions in case
17 they have more than one (1) -- retail credit cards, such
18 as Canadian Tire cards, Sears card or a gas card. I felt
19 that was a very low number at 18 percent.

20 Home mortgage at 27 percent, probably --
21 probably a little on the -- the low side for general
22 public. But it is not fair to make comparisons of any of
23 this data with general public data. It is probably more
24 applicable to compare this data with people who actually
25 have debt, whether at a bank or with a mortgage or with a

1 credit card.

2 And as we -- we saw on the -- the overview,
3 there is an average of about twenty-four thousand dollars
4 (\$24,000) worth of -- of debt with each of the -- these
5 people. And that actually compares not too differently to
6 general public.

7 But certainly, attitudinally, the
8 comparison should be made more with people with debt than
9 -- rather than with people who are debt-free.

10 But certainly, this gives some example of
11 the other financial instruments that payday loan people
12 have access to. 94 percent do have a chequing account at
13 the bank. Two-thirds (2/3s) have a savings account at a
14 bank or a credit. Half (1/2) have a major credit card.

15 So these are not people who have fallen
16 between the cracks to a great extent. They are players in
17 the -- the -- in -- in terms of financial transactions.
18 Some -- some examples of that are provided anecdotally
19 within the focus groups. But, right now, we'll just
20 continue with the scientific objective type of analysis
21 that we've looked at here.

22 Now, the satisfaction levels with debit
23 card is -- is the highest of any of the financial
24 instruments that -- that we've looked at here. And the
25 question is,

1 "Thinking about the following financial
2 products or services overall, please
3 tell me how satisfied you are with each
4 product and service that you use.
5 Please use a scale from 1 to 10, where 1
6 means you are very dissatisfied and 10
7 means you are very satisfied with a
8 product or service."

9 And what we -- we have is a descending list
10 from debit card overdraft protection at your bank, home
11 mortgage, chequing account at a bank or credit union, et
12 cetera, down to payday loan at the -- the bottom, with
13 five point two (5.2) -- still an overall positive --
14 positive number.

15 Nowhere near the eight point three (8.3)
16 that the debit card has, but the important thing is that
17 many of the -- the top-ranking financial instruments here
18 are -- are known -- are -- are long-term impact.

19 You have a mortgage for many, many years.
20 You -- as a result, you -- you build that satisfica --
21 satisfaction.

22 With it, a payday loan and -- and certain
23 other -- other loans will be short -- shorter term than
24 that. And certainly, the payday loan will be the shortest
25 term of the -- the financial services and products. And

1 that would impact, most assuredly, on satisfaction.

2 Terms of knowledge of the fee payment,
3 question that we asked was:

4 "Thinking about the various financial
5 products that you hold, do you know the
6 approximate amount that you pay for all
7 fees, including administration fees and
8 interest charges, on your home mortgage,
9 your major credit card, your savings,
10 you chequing account at the bank or
11 credit union, and your payday loan?"

12 And, again, we found that this -- all three
13 (3) -- or all four (4) are quite well known in terms of
14 what the -- what approximate amount that they pay for all
15 of the -- the fees, including administration and interest.
16 The home mortgage is highest at 76 percent.

17 It's -- it's quite intuitive that most
18 people would have some knowledge of all their fees and
19 interest charged on their home mortgage; credit cards,
20 second; savings or credit account at a bank or a credit
21 union, third; and payday loan at 64 percent.

22 Thirty-two percent do not know what -- what
23 the -- the approximate amount would be, but, certainly,
24 close to two-thirds (2/3s) -- two-thirds (2/3s) are.

25 Now, if we -- we gave people the -- the

1 question, If you needed, say, three hundred dollars (\$300)
2 a few days before your next payday, what would you do?

3 We did not probe them. We did not -- we --
4 we did not tempt them with any lists of -- of options. We
5 -- we -- they could answer anything that they -- that they
6 would to this question. It was totally open-ended.

7 And what we find is that 56 percent of
8 these people gravitate towards using a payday advance or a
9 payroll loan company.

10 Much higher, at 56 percent, than the --
11 than the next one, which is borrowing from a family
12 member, which is less than half (1/2) -- twenty-three
13 (23); borrowing from a friend at seventeen (17); using
14 bank overdraft protection or a line of credit at thirteen
15 (13); do without, just waiting until the payday at
16 thirteen (13).

17 Getting a cash advance from a credit card
18 is at nine (9); withdrawing money from savings accounts or
19 other investments at five (5); borrowing from an employer
20 at three (3).

21 Two percent said there's no need, they're
22 never short of cash. 1 percent said definitely a payday
23 loan, and less than 1 percent, "sell my things, sell my
24 car," which, for a value of three hundred dollars (\$300),
25 would make me wonder what they're driving.

1 And 5 percent who really don't know what
2 they would do in such a situ -- situation. But,
3 generally, the 56 percent that would use a payday advance
4 or a payday loan company for a loan of -- of three hundred
5 dollars (\$300) a few days before the next payroll is quite
6 indicative of the follow -- of the next results, which are
7 the reason why people would actually use such a -- a loan.

8 And, again, we gave people a totally open-
9 ended opportunity to answer this, and the -- the preamble
10 to that question, for those concerned about wording are:

11 "There are many reasons why people
12 choose to obtain a payday loan instead
13 of getting other financial products or
14 services. What was the most important
15 reason you chose to obtain a payday loan
16 in the past rather than using another
17 source of financing?"

18 And what we -- we found at the top of the
19 list was it's a quick and easy process, and that was more
20 than half (1/2) of all mentions; a more convenient
21 location mentioned by one (1) in five (5); no other
22 alternative sources for borrowing at 15 percent; bad
23 credit or no credit check at nine (9); a necessity -- they
24 needed it, it was an emergency, five (5); pay bills and
25 rent, five (5); it's less important -- or less expensive

1 than other sources for borrowing cash at four (4), greater
2 privacy at three (3).

3 Discipline of a short term or no revolving
4 debt forces me to pay it back more quickly: This -- this
5 came up in the focus groups where we actually had people
6 saying, I didn't want to get a loan for four thousand
7 dollars (\$4,000) in the bank.

8 I might -- I might not spend it all that --
9 that wisely, and I would just get into further debt. At
10 least this -- this keeps me tight. This keeps me
11 ensuring. This gives me the discipline to pay it back
12 very quickly. It does less harm to my credit, got longer
13 hours of operation, and other mentions, which we did not
14 specify, and 6 percent could not tell us.

15 The -- the reason the people needed that
16 payday loan, and the -- again, there was a total -- we --

17 "Which of the following was the main
18 reason why you needed the payday loan?"

19 So this was not open-ended. We gave them
20 these -- these options, and we found that 35 percent in
21 this -- in this forced choice that they had to make
22 gravitated to the "for emergency cash to pay for
23 necessities."

24 One (1) in four (4) said "to help out with
25 an unexpected expense, like a car or household expense."

1 One (1) in ten (10) said "to help avoid late charges on
2 routine bills," the same number "to buy something they
3 wanted." "To get he -- to help get through temporary
4 reduction in income," that's 9 percent, and "to avoid
5 bocing -- bouncing cheques," eight (8).

6 All of the above were mentioned by one (1),
7 and renting, or moving, or starting over was also
8 mentioned by one (1).

9 We -- we asked -- we asked people how much
10 money did they normally borrow when they get a payday
11 loan, and we took -- we took the actual dollar amount and
12 we put that into categories.

13 Here you can -- you can see that 28 percent
14 are looking at three hundred and one (\$301) dollars
15 onwards, half (1/2) -- fifty-two (52) -- are looking at
16 between a hundred and fifty-one (151) and three hundred
17 (300), and one (1) to a hundred and fifty (150).

18 The average is three hundred dollars and
19 five cents (\$300.05). I'm not too sure where the five (5)
20 cents comes from, but certainly that is what we get when
21 we take the entire amount -- or the average of all three
22 hundred and fifty (350) people -- and we -- we look at --
23 at what they -- the normal amount that they have been
24 borrowing is.

25 Now, in terms of the payback, we've got

1 79 percent who have paid back all the loans they received
2 in the past back on time. A further 18 percent paid back
3 most of the loans on time, and 3 percent paid back some of
4 the loans on time, with only 1 percent having paid back
5 none of the loans on time.

6 And, again, that was forced-choice
7 question, and that was the answer that people gave when
8 given those options.

9 In terms of the satisfaction with the
10 payday loan experience, there's very high levels of
11 satisfaction in terms of understanding. And, in fact, a
12 score of eight point five (8.5) is -- is, in our
13 experience, based on a lot of different industries, a very
14 high level of satisfaction for -- for almost anything that
15 you would see on the average.

16 And that is understanding of the terms of
17 the loan and when payment on the loan was due. Fifty-
18 three (53) percent -- more than half -- gave that a ten
19 (10) out of ten (10). A further 30 percent gave that a
20 seven (7) to a nine (9).

21 And you don't usually see such a -- a high
22 ranking in terms of -- of anything to do with at least --
23 at least financial concerns.

24 The way you are treated by the customer
25 service representative who provided your loan: Again,

1 very high marks, which in any customer service -- we do
2 everything from department stores to -- to airlines to --
3 to rail travel. Customer service is not something that's
4 rated all that highly in Canada.

5 But 42 percent giving a ten (10) out of ten
6 (10) is very, very positive. And 37 percent giving it a
7 seven (7) to nine (9), again, is -- is a very high degree
8 of -- of customer -- customer support.

9 Customer service experience overall: We've
10 got 75 percent are very or somewhat satisfied with that,
11 giving it a seven (7) to a ten (10).

12 And I would also add some of those who are
13 neutral, there's not the high level of dissatisfaction in
14 terms of -- in any of these -- these areas, although a
15 moderate level of dissatisfaction with the total cost of
16 the payday loan, including interest and administration
17 fee.

18 But still, we have 17 percent, which is
19 giving it a ten (10) out of ten (10), rather than the
20 15 percent giving that a one (1) out of ten (10). So the
21 balance is on the level of satisfaction over
22 dissatisfaction.

23 But total satisfaction with that one is
24 43 percent "varying somewhat," 26 percent "neutral," and
25 fourteen (14) "somewhat dissatisfied," 15 percent "very

1 dissatisfied," and still an overall mean score of five (5)
2 out of seven (7), which is point two (.2) higher than the
3 Prime Minister's approval rating.

4 In terms of the attributes of financial
5 institutions -- and this is the beauty contest that we ran
6 between payday loan providers, credit unions and banks.
7 The question is:

8 "Now I would like to think -- like you
9 to think about three (3) types of
10 companies that offer cash advances or
11 loans, namely banks, credit card --
12 banks, credit unions, and payday loan
13 providers. I'm going to read you a list
14 of attributes that you might consider
15 when getting a cash advance or short-
16 term loan. I would like you to tell me
17 which of the three (3) providers you
18 think it best describes by the
19 attribute."

20 So we go through hours of operation, fast,
21 convenient, easy to use, and certainly those -- those four
22 (4) -- long hours of operation, fast, convenient, easy to
23 use -- were more attributed to payday loan providers than
24 any other organization.

25 Certainly banks did better than credit

1 unions in those areas, but the payday loan providers were
2 seen in scores of about three (3) to one (1), maybe four
3 (4) to one (1), and some of those eight (8) to one (1)
4 ratios in terms of believing that payday loan providers
5 were more apt to provide that -- that service than -- than
6 banks.

7 Respectful to me: Credit unions sort of at
8 the bottom of that -- that list. That one was thirty-
9 eight (38) to thirty-six (36) more or less tied with the
10 margin of error of the survey between banks and payday
11 loan providers.

12 Good service: Banks a little -- little
13 higher.

14 And good value: Banks -- banks with --
15 with more than twice the -- the level of accreditation on
16 that than payday loan companies.

17 But overall long hours of operation, fast,
18 convenient, easy to use, incredibly high ratings provided
19 to the payday loan providers.

20 And, now these are -- these are statements
21 that we ran with people in terms of the -- the
22 appropriateness of -- of distribution of -- of this issue.
23 And the -- the questions were a little bit more complex
24 than we -- we normally give to respondents. So we went
25 through it slowly, and I'll -- I'll take you through it.

1 "I'm going to read you a list of
2 statements for each please indicate
3 whether you agree or disagree using a
4 scale from one (1) to ten (10) where one
5 (1) means you disagree strongly and ten
6 (10) means you agree strongly."

7 And the first one was:

8 "Since credit cards can be used at any
9 time as long as the credit limit is not
10 exceeded, you should also be allowed to
11 get a payday loan whenever you need it
12 as long as you repay the loan."

13 And we have in this case about three-
14 quarters (3/4) of payday loan users agreeing with that
15 statement, 16 percent being neutral, very small numbers
16 disagreeing with that.

17 Next one:

18 "Since the large banks may not provide
19 short term loans for small amounts,
20 Canadians who need or want these
21 services should have the option of
22 obtaining them from payday loan
23 providers."

24 And again more than seven (7) in ten (10)
25 in favour, one (1) in five (5) neutral, and small numbers

1 against.

2 The one that we got a very bad reaction to:

3 "If you take out a payday loan, the
4 payday loan provider should be able to
5 share your personal financial
6 information with other lenders, banks,
7 and credit unions."

8 Where we had only 17 percent agreement with
9 that, 19 percent neutral, and more than six (6) in ten
10 (10) almost two-thirds (2/3) actually disagreeing with
11 that point of view.

12 So overall, these are the -- the results.
13 These are -- this isn't the form of a lot of the work that
14 we often do which is a customer satisfaction survey or --
15 or that type of thing. This is an environmental scan.

16 This is looking at who the stakeholders
17 are, why they're doing what they're doing, what their
18 behaviour is, what their attitudes are to the payday loan
19 industry and companies, and what their experience has
20 been. And certainly I'm looking forward to -- to
21 answering questions on this issue.

22 THE CHAIRPERSON: Thank you, sir.

23 MR. MICHAEL MARZOLINI: Thank you.

24 THE CHAIRPERSON: Ms. Southall. Maybe
25 we'll just take a short break and then you can begin.

1 We'll be back in ten (10) to fifteen (15) minutes.

2 MS. ANITA SOUTHALL: Thank you, Mr.
3 Chairman.

4
5 --- Upon recessing at 10:12 a.m.

6 --- Upon resuming at 10:25 a.m.

7

8 THE CHAIRPERSON: Okay, Ms. Southall,
9 whenever you are ready.

10

11 CROSS-EXAMINATION BY MS. ANITA SOUTHALL:

12 MS. ANITA SOUTHALL: Thank you very much.
13 Mr. Marzolini, I'm going to ask you a couple of questions
14 arising from your CV provided through CPLA in its pre-
15 filed evidence. Do you have a copy of that available to
16 you?

17 MR. MICHAEL MARZOLINI: While we have -- I
18 haven't updated that since 1998, and I -- in fact I've --
19 I've never had a CV having applied only for one (1) job
20 thirty-six (36) years ago, and I had a -- had a business
21 card instead.

22 But certainly I'm -- I'm prepared to answer
23 any questions on that CV -- or on that bio or whatever the
24 write-up on me on our website is.

25 MS. ANITA SOUTHALL: Sir, at paragraph 5

1 of the document and for Intervenors who are trying to
2 refer to it, it's in CPLA's pre-filed evidence at what I
3 would call major Tab 2, just preceding the Pollara report.

4 At paragraph 5, sir, of the bio CV there's
5 a statement:

6 "Most of Marzolini's day-to-day work
7 involves designing strategies based on
8 public opinion."

9 Do you see that, sir?

10 MR. MICHAEL MARZOLINI: Yes. I'm aware of
11 that.

12 MS. ANITA SOUTHALL: And could you explain
13 to us -- well, first of all, given the fact you mentioned
14 a moment ago that this hasn't been updated recently, is it
15 still accurate?

16 MR. MICHAEL MARZOLINI: I would say that's
17 accurate although that is not something that we've
18 provided to CPLA.

19 MS. ANITA SOUTHALL: Okay. That was going
20 to be one of my questions. But can you -- maybe I'll take
21 a step back and just ask you what is meant by "designing
22 strategies based on public opinion."

23 MR. MICHAEL MARZOLINI: Well, for example,
24 I'll give an example of -- of something we -- we might do.
25 We would, for a major automobile manufacturer, we might

1 ask how satisfied are you with that, you know, with --
2 with the vehicle?

3 What could be done to make that vehicle, if
4 you haven't decided to buy it, more buyable or attractive
5 to you? And it might be that people are buying four (4)
6 door cars rather than two (2) door cars and a company
7 that's making two (2) door cars would not be selling too
8 many of them.

9 We would -- we would advise them based on
10 the data - and everything is data driven - to build four
11 (4) door cars because that's where -- that's where people
12 are going.

13 And, you know, certainly looking at -- at
14 reasons for customer satisfaction, work for a gas company
15 in another province where satisfaction has been lowered
16 significantly because the people who come to do repairs
17 track mud through people's houses.

18 Well there -- there can be, you know, you
19 can change that very quickly to increase satisfaction with
20 that -- with that product. So that's a type of idea of
21 data- driven strategy or conclusions that we come to.

22 But in this case we did not provide CPLA
23 with any of those -- those extras, those strategies, this
24 -- the -- the -- the purpose of our work was simple --
25 simply to provide analysis of the -- the customers, the

1 stakeholders, the attitudes that they have, the
2 demographics that they hold and to give a bigger -- a
3 bigger description of, you know, a greater description of
4 the people who use this industry.

5 MS. ANITA SOUTHALL: Sir, at paragraph 2
6 of the bio that's been provided to us, there's an
7 indication that your vision for Pollara was to build a
8 unique organization that manages public opinion rather
9 than just measuring it. Do you see that?

10 MR. MICHAEL MARZOLINI: Yes, I do.

11 MS. ANITA SOUTHALL: What is the concept
12 of managing public opinion in terms of the service that
13 Pollara provides?

14 MR. MICHAEL MARZOLINI: Well and again,
15 this -- this goes with strategy that this is not something
16 that we provided to the -- the CPLA, but every
17 organization has to work within a public opinionated
18 environment.

19 And we advise our clients, which is
20 normally about three hundred (300) to four hundred (400)
21 different organizations a year, we work with on how to --
22 how to deal with that environment.

23 It may be something to do with green
24 products, it may be -- it may be being socially
25 responsible, it may -- you know, it may be a tuning an

1 organization to the public opinion environment upon which
2 it -- which it exists within.

3 But again, this is not something that we
4 did for CPLA. We simply did a straight analysis of -- of
5 the customers.

6 MS. ANITA SOUTHALL: Have you completed
7 any other assignments for CPLA?

8 MR. MICHAEL MARZOLINI: We are in the
9 process of -- of interviewing in some other provinces in a
10 very -- very similar -- very similar type of work as we
11 have done here in Manitoba.

12 MS. ANITA SOUTHALL: And those processes
13 are not completed yet for those other jurisdictions?

14 MR. MICHAEL MARZOLINI: I believe we've
15 completed some of the -- the provinces, and I believe
16 there are more -- more to go.

17 MS. ANITA SOUTHALL: I'll maybe just ask,
18 Mr. Foran, is this -- is this in connection with
19 regulatory matters associated with payday loans in other
20 jurisdictions?

21 MR. ALLAN FORAN: Mr. Foran would very
22 much like to answer that question, but Mr. Foran's not
23 sure, so he is going to direct that to Mr. Keyes.

24 HONOURABLE STAN KEYES: Thank you, Mr.
25 Foran. Yes, the Canadian Payday Loan Association has

1 retained Mr. Marzolini to carry out polling in other
2 provinces in Canada. We have done polling in British
3 Columbia, for example, and that has been released. We
4 have done polling in Ontario that was just most recently
5 released. We have done polling in Nova Scotia that has
6 also been released.

7 So -- and all these surveys can be found on
8 the CPLA web site.

9

10 (BRIEF PAUSE)

11

12 MS. ANITA SOUTHALL: Were -- were the same
13 indicators measured? Were the same questions used? Is
14 there a way for us to -- to know that? Can someone -- I'm
15 not sure if Mr. Keyes or Mr. Marzolini or a combination
16 could just explain if that's the case?

17 HONOURABLE STAN KEYES: Mr. Marzolini can
18 probably best speak to the structure of the survey, but
19 the answer is yes. You can see the actual Pollara, much
20 like what you have seen here in this presentation by Mr.
21 Marzolini. The same slides exist on the website for each
22 of these provinces.

23 MR. MICHAEL MARZOLINI: They are very,
24 very similar. There are some differences with respect to
25 sample size. The sample was selected in the same way

1 within each of the provinces.

2

3

(BRIEF PAUSE)

4

5 MS. ANITA SOUTHALL: Just on that issue of
6 sample size, Mr. Marzolini. You know, I don't want to
7 dwell on what's occurring in other jurisdictions,
8 obviously, but just trying to get an understanding of --
9 of what -- just at a high level, what the differences
10 were, why there would be different sample size.

11 I don't know if it's because of the number
12 of consumers in a given jurisdiction, but if -- if you've
13 got any recollection on that? And I'm not asking you here
14 to identify from province to province what the differences
15 were.

16 MR. MICHAEL MARZOLINI: Well, the --
17 generally, the -- there's a minimum sample size you can
18 ever use in any sample, which is about three hundred
19 (300). Accuracy is about 5.8 percent, nineteen (19) times
20 out of twenty (20).

21 You know, the -- the size of the province
22 does not impact as much on sample, but -- and -- and the
23 size of the -- the Payday Loan Association Company users
24 does not either. But some provinces, because of their --
25 their massively greater population, indeed, you know,

1 should have a -- a slightly smaller -- or slightly larger
2 sample size.

3 And I believe that British Columbia and
4 Ontario each had a slightly larger sample than this. But
5 three hundred and fifty (350) in the Province of Manitoba
6 is -- is a lot of interviews that you would not see on any
7 provincial break from any general public survey that you
8 would -- that you would get on a national basis.

9 Normally, per thousand (1,000), there would
10 be forty (40) interviews in Manitoba for every thousand
11 (1,000) interviews conducted across the country. So, in
12 any survey that you see in, say, a -- a national newspaper
13 of a sample of twelve hundred (1,200) or -- or so, then
14 the results for Manitoba would not be accurate.

15 But we did here, in this specific Manitoba
16 survey, was a very large sample for this province.

17

18 (BRIEF PAUSE)

19

20 MS. ANITA SOUTHALL: Mr. Marzolini, did
21 you provide a draft report or draft findings to the CPLA
22 before you finalized your report that's been submitted?

23 MR. MICHAEL MARZOLINI: We would have
24 provided the -- the -- a flash set of results. Not
25 necessarily all the desktop publishing -- you know,

1 looking as nice as we would hope it too, but in terms of a
2 -- of a dra -- a draft report, I -- do you remember
3 receiving one (1) from us?

4 I thought -- we don't usually deal in draft
5 reports for clients. You know, occasionally we may make a
6 mistake, and we spend a lot of time reviewing all of our
7 data to make sure it's absolutely clean and that our SPSS
8 data files are absolutely clean.

9 And in such a case, if we notice something
10 that may be a little off after we've triple checked it,
11 then we will go back and -- and make those changes to --
12 to a report. But I don't believe we did that in this
13 case.

14 MR. ALLAN FORAN: Ms. Southall, I -- I do
15 want to, and I don't -- I don't want to interrupt cross-
16 examination, but I am aware this was a subject matter of a
17 Information Request, and there as a response provided.

18 And I wonder if I could just bring it to
19 the attention of Mr. Marzolini to make sure that we have a
20 record that's -- that's appropriate?

21 If I could turn to PUB/CPLA-B8(1) -- and,
22 Ms. Southall, I do not want to interrupt. I'll just stop,
23 but if that assists Mr. Marzolini with his answer to your
24 question.

25 MR. MICHAEL MARZOLINI: Yes, indeed.

1 According to -- to this, we did submit a draft report,
2 which was reviewed with the CPLA.

3 Now, the draft report, again, I -- I wasn't
4 -- I did not review that draft report. That would have
5 come directly off our -- you know, off -- off our CATI
6 system -- Computer Assisted Telephone Interviewing -- and
7 being provided to the CPA shortly after that.

8 When it came to the final report, I would
9 have reviewed that with the client.

10

11 CONTINUED BY MS. ANITA SOUTHALL:

12 MS. ANITA SOUTHALL: Thank you, and --

13 MR. MICHAEL MARZOLINI: My apologies for
14 not being specific on that.

15 MS. ANITA SOUTHALL: Just in the event
16 anyone wants to be able to review that response, we've
17 included it at Tab 19 in today's materials, so -- along
18 with the other -- all of the other portions of PUB-CPLA-
19 B8.

20 Mr. Marzolini: Oh, sorry. I'm just going
21 to give you a moment.

22

23 (BRIEF PAUSE)

24

25 MR. MICHAEL MARZOLINI: Sorry. I'm being

1 organized here. Thank you.

2

3

(BRIEF PAUSE)

4

5 MS. ANITA SOUTHALL: Thank you, sir. Just
6 on that last point that Mr. Foran brought to our
7 attention, with respect to the -- the draft set of results
8 or data that become available to an entity, such as CPLA
9 in this case.

10 Prior to providing your key findings and
11 the information that you highlight in a given report, does
12 the entity have input in terms of the information that you
13 bring to -- to their attention, or to the attention of the
14 reader of the report?

15 So in this case, did CPLA have input into
16 the information that was highlighted?

17 MR. MICHAEL MARZOLINI: Well, CPA -- CPLA
18 had discussion with us when we -- when we designed the
19 questionnaire, in terms of what is relevant to -- to the
20 findings and what -- what would not be. They did not
21 write the -- the report, however.

22 We -- we did that based on what -- on what
23 we thought was -- you know, was relevant to the study and
24 which was confirmed by CPLA as being relevant to our --
25 the purposes for which the survey was designed.

1 There was no editing. There was nothing
2 removed from -- from the findings, you know, that we would
3 -- we would not -- we would not allow that in the ethics
4 of the market research industry in Canada.

5 MS. ANITA SOUTHALL: And, sir, just so I'm
6 clear on that for reporting purposes, is it Pollara that
7 determines what the key findings and recommendations are
8 or is the client who -- who retains you, in this case it
9 would have been CPLA identifying what they would like
10 highlighted in the key findings and recommendations?

11 MR. MICHAEL MARZOLINI: Well, as -- as
12 we've indicated the CPLA's only direction to Pollara was
13 to expand upon the responses collected from the
14 quantitative survey to give the Manitoba Public Utility
15 Board -- Board the answer to why respondents in the
16 quantitative survey responded the way that they did.

17 You know, in terms -- in terms of when we
18 present a report, any draft report or even discuss a final
19 report with the client and most cases we don't -- we don't
20 refer to drafts, but more the final -- the final report we
21 would look at -- we would look at, generally, results
22 which would not be directed by the client. But in cases
23 where the client feels we have not given appropriate or
24 enough emphasis in certain areas of findings that they
25 know are going to be given emphasis, for example in -- in

1 a -- a Board hearing such as this, then we would -- we
2 would make those adjustments to go more in depth to drill
3 down further in those areas.

4 We would not in any way, however, change
5 any results or give emphasis to results which are out of
6 line with the emphasis that the public themselves would
7 provide to those responses.

8 MS. ANITA SOUTHALL: Sir, who -- who
9 designed the actual survey questions in this case?

10 MR. MICHAEL MARZOLINI: Well, we designed
11 the survey, but we had input from CPLA in that they
12 provided a questionnaire that had been done by Environics
13 Research. It's a highly respected national firm who are
14 also a market research industry accredited and audited.
15 And they had done a survey two (2) years ago which gave us
16 an idea of what had been looked at so far, and we built
17 upon that and designed the questionnaire ourselves with
18 approval, of course, from CPLA that we're actually hitting
19 all the issues that CPLA was concerned about. And we --
20 we also designed the moderators guide for the focus
21 groups.

22 MS. ANITA SOUTHALL: So if I could follow
23 up just on -- on one more piece of information associated
24 with your response to that question.

25 Did Pollara control the actual wording of

1 specific questions or make a determination as to whether
2 the Environics' questions were suitable for modification
3 in the Pollara's survey? Or did CPLA have input into the
4 actual wording of the questions?

5 MR. MICHAEL MARZOLINI: Well, the wording
6 of the questions is -- is our profession, that's our
7 expertise. There are courses that I send my analysts on
8 to take on the art of questionnaire design. Questions
9 have to be scientific. They have to be objective. They
10 have to be fully -- fully devoid of bias.

11 And each -- each industry or each firm in
12 our industry are -- we're somewhat prima donnas. We would
13 -- we would as soon chew on a razor blade as use
14 Environics' questionnaire design or Ipso Reid or any other
15 firm, and they would likely do the same for us.

16 We -- we like to place our own stamp on
17 things. We all have our own techniques. We argue and
18 debate those techniques. Sometimes we change, you know,
19 and become more standardized across our industry, but
20 generally we -- we tend to look at the very best way of
21 eliciting people's honest responses.

22 MS. ANITA SOUTHALL: Just because I don't
23 think that was an answer to my question, sir, I'm -- I'm--

24 MR. MICHAEL MARZOLINI: And, I'm sorry,
25 reword the question.

1 MS. ANITA SOUTHALL: I -- I'm just going
2 to put it a little more simply. Did CPLA have any input
3 into the wording of the questions?

4 MR. MICHAEL MARZOLINI: They had input
5 into the -- the -- what the questions covered, not the
6 wording of that question. They ensured that we had
7 covered all of the areas that they were concerned about
8 and interested in. They gave us the -- the boundaries,
9 and we work within those boundaries.

10 MS. ANITA SOUTHALL: Sir, and for those
11 who are following along the questioning, if you could turn
12 to Tab 18 in the reference materials I placed before you
13 this morning.

14 This is the -- a copy of the Pollara Study,
15 Mr. Marzolini, that you took us through that's been
16 submitted by CPLA to the Board in this process. And I
17 take it -- I know you -- you've got it on the screen
18 behind you, but if you could just refer to the paper copy.
19 Thank you.

20 First, sir, under the methodology section,
21 which is page 1 of the document at Tab 18 -- and you've
22 reviewed this with us earlier today -- but you indicated
23 more than seven thousand (7,000) useable records were
24 provided for the study.

25 Are these, in essence, seven thousand

1 (7,000) payday loan customers who are CPLA members?

2 MR. MICHAEL MARZOLINI: These would all be
3 customers of CPLA member companies, yes.

4 MS. ANITA SOUTHALL: So, I take it from
5 that, that none of the three hundred and fifty (350)
6 interviews that were ultimately conducted would have been
7 conducted with people who had used a payday loan product
8 but were not going to CPLA member establishments?

9 MR. MICHAEL MARZOLINI: No, there's --
10 well, what was clear in the focus groups is that certain
11 of them had shopped around and gone to, you know, done --
12 done business with non-CPLA companies. At the same time,
13 we weren't interested in asking that question on the -- on
14 the survey.

15 We had the sample; we knew they had used a
16 CPLA company in the past three (3) months, and we set out
17 to interview them with that in mind.

18 MS. ANITA SOUTHALL: So is the answer yes
19 to my question that -- I suppose, by chance, certain of
20 these three hundred and fifty (350) interviews with
21 borrowers, they -- they could have used products from non-
22 CPLA members, but that -- that wasn't part of your sample?

23 MR. MICHAEL MARZOLINI: No. Only -- only
24 if they had already used service from a CPLA member. They
25 had to be a CPL -- CPLA company customer for us to have

1 interviewed them.

2 MS. ANITA SOUTHALL: And I believe your
3 evidence was also that -- and feel free to clarify if I
4 got this wrong -- but, that in the majority of cases, the
5 person who was interviewed -- the borrower -- had used a
6 payday loan product within the last three (3) months?

7 MR. MICHAEL MARZOLINI: That was the -- we
8 did not ask that question, specifically, as per the three
9 (3) months, We asked the -- the question:

10 "Which of the following financial
11 products or services have you ever had
12 or used in the past?"

13 But we know from the way that the sample
14 was selected, by the CPLA member companies, that these
15 were people that had been on the list within the last
16 three (3) months. So we did not say this in the survey,
17 we did not qualify it by the survey. It was qualified by
18 the sample.

19 MS. ANITA SOUTHALL: And just on that
20 point, in your last comment -- here I'm really just trying
21 to -- to seek clarification. So, because of the seven
22 thousand (7,000) records that were provided, these three
23 hundred and fifty (350) interviews were conducted with
24 persons who had used a CPLA payday loan product within the
25 last three (3) months.

1 Is that fair, or am I overstating it?

2 MR. MICHAEL MARZOLINI: I -- I think -- I
3 think it would be fair to be -- to say that all three
4 hundred and fifty (350) interviews were conducted with
5 people who have used a CPLA company within the last three
6 (3) months, yes.

7 MS. ANITA SOUTHALL: And, sir, I -- I'm
8 going to ask you to elaborate on a comment you made that
9 when you've identified your three hundred and fifty (350)
10 in this particular grouping, that you -- you -- I'll use
11 the words "doggedly attempt to conduct that interview."

12 Why is that necessary in terms of the
13 relevance of the information that's gener -- that's being
14 generated?

15 I think you also made a comment that if --
16 if you didn't follow up with those that you had identified
17 in the initial grouping that the results may not be
18 satisfactory.

19 MR. MICHAEL MARZOLINI: Well -- so there's
20 -- there's a lot to -- you know, to -- to -- the whole
21 basis of -- of statics and random selection. I won't get
22 into too much of it.

23 I can make comparisons with taking a little
24 bit of blood out of the human body and being able to test
25 it. You don't need to take all the blood out. It's

1 accurate, to a certain level, with a certain amount of
2 blood. But in terms of the blood that you do take out, it
3 has to be representative.

4 And, you know, if there are people -- for
5 example, if we are only going to be interviewing shut-at-
6 homes -- people who, you know, are -- are at their
7 telephone whenever we call them, that is -- we're going to
8 wind up with a sample that is not representative of the
9 public, because we need those people who are not at home
10 as well.

11 We need, you know, a good -- you know, a
12 robust sample that is representative of -- of everybody
13 and not just people who tend to be near their telephones.

14 There's -- there's a whole issue these days
15 with eighteen (18) to twenty-fours (24s) and how they
16 don't have a -- a landline and only have cell phones.
17 And, of course, they're very difficult to interview.

18 We've built a panel of eighteen (18) to
19 twenty-fours (24s) who only -- you know, who have no
20 landline, so we can always interview those people on
21 general public surveys if we need them.

22 But in -- in this term -- in this case, if
23 we had talked only to people who were sitting at home,
24 that may have -- that may have lost us some of the shift
25 workers that -- that might be within the sample. It may

1 be different demographics. It may be people who are
2 working two (2) jobs. It may be people that -- that just
3 work long hours or even do a lot of entertaining or spend
4 time with family, children, whichever.

5 We -- we tend to want to go "doggedly," as
6 you put it, after these people to ensure that the ones we
7 set out, that are part of that sample, actually are
8 included in the -- in the survey.

9 Now, for the same reason, when we do a
10 national survey across Canada, we'll interview one (1)
11 person in the Yukon, and -- and two (2) people in the
12 Territories in order to be as exact and precise as
13 possible in terms of what we're doing.

14 MS. ANITA SOUTHALL: Were the persons who
15 were pulled for this particular survey asked to indicate
16 which CPLA member company they had used with respect to
17 the payday loan product?

18 MR. MICHAEL MARZOLINI: No, we did not ask
19 that.

20 MS. ANITA SOUTHALL: Sir, could you now
21 turn to page 2 of Tab 18. The major heading is "Key
22 Findings."

23 MR. MICHAEL MARZOLINI: Certainly.

24 MS. ANITA SOUTHALL: And the second bullet
25 on page 2 indicates, and as you've indicated this morning,

1 I believe, that the vast majority of those persons pulled
2 are employed full-time, at 77 percent, correct?

3 MR. MICHAEL MARZOLINI: Yes.

4 MS. ANITA SOUTHALL: Was there any inquiry
5 made as to what the status was for the remainder? I think
6 that would be 23 percent, by my calculation.

7 MR. MICHAEL MARZOLINI: Yes. Of those --
8 of the -- of the total sample that we talked to, 77
9 percent are employed full-time; 7 percent are currently
10 employed part-time; 4 percent are currently unemployed; 3
11 percent are retired; 2 percent are self-employed; 2
12 percent are students; 1 percent is a self-described
13 homemaker; and 3 percent are other. Not too sure what the
14 'other' could possibly be, but that is where people place
15 themselves in the category.

16 MS. ANITA SOUTHALL: Are you referring to
17 something in the study or in your top-line results?

18 MR. MICHAEL MARZOLINI: I'm referring to
19 the interview schedule, which, if I can work at -- that
20 would be Tab 22. And that is the -- that is the actual
21 script of the interview. And I actually pre -- always
22 prefer to review that than look at -- at a PowerPoint
23 presentation, because to me, numbers are -- are more
24 descriptive than pictures. But that's just me.

25 MS. ANITA SOUTHALL: And -- and is there a

1 particular question you could direct us to, sir, at Tab
2 22?

3 MR. MICHAEL MARZOLINI: Yes, I would look
4 at question number 61, and the question is:

5 "Would you describe yourself as..."
6 and then read list. And I'm at --

7 MS. ANITA SOUTHALL: Thank you.

8 MR. MICHAEL MARZOLINI: -- that's on page
9 17 of the interview schedule. There's a lot of other very
10 interesting demographics on that page.

11 MS. ANITA SOUTHALL: Thank you, sir.
12 We're going to come back to some of those in a few
13 moments.

14 Sir, you indicate at the next bullet down
15 on page 2, if I could direct you back to your Pollara
16 report. Do you have that handy?

17 MR. MICHAEL MARZOLINI: Yes, that's --

18 MS. ANITA SOUTHALL: Thank you.

19 MR. MICHAEL MARZOLINI: -- the education.

20 MS. ANITA SOUTHALL: Right. So we have 46
21 percent of those people polled indicated they have a post-
22 secondary education from community college.

23 That's correct, sir?

24 MR. MICHAEL MARZOLINI: Yes.

25 MS. ANITA SOUTHALL: And why would that be

1 considered a key finding in this survey?

2 MR. MICHAEL MARZOLINI: Well the -- the
3 key finding in the education listing is that some of the
4 anecdotal suggestions and innuendos that have been made is
5 that the users of -- payday loan services in Manitoba, and
6 many other places in -- in Canada, are not -- are not all
7 that well educated, are not -- are not fully cognizant of
8 many of the -- the issues to do with payday loan services
9 that they need to be.

10 And what we found here is that 19 percent
11 -- actually 19 percent is a minimal number of university
12 graduates. It's actually 23 percent, but 4 percent of
13 those have gone on to do postgraduate professional
14 studies.

15 Twenty-three (23) percent are community
16 college graduates on top of that; 48 percent have high
17 school only; and 6 percent, however, have only elementary.

18 MS. ANITA SOUTHALL: And again -- sorry,
19 sir -- because I did review the top-line results at Tab
20 22. Is there a specific question --

21 MR. MICHAEL MARZOLINI: Yes. I would look
22 at question number 58 in the interview schedule. That's
23 page 17 of -- that would be Tab number 22, yes.

24 MS. ANITA SOUTHALL: So at page 17, it's
25 the top question and on the page, Question 58.

1 MR. MICHAEL MARZOLINI: Fifty-eight (58).

2 MS. ANITA SOUTHALL: That's the source of
3 this information?

4 MR. MICHAEL MARZOLINI: Right. So 6
5 percent have done -- the first line -- done only
6 elementary school, increases to 48 percent with high
7 school, 23 percent community college, 19 percent
8 university and 4 percent postgraduate professional; 1 percent
9 don't know and refused.

10 I would think they would probably refuse.
11 I think they would probably know what their education
12 level would be.

13 MS. ANITA SOUTHALL: So, in fact, the
14 majority, sir, don't have post-secondary education based
15 on the results to Question 58?

16 MR. MICHAEL MARZOLINI: No. The majority
17 -- majority are -- are basically high-school educated. We
18 have, you know, the total of the -- the -- the twenty-
19 three (23), the nineteen (19) and the four (4) having done
20 community college or graduated from community college,
21 university, or postgraduate.

22 MS. ANITA SOUTHALL: Sir, back to the key
23 findings page, page 2 of Tab 18. Could you indicate why
24 the marital status is identified as the key finding based
25 on the results of your survey?

1 MR. MICHAEL MARZOLINI: Well the -- the
2 relevance of -- of marital status, again, isn't really for
3 me to -- to judge as per the -- the impact of -- of this
4 Hearing. But it does give us a much greater appreciation
5 for who these people are and -- and what their needs could
6 be.

7 And, again, we have 35 percent of the
8 people who have taken out a payday loan being single and
9 never married; 16 percent separated or divorced -- I
10 assume that's not -- not remarried -- and 48 percent;
11 almost half are married or living together common-law.

12 MS. ANITA SOUTHALL: So in respect of it
13 being a key finding, is this a standard kind of indicator
14 that you would see in surveys? I -- I'm trying to have --
15 gain an understanding of -- of how this impacts our
16 discussion before the Board, and that's why I ask that
17 particular question.

18 MR. MICHAEL MARZOLINI: Well I think -- I
19 think in any survey we want to -- we want to ask as many
20 demographics as we can to look at what, you know,
21 basically who the customers are. Who -- who are using
22 these, what their needs may be, the, you know,
23 demographics.

24 Normally we throw almost everything into
25 demographics in order to get a greater understanding of --

1 of our clients, because there could be -- could be some
2 cross tab.

3 And a cross tab is another response --
4 cross tab by a demographic -- that may show an area of
5 lack of knowledge, or -- or higher or lower satisfaction
6 level than -- than normal, which we would use if we were
7 doing a -- which we are not doing -- a data-driven
8 strategy in terms of improving customer service or
9 improving customer satisfaction or one of these -- these
10 things.

11 And our purposes here, it was gaining as
12 much of an understanding of who these people are as
13 anything else.

14 MS. ANITA SOUTHALL: Sir, we -- we were
15 curious when we were review -- reviewing the survey as to
16 why the political questions are included in this
17 particular survey.

18 Can you explain that?

19 MR. MICHAEL MARZOLINI: I was, I -- I
20 think that was probably me. I've -- I've been fascinated
21 by electoral behaviour. For me, I -- I'd like to ask this
22 on every question we do.

23 My hobby is writing political campaigns.
24 I've done four hundred and thirty-three (433) of them, and
25 I have a lot of -- a lot fun doing that.

1 But it also struck me as, Well, how do
2 payday loan customers actually vote? And that's something
3 that -- that perhaps it was a little -- a little unusual
4 putting -- putting on, but we -- we find that the payday
5 loan users tend to be more NADP than any other political
6 partisan group -- 45 NADP, 26 liberal, and 19 percent
7 conservative, 8 percent green party, 2 percent other.

8 I find that fascinating, but I'll let you
9 draw any relevance you like, aside from the fact we're
10 learning more about the people that are actually using
11 payday loans.

12 MS. ANITA SOUTHALL: So just -- just to
13 close off on that point, sir -- and thank you for that
14 explanation -- the -- the demographics associated with the
15 -- the political preferences or perceptions didn't factor
16 into your key findings in any respect for the payday loan
17 analysis?

18 MR. MICHAEL MARZOLINI: Well, no we didn't
19 -- we didn't list that as a key finding on how -- how, you
20 know, the -- the payday loan customers are voting. That's
21 -- that's really not -- not relevant, although certainly
22 interesting and, you know, would be possibly subject of an
23 academic study or -- or something.

24 But at the -- at the same time, the more
25 things that we can ask about people, you know, the -- the

1 better.

2 And in -- in many other surveys, we -- we
3 will ask even ancestral ethnicity to look at what certain
4 behaviours are. We do a lot of work for the Funeral
5 Directors Association, for example, and that's very
6 important because all different cultures have different,
7 you know, different preferences when it comes to that
8 service.

9 Really, a lot of this is prospecting. We
10 don't know what we're looking -- what we're -- we're going
11 to find. And, certainly, if we knew the results to any
12 survey before we did the survey, it would be a waste of
13 our clients' money. So the more prospecting, you know,
14 who knows what we might find that could be very useful.

15 MS. ANITA SOUTHALL: Now, sir, I had a --
16 I confess to you -- a hard time understanding the next
17 highlighted item, the key finding that indicates
18 households of payday loan customers are largely comprised
19 of adults.

20 And I could understand that sentence, but I
21 -- I confess that I -- that the next series of highlighted
22 points I had a hard time following.

23 And, so, I'm just going to ask you to -- to
24 go back to Tab 22 and Questions 56 and 57 of the -- the
25 actual -- am -- am I right to call them the "survey

1 results"?

2 MR. MICHAEL MARZOLINI: Yes. And I would
3 look at Questions 55 to 57.

4 MS. ANITA SOUTHALL: Fifty-five (55) to --

5 MR. MICHAEL MARZOLINI: Yeah.

6 MS. ANITA SOUTHALL: -- fifty-seven (57),
7 thank you, sir.

8 MR. MICHAEL MARZOLINI: Fifty-five (55),
9 which asks the -- the lead:

10 "How many people live in your
11 household?"

12 And if people answered "more than one (1)"
13 in that question, and that would be the 82 percent --
14 actually 81 percent that said more than one (1) -- they
15 would have been asked:

16 "How many children, if any, under the
17 age of ten (10) live in your household?"

18 And we find that 35 percent do, indeed,
19 have children under the age of ten (10) and have answered
20 "more than one (1)" in Question 5.

21 On the following question, Question 57:

22 "How many children, if any, between the
23 ages of ten (10) and seventeen (17) live
24 in your household?"

25 And we got 25 percent with either one (1)

1 all the way up to five (5).

2 I don't -- we didn't cross-tab that against
3 each other, so we don't know if there were more -- were
4 any families with five (5) or more children under ten (10)
5 and also five (5) or more between ten (10) and seventeen
6 (17). But there will be some overlap there, which is why
7 some of the confusion with respect to the wording of that
8 question.

9 MS. ANITA SOUTHALL: And I apologize, I --
10 I was listening to -- to someone who was trying to assist
11 me with an understanding of it. But are -- are you able
12 to tell us -- and -- and what I was trying to get to,
13 sir, so if you can -- if it's possible to assist or to
14 take an Undertaking -- I was trying to get an
15 understanding of the percentage of -- of those polled, who
16 had a combination of children under ten (10) and between
17 the ages of ten (10) and seventeen (17).

18 In other words, based on the way that the
19 survey was conducted, is there an ability to somehow
20 combine information and identify what percentage have
21 children, you know, from -- from newborns up to age
22 seventeen (17), essentially?

23 MR. MICHAEL MARZOLINI: Actually, that
24 probably could be taken from the data. We were not asked
25 to provide that, however.

1 MS. ANITA SOUTHALL: Is it possible for
2 you, and again this may be something you need to consult
3 with your client on --

4 MR. MICHAEL MARZOLINI: Well, it was -- it
5 was --

6 MS. ANITA SOUTHALL: -- with CPLA.

7 MR. MICHAEL MARZOLINI: -- possible with
8 the permission of the CPLA, as a further level of analysis
9 that -- that could be contracted.

10 MS. ANITA SOUTHALL: Mr. Foran, could I
11 ask you to consult with your client and let us know if
12 you'd be prepared to take that as an Undertaking?

13 MR. ALLAN FORAN: If I could just respond
14 after the lunchbreak, I'll let you know then.

15

16 CONTINUED BY MS. ANITA SOUTHALL:

17 MS. ANITA SOUTHALL: Thank you. Mr.
18 Marzolini, you also indicate and -- and I -- I don't
19 profess to understand entirely what you meant by it, but
20 that you can cross-tab information from -- or results --
21 from one area to another for comparison purposes?

22 MR. MICHAEL MARZOLINI: That's -- one of
23 the reasons, when we submitted all the details from the
24 survey, we also submitted an SPSS data file. And, in
25 fact, it would be possible, using that data file, to, you

1 know, to basically duplicate anything that we have here or
2 even go beyond that.

3 Of course, going beyond that, we would --
4 we would want to look at how the methodology was -- was
5 done in the programs that were written. But, you know,
6 certainly there -- there is the ability to -- to cross-tab
7 everything in the survey by everything else, whether it be
8 relevant, whether it be useful, would be questionable, and
9 -- but we were not asked to provide that -- that
10 information.

11 In fact, we can't see, you know, too much
12 of the utility of doing so. If we did, we would have
13 recommended it.

14 MS. ANITA SOUTHALL: Sir, just -- just on
15 the subject of Undertakings, and for the record, we -- we
16 also, over the weekend on analysis of -- of the data, did
17 email to your coun -- or, pardon me, not your counsel but
18 CPLA's counsel, a request for tabulation of a distribution
19 of data comparing the information in Question 55 and
20 Question 62.

21 Question 55, as you noted a moment ago on
22 page 16 of the survey results, was the reference to number
23 of people in the household.

24 And Question 62, which is on page 17 of the
25 survey, is the annual household income for the family

1 before taxes.

2 And, again, if I could just ask Mr. Foran
3 if he could let us know whether or not the -- the charts
4 we -- we sent two (2) charts for distribution analysis to
5 you.

6 If you could indicate to us after lunch if
7 -- if CPLA is prepared to undertake to provide that.

8 MR. ALLAN FORAN: Yes, I'll let you know.
9 Thank you.

10

11 --- UNDERTAKING NO. 9: A request of CPLA for
12 tabulation of a distribution
13 of data comparing the
14 information in Question 55 and
15 Question 62. (Taken under
16 advisement)

17

18 CONTINUED BY MS. ANITA SOUTHALL:

19 MS. ANITA SOUTHALL: Mr. Marzolini, were
20 you asked to do any kind of correlation for CPLA as
21 between the -- and -- and here I reference again Questions
22 55, the -- the number of people in the household, and
23 Question 62, the income before taxes.

24 Were you asked to make any kind of
25 correlation between the low income cutoffs prepared by

1 Statistics Canada to the information retrieved in the
2 survey?

3 MR. MICHAEL MARZOLINI: No, we did not do
4 so.

5 MS. ANITA SOUTHALL: Sir, at again page 2
6 of your report under "Key Findings," there is a bullet --
7 by my count, the sixth bullet down, talking about
8 household income. Do you see that?

9 MR. MICHAEL MARZOLINI: Yes, I do.

10 MS. ANITA SOUTHALL: And when you indicate
11 that household income reported for payday loan customers
12 tends to be either on par with or ahead of the general
13 Manitoba population, what statistics would you have been
14 referring to, to make that highlighted statement?

15 MR. MICHAEL MARZOLINI: Let's see. That
16 would likely have been with whatever statistics would be
17 available from Statistics Canada, either based on their
18 2001 or an update of their -- their census income
19 question.

20 MS. ANITA SOUTHALL: Pardon me. Did you
21 say 2001? Would that have been the most recent census
22 survey?

23 MR. MICHAEL MARZOLINI: No, their income -
24 - well that would be the most recent release, but it
25 likely would have been built -- based on the update that

1 is provided by Stats Canada on a yearly basis, sort of an
2 estimate until the actual census for -- which I -- I think
3 is partially out now. I don't know if they've -- if
4 they've got all of it available yet.

5 MS. ANITA SOUTHALL: If you could please
6 provide us with the actual Statistics Canada reference
7 information that was used for this particular finding,
8 please?

9 That would be important for us to know in
10 terms of that particular source material.

11 MR. ALLAN FORAN: Again, I'll check with
12 the witness at lunch, and let you know if that's
13 available.

14 MS. ANITA SOUTHALL: Thank you, Mr. Foran.

15

16 --- UNDERTAKING NO. 10: For CPLA to provide with the
17 actual Statistics Canada
18 reference information that was
19 used for this particular
20 finding (Taken under
21 advisement)

22

23 CONTINUED BY MS. ANITA SOUTHALL:

24 MS. ANITA SOUTHALL: Sir, do you have any
25 knowledge of the -- the Statistics Canada low income

1 cutoff information that I was referring to a moment ago?

2 Have you -- have you ever worked with that
3 statistic?

4 MR. MICHAEL MARZOLINI: I -- I've
5 certainly worked with the -- a number of social service
6 agencies in -- in Ottawa with that statistic. And I know
7 how you could likely extrapolate it, but we were not asked
8 to do so for the purposes of this study.

9 MS. ANITA SOUTHALL: Sir, what I'm going
10 to do is -- is show you a table from the Statistics Canada
11 Income Statistics Division. The document has been put on
12 the record by Coalition in response to a -- an Information
13 Request in the pre-oral hearing process.

14 And it is a document entitled "Low Income
15 Cutoffs for 2005 and Low Income Measures for 2004." I'm
16 just going to put that in front of you, sir, and provide a
17 copy up to the panel. Just a moment.

18

19 (BRIEF PAUSE)

20

21 MR. ANTOINE HACAULT: Excuse me, Ms.
22 Southall. Might it be possible to have the reference so I
23 could follow?

24 MS. ANITA SOUTHALL: I'm going to ask Mr.
25 Williams to tell us where the attachment is located,

1 please.

2 MR. BYRON WILLIAMS: I don't have it right
3 in front of me. I do have a paper copy here, if that's of
4 assistance.

5

6 (BRIEF PAUSE)

7

8 MR. BYRON WILLIAMS: My understanding is,
9 is it's the attachment to PUB-2-14.

10

11 (BRIEF PAUSE)

12

13 MS. ANITA SOUTHALL: Mr. Hacault, did you
14 want a moment to be able to source the document?

15 MR. ANTOINE HACAULT: No.

16

17 CONTINUED BY MS. ANITA SOUTHALL:

18 MS. ANITA SOUTHALL: Sir, I want you to
19 please look specifically at Table 2 in this report from
20 Statistics Canada, and I've put that before you. Do you
21 have that available?

22 MR. MICHAEL MARZOLINI: Yes.

23 MS. ANITA SOUTHALL: And this table's
24 identified as:

25 "Low Income Cutoffs [in brackets] (1992)

1 Base Before Tax."

2 Do you see that?

3 MR. MICHAEL MARZOLINI: Yes, I do.

4 MS. ANITA SOUTHALL: Sir, do you have an
5 understanding -- a -- a general understanding of what
6 Statistics Canada is attempting to do by preparing this
7 kind of data?

8 MR. MICHAEL MARZOLINI: I'm -- I'm very
9 aware of -- about the LICOs and LIMs and the various
10 measures which are used to, you know, to -- to look at
11 income with respect to social policy. Yes.

12 MS. ANITA SOUTHALL: Can you just describe
13 then, what -- based on your understanding, what Statistics
14 Canada is reporting in a table such as Table 2?

15 MR. MICHAEL MARZOLINI: Table 2, and that
16 is a low income cutoff, that is the -- and I believe
17 you'll find that -- there should be an introduction before
18 and after low income -- or sorry, not low income measures,
19 these are LICOs which are the low income cutoffs.

20 And that's basically a very widely
21 recognized method of -- of looking at low income cutoffs
22 in -- in Canada. And, you know, basically, it's trying to
23 determine the -- the -- the income levels upon which
24 various people are living in poverty that impacts, as
25 well, on the child poverty issue, depending on the -- on

1 the number of children in the household; whether people
2 are living in rural or urban centres.

3 All this type of thing which was not
4 measured in our survey, because we did not deem it all
5 that relevant to what we're trying to measure.

6 But certainly in, you know, in the
7 secondary or tertiary levels of analysis, you could
8 possibly look at this and try to draw some conclusions.

9 Although in 1992, income base, even if
10 they've -- I'm trying to look at this table, too, and see
11 whether they've -- they've increased that or at least
12 estimated a -- an income movement upwards since 1992 to
13 the year this was prepared.

14 I don't see that. But certainly there are,
15 you know, it's -- it's certainly -- certainly a very
16 interesting table. I think in trying to tie it to the
17 results of this survey, you would have to look at the
18 distribution -- mainly in the city of Winnipeg -- of many
19 of the -- the payday loan facilities.

20 And that would -- that would certainly
21 raise the -- the low income cutoff level from that first
22 table in small rural areas to the table on the far right.
23 And again, the size of the family unit would make another
24 -- another impact there.

25 And we did not -- we did not tie our data

1 into that. We are simply reporting the household income
2 of those that ask -- responded to our surveys and gave us,
3 you know, gave us their time for this. We -- we were more
4 interested in determining what their income was than
5 determining their perceptions, or their self perceptions,
6 of -- of being rich, poor, or in between.

7 MS. ANITA SOUTHALL: I -- I don't want to
8 interrupt you if you're not finished your answer. Are you
9 finished?

10 MR. MICHAEL MARZOLINI: I am not to sure
11 where I'm going -- or where you're going with this, so I'm
12 -- I'm trying to be helpful, but I'm not to sure what the
13 relevance of this is.

14 MS. ANITA SOUTHALL: Sir, I think you've
15 indicated in that response that there are indicators on
16 Table 2, and this table happens to -- to report the LICO
17 for 2004 and 2005, that's correct?

18 MR. MICHAEL MARZOLINI: That's what it
19 purports to do, yes.

20 MS. ANITA SOUTHALL: Right. And --

21 MR. MICHAEL MARZOLINI: But is -- is this
22 necessarily national, or would this be Manitoba though? I
23 don't see any specific relation to Manitoba or to -- to
24 Canada.

25 MS. ANITA SOUTHALL: I -- I believe it's a

1 national result, sir. But I wanted to direct you in
2 particular to a -- a point you've made a moment ago, which
3 is that it -- it indicates for urban areas community size
4 distinctions relative to the level of income being
5 reported, that's true?

6 MR. MICHAEL MARZOLINI: Yes.

7 MS. ANITA SOUTHALL: Did your survey
8 include borrowers who have used payday loan products
9 outside the City of Winnipeg? Was there any effort made
10 to -- to include persons who may have sourced payday loans
11 outside of Winnipeg?

12 MR. MICHAEL MARZOLINI: The entire sample
13 would have been regionally distributed in terms of the
14 population. And that is using a perfect random sample
15 where everybody who takes out a payday loan from a payday
16 loan member company has an equal chance of being
17 interviewed.

18 So, basically if -- you know, if -- if 4
19 percent of the sample is from St. Boniface, then 4 percent
20 -- or, sorry -- 4 percent of the market is in St.
21 Boniface, 4 percent of the sample would be or any -- any
22 percentage of that. If 65 percent of -- of the -- the
23 market is in Winnipeg, then that's where that sample would
24 of come from, within the statistical tolerances of the
25 margin of error.

1 (BRIEF PAUSE)

2

3 MS. ANITA SOUTHALL: And are you able to
4 explain to us what the distribution was, in this case, for
5 this survey? In other words, rural versus urban, or if
6 you've got Winnipeg versus outside of Winnipeg, rest of
7 Manitoba?

8 MR. MICHAEL MARZOLINI: Well, the sample -
9 - sample size of three hundred and fifty (350) does not
10 lend itself to -- to separate analysis by, you know, eight
11 (8) or nine (9) regions of -- of the Province, so we did
12 not provide that.

13 What we did was ensure that the sample was
14 -- was regionally correct in that it represented all areas
15 by the density of population of users, but we did not
16 separately code that, aside from the other demographics
17 that we -- we measured here in order to analyze that.

18 So, if -- if we did an interview with a
19 user in St. Boniface, we don't necessarily have a code
20 attached to that in the SPSS file in order to run out a
21 separate -- you know, I -- I'm -- I'm sure that could be -
22 - be worked out with the -- you know, the first three (3)
23 letter exchanges of telephones.

24 That's potentially possible to do, but I
25 would think that the sample sizes would be too small to do

1 that properly, especially if you're looking at -- and I --
2 I can't remember Mr. Keyes' remarks this morning.

3 Was it 55 to 65 percent within the City of
4 Winnipeg? So that would leave you very small regions
5 outside of Winnipeg with smaller samples.

6

7 (BRIEF PAUSE)

8

9 MS. ANITA SOUTHALL: Sir, I -- what I was
10 trying to do is identify that a portion of the sample were
11 for borrowers who were outside of Winnipeg.

12 Is that fair?

13 MR. MICHAEL MARZOLINI: I -- I would think
14 whatever the sample of the customers of payday loan cust -
15 - payday loan companies would be outside the City of
16 Winnipeg would be the sample percentage that would be
17 found within the survey.

18 MS. ANITA SOUTHALL: Thank you. And I --
19 I think you may have indicated, and -- and just looking
20 back at Table 2 in the Statistics Canada report, that --
21 and -- and I suppose, as is evident from the chart here,
22 that the number of persons in the household changes the
23 low income cutoff value.

24 In other words, if we look for the first
25 item under 2005, for one (1) person in an urban area five

1 hundred thousand (500,000) and over -- the far right-hand
2 column -- we see that the low income cutoff value ascribed
3 by Statistics Canada is twenty thousand seven hundred
4 seventy-eight dollars (\$20,778). Correct?

5 MR. MICHAEL MARZOLINI: Yes.

6 MS. ANITA SOUTHALL: And that increases
7 with number of persons in the household. Correct?

8 MR. MICHAEL MARZOLINI: That does.
9 Although these stats can -- breaks which include four (4)
10 persons, five (5) persons, six (6) persons, and seven (7)
11 or more people is not the same break which we use, which
12 goes up to five (5), five (5) or more.

13 So there would be a little bit of
14 difficulty in trying to be highly correlated to these
15 numbers.

16

17 (BRIEF PAUSE)

18

19 MR. MICHAEL MARZOLINI: There's also an
20 issue that these numbers are two (2) years out-of-date.

21 MS. ANITA SOUTH ALL: Sir, just -- just
22 looking at the income information that you did derive in
23 this survey. It would be at, I believe, page 17 of the
24 survey instrument, Question 62.

25 MR. MICHAEL MARZOLINI: Mm-hm.

1 MS. ANITA SOUTHALL: And, in fact, the --
2 the income information -- the first increment was asking
3 if the household income of the family, before taxes, was
4 less than twenty-five thousand (25,000). Correct?

5 MR. MICHAEL MARZOLINI: Yes.

6 MS. ANITA SOUTHALL: And then the next
7 increment was twenty-five thousand (25,000) to less than
8 fifty thousand (50,000). Correct?

9 MR. MICHAEL MARZOLINI: Right.

10 MS. ANITA SOUTHALL: Just to finish, the
11 next was fifty (50) to seventy-five thousand (75,000)?

12 MR. MICHAEL MARZOLINI: Yes.

13 MS. ANITA SOUTHALL: And seventy-five (75)
14 to less than a hundred thousand (100,000)?

15 MR. MICHAEL MARZOLINI: Yes.

16 MS. ANITA SOUTHALL: And then, finally, a
17 hundred thousand (100,000) or more. Correct?

18 MR. MICHAEL MARZOLINI: Yes.

19 MS. ANITA SOUTHALL: Is there a reason why
20 the income information was structured in this respect, and
21 -- and, specifically, why the categories were not further
22 broken down in the survey instrument?

23 In other words, twenty-five (25) to less
24 than fifty thousand (50,000), it -- was it possible to
25 break that down into smaller increments?

1 MR. MICHAEL MARZOLINI: Well, one of the -
2 - there's a number of reasons for that. This is -- these
3 are breaks which are -- are -- are pretty standardized
4 across the industry in terms of asking household income.

5 To ask specific household income -- to ask
6 people actually how much they earn in the household to the
7 dollar -- will result in a very high refusal rate, as
8 we've seen in some surveys whereby the in -- the refusal
9 rate will double or triple. You'll notice it's already a
10 10 percent refusal rate just on those categories.

11 And we -- we did not want to deal with the
12 thirty (30) or 40 percent refusal rate which we might have
13 had if we actually asked people, you know, the amount on
14 their T4 last year.

15 MS. ANITA SOUTHALL: Did you consider
16 breaking the increments down though? And that's really my
17 question, sir. Twenty-five (25) to less than fifty
18 thousand dollars (\$50,000) includes, per your survey, 39
19 percent of the borrowers who were interviewed.

20 And, really, I'm asking whether or not any
21 consideration was given, not to asking what was on their
22 T4 slip, but rather whether there was any consideration
23 given to smaller increments to be able to analyze the
24 income data -- data -- pardon me -- in a more detailed
25 way?

1 MR. MICHAEL MARZOLINI: Well, in
2 hindsight, having seen that 39 percent fall into that, we
3 might have considered that. But even to increase by one
4 (1) -- one (1) category, to be more -- to be more specific
5 about your income, is going to increase the refusals by --
6 by maybe about 5 percent per category. Although that's
7 pretty much an estimate.

8 Twenty-five (25) to the fifty (50), you
9 know, again, it's a broad number, but it's no less broader
10 than all the other categories. And it was also important
11 here that we have the categories to be equal.

12 So if we wanted to, you know, cut twenty-
13 five (25) to the fifty (50) in two (2), which would have
14 made it basically twenty -- twenty-five (25) to thirty-
15 seven and a half (37 1/2), you would have had to do the
16 same thing for all the other categories, which would have
17 made this question incredibly unwieldy and almost
18 impossible to get a good response to.

19 MR. NORMAN BISHOP: Ms. Southall, can I
20 just make a -- interject with a bit more information.

21 About three (3) years ago, the CPLA
22 commissioned a national survey through Environics, and I
23 think what the CPLA was trying to do was to mirror the
24 categories in that survey so that it would be comparable
25 over the -- the year -- the two (2) or three (3) year

1 period.

2 So that -- that, I believe, is one of the
3 reasons why you'll find those categories in there. And --
4 and we can check, but I believe the categories are the
5 same as the Environics study.

6 MS. ANITA SOUTHALL: Thank -- thank you
7 for that clarification, Mr. Bishop.

8

9 (BRIEF PAUSE)

10

11 MS. ANITA SOUTHALL: Sir, at the bottom of
12 page 2 on your key findings -- we're back now to your
13 report -- there's an indica -- there's an indication that
14 less than one (1) in three (3) payday loan customers in
15 Manitoba currently have a home mortgage. Do you see that?

16 MR. MICHAEL MARZOLINI: Yes, I do. I wish
17 people would stop saying "mic," because that is my -- my
18 first name as well, so...

19 MS. ANITA SOUTHALL: Is there any way to
20 identify, from the survey, information -- what this means
21 in terms of equity holdings of these borrowers?

22 MR. MICHAEL MARZOLINI: The equity
23 holdings with a chequing account or a debit card? No,
24 there is no way of -- of tying that together. We know
25 what they have in terms of their -- their instruments,

1 whether they have a savings account. We know that -- or -
2 - or, you know, that 65 percent have a savings account.

3 Do they have more money in it than their
4 chequing account? All we can correlate that with is the -
5 - the average amount of money that they currently owe to
6 financial institutions, excluding mortgages, being twenty-
7 four thousand three hundred and some odd dollars
8 (\$24,300).

9

10 (BRIEF PAUSE)

11

12 MS. ANITA SOUTHALL: And, sir, if we could
13 just turn to the question with respect to the -- the debt
14 analysis, one of the key findings was that the average
15 amount of money the respondent payday loan customers in
16 Manitoba currently owe to financial institutions,
17 excluding mortgages, is -- as you've indicated -- twenty-
18 four thousand three hundred fifty-six dollars sixty-nine
19 cents (24,356.69), correct?

20 MR. MICHAEL MARZOLINI: Yes.

21 MS. ANITA SOUTHALL: And the survey
22 question, I believe, that leads to that finding is
23 Question 24 at page 8 of Tab 22, the -- the survey
24 instrument.

25 MR. MICHAEL MARZOLINI: I have that.

1 MS. ANITA SOUTHALL: And just for the
2 record, if we could examine the -- the distribution. As
3 you've indicated, not including a mortgage, the inquiry
4 was made to the borrowers as to the total amount of money
5 that they currently owed to financial institutions,
6 correct?

7 MR. MICHAEL MARZOLINI: Yes.

8 MS. ANITA SOUTHALL: And in the first
9 category, one (1) to five thousand dollars (\$5,000), there
10 -- they indicated 22 percent, correct?

11 MR. MICHAEL MARZOLINI: That is correct.

12 MS. ANITA SOUTHALL: Five thousand and one
13 dollars (\$5,001) to twenty thousand (20,000), 20 percent?

14 MR. MICHAEL MARZOLINI: Yes.

15 MS. ANITA SOUTHALL: Twenty thousand one
16 dollars (\$20,001) to ninety thousand dollars (\$90,000),
17 13 percent?

18 MR. MICHAEL MARZOLINI: Yes.

19 MS. ANITA SOUTHALL: Ninety thousand
20 dollars (\$90,000) and over, 8 percent?

21 MR. MICHAEL MARZOLINI: Yes.

22 MS. ANITA SOUTHALL: And then we have a
23 category of 12 percent of people who indicated "don't
24 know," correct?

25 MR. MICHAEL MARZOLINI: Yes.

1 MS. ANITA SOUTHALL: What does the phrase,
2 "do not read," mean in -- in the survey instrument beside
3 the words, "don't know"?

4 MR. MICHAEL MARZOLINI: Okay. That's --
5 that is an instruction to our interviewers and also an
6 instruction to the reader that we would not have read that
7 -- that response.

8 And what we -- what we did with this --
9 with this question is that we -- we asked the actual
10 number. But the "don't know," there was no attempt to
11 read that as a response, so it should not be considered a
12 response that we provided.

13 The refusal rate on that one was
14 25 percent, which, you know, is -- is unfortunate. I
15 think it's actually pretty low, considering that we're
16 asking people to talk about the actual -- the total amount
17 of their debt.

18 But, you know, these are the responses that
19 we -- that we get for -- for that size of debt, and -- but
20 taking the people who did respond and the size of the debt
21 that they provided us, we were able to come up with a mean
22 score, an average across those who -- who are in debt.

23 MS. ANITA SOUTHALL: And did you make a
24 comparison between the average debt, excluding mortgages,
25 for the Manitoba population for comparison purposes to

1 this mean score that you identified as a result of the
2 survey at Question 24?

3 MR. MICHAEL MARZOLINI: I don't believe we
4 did, and it's also, you know, in making -- making
5 comparisons to, you know, between payday loan customers
6 and the general public, you would really have to, you
7 know, make those comparisons to people who are not payday
8 loan customers but otherwise in debt -- if you were
9 looking at similarities all the way across -- because a
10 lot of people are not in debt. They have surpluses. They
11 would probably not be highly represented in the -- in --
12 in this survey.

13 But to look at the attributes, you probably
14 get a lot -- a lot closer correlation with those two (2)
15 groups rather than using general public groups.

16

17 (BRIEF PAUSE)

18

19 MS. ANITA SOUTHALL: Sir, it just seems to
20 me that in the bullet just above that you did make
21 reference to a comparison to the general Manitoba
22 population with respect to income. And so with respect to
23 debt load, it seemed to me that that might be a -- a
24 useful type of comparison for our consideration.

25 MR. MICHAEL MARZOLINI: And I have seen in

1 some provinces numbers on debt load among the general
2 public. But I don't believe I've seen that in Manitoba,
3 unless Mr. Foran, anybody else has seen -- seen that. I
4 don't -- do not remember seeing anything where we can make
5 a -- a good comparison, either the people in the general
6 public or the percentage of the general public that is in
7 debt to be able to tell whether this is -- is higher or
8 lower.

9 We have done, of course, other -- other
10 provinces, and once those results are -- are all analyzed,
11 we'll be able to tell whether there is any major
12 differences between provinces. But certainly --
13 certainly, this is a number that we -- that we find as a
14 stand alone in terms of a -- a finding.

15

16 (BRIEF PAUSE)

17

18 MS. ANITA SOUTHALL: Sorry, if I could
19 just have a moment. I'm -- I'm just trying to make sure
20 that I'm following logically through the -- the questions.

21

22 (BRIEF PAUSE)

23

24 THE CHAIRPERSON: While Ms. Southall's
25 doing that, I will ask a couple of questions if you don't

1 mind.

2 I gather this survey doesn't inquire of the
3 respondents as to the number of payday loans that they may
4 have outstanding at -- at that point?

5 MR. MICHAEL MARZOLINI: -- Michael has
6 done. Thank you, Mr. Chairman, we did not ask that
7 question in the survey.

8 THE CHAIRPERSON: Another one was on
9 respect to Question 25 and the responses there. No
10 respondent indicated their potential use of a pawn shop or
11 use of an individual that offer loans that are not related
12 to the person or a friend.

13 Does this suggest that no payday loan
14 customers consider pawning or using a, how do you call it,
15 an acquaintance?

16 MR. MICHAEL MARZOLINI: Well, there is
17 less than 1 percent of mentions that would say "sell my
18 things, sell my car." I would take that as either garage
19 sale, pawn shop, something like that. But it is less 1
20 percent that probably --

21 THE CHAIRPERSON: I noticed in the focus
22 group there was one (1) comment that was raised there
23 that, Before the payday loans I would have gone to the
24 pawn shop.

25 MR. MICHAEL MARZOLINI: There was one (1)

1 -- one (1) individual who did mention that in the focus
2 group. It was -- and the -- another person said that
3 wouldn't be the worst way to go, and...

4 THE CHAIRPERSON: But based on the survey,
5 it doesn't appear -- and --

6 MR. MICHAEL MARZOLINI: But --

7 THE CHAIRPERSON: -- granted, it's
8 relatively restricted. There doesn't seem to be an
9 undercurrent of the significant amount of reliance on pawn
10 shops or individuals that the persons aren't friends of or
11 related thereto.

12 MR. MICHAEL MARZOLINI: I -- I would agree
13 with you on that one. I don't think it's unnecessarily
14 restricted, however, in that people could have said any --
15 anything at all to this question.

16 And in fact, they could have take -- given
17 multiple mentions. They could have said, I would go to my
18 friend or to a pawn shop if that was to come through.

19 THE CHAIRPERSON: In your surveys in the
20 other provinces did anything turn up on that with that
21 respect?

22 MR. MICHAEL MARZOLINI: To my best of
23 recollection, I haven't seen that yet.

24 THE CHAIRPERSON: Thank you, sir.

25

1 CONTINUED BY MS. ANITA SOUTHALL:

2 MS. ANITA SOUTHALL: Thank you very much
3 for that moment, Mr. Chairman. Sir, I'm -- I'm still on
4 page 2 of the key findings, almost done on this page, I'll
5 indicate.

6 But one of the key findings, the second-
7 last bullet on the page, is that the respondent payday
8 loan customers would expect to pay on average twenty-four
9 dollars sixty-seven cents (\$24.67) for interest and
10 administration fees to borrow one hundred dollars (\$100)
11 for two (2) weeks, correct?

12 MR. MICHAEL MARZOLINI: Yes.

13 MS. ANITA SOUTHALL: And could you just
14 tell me which question you're --

15 MR. MICHAEL MARZOLINI: That would be
16 question --

17 MS. ANITA SOUTHALL: -- going back to.

18 MR. MICHAEL MARZOLINI: Sorry, that would
19 be Question 26 on page 9 of the interview schedule.

20 "If you found yourself in a situation
21 where you needed to borrow one hundred
22 dollars (\$100) for two (2) weeks, how
23 much would you expect to be charged in
24 terms of interest and administration
25 fees?"

1 And there's a probe on that:

2 "If you're not sure, please provide an
3 estimate of what you would expect to pay
4 to borrow one hundred dollars (\$100) for
5 a short period."

6 We recorded the number verbatim and by the
7 dollar. We did not break that into cents. So it would
8 have been a solid number given to us.

9 The twenty-four dollars and sixty-seven
10 cents (\$24.67) that we came up with was the result of
11 averaging that out.

12 MS. ANITA SOUTHALL: And can you explain
13 what you're specifically attempting to test for in this
14 survey question, sir?

15 MR. MICHAEL MARZOLINI: Well we're --
16 we're testing here on the amount that the people are
17 expecting, or at least understanding of -- and -- and
18 anticipating to pay in terms of combined interest and
19 administration fees when they take out the loan.

20 MS. ANITA SOUTHALL: And this is to a
21 grouping of people who've used a payday loan product
22 within the last three (3) months, correct?

23 MR. MICHAEL MARZOLINI: Yes.

24 MS. ANITA SOUTHALL: So they have existing
25 knowledge of whatever the cost of -- of -- was of their

1 payday loan product.

2 Are they really drawing on that existing
3 information in response to this question?

4 MR. MICHAEL MARZOLINI: For that we have
5 no knowledge. We only know how they answered the
6 question. That may have been. They may have comparative
7 shopped. We did not ask that, you know, how they -- how
8 they gleaned that information.

9 We just know that they -- they do know
10 that. They expect that. They anticipate that. And
11 that's their -- their estimate.

12 MS. ANITA SOUTHALL: And did you ask any
13 questions, sir, on -- open-ended questions to any of the
14 borrowers in the group as to what would be a fair or a
15 reasonable price for a loan in the circumstance?

16 MR. MICHAEL MARZOLINI: Well, the -- the --
17 it depends on how they perceive the expectation to be
18 charged and whether that would be one that they would be --
19 -- you know, happy, or -- or perceived -- you know, as --
20 as reasonable.

21 But no, it wasn't asked in those terms, and
22 we did not in fact ask that question in the way that you
23 have indicated.

24 MS. ANITA SOUTHALL: And I take it you
25 didn't ask a follow-up question to Question 26, as to

1 whether the amount that they indicated they would expect
2 to pay was a fair amount?

3 MR. MICHAEL MARZOLINI: No, we expect -- we
4 -- we only wished to find out what they expected to be
5 charged in terms of interest and administration fees.

6 We -- we did not want to -- to put any
7 judgment on that, and in fact, we wanted to avoid any
8 perception of inter-item bias in the questionnaire.

9 MS. ANITA SOUTHALL: Maybe you could just
10 clarify that last point, sir?

11 MR. MICHAEL MARZOLINI: In -- inter-item
12 bias is -- is any colour or skewing of results that one
13 (1) question might get from asking a preceding question
14 that may be seen as -- as a leading question.

15 There's a -- a very well known example in
16 the television show Yes, Prime Minister. The question is
17 about conscription. And the preceding question before
18 being in favour or not in favour of conscription is, Are
19 there too many hooligans out there with guns? You know,
20 or -- or those types of things, or you know, on the
21 street. Do you want to get them?

22 So conscription works pretty well in that
23 case. The -- another example, though, on conscription is,
24 Do you really want to take a bunch of 18 year olds and
25 tell them how to kill people? But -- in which case people

1 are not in favour of conscription.

2 So these are -- are areas where one (1)
3 question can colour another question. And we have to be
4 very careful when we design the questionnaire that -- that
5 there is no pushing, there is no leading you into certain
6 -- certain areas.

7 And certainly our -- our own association,
8 the Market Research Industry Association, which audits and
9 accredits us, would look at any wording of those questions
10 quite askance, and we would probably lose -- well at least
11 lose our discount on errors and omissions insurance, so...

12 MS. ANITA SOUTHALL: Sir, going back to
13 Question 26, does -- does this really elicit information
14 based on the memory of the individual in terms of what
15 they have paid for payday loan products?

16 MR. MICHAEL MARZOLINI: No, we're -- we're
17 not asking that. We're asking, How much would you expect
18 to be charged. And it's how they perceive that question
19 being asked is how they answer. So that's what they
20 expect to be charged.

21 MS. ANITA SOUTHALL: Sir, could you just
22 turn to page 5 of your report, please, the -- I'm not sure
23 what we call this, is it a graph? I want to use proper
24 terminology.

25 MR. MICHAEL MARZOLINI: This, call it a

1 chart, I would think.

2 MS. ANITA SOUTHALL: A chart?

3 MR. MICHAEL MARZOLINI: Yes.

4 MS. ANITA SOUTHALL: So this chart is
5 headed, "Impressions of Institutions," sir?

6 MR. MICHAEL MARZOLINI: Yes.

7 MS. ANITA SOUTHALL: And I think when you
8 reviewed this one, and I could be wrong -- I'm not sure.
9 You used a reference to a tie for one of the charts that
10 you were referring to.

11 MR. MICHAEL MARZOLINI: Yes, mm-hm.

12 MS. ANITA SOUTHALL: So, this is a tie for
13 last place, I take it, between payday loan companies and
14 credit card companies?

15 MR. MICHAEL MARZOLINI: Yes. If you look
16 at Questions 3 to -- 3 to 7, on pages 2 and 3 of the
17 interview schedule, you'll see that payday loan companies
18 have a mean score of five point zero four (5.04), credit
19 card companies have a mean score of four point nine six
20 (4.96).

21 Now, in this type of study we look at a
22 point two (0.2) as being relevant. So those -- those two
23 (2) are basically tied at five (5) each, five (5,) which
24 we do not see as a -- as a bad rating, even though it is
25 behind banks and credit unions and insurance companies.

1 MS. ANITA SOUTHALL: I -- I'm sorry, I
2 just didn't --

3 MR. MICHAEL MARZOLINI: I was suggesting
4 the --

5 MS. ANITA SOUTHALL: -- understand the
6 last part of the answer.

7 MR. MICHAEL MARZOLINI: I -- I was looking
8 at the relevance of payday loan companies ranking at a
9 five point zero (5.0), as, you know, at the same level as
10 credit card companies.

11 When you take into account the -- the
12 advertising budgets, the size of credit card companies
13 across -- around the world, I guess, and the fact that,
14 you know, 4 percent would rank them very favourably versus
15 7 percent ranking, you know, payday loan companies very
16 favourably. I thought those were interesting results.

17 But again, I don't wish to be seen as
18 spinning or in otherwise gilding the lily of any results
19 that come through. The same time, sometimes the glass is
20 half -- half full and not half empty.

21 MS. ANITA SOUTHALL: And, just on that
22 point, sir, you've indicated on the reporting of the
23 information that the neutral category is in the range of
24 four (4) to six (6), correct

25 MR. MICHAEL MARZOLINI: Yes. Four -- four

1 (4) to six (6) is the, you know, technical on the scale of
2 one (1) to ten (10), where we would place neutral.

3 Frankly, and in a lot of other types of
4 analysis, I would go beyond that. We've been very
5 conservative here in measuring it, but I look at a five
6 (5) or a six (6) on a one (1) to ten (10) scale as being -
7 - being positive.

8 If anything, five (5) would be the -- the
9 neutral number, four (4) would be slightly negative, six
10 (6) would be -- be very good on a scale of one (1) to ten
11 (10).

12 For example, taking into account national
13 leaders, we -- nobody has ranked higher than -- than six
14 (6) in about twenty (20) years serving as Prime Minister.
15 In terms of individuals you might get maybe David Suzuki,
16 with a number like that.

17 In California we've polled in California,
18 the Governor of California would rank a seven (7) out of
19 ten (10). But for -- in many cases a five (5) or a six
20 (6) out of ten (10) is seen as very positive.

21 MS. ANITA SOUTHALL: And for other surveys
22 of financial institutions, is five (5) out of ten (10)
23 considered to be positive?

24 MR. MICHAEL MARZOLINI: Well the -- it
25 depends at the time. Cable -- cable industry, for

1 example, hasn't reached above about four point seven (4.7)
2 in the last fifteen (15) years.

3 Utilities, electricit -- electrical
4 utilities rank far higher. Often as -- often as high as
5 7, depending on the province.

6 Banks rank well because they're trusted,
7 not necessarily liked. But they have been higher as well.
8 In fact before the bank merger hearings, they were looking
9 at about six point eight (6.8). They've fallen to about
10 six point three (6.3).

11 So these -- these numbers will change over
12 time. You know, the -- the public, when they're --
13 they're giving their impression of any organization,
14 individual or company or government, will always say, What
15 have you done for me lately?

16 And, you know, at the current time, you
17 know, home insu -- home and car insurance companies, you
18 know, banks, they tend to be rather higher. Credit unions
19 have always had very high scores across Canada, especially
20 in British Columbia.

21 MS. ANITA SOUTHALL: Well, sir, just
22 getting back to that discussion where we started of -- of
23 four (4) to six (6) being neutral, do -- do you explain to
24 the person that's being interviewed that four (4) to six
25 (6) is considered neutral?

1 Or do you -- do you leave it to the
2 borrower to determine if something under five (5) is less
3 than satisfactory and something over five (5) is now in
4 the positive zone?

5 MR. MICHAEL MARZOLINI: No, we -- we
6 simply -- use the phraseology, Using a scale of one (1) to
7 ten (10), where one (1) is not at all favourable and ten
8 (10) is very favourable, how would you rate your
9 impression of each of the following groups of businesses
10 in Canada?

11 And again, that's Canada specific, although
12 we're asking that question in Manitoba. We're not --
13 we're not precoding it for people. We have found in the
14 past a scale of one (1) to ten (10) is something that
15 they're used to -- used to rating things on -- rating
16 drinks, rating movies, that type of thing.

17 There was a movie made called Ten, with Bo
18 Derek, you know. That would indicate some facility with
19 the rating scale. And although technically, a zero (0) to
20 ten (10) would be -- would be the better scale to use.

21 I -- I'm reminded of the -- the Chinese
22 navigator during the Han Dynasty that invented a compass
23 with three hundred and sixty-five (365) degrees on it,
24 which was far more accurate than the European compasses
25 that only had three hundred and sixty (360), because of

1 that anything below five (5) would not be on a scale of
2 one (1) to (10) for -- for an ordinary consumer answering
3 the question, that that would not be a positive response.

4 And so I'm trying to examine this in the
5 context of financial institutions and what the data is
6 actually showing and whether or not four (4) to six (6) is
7 really neutral.

8 MR. MICHAEL MARZOLINI: Well the -- we
9 would never move the midpoint. The midpoint doesn't move.
10 The -- you know, I -- I have seen in financial
11 institutions there's some provinces where, for example,
12 car insurance companies specifically will get -- will get
13 four point five (4.5) out of ten (10).

14 I have done specific -- we polled for three
15 (3) of the -- the Schedule As and a lot of -- lot of
16 foreign banks as well. And, you know, they -- they tend
17 to -- they tend to move between five point eight (5.8),
18 six point five (6.5).

19 What I think is -- is relevant is that, you
20 know, payday loan companies are not seen as, you know, as
21 -- as large a part of the industry or of the range of --
22 of financial instruments as -- as, for example, credit
23 card companies that are very well established in terms of
24 mind share. They have very large advertising budgets.
25 They -- they have a lot of promotional budgets.

1 Mr. Chairman. Mr. Marzolini, could you turn to page 8 of
2 Tab 18, which is the Pollara report, please?

3

4

(BRIEF PAUSE)

5

6 MR. MICHAEL MARZOLINI: Sorry, would that
7 be page 8 of the interview schedule or the PowerPoint
8 slide there?

9 MS. ANITA SOUTHALL: The PowerPoint slide
10 presentation page 8, please?

11 And this is headed, "Knowledge of Fee
12 Payment," correct?

13 MR. MICHAEL MARZOLINI: Yes.

14 MS. ANITA SOUTHALL: So this chart
15 indicates that of the respondents to the survey interview
16 who were payday loan borrowers within the last three (3)
17 months, 32 percent were not able to give an approximate
18 amount or -- or indicated that they were not aware of the
19 approximate amount that they paid for all fees, including
20 administration fees and interest charges on their payday
21 loans, correct?

22 MR. MICHAEL MARZOLINI: That is correct.
23 That's 3 percent higher than savings or the chequing
24 account that they might hold at the bank or credit union
25 and 8 percent higher than their credit card rate and 11

1 percent higher than their home mortgage.

2 MS. ANITA SOUTHALL: Sir, could you turn
3 to page 11 of the same document, the Pollara report
4 presentation?

5 And this is headed, "Reasons Payday Loan
6 is Needed," correct?

7 MR. MICHAEL MARZOLINI: Yes.

8 MS. ANITA SOUTHALL: Can you tell me what
9 the source of the particular triggers are on the list?
10 In other words, the descriptors used in the question,
11 what the source of those are?

12 MR. MICHAEL MARZOLINI: That would have
13 been a refinement of open-endeds that might have come
14 from the embryonic study and generated in terms of what
15 we -- what we might expect to see anecdotally in some of
16 those areas.

17 We would have also other specified, you
18 know, anything that -- that had been volunteered that
19 wasn't on the list. Emergency cash or pay for
20 necessities, at the top of the list, were 35 percent.

21 Again, these are -- these are the forced
22 choices and the previous question was -- was more open-
23 ended. In fact it was completely open-ended, you know on
24 -- on those -- on those questions, Questions 25 and 27.
25 This one was Question 28.

1 (BRIEF PAUSE)

2

3 MS. ANITA SOUTHALL: So, sir, you're
4 referring us to Question 28 at Tab 22 of the materials?
5 That's -- that's in the actual survey instrument,
6 correct?

7 MR. MICHAEL MARZOLINI: Right.

8 MS. ANITA SOUTHALL: And so a list would
9 be read to the person who was answering the survey?

10 MR. MICHAEL MARZOLINI: Yes.

11 MS. ANITA SOUTHALL: Is that right?

12 MR. MICHAEL MARZOLINI: Yes. The que --
13 the question was:

14 "Which of the following was the main
15 reason why you needed a payday loan?"

16 So we're not taking this case multiple
17 responses, and we're not taking their own words. We've
18 already taken their own words on a couple of similar
19 questions, which -- which are Questions 25 and 27.

20 And basically they're all looking at the
21 same, you know, answering the same -- same question.
22 We're just taking different tacts to it, to either use
23 their words or -- or if they haven't done that to -- to
24 use ours.

25 MS. ANITA SOUTHALL: Could you explain

1 why a list would be rotated on a survey question?

2 MR. MICHAEL MARZOLINI: You always read a
3 list -- or rotate a list so that you don't -- the order
4 of the options does not impact upon responses.

5 For example, if -- if I'm doing a
6 political survey and I always read the -- the
7 Conservatives first, then possibly, in one (1) out of
8 every three hundred (300) cases, people might think we're
9 favouring. That would be erroneous, of course, that
10 we're favouring the Conservatives so we might get one (1)
11 or two (2) additional responses.

12 The same thing, even for -- so we actually
13 rotate the three (3) major parties. We don't rotate
14 Green Party because of their lack of mind share. They
15 will be at the back of the -- the survey.

16 There are issues that can arise
17 methodologically with either rotating -- sometimes you
18 don't need to rotate, you should not rotate -- and other
19 times when you absolutely have to rotate.

20 MS. ANITA SOUTHALL: Thank you, sir. And
21 -- and the reason I'm asking it is because at Question 28
22 there's no indication that the list in that case would be
23 rotated. Is that -- could you just comment on that? Is
24 it appropriate that it wasn't rotated in this case?

25 I ask the question in particular because

1 the first item for "emergency cash to pay for
2 necessities" is by far the largest percentage of
3 responses at 35 percent.

4 MR. MICHAEL MARZOLINI: The -- that --
5 that question, first off, was the "all of the above
6 category" would be wrong to rotate, because that would --
7 that would really interfere with the logic of the survey.

8 The -- the others I presume from the --
9 let's see, it was a read -- read list. I believe they
10 were read in the order of which they were provided, which
11 is also the order of the numerical answers, the highest
12 frequency of answers, which leads me to believe that when
13 we looked at this -- originally worded that question --
14 we took into account results, perhaps from the Environics
15 survey, perhaps from other studies.

16 We did a lot of studying of all sorts of
17 different sources to take into account the questions we
18 would ask. Those were not necessarily, you know, legal
19 or Consumer Protection Acts or that type of thing.

20 What we wanted to do there was -- was talk
21 to people in their own language. And in this case,
22 though we've already asked the question in slightly
23 different ways twice, Question 27:

24 "What was the most important reason you
25 chose to obtain a payday loan in the

1 past?"

2 Again, we asked that. We did not know
3 what answers we would get. So asking twenty-eight (28)
4 was basically the insurance on the other questions that
5 we would actually get a response that would give us some
6 approximation of where people's heads were at, on the sur
7 -- on the study.

8 MS. ANITA SOUTHALL: Just to finish off
9 on that, at Question 28, if you -- if you took out the
10 items that -- as you say, that -- that logic would
11 indicate you wouldn't rotate --

12 MR. MICHAEL MARZOLINI: -- or read. We
13 would not read, you know, "don't know/refused," for
14 example. The other ones would have been read.

15 MS. ANITA SOUTHALL: But, sir, if I could
16 finish.

17 If -- if you took the items that were
18 specific items that someone might select from "for
19 emergency cash to pay for necessities," all the way down
20 to "rent/moving/starting over," would you expect to get
21 different results if you rotated this particular list?

22 MR. MICHAEL MARZOLINI: It's -- it's very
23 hard to say, because we -- because we had the -- the
24 likely order, we did not think that there was a advantage
25 in providing options which -- like renting/moving/

1 starting over -- which weren't going to be highly salient
2 in the wording of the question, to put that first.

3 More, this was just a layering of the
4 responses that people could have as the main reason why
5 they needed a payday loan.

6 MS. ANITA SOUTHALL: Sir -- I'm sorry.

7 MR. MICHAEL MARZOLINI: Of course, the
8 more relevant question, I figure, was Question 27, where
9 we did allow people to say whatever they possibly would
10 have wished to have said on that:

11 "The most important reason you chose to
12 obtain a payday loan in the past,
13 rather than using another source of
14 financing."

15 MS. ANITA SOUTHALL: Twenty-seven (27)
16 doesn't address the -- the need, though. Is that
17 correct?

18 MR. MICHAEL MARZOLINI: Oh yes, it does -
19 - well, the most important reason. Maybe not the
20 specific need, which is why we had the wording to get the
21 need on the next one.

22 But the -- the most important reason, and
23 sometimes that reason would be a need. In this case, it
24 really wasn't -- wasn't mentioned a lot, as the -- aside
25 from emergencies, necessity of needing it -- as -- as the

1 reason.

2 MS. ANITA SOUTHALL: Sir, if you could
3 turn to page 11 of the survey instrument. This is what
4 we're looking at right now, Question 32, the top question
5 on page 11.

6 By my calculations, 36 percent of the
7 respondents were at category number four (4) or below
8 with respect to the question, the total cost of the
9 payday loan, including interest and administration fees.

10 MR. MICHAEL MARZOLINI: At four (4) or
11 below?

12 MS. ANITA SOUTHALL: Four (4) or below.

13 MR. MICHAEL MARZOLINI: Twenty-seven (27),
14 thirty-four (34), forty (40), 38 percent.

15 MS. ANITA SOUTHALL: Oh, I'm sorry. I
16 calculated 36 percent: 15 percent, 8 percent, 6 percent,
17 and 7 percent, which would be four (4) and below.

18 MR. MICHAEL MARZOLINI: Okay. Well, you
19 could do twenty-nine (29) of one (1) to three (3). We --
20 I believe put the four (4) to six (6).

21 MS. ANITA SOUTHALL: Sorry, but -- but --
22 for the sake of my question --

23 MR. MICHAEL MARZOLINI: Yes, go ahead.

24 MS. ANITA SOUTHALL: -- have I got the
25 math right? Thirty-six (36) percent at four (4) or

1 below?

2 MR. MICHAEL MARZOLINI: At four (4) or
3 below, let's look at that: thirteen (13), twenty-one
4 (21), 36 percent.

5 MS. ANITA SOUTHALL: And relative to the
6 other metrics for satisfaction for payday loans, cost is
7 a less satisfactory metric for payday loan consumers than
8 other aspects of the experience, sir?

9 MR. MICHAEL MARZOLINI: Yes.

10 MS. ANITA SOUTHALL: I'd like to just
11 discuss for a few moments, sir, the focus group work. I
12 just have a couple of questions on that.

13 My understanding from reading the
14 methodology information for the focus group was that
15 there was recruitment on the basis of gender and age. Is
16 that correct?

17 MR. MICHAEL MARZOLINI: Yes.

18 MS. ANITA SOUTHALL: Yes? Did you refine
19 the group for income or education?

20 MR. MICHAEL MARZOLINI: No. You're --
21 you're dealing with a focus group of a very small sample.
22 So if you have eight (8) people in the group, trying to
23 be representative of every single income and education
24 category is not going to work.

25 Really the best you can do with eight (8)

1 people is making sure four (4) are male and four (4) are
2 female. And -- and in our case as well, we wish to
3 balance it so that we will get older people and younger
4 people in the same groups.

5 Some focus groups we will actually split
6 off male from female so that we get better responses if
7 it's a -- if it's a sensitive subject by gender. We have
8 to do our -- make our own judgments in that.

9 MS. ANITA SOUTHALL: And I know from your
10 answers through CPLA to some of the questions we posed in
11 advance of the Hearing today that this is qualitative
12 information and -- and it's not intended to lead to
13 statistical analysis, correct?

14 MR. MICHAEL MARZOLINI: That is correct.

15 MS. ANITA SOUTHALL: And validity or
16 credibility are not measures to use in this portion of
17 the engagement?

18 MR. MICHAEL MARZOLINI: Quali --
19 quantitative survey -- survey research is done to show
20 what, with a measurable degree of accuracy.

21 Qualitative research is meant to give you
22 the range of opinions that could be out there on any
23 specific issue. And it's a very good way of pinpointing
24 reasons. Sometimes you would do this in front of a
25 survey in order to figure out where the questioning

1 should be. And in other cases is to get some flavour of
2 what people really mean when they -- when they say, for
3 example, why would they use a payday loan.

4 And there are some -- some very, very
5 fascinating responses if you read the transcript of the
6 focus groups on -- on people's discussion, even when the
7 moderator was out of the room.

8 MS. ANITA SOUTHALL: Yes, and just on
9 that point, sir, thank you for leading me to it.

10 MR. MICHAEL MARZOLINI: I do my best.

11 MS. ANITA SOUTHALL: There -- there is a
12 bit of a discussion that I discerned from the first
13 transcript that I came upon in -- in CPLA's Information
14 Request responses, a reference to an interchange of
15 members of that focus group in terms of getting into a
16 rut or getting trapped in a payday borrowing cycle.

17 Would those kinds of comments be of
18 importance, in terms of highlights from the focus group,
19 on this -- on this particular subject matter?

20 MR. MICHAEL MARZOLINI: Well I -- I think
21 any such comment is going to be important but in this
22 case not statistically. You know, any -- any case where
23 there is a -- a problem flagged, while there, you know,
24 that does -- does need to be taken into account. But in
25 terms of having one (1) person or even two (2) -- and I

1 believe it was only one (1) -- talk about a personal
2 concern with respect to that is, you know, one (1) in
3 sixteen (16) people, and that's very anecdotal.

4 And again, all the information positive
5 and negative found in the focus groups is anecdotal. It
6 is supposed to give you the range of things that may go
7 out there. And at that point you go out and you -- you
8 prove using survey research whether there is a problem
9 with that or if there isn't.

10 And, you know, you -- you there is --
11 there's a case, just looking at this, you know, people
12 got very upset when they talked about the stereotypes of
13 those who had payday loans.

14 And there was one instance of somebody
15 have -- having, you know, not liking the person they
16 dealt with at the payday loan place, but he apparently
17 left. And he was happy after that.

18 There's also mentions about the amount of
19 alcohol that bankers tend to drink at lunch. But it's
20 not necessarily statistically relevant. It may be very
21 interesting and may enable you to understand some of the
22 findings in the quantitative research.

23 It's a perspective. And it also allows
24 you to see this is how people, who are typical users of
25 payday loan services, how they talk, how they think, what

1 their -- what their daily behaviour is, what, you know,
2 how -- how they consider their family, how they consider
3 various financial issues. And you can call them typical,
4 but I wouldn't call them representative.

5 MS. ANITA SOUTHALL: Thank you, sir.
6 Those are my questions, Mr. Chairman, thank you.

7 THE CHAIRPERSON: Thank you, Ms.
8 Southall, Mr. Marzolini. And now we will be turning to
9 Mr. Williams for the Coalition.

10

11 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

12 MR. BYRON WILLIAMS: Thank you, and good
13 afternoon, Mr. Chairman and members of the Board. And
14 welcome, Mr. Marzolini.

15 You won't think I'm too rude, but my first
16 question might actually be to one of your colleagues on
17 the panel, Mr. Bishop.

18 And but there -- Mr. Bishop, you'll recall
19 this morning there was a discussion between My Friend,
20 Ms. Southall and Mr. Marzolini about the levels used in
21 terms of household income in the Pollara poll.

22 Do you recall that discussion, sir?

23 MR. NORMAN BISHOP: I do.

24 MR. BYRON WILLIAMS: There might be one
25 mic off. There we go.

1 And -- and a question was posed, as you'll
2 recall -- recall to Mr. Marzolini, in terms of why those
3 specific levels were chosen, being zero (0) to twenty-
4 five (25), twenty-five (25) to fifty (50), et cetera.

5 Do you recall that conversation, sir?

6 MR. NORMAN BISHOP: I do.

7 MR. BYRON WILLIAMS: And you were
8 generous to note that -- or to suggest that one of the
9 explanations might be that -- that those levels were an
10 effort to mirror the Environics study, is that right,
11 sir?

12 MR. NORMAN BISHOP: I believe so, yes.

13 MR. BYRON WILLIAMS: I've got my -- my
14 notes here, so, and hopefully --

15 MR. NORMAN BISHOP: Let me guess where
16 you're going with this one.

17 MR. BYRON WILLIAMS: Yeah. And just so I
18 know, just in terms of the Environics study and -- and
19 I'll ask My Friend, Mr. Foran. He can give a -- a copy
20 both to you and Mr. Marzolini, if that would be -- not --
21 it's not a copy of the whole study but just a couple
22 pages.

23 The Environics study you were referring to
24 was the 2005 study by Environics Research Group,
25 "Understanding Consumers of Canada's Payday Loan

1 Industry."

2 Is that right, sir?

3 MR. NORMAN BISHOP: That's correct.

4 MR. BYRON WILLIAMS: And it was prepared
5 for the Canadian Association of Community Financial
6 Service Providers, is that right?

7 MR. NORMAN BISHOP: Correct.

8 MR. BYRON WILLIAMS: And that would be
9 the -- the parent, the -- the mother or father of the
10 CPLA, is that right?

11 MR. NORMAN BISHOP: No, the -- the name
12 changed, I think, that year.

13 MR. BYRON WILLIAMS: But it's -- so you
14 have --

15 MR. NORMAN BISHOP: Yeah.

16 MR. BYRON WILLIAMS: -- at least some
17 familiarity with this study.

18 I'd like to direct your attention, just
19 for your convenience, provided to you with page 12 of the
20 Environics Research Group Study.

21 Does that look familiar, sir?

22 MR. NORMAN BISHOP: It does, yes.

23 MR. BYRON WILLIAMS: And I'd suggest to
24 you that in the Environics study what they did was they
25 looked at both the payday loan -- loan users and the

1 general population.

2 Household income divided, first of all, is
3 less than thirty-five thousand (35,000). Is that right,
4 sir?

5 MR. NORMAN BISHOP: That's correct.

6 MR. BYRON WILLIAMS: And then, secondly,
7 between thirty-five thousand (35,000) and fifty thousand
8 (50,000). Is that right, sir?

9 MR. NORMAN BISHOP: Correct.

10 MR. BYRON WILLIAMS: And then between
11 fifty thousand (50,000) and seventy-five thousand
12 (75,000), is that correct?

13 MR. NORMAN BISHOP: Correct.

14 MR. BYRON WILLIAMS: And then over
15 seventy-five thousand (75,000), is that right?

16 MR. NORMAN BISHOP: Yes.

17 MR. BYRON WILLIAMS: And I wonder, will -
18 - you'll, in terms of the range used, I wonder if you'd
19 agree with me that that does not mirror the Pollara range
20 being zero (0) to twenty-five thousand (25,000), for
21 example, sir?

22 MR. NORMAN BISHOP: I stand corrected,
23 yes.

24 MR. BYRON WILLIAMS: That's fine. I
25 wonder, though -- because it is, maybe, of some interest

1 to the Board -- in terms of the general population with a
2 household income of less than thirty-five thousand
3 (35,000), I wonder if you could confirm to me that the
4 results of Environics in 2005 was about 27 percent, sir?

5 MR. NORMAN BISHOP: That's correct.

6 MR. BYRON WILLIAMS: And I wonder if you
7 could also confirm for me that in terms of the payday
8 loan users' population of Environics just two (2) years
9 ago, it was 49 percent, or less than thirty-five thousand
10 (35,000)?

11 MR. NORMAN BISHOP: I'd confirm that.

12 MR. BYRON WILLIAMS: Okay. Thank you.
13 And thank you for that clarification.

14

15 (BRIEF PAUSE)

16

17 MR. BYRON WILLIAMS: Now, Mr. Marzolini,
18 just so I'm clear, from -- from the Pollara survey, would
19 you be able to tell my clients, with scientific
20 certainty, how many of those payday loans consumers
21 sampled have an income of less than thirty-five thousand
22 (35,000) household income?

23 MR. MICHAEL MARZOLINI: We would be able
24 to tell with complete accuracy the number of payday loan
25 customers who have an income of less than twenty-five

1 thousand (25,000) and with complete accuracy those who
2 have between twenty-five thousand (25,000) and fifty
3 thousand (50,000).

4 MR. BYRON WILLIAMS: Thank you. And can
5 I ask, this is -- and I know that LICO wasn't a -- a real
6 subject of your work, but I did notice with interest from
7 the information that Ms. Southall provided to you that
8 low income cutoffs for rural areas are lower than they
9 are for urban areas.

10 Would you agree with that general
11 statement, sir?

12 MR. MICHAEL MARZOLINI: And the cutoffs
13 are lower in rural areas than urban areas, yes.

14 MR. BYRON WILLIAMS: And can you explain
15 to me why that may be?

16 MR. MICHAEL MARZOLINI: That has to do
17 with the cost of living.

18 MR. BYRON WILLIAMS: And the inference I
19 would draw is that the costs of living in rural areas
20 would be lower than in urban areas, sir?

21 MR. MICHAEL MARZOLINI: For most items
22 taken on an aggregate basis; certainly gasoline and
23 others would be arguable.

24 MR. BYRON WILLIAMS: Okay. Thank you for
25 that.

1 And just again I may have misunderstand --
2 misunderstood your dialogue or exchange with My Friend,
3 Ms. Southall, but I wonder if you can indicate to me of
4 the sample provided to Pollara from CPLA members what
5 percentage was from the City of Winnipeg?

6 MR. MICHAEL MARZOLINI: Well that would
7 be roughly and I -- I take this rough based on fifty-two
8 (52) of sixty-four (64) payday loan companies in the
9 Association being located in Winnipeg and that would give
10 me about 75/76 percent of the sample would have been
11 within the City of
12 Winnipeg.

13 I may be a point or two (2) off on that,
14 but I don't have my trusty calculator here. Fifty-two
15 (52) of sixty-seven (67), yes, which is roughly 75
16 percent.

17 MR. BYRON WILLIAMS: And to the extent
18 that the -- the number of payday loan customers per store
19 in Winnipeg might tend to be higher than the number of
20 payday loan customers in rural area, might that
21 percentage be even higher, sir, if that -- that were
22 indeed the case?

23 MR. MICHAEL MARZOLINI: No.

24 MR. BYRON WILLIAMS: But --

25 MR. MICHAEL MARZOLINI: It would be

1 random -- perfect on a random basis within the
2 statistical tolerances.

3 MR. BYRON WILLIAMS: Okay. So we're
4 talking 75 or 76 percent roughly in terms --

5 MR. MICHAEL MARZOLINI: Yes.

6 MR. BYRON WILLIAMS: -- of -- thank you.

7 And, Mr. Marzolini, I want to make sure
8 you don't feel neglected, I may have a question or two
9 (2) for Mr. Keyes right now and then we'll make sure you
10 get on your plane. At least it's depending on what Mr.
11 Hacault has to -- to say about it.

12 But, Mr. Keyes, if -- if I were a
13 potential payday loan customer who's paid every two (2)
14 weeks and I was looking to borrow a hundred dollars
15 (\$100) from a payday loan firm in Manitoba for two (2)
16 weeks, I -- I wouldn't be able to pay it back until my
17 next my payday.

18 I wonder, given your knowledge of the
19 Manitoba marketplace, if you could indicate what
20 percentage of customers borrowing a hundred dollars
21 (\$100) for two (2) weeks from a payday loan firm might
22 expect to pay ten dollars (\$10) or less in interest and
23 administrative fees?

24 HONOURABLE STAN KEYES: I would have to
25 refer that question to my experts. The mandate of the

1 CPLA is not to so much monitor specifics about what
2 number or percentage of customers would pay ten dollars
3 (\$10) or less but I could maybe better ask our Mr.
4 Marzolini for a more accurate, precise number, if he has
5 one.

6 MR. MICHAEL MARZOLINI: Well, we -- we
7 certainly know -- we certainly do know what the
8 expectation is and that is an average of twenty-four
9 dollars and sixty-seven cents (\$24.67) for interest and
10 administration fees.

11 Now what we're measuring here is what the
12 perception is among the market. That is what they are
13 expecting, anticipating. Perhaps they're okay with it.
14 We did not ask specifically about that. But the
15 expectation is that is what it would cost.

16 Now what are they actually paying? That's
17 an answer for the -- the industry but we know what the
18 expectation is. If you are looking for the actual, I
19 don't have that information.

20 MR. BYRON WILLIAMS: And I didn't expect
21 you to. But I thought that perhaps, Mr. Keyes, can you
22 indicate to me on behalf of the industry, or are you
23 saying to me that you're unable to tell me what
24 percentage of Manitoba customers borrowing a hundred
25 dollars (\$100) for -- for two (2) weeks might expect to

1 pay ten dollars (\$10) or less in terms of the
2 administration and interest?

3 HONOURABLE STAN KEYES: I'm not aware of
4 that figure, no. I could try to gain -- gain that
5 number. Given some time we can certainly try to find
6 that number for you.

7 MR. BYRON WILLIAMS: So you would
8 undertake to do that subject to discussions with counsel?

9 HONOURABLE STAN KEYES: Mr. Foran?

10 MR. ALLAN FORAN: We'll take that under
11 advisement.

12 HONOURABLE STAN KEYES: Thank you.

13

14 --- UNDERTAKING NO. 11: Mr. Keyes to provide what
15 percentage of Manitoba
16 customers borrowing a hundred
17 dollars (\$100) for two (2)
18 weeks might expect to pay ten
19 dollars (\$10) or less in
20 terms of administration and
21 interest charges. (Taken
22 under advisement)

23

24 (BRIEF PAUSE)

25

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: Mr. Marzolini, I
3 want to lead off where My Friend, Ms. Southall, finished
4 off, which is on the focus groups, which, for the Panel's
5 information I believe in the handy-dandy Board book of
6 documents appears at -- towards the end of Tab -- Tab 18.

7 And I'm going to -- to refer you to page
8 10, Mr. Marzolini, in terms of the focus group, please.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: It's page 10 of the
13 focus group, so it should be towards the back of Tab 18,
14 sir.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: Now, towards the
19 bottom of that page, Mr. Marzolini -- and you did have a
20 bit of a discussion with this -- but you indicate a few
21 participants noted the importance of paying payday loans
22 and avoiding, in quotation marks, "the cycle of long term
23 payday loan use."

24 That was one of the observations you made,
25 Mr. Marzolini? Is that --

1 MR. MICHAEL MARZOLINI: Yes, it was.
2 Again, we use the term "participants," as they were
3 participants in the focus group. We don't use the term
4 "payday loan customers," because this is not
5 representative, statistically, of payday loan customers.

6 So these were the people we had in our
7 focus groups who discussed this issue.

8 MR. BYRON WILLIAMS: And I -- did I use
9 the word "participants," sir?

10 MR. MICHAEL MARZOLINI: No, you've been
11 absolutely correct in the use. But I just thought it --
12 it -- it should be -- it should be made clear that we're
13 not making any projections for the general public from
14 focus groups.

15 MR. BYRON WILLIAMS: And I appreciate
16 that, and also the -- the compliment in terms of my
17 correct usage.

18 All the individuals within this focus
19 group were indeed payday loan customers though? Just so
20 I understand.

21 MR. MICHAEL MARZOLINI: Yes, they were.

22 MR. BYRON WILLIAMS: And -- and I think
23 you did confirm this with Ms. Southall, but I wonder if
24 you'd agree -- and I -- I actually don't recall seeing
25 the word "cycle" in -- in the focus group language, but I

1 do recall seeing words such as "rut" or "loop" instead of
2 cycle.

3 I wonder if you'd accept the word rut or
4 loop as a synonym for cycle, sir?

5 MR. MICHAEL MARZOLINI: I'm -- without
6 agreeing that that was the term that was in the report, I
7 can certainly -- certainly say that would be a rut.

8 MR. BYRON WILLIAMS: And I wonder, just
9 in terms of the report -- and this may give you some --
10 some in -- some concrete examples, rather than just
11 dealing with my rather vaguely worded questions.

12 If I could direct your attention to the --
13 the focus group notes themselves. The actual notes
14 appear as an attachment to Public Utilities Board
15 Interrogatory B-2(b).

16

17 (BRIEF PAUSE)

18

19 MR. BYRON WILLIAMS: And Mr. Marzolini,
20 I just want to direct your attention to page 12, first of
21 all, which would be the -- the -- the note from the first
22 focus group. And I'm -- I'm just waiting until one of
23 your panel members gets his --

24 MR. MICHAEL MARZOLINI: Sorry. I have
25 both sets of focus group notes here. Mine -- mine do not

1 have page numbers on them, so we may not have the same --
2 the same report here.

3

4 (BRIEF PAUSE)

5

6 MR. BYRON WILLIAMS: I'm just going to
7 check with counsel for -- for the CPLA to see whether
8 they might be able to assist Mr. Marzolini with a number,
9 because that might make us flip through the pages a
10 little quicker.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: Excuse me, Mr.
15 Chairman. I misspoke. It's B-21.

16

17 (BRIEF PAUSE)

18

19 MR. BYRON WILLIAMS: And it's the
20 numbered page 12 from the first focus group that I'm
21 referring you to, Mr. Marzolini, please.

22

23 (BRIEF PAUSE)

24

25 MR. BYRON WILLIAMS: Now if we're,

1 hopefully, on the -- the right page, I'm going to direct
2 you to the third paragraph, which is John speaking.

3 And, I'm gonna read it in, Mr. Marzolini,
4 and you can confirm whether or not I've read it
5 correctly. This John, about a third of the way down the
6 page.

7 "Yeah, I think it's more of a --
8 sometimes you get into it [comma], like
9 myself [comma], you get it -- you give
10 into a rut where I had to start taking
11 it every month too to make the short
12 fallout [period]. And [comma], you
13 know [comma], I was expecting it back
14 [comma], whatever to bail out but never
15 happened.

16 But no I don't think it's uneducated.
17 I think it's just that -- well, like
18 that. I don't want to starve for a
19 month just to suffer it out."

20 Did I -- leaving out a -- a comma or two
21 (2), Mr. Marzolini, did I read that correctly, sir?

22 MR. MICHAEL MARZOLINI: That seemed to be
23 a very fine reading of the -- the transcript, thank you.

24 MR. BYRON WILLIAMS: I don't have your
25 kind of flowery, kind of vocal capabilities, but I do my

1 best.

2 MR. MICHAEL MARZOLINI: I think you're
3 absolutely marvellous --

4 MR. BYRON WILLIAMS: Oh, thank you. I
5 appreciate that.

6 MR. MICHAEL MARZOLINI: -- you'd get a
7 job in radio any day. People say I have a face for
8 radio.

9 MR. BYRON WILLIAMS: They say the same of
10 me, sir.

11 So this is in -- in terms of when you use
12 cycle this is -- again, the rut that John's speaking of
13 is -- is the type of rut that you -- is a -- you'd accept
14 as a synonym -- synonym for cycle, would you, sir?

15 MR. MICHAEL MARZOLINI: I -- I would say
16 that's -- that's one persons comment, yes. He -- you
17 could certainly use the term "rut."

18 MR. BYRON WILLIAMS: And, I just -- just
19 to make sure -- just to go through this again, if I could
20 -- if I could direct you down to the bottom --

21 MR. MICHAEL Marzolini: If -- if I --

22 MR. BYRON WILLIAMS: -- of page 14 and
23 I'll certainly let you --

24 MR. MICHAEL MARZOLINI: -- if I could
25 interrupt -- interrupt, sir, the -- the John in the

1 wording of this is not saying he's in a rut. He's
2 worried about this being a rut for other people.

3 Aside from the fact he says

4 "Sometimes you get into it..."

5 The only thing that actually ties him in
6 with:

7 "Like myself, you give in to a rut
8 where I had to start taking it every
9 month to..."

10 You know, but it's not necessarily a
11 personal problem that he's got right now. He's pointing
12 out this is a -- a potential.

13 That's why our moderator then went into
14 the issue about whether they find this a confusing system
15 and whether they need any -- any assistance in
16 understanding some of these things which may get them
17 into, you know, as you call it, a rut.

18 MR. BYRON WILLIAMS: Now I don't want to
19 dwell on this too much, because we're -- we're gonna go
20 to some other ruts in just a second, sir.

21 But in -- in terms of John himself, he's -
22 - he is saying, "like myself," is he not? So there is
23 some suggestion that it may indeed be John who's in a
24 rut.

25 MR. MICHAEL MARZOLINI: Yes, and if you

1 look in other parts, you can even learn a lot about John
2 from looking at his other comments all the way through
3 the -- the talk. But again we're talking about John.
4 We're talking about one (1) person, and one (1) person is
5 not statistically relevant.

6 He's currently on disability because of
7 work-related injuries. He likes to ride bikes as a hobby
8 in the summer. His kids are grown up and moved away, and
9 he's perfectly single.

10 MR. BYRON WILLIAMS: Let's talk about
11 Evan then. Let's go to page 14 at the -- the bottom of
12 page 14, sir.

13 MR. MICHAEL MARZOLINI: He's a teacher
14 who's got two (2) teenage kids. He likes camping and
15 outdoor activities.

16 MR. BYRON WILLIAMS: And -- and he does
17 use a bit of profanity, so I am gonna skip that word, but
18 if I direct your attention to the bottom of page 14, sir.
19 I'm gonna read to you, and I'm gonna spell the profanity.

20 "And -- and you know what? The
21 clientele are probably f-u-c-k-e-d,
22 because before like you said [in
23 brackets] (pointing at John), you get
24 into a rut. I've got into a rut before
25 too."

1 And then I think John speaks up after
2 that. So...

3 MR. MICHAEL MARZOLINI: I -- actually I
4 would point out that -- that John says that's a good
5 thing about Money Mart though, if you scored money the
6 next day before, you can save the interest, et cetera.

7 But the discussion right before the -- the
8 talk about getting into the rut was some of the other
9 firms and the large discrepancies between certain -- the
10 cost of certain loans in some firms and in -- in other
11 firms.

12 So basically this was a discussion about
13 comparative shopping, and it's not specifically in
14 respect to a CPLA company.

15 MR. BYRON WILLIAMS: Right, and we'll
16 come back actually, because I can see you're just
17 chomping at the bit to talk about the high --

18 MR. MICHAEL MARZOLINI: I chomp on the --

19 MR. BYRON WILLIAMS: -- the high relative
20 costs of other firms, but --

21 MR. MICHAEL MARZOLINI: That's immaterial
22 to me. We do our work here.

23 MR. BYRON WILLIAMS: Yes, of course. But
24 in terms of -- in terms of Evan, he is again speaking of
25 getting into a rut as a consequence of -- of payday

1 loans, although not with Money Mart.

2 Would that be fair, sir?

3 MR. MICHAEL MARZOLINI: I think -- I
4 think he's talking about getting into loans. Is he
5 specific to payday loan companies or banks? He is not
6 specific on either.

7 To me the discussion that he's having
8 could be about any financial -- financial facility, and
9 it's interesting that he is a teacher and would -- and
10 would talk about getting into that rut.

11 He's used a specific, but he's more saying
12 it on behalf of other people --

13 MR. BYRON WILLIAMS: Okay.

14 MR. MICHAEL MARZOLINI: -- who he worries
15 might get into that.

16 MR. BYRON WILLIAMS: Okay and I -- I
17 thank you for that. And I don't want belabour this too
18 much more but I do want --

19 MR. MICHAEL MARZOLINI: And he points at
20 John.

21 MR. BYRON WILLIAMS: -- I do want to get
22 away from John and Evan for a second and move to Justin.
23 Justin's in the second survey at page 21. Mr. Marzolini,
24 page 21?

25 MR. MICHAEL MARZOLINI: Page 21, Justin.

1 His comments on -- is, "It goes on and on like that."

2 MR. BYRON WILLIAMS: Yeah and I'm
3 actually going to read into -- just ahead of that so we -
4 - we're clear what I am talking about, Mr. Marzolini. I
5 want to go up before -- two (2) paragraphs above "on and
6 on like that." We've got Justin saying:

7 "Yeah. But you know in the spring,
8 because you know -- you get a payday
9 loan right? Let's say for the maximum
10 for which you're allowed, 40 percent or
11 whatever, and then your next payday
12 comes and you have to pay 40 percent
13 plus their fees, right?
14 So you're left with like half a pay
15 cheque, right? And then you need to
16 get another one to cover that other
17 half."

18 Trevor says: "So it gets very difficult."
19 Justin says, "It goes on and on and on like that."

20 Did I get that reading right, sir?

21 MR. MICHAEL MARZOLINI: That was a very
22 fine reading, again in your typical style.

23 MR. BYRON WILLIAMS: I actually thought
24 it was superior to the one before it; I thought I had a
25 little more emotion in it but --

1 MR. MICHAEL MARZOLINI: I would give it a
2 nine point five (9.5) out of ten (10).

3 MR. BYRON WILLIAMS: Okay. And -- and
4 again -- just again, a synonym for cycle might be it goes
5 on and on. Would that be fair, sir?

6 MR. MICHAEL MARZOLINI: I -- I wouldn't -
7 - wouldn't stretch myself to have him referring to "it
8 goes on and on like that" as a cycle. It could be, you
9 know, it just goes on and on. It's --

10 MR. BYRON WILLIAMS: Do you see --

11 MR. MICHAEL MARZOLINI: -- it could be
12 any other topic but...

13 MR. BYRON WILLIAMS: Do you see Justin
14 referring to his own personal experience, sir, in -- in
15 your interpretation of this?

16 MR. MICHAEL MARZOLINI: Let's see, then
17 your next payday -- he does not refer to himself. He
18 says "you" the whole time. He could be -- he could be
19 speaking from what he's heard. He could be speaking --
20 Justin, "I pay them back all the time," he says, so he
21 hasn't defaulted on any -- on any loans.

22 What more would you like me to say about
23 Justin?

24 MR. BYRON WILLIAMS: No, you're -- you're
25 doing a great job. And just -- I want to finish off with

1 Trevor.

2 MR. MICHAEL MARZOLINI: Yeah.

3 MR. BYRON WILLIAMS: Trevor is at page 28
4 and then we'll -- we'll leave this -- leave this
5 burdensome subject.

6 And -- page 28, sir, and -- and I'm
7 referring you to Trevor -- not the first paragraph or the
8 second, but the third. Exactly.

9 And -- and I'll concede right at the start
10 that Trevor appears to be speaking of others, so it's
11 that transition that I have:

12 "I've seen some people get in real
13 trouble -- get themselves into
14 bankruptcy using payday loan
15 facilities. So I know there's lots of
16 danger there that if you're starting to
17 get into the loop of going from loan to
18 loan every time until your entire
19 paycheque and then some, what's going
20 to the service charges."

21 And I really don't have anything to ask
22 except for you'll confirm I read that correctly?

23 MR. MICHAEL MARZOLINI: Beautifully read.

24 MR. BYRON WILLIAMS: Yeah. Anything you
25 want to add on that?

1 MR. MICHAEL MARZOLINI: That's what he
2 said.

3 MR. BYRON WILLIAMS: Now in terms of the
4 questioning, just so I understand the -- the focus group
5 dialogue, it would be fair to say that you -- Martin's
6 role is the focus group facilitator. He was -- his job
7 was not to ask consumers whether they thought fees should
8 be lower.

9 Is that right, sir?

10 MR. MICHAEL MARZOLINI: His job was to be
11 totally objective and get people talking about the issue.
12 He wanted to know why people are using the -- this was
13 not a customer satisfaction study.

14 We weren't looking to -- to change the way
15 the -- the industry operates as a result of this study.
16 We're looking at seeing how people think, why they do
17 what they do, who are the types of people who use payday
18 loans, and why do they use them?

19 And in fact, most of the discussion of
20 both groups was in terms of why -- you know, what are the
21 -- what have been their personal experiences in seeking
22 those loans, and -- and being, you know, treated well or
23 treated badly, or -- or -- you know, what did they need
24 that money for?

25 Were they using it to, you know, to buy

1 beer and popcorn? Or were they using it for -- to pay
2 their rent, and pay overdue bills and that type of thing
3 that were -- that were haunting them?

4 MR. BYRON WILLIAMS: So if I understand
5 your question -- or your response, and if I interrupted,
6 you'll -- you'll finish the thought when I'm -- I'm
7 completed.

8 If I understand your response, the
9 moderator's purpose wasn't to seek specific input on
10 whether costs were too high or not, so -- would that be
11 fair, sir?

12 MR. MICHAEL MARZOLINI: The job of a
13 moderator is to understand what you've got. That's how
14 you know a good moder -- moderator from a bad moderator.

15 If there's something that comes up of
16 interest in a focus group, you might want to probe it.
17 You might want to follow it, see where it could go.

18 You know, what we're trying to do is put
19 some colour on the issue. We have quantitative results,
20 where we have a measurable degree of accuracy. Now we're
21 looking at getting just anecdotal.

22 What does an anecdotal response mean?
23 Well, pretty much nothing. It just means that somebody
24 has that opinion.

25 You cannot say, you know, most people have

1 this opinion. You can say most people in the focus group
2 have that opinion, or a couple of them, or one (1) in
3 particular, but they are not projectable to the general
4 public. He's just looking to put cement between the
5 bricks.

6 MR. BYRON WILLIAMS: And he's offering
7 some colour and some opinion.

8 Now, would it be fair to say that at least
9 one (1) consumer described the rates charged by one
10 particular company as crazy?

11 MR. MICHAEL MARZOLINI: Could you direct
12 me to that page?

13 MR. BYRON WILLIAMS: Yeah, page 14.

14 MR. MICHAEL MARZOLINI: First or second
15 group?

16 MR. BYRON WILLIAMS: Second group --
17 excuse me, first group, and I'm looking to the comment of
18 Bartoo (phonetic), about four (4) from the bottom.

19

20 (BRIEF PAUSE)

21

22 MR. MICHAEL MARZOLINI:

23 "You weigh out the money in your head,
24 how much I want to go over. And okay,
25 fine. And go get it, right. Yeah,

1 totally, but the amount you borrow, the
2 amount you have to pay back is -- is
3 crazy. It is. It is high."

4 Yes. This was a prefer -- the precept to
5 your first quote that you read by Evan, where you -- you
6 spelled out the expletives.

7 MR. BYRON WILLIAMS: Would it also be
8 fair to say that at least one (1) participant in the
9 second focus group described the fees as -- or the --
10 excuse me, the charges as horrendous?

11 I'll direct you to page 28, Trevor.

12 MR. MICHAEL MARZOLINI: Okay. Well
13 again, the -- the first one was right after the -- right
14 after the discussion about the variation between the
15 different companies.

16 On page 28, Trevor --

17 MR. BYRON WILLIAMS: And I'm looking at
18 about the middle of the page:

19 "Trevor: I hate using it, but I'm glad
20 it's there, because the charges are
21 horrendous."

22 MR. MICHAEL MARZOLINI: Mm-hm.

23 MR. BYRON WILLIAMS: I read that
24 correctly, sir?

25 MR. MICHAEL MARZOLINI: Yes, you did.

1 MR. BYRON WILLIAMS: I want to turn -- I
2 think we've travelled through the focus group enough for
3 -- for now, Mr. Marzolini, and I --

4 MR. MICHAEL MARZOLINI: On a very
5 selective basis we have, yes.

6 MR. BYRON WILLIAMS: The -- that, of
7 course, is the purpose of cross-examination.

8 The -- if we could turn to the -- to the
9 Pollara results, again found at Tab 18.

10

11 (BRIEF PAUSE)

12

13 MR. BYRON WILLIAMS: Page 3.

14

15 (BRIEF PAUSE)

16

17 MR. BYRON WILLIAMS: And Mr. Marzolini,
18 I'm going to jump through -- you've already given your
19 direct evidence, so I'm going to jump through Pollara
20 fairly quickly.

21 And I just want to make sure -- you've
22 been very careful about the language that I should use,
23 so I want to make sure that I -- I'm correct here.

24 Would I be correct in suggesting to you
25 that 15 percent of the respondents to -- payday loan

1 customers to this survey indicate that they use payday
2 loans because they have no other alternative source for
3 borrowing?

4 Would that be a correct statement, sir?

5 MR. MICHAEL MARZOLINI: Let me -- let me
6 review that one.

7 "Only 15 percent of respondent payday
8 loan customers indicate they -- they
9 use payday loans because they have no
10 other alternative sources for
11 borrowing."

12 Yes, that would be correct.

13 MR. BYRON WILLIAMS: Referring to page
14 6...

15
16 (BRIEF PAUSE)

17
18 MR. BYRON WILLIAMS: Would I be correct
19 in suggesting to you that 58 percent of the respondents
20 to this survey did not have overdraft protection at their
21 bank?

22 MR. MICHAEL MARZOLINI: Actually, you
23 might not be -- you've got 41 percent do have it,
24 58 percent definitely don't, but you've also got a point
25 in there of -- of people who really don't know.

1 MR. BYRON WILLIAMS: Well, my -- my
2 question was fairly simple, I thought.

3 MR. MICHAEL MARZOLINI: I think you're
4 correct --

5 MR. BYRON WILLIAMS: I'm correct?

6 MR. MICHAEL MARZOLINI: -- almost six (6)
7 in ten (10) do not have overdraft protection at their
8 bank.

9 MR. BYRON WILLIAMS: And I guess on the
10 subject of half full or half --

11 MR. MICHAEL MARZOLINI: Neither do I, by
12 the way.

13 MR. BYRON WILLIAMS: -- half -- I'm --
14 and I'm so glad to hear that. On the subject of half
15 full or half empty, I'd be correct in suggesting to you
16 that 50 percent of the respondents to this survey do not
17 have a major credit card?

18 MR. MICHAEL MARZOLINI: Fifty (50)
19 percent do, 50 percent do not.

20 MR. BYRON WILLIAMS: And I'd be correct
21 in suggesting to you that 81 percent of the respondents
22 to this survey do not have a retail credit card such as a
23 Canadian Tire card, Sears card, or a gas card.

24 Would that be right, sir?

25 MR. MICHAEL MARZOLINI: That's correct.

1 I'm not sure how that -- how that compares to either the
2 general public or those who are in debt with cards, but
3 it seemed to me a low number.

4 MR. BYRON WILLIAMS: And I'd also be
5 correct in suggesting to you that less than one (1) in
6 three (3), about 27 percent, have a home mortgage? And
7 I'm referring again to the respondents to this survey.

8 MR. MICHAEL MARZOLINI: That is correct.
9 In fact, if you look at the demographics of the people
10 who are customers, you'll find that the -- only
11 38 percent of them own their home, so that would -- that
12 would mean that the 11 percent of the total own their
13 home free and clear without any mortgage or debt.

14 MR. BYRON WILLIAMS: Thank you, Mr.
15 Marzolini.

16 Just moving to Tab 22 of the book of
17 documents provided by the Board, which is the responses
18 to -- to the -- I forget the -- the word you used, sir,
19 but --

20 MR. MICHAEL MARZOLINI: Interview
21 schedule, which is the --

22 MR. BYRON WILLIAMS: The interview --

23 MR. MICHAEL MARZOLINI: -- top of the --

24 MR. BYRON WILLIAMS: Yeah.

25 MR. MICHAEL MARZOLINI: -- top of the

1 document.

2 MR. BYRON WILLIAMS: Interview schedule.
3 I'm referring to Question 26, if I could, sir. Do you
4 have that?

5 MR. MICHAEL MARZOLINI: Yes, I do.

6 MR. BYRON WILLIAMS: Now as I understand
7 the -- the thrust of this question. It was directed at
8 what consumers expected to be charged in terms of
9 interest and administration fees.

10 Is that right, sir?

11 MR. MICHAEL MARZOLINI: Yes, it is.

12 MR. BYRON WILLIAMS: And just based upon
13 your answer or your discussion with Ms. Southall of this
14 morning, you indicated it wasn't -- you weren't sure and
15 may -- I'm -- you'll correct me if misstated this.

16 You weren't sure whether that was a
17 statement of what they've paid in the past or what they -
18 - they would like to pay.

19 MR. MICHAEL MARZOLINI: Oh, no, I'm
20 perfectly sure. And I'm perfectly sure that that's what
21 they expect to pay.

22 Now in terms of how they perceive
23 "expect," does that mean that that's what they're going
24 to charge me or that's what I would expect based on my
25 experience or that's what I would think is fair. Now the

1 respondent has to be the judge of that. That means what
2 it means to the people who answer that question.

3 I look at it as an issue of anticipation
4 that they would expect that that would be the fees,
5 interest and administration fees, that would be charged
6 upon that.

7 I could even stretch it, but I will not,
8 to suspect that they would be -- they would be
9 comfortable with that, because they expect it. But that
10 is going beyond the data which I have and would have to
11 be tied in to the other questions on issues like that, in
12 terms of satisfaction and -- and that type of thing.

13 So, basically, we know that's what they
14 expect, and I would be careful about putting too many
15 different labels on that expectation.

16 MR. BYRON WILLIAMS: Well, just in terms
17 of what they expect, and just to be clear that I'm
18 reading this correctly, would it be fair to say that of
19 those who responded to this question -- namely, how much
20 they would expect to be charged in terms of interest and
21 administration?

22 If you needed to borrow a hundred (\$100)
23 dollars for two (2) weeks, would it be fair to say that
24 26 percent said ten (\$10) dollars or less, sir?

25 MR. MICHAEL MARZOLINI: Twenty-six

1 percent did say that, yes.

2 MR. BYRON WILLIAMS: Would it also be
3 fair to say that 30 percent said twenty (20) -- somewhere
4 between eleven (11) and twenty dollars (\$20)?

5 MR. MICHAEL MARZOLINI: Yes I did.

6 MR. BYRON WILLIAMS: Okay, thank you.

7 MR. MICHAEL MARZOLINI: You're not going
8 through the other five (5) categories?

9 MR. BYRON WILLIAMS: You're welcome to if
10 that -- if you feel it enriches the --

11 MR. MICHAEL MARZOLINI: I think I did
12 that this morning.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: Mr. Chairman, if I
17 might grab a -- a bit of water I'll be -- stand down for
18 one second.

19 THE CHAIRPERSON: That is fine, Mr.
20 Williams.

21

22 (BRIEF PAUSE)

23

24 CONTINUED BY MR. BYRON WILLIAMS:

25 MR. BYRON WILLIAMS: Mr. Marzolini, I

1 couldn't tell it from your survey, and this may go to Mr.
2 Keyes rather than yourself, but I'll -- I'll start with
3 you.

4 Can you tell me of the three hundred and
5 fifty (350) individuals surveyed what percentage use
6 payday loans once a year or less?

7 MR. MICHAEL MARZOLINI: We did not ask
8 the question about frequency of use.

9 MR. BYRON WILLIAMS: Okay, just -- just
10 so I'm clear, so if I wanted to know were they -- which
11 percentage used once a year or less, every few months,
12 once a month, or more than once a month, that information
13 would not be available from your --

14 MR. MICHAEL MARZOLINI: No.

15 MR. BYRON WILLIAMS: -- survey? Did you
16 think about asking that one?

17 MR. MICHAEL MARZOLINI: I certainly would
18 have if this was going be a customer satisfaction survey
19 and to look at -- at ways of, you know, positioning
20 things in order to improve customer satisfaction.

21 This was basically an environmental scan.
22 This was looking at the attitudes that they had. This
23 wasn't -- this wasn't meant to provide a lot of drilled
24 down, strategic advice or any of that type of thing.

25 This was -- this was the situation. This

1 was pure, clean, objective, scientific data collection to
2 find out who they were, why they were taking these loans,
3 and generally, some of the attitudes to the experience of
4 taking them.

5 MR. BYRON WILLIAMS: Just so I'm clear on
6 that point, you're not suggesting that it -- that it
7 would be somehow unscientific to collect frequency of use
8 data would -- are you, sir?

9 MR. MICHAEL MARZOLINI: It wouldn't --
10 wouldn't be unscientific. There perhaps could be --
11 could be uses for it.

12 But we're limited by cost concerns in the
13 amount of questions that we can ask in any questionnaire.
14 We're also limited in the amount of time that people will
15 spend with us going through these issues on the
16 telephone. And we're also limited in the -- how personal
17 we can get, which doesn't impact on that question but
18 does impact on some of the -- the income questions that
19 we've discussed.

20 You know, so at some point, you know, I --
21 I would of -- I would of liked -- I had twenty (20) or
22 thirty (30) other questions I would of loved to have
23 asked.

24 But that would have taken the
25 questionnaire over twenty (20) minutes and very few

1 Canadians are willing to sit down and spend that amount
2 of time talking to a pollster. Even though we are
3 charming and can be interesting at cocktail parties.

4 MR. BYRON WILLIAMS: I find you
5 interesting and charming in a hearing room --

6 MR. MICHAEL MARZOLINI: That's very kind
7 of you.

8 MR. BYRON WILLIAMS: -- as well, Mr.
9 Marzolini.

10 MR. MICHAEL MARZOLINI: We're gonna get
11 together later.

12 MR. BYRON WILLIAMS: Just for my -- my
13 client's edification, in terms of addressing the issue of
14 frequency of use is this a -- another ten (10) questions
15 that you would feel necessary to add to the survey?

16 Or would this be one (1) or two (2)
17 questions that you could explore that with, sir?

18 MR. MICHAEL MARZOLINI: Well, if we had
19 done so, it would have been likely two (2) or three (3)
20 other questions we would of -- we would of found a way of
21 -- of asking.

22 But we also could of asked a host. There
23 are at least ten (10) if not fifteen (15) demographics I
24 would liked to have asked on top of the ones that we did
25 ask.

1 And, you know, I would -- I would like to
2 look at, well I -- I don't think it's fair to go in
3 hindsight after you do a survey and say, Well, based on
4 these results this -- these are the questions I would've
5 liked to have asked as follows.

6 What you can do is you can -- you know,
7 you -- you have to -- you're -- you're generally, when
8 you're designing a survey, you don't know what you're
9 going to find. You don't have the benefits.

10 You know, we had some benefit from looking
11 at some -- some Environics data that was a few years old,
12 whatever we could collect in Stats Can. But when you're
13 looking at -- exploring a new issue you, you know, a lot
14 of it is just prospecting.

15 Some of the questions you may ask might be
16 totally -- totally wasted. I've -- I once, in a survey
17 that I did about fifteen (15) years ago, there were
18 thirty (30) questions that I asked that were absolutely
19 useless for -- for formulating a -- a marketing strategy
20 for a client. There was one (1) that was dynamite.

21 And occasionally if you're searching for
22 the truth, you keep prospecting and you hope -- you hope
23 to strike gold.

24 MR. BYRON WILLIAMS: Let me continue with
25 my prospecting searching for the truth. On page 10 of

1 the Pollara survey, you indicate that -- again -- and
2 we've gone through this a couple of times today but
3 they're -- that about 15 percent of the survey
4 respondents indicate that they had no other alternative
5 source for borrowing.

6 Is that right, sir?

7 MR. MICHAEL MARZOLINI: Let's see. So
8 around page 15 and --

9 MR. BYRON WILLIAMS: Excuse me, I
10 misspoke, page 10.

11 MR. MICHAEL MARZOLINI: Sorry, ten (10),
12 yes.

13 MR. BYRON WILLIAMS: We've confirmed this
14 before. I'm just -- I'm just doing this as a pre --

15 MR. MICHAEL MARZOLINI: That's correct.
16 I'm looking on the interview schedule, though, on page
17 10. I don't see that. We're look -- you're look --
18 you're looking at the PowerPoint, okay, certainly.

19 MR. BYRON WILLIAMS: Yes, sir. Just --
20 I'm directing your attention, and we've done this before,
21 but we're -- I'm just -- there's 15 percent of the
22 respondents indicated that they had no other alternative
23 source for borrowing. Is that right?

24 MR. MICHAEL MARZOLINI: Right. Those
25 were the open-ended questions.

1 "No other alternative source for
2 borrowing given by fifteen (15)."

3 That's also page or question number 27 on
4 the interview schedule.

5 "No other alternative source for
6 borrowing."

7 Just making sure the words are there.

8 And that was -- that was a -- a probe.
9 The results -- the total, if you add them all up, do come
10 to more than 100 percent, because there are multiple
11 responses in there indicating that that -- people who
12 would say that may also have said some of the other items
13 in that list.

14 MR. BYRON WILLIAMS: In fact they add up
15 to 136 percent, sir. You'll accept that subject to
16 check? You don't have to check, it'll be too painful --
17 and I didn't mean that as a shot.

18 Now just based on my last answer, you
19 can't tell me if that -- those 15 percent who responded
20 in that way, how frequently they're borrowing.

21 Would that be fair, sir, based upon this
22 survey?

23 MR. MICHAEL MARZOLINI: We -- we do not -
24 - we did not collect how frequently people are borrowing
25 in the survey, so we cannot cross-tab those two (2)

1 results.

2 MR. BYRON WILLIAMS: Would you be able to
3 cross-tab that 15 percent by income?

4 MR. MICHAEL MARZOLINI: We would be able
5 to cross-tab that result by income range. But we did not
6 because that was not in the purview of the survey.

7 MR. BYRON WILLIAMS: Would that be a
8 ponderous or difficult task, sir?

9 MR. MICHAEL MARZOLINI: It actually would
10 not be all that ponderous, but there would be some --
11 some cost implications for the CPLA that they would have
12 to consider.

13 MR. BYRON WILLIAMS: I wonder if you
14 would undertake to consider doing that after -- in
15 consultation with your --

16 MR. MICHAEL MARZOLINI: Yes. I would --

17 MR. BYRON WILLIAMS: -- legal counsel?

18 MR. MICHAEL MARZOLINI: -- I would pass
19 that back to the CPLA.

20 MR. ALLAN FORAN: Take that under
21 advisement.

22

23 --- UNDERTAKING NO. 12 : Mr. Michael Marzolini to
24 provide income range for the
25 15 percent who borrow money.

1 (Taken under advisement.)

2

3 CONTINUED BY MR. BYRON WILLIAMS:

4 MR. BYRON WILLIAMS: Likewise, would it
5 be possible to -- of the 21 percent -- and I guess I'm
6 referring you to page 13 of your -- of your PowerPoint
7 presentation.

8 Of the 21 percent who indicate -- who did
9 not pay back all the loans on time, would it be possible
10 to cross -- cross-tabulate that with income, sir?

11 MR. MICHAEL MARZOLINI: That would be
12 another thing to seek advice on from the CPLA, whether
13 they -- you know, whether it would be a good investment
14 to -- to look at those.

15 But in terms of breaking them down, if
16 we're looking at the 1 percent, for example, who paid
17 back none of the loans on time, 1 percent, you're really
18 only looking at three (3) people in that survey.

19 So you're not going to get incredible
20 breakdowns or relevancy from -- from doing such a cross-
21 tab. And that's one of the -- the reasons that we don't
22 just crop every -- cross-tab everything by everything.

23 I have on -- in times before and it takes
24 weeks of people's work, and I wind up with twenty
25 thousand (20,000) pages of paper. Not all of it is

1 useful. In fact, most of it is rubbish. But we're -- we
2 do a lot of environmental programs. We don't like
3 killing trees.

4 MR. BYRON WILLIAMS: I just want to -- a
5 few questions to finish up, sir. I want to direct you to
6 your response to the first round Interrogatory of the
7 Public Utilities Board, B8(e).

8 And I don't even know if you need to go
9 there, but it's the letter of retainer that -- that
10 Pollara signed. Do you have that in your binder, sir?

11 MR. MICHAEL MARZOLINI: I think I should
12 have a copy, yes.

13 MR. BYRON WILLIAMS: I believe it's the
14 response to PUB/CPLA-1-B8(e).

15 MS. ANITA SOUTHALL: It's -- Mr.
16 Williams, it's at Tab 20 of the materials I circulated.

17 MR. MICHAEL MARZOLINI: Found it.

18

19 CONTINUED MR. BYRON WILLIAMS:

20 MR. BYRON WILLIAMS: It's at Tab 20 of
21 the materials.

22 MR. MICHAEL MARZOLINI: Sorry.

23 MR. BYRON WILLIAMS: I -- I want to
24 direct you -- do you have that, Mr. Marzolini?

25 MR. MICHAEL MARZOLINI: Yes, I do.

1 MR. BYRON WILLIAMS: I want to just
2 direct your attention to the top of page 2, and I'll try
3 and use a fulsome voice. You indicate:

4 "We require four thousand (4,000)
5 customer files to complete a total of
6 four hundred (400) interviews for this
7 research project."

8 Did I read that correctly, sir?

9 MR. MICHAEL MARZOLINI: Yes, you did.

10 MR. BYRON WILLIAMS: And if -- if memory
11 serves me right, at the end of the day, Pollara completed
12 three hundred and sixty-one (361) interviews, including
13 eleven (11) test interviews.

14 So you ended up with a -- a sample of
15 three hundred and fifty (350). Is that right, sir?

16 MR. MICHAEL MARZOLINI: We -- we cut at
17 three fifty (350) due to timing. We -- we wanted to be
18 out of the field, did not want it to go on too far.

19 And because of the nature of the sampling,
20 we wished to -- to have a larger proportion of records in
21 order to draw from. So I believe we started off this
22 time with about eight thousand (8,000) rather than four
23 thousand (4,000) customer files to ensure that the
24 customers were in fact as random as they could be.

25 And I could get into stories of five

1 hundred (500) black ping-pong balls and five hundred
2 (500) white ping-pong balls, talk about randomization.
3 But this -- this impacts on the integrity of the survey.

4 I believe, that by going for the -- the
5 larger base of potential people to interview, we actually
6 increased the validity of the work that we did.

7 MR. BYRON WILLIAMS: Now, in terms of
8 that, you were dealing with a -- a base of seven thousand
9 nine hundred and fifty-nine (7,959). Is that right, sir?

10 MR. MICHAEL MARZOLINI: Yes.

11 MR. BYRON WILLIAMS: And you can -- I --
12 I've got the disposition -- I don't know if you have the
13 disposition of calls in front of you or not, sir?

14 MR. MICHAEL MARZOLINI: Not -- that's --

15 MR. BYRON WILLIAMS: That's found in the
16 response to Coalition/CPLA-1-6A.

17 MR. MICHAEL MARZOLINI: I do remember
18 looking at it, but perhaps if I -- if I have --

19 MR. BYRON WILLIAMS: It's a Coalition to
20 the CPLA 1-6A.

21 MR. MICHAEL MARZOLINI: That will give
22 you the -- the number of answering machines that we talk
23 to and the number of out-of-service phone numbers that
24 some of the respondents had. Here we are.

25 MR. BYRON WILLIAMS: And that -- that was

1 really where I was going, sir. And -- and if I recall
2 your testimony correctly from this morning, my
3 understanding was that the -- the information provided to
4 you was from those who had used a payday loan within the
5 last three (3) months from a CPLA member in Manitoba.

6 Is that right, sir?

7 MR. MICHAEL MARZOLINI: That's true.

8 MR. BYRON WILLIAMS: So, if I look at the
9 disposition of calls and I look at the not-in-service, I
10 see one thousand eight hundred and twenty (1,820) not-in-
11 service, sir. Is that right?

12 MR. MICHAEL MARZOLINI: Yes. And that
13 actually is average for any general public survey that we
14 do, even with the databases that we keep for general
15 public surveying across Canada.

16 People are, you know, people do move
17 around a lot now. They also, you know, they -- they
18 change phones, they change numbers. It's no longer that
19 the same person would have the same telephone number
20 their whole -- whole life, like we did twenty (20),
21 thirty (30) years ago.

22 And, again, today you have the -- the cell
23 phones that basically are the only number that will
24 follow you around.

25 MR. BYRON WILLIAMS: So it's your

1 experience, then -- and just to start with, the -- the
2 NIS is about what, 22, 23 percent of the total?

3 MR. MICHAEL MARZOLINI: Probably about
4 21 percent, yes.

5 MR. BYRON WILLIAMS: And it would be your
6 experience that -- that it's standard for a number to --
7 to go -- about 20 percent of a sample to go not-in-
8 service within three (3) months. Is that right?

9 MR. MICHAEL MARZOLINI: Yes. That's one
10 of the reasons why a lot of research companies, including
11 ours, are -- are looking at -- in two (2) to three (3)
12 years from now, mainly being based on Internet panels,
13 although Internet surveys also have their limitations.

14 But we know that there are statistical --
15 stalit -- statistical validity to the methodology we're
16 using. And we do take into account this call disposition
17 so that we can basically look at problems that we may
18 have for the future in getting hold of people.

19 For example, in this study, forty-one (41)
20 of the numbers that we had were business numbers. And
21 that's something that we -- you know, the -- the -- the
22 agenda of the survey, which is to collect information
23 about this type of borrowing, is something we might not
24 want to do such a sensitive interview in front of other
25 people's coworkers.

1 So we -- we had some -- some degree of --
2 of discretion where it came to those forty-one (41), for
3 example, that we -- that we did not proceed with.

4 MR. BYRON WILLIAMS: Just to finish up
5 Mr. Marz -- Marzolini.

6 I note from your evidence today that
7 you're a statistician. Is that right, sir?

8 MR. MICHAEL MARZOLINI: I -- I've been
9 referred to as a statistician.

10 MR. BYRON WILLIAMS: Okay. Well, I also
11 know you're a -- a graduate of the University of Toronto.
12 What was your --

13 MR. MICHAEL MARZOLINI: They --

14 MR. BYRON WILLIAMS: What did you
15 graduate with?

16 MR. MICHAEL MARZOLINI: -- they often --
17 I did -- I did an Honours of political economy. I did
18 statistics at Kent State University, University of
19 Michigan.

20 I did a number of other bits and pieces,
21 but I have to say I didn't -- didn't attend too many
22 schools, or school classes, because I've been working
23 full-time since the age of 14 and doing statistical
24 analysis since the age of 14.

25 MR. BYRON WILLIAMS: And just so I'm

1 clear, in terms of your -- do you have a P -- PhD in
2 political economy or statistics?

3 MR. MICHAEL MARZOLINI: Actually, I'm the
4 only -- the only pollster in North America without a PhD,
5 but I've hired about forty (40) of them, and I've fired
6 about twenty (20).

7 MR. BYRON WILLIAMS: Now -- and do you
8 have a -- a Master's in political economy or some --

9 MR. MICHAEL MARZOLINI: Sir, my -- my
10 education took place a long time ago.

11 I'm a certified market research
12 professional. I run the largest polling company in
13 Canada. I have advised five (5) Prime Ministers; three
14 (3) Presidents; eight (8) Heads of State; a number of
15 characters ranging from Fidel Castro to SpongeBob
16 SquarePants.

17 And certainly, nobody -- nobody has ever
18 said I'm underqualified for the job.

19 MR. BYRON WILLIAMS: And just to finish
20 up that thought, in terms of peer-reviewed or refereed
21 publications, I didn't notice any on your CV. Have --
22 have you produced some? I noted you --

23 MR. MICHAEL MARZOLINI: I have written
24 five (5) books.

25 MR. BYRON WILLIAMS: And --

1 MR. MICHAEL MARZOLINI: Chapters at least
2 in books.

3 MR. BYRON WILLIAMS: Right. And those
4 are peer-reviewed, sir?

5 MR. MICHAEL MARZOLINI: Peer reviews?

6 MR. BYRON WILLIAMS: Yeah. You're not
7 familiar with that term?

8 MR. MICHAEL MARZOLINI: When you say
9 "peer reviews"? I'm -- I'm the only non-professor
10 writing in those books.

11 MR. BYRON WILLIAMS: Thank you for that,
12 sir.

13 MR. MICHAEL MARZOLINI: But I do lecture
14 at universities on this topic in PhD courses.

15 MR. BYRON WILLIAMS: And, Mr. Chairman,
16 subject to any undertakings, those are the questions of
17 the Coalition.

18 THE CHAIRPERSON: Thank you, Mr.
19 Williams.

20 Thanks again, Mr. Marzolini. I have
21 trouble sometimes with these. And --

22 MR. MICHAEL MARZOLINI: It's a good
23 Scottish name, sir.

24 THE CHAIRPERSON: Yeah, no, I am getting
25 there.

1 Now next up is -- I think we're going to
2 go now to Mr. Hacault. Mr. Hacault, are you ready?

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

5

6 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

7 MR. ANTOINE HACAULT: Mr. Marzolini, this
8 morning I hope I didn't get you too upset asking you
9 about these initial questions, but there was a reason for
10 asking that initially.

11 It was because in the -- the materials
12 that are used in front of the Board, people have
13 different views of what constitutes a loan amount or an
14 amount borrowed. And some of them have -- take the view
15 that it's what is in the leg -- what is in the
16 legislation.

17 Some of them -- for example, we've had
18 mention of a mortgage where you borrow not only the
19 principal amount, but you borrow CMHC insurance fee, and
20 that a person who might be in the public could say, Well
21 I borrowed a hundred and thirty-five thousand dollars
22 (\$135,000) comprised of a premium and what I need to buy
23 my house.

24 So with that kind of general introduction,
25 I'm just kind of letting you know why I was asking some

1 of the uniformity of terminology questions.

2 MR. MICHAEL MARZOLINI: It's an alien
3 concept to us, because we deal mainly with perceptual
4 issues, perception being more important in many cases
5 than reality.

6 And people think they have a loan, then we
7 tend to think that that's -- they do indeed think they
8 have a loan.

9 MR. ANTOINE HACAULT: So that indus --
10 this industry there's material filed, for example, where
11 the loan is not only -- I'm going to say -- for the money
12 in the pocket, but there's also a loan taken for some
13 brokerage fees and some other types of fees.

14 So, again, if you had somebody who was
15 answering, it would be his perspective as to what he was
16 borrowing.

17 Is that correct, sir?

18 MR. MICHAEL MARZOLINI: Their -- their
19 perspective always. They don't always get advice from
20 their lawyer before answering our questions. If they
21 did, then we might have a -- a different discussion on
22 what they actually mean in their responses.

23 MR. ANTOINE HACAULT: Thank you very
24 much, sir.

25 You've been asked a couple of questions

1 with respect to the Number 26, which is found at Tab 22.
2 And that relates to this information that you've
3 provided, that people have a perception that they might
4 be willing to pay twenty-four dollars and sixty-seven
5 cents (\$24.67) on average.

6 There's about 26 percent that feel it
7 should be ten dollars (\$10) or less that they should be
8 paying for this product. Is that correct, sir?

9 MR. MICHAEL MARZOLINI: Twenty-six (26)
10 percent, yes.

11 MR. ANTOINE HACAULT: Yeah. And --

12 MR. MICHAEL MARZOLINI: Well, that's what
13 they would expect. That's not necessarily saying they --
14 they think they should be paying that. That's what they
15 would expect to pay. And I'm sorry to quibble, but per --
16 - to me, precision of perceptions is as important as a
17 legal definition.

18 MR. ANTOINE HACAULT: Yeah, and their
19 perception is that they should only pay ten dollars (\$10)
20 or less, is that --

21 MR. MICHAEL MARZOLINI: What they expect
22 to pay -- ten dollars (\$10) or less, not that they should
23 only pay ten dollars (\$10) or less.

24 MR. ANTOINE HACAULT: Okay. And do we
25 know how many of the people answered the first part as

1 opposed to the part that's shown in the question as a
2 probe?

3 MR. MICHAEL MARZOLINI: Let's see. We
4 would not have differentiated between that and the
5 results.

6 MR. ANTOINE HACAULT: Okay. And when you
7 do your calculations to come to a mean score of each
8 range of numbers, what number do you pick?

9 MR. MICHAEL MARZOLINI: No. We use the
10 actual recorded number. And that's why, for example,
11 we're only recording the numbers in dollar amounts with
12 no decimal points.

13 And yet the average is twenty-four point
14 six-seven (24.67) because that's the number of all of the
15 -- the percentages that people have given us, basically
16 because a dollar -- the dollar figure on a hundred
17 dollars (\$100) would be a percentage.

18 And they would give that in term -- in
19 real terms. They might say 7 percent, they might say
20 fifteen (15), you know, twenty-five (25), thirty (30),
21 and we -- we take all those responses and then we provide
22 the -- the mean for all of them.

23 That's only of the responses we got, not
24 the people who did not have an answer.

25 MR. ANTOINE HACAULT: Do we know how many

1 people advised your interview persons that they would
2 expect to only pay zero dollars?

3 MR. MICHAEL MARZOLINI: I don't -- I
4 don't think there would be many of them.

5 MR. ANTOINE HACAULT: But those would all
6 be tabulated into your response?

7 MR. MICHAEL MARZOLINI: If somebody said
8 zero, we would have that information, yes.

9 MR. ANTOINE HACAULT: Okay. Now, I guess
10 that corresponds somewhat to answers that are provided --
11 or do they -- to the question Number 32 further on in
12 this report at page 11, and that is a question, and I
13 quote:

14 "The total cost of the payday loan,
15 including interest administration
16 fees."

17 It's a question as to whether they're
18 satisfied or dissatisfied. And if you look at the very
19 dissatisfied and then the Number 2, there's a lot of
20 people that feel they should be paying less than they are
21 actually paying.

22 Is that correct?

23 MR. MICHAEL MARZOLINI: Well there's --
24 there's 15 percent would say -- would give a one (1) in
25 ten (10) on one extreme. On the other extreme, seventeen

1 (17) would give it a -- a ten (10).

2 If you added the first two (2) up, you
3 would get twenty-three (23) versus twenty-two (22). But,
4 you know, the general overview or the -- the mean is five
5 point six six (5.66), which I'm, you know, not going to
6 say is -- is as high as the other customer service scores
7 or a lot of the other scores but it's not negative
8 either.

9 MR. ANTOINE HACAULT: So that your pool
10 of people have a very wide range. There's some people
11 that really don't like to pay what they're paying and
12 some people feel that they may be getting value for the
13 service and they're satisfied with what they're getting
14 for what they're paying.

15 MR. MICHAEL MARZOLINI: Well, the
16 interesting thing is that while the overall results are
17 neutral, the actual responses are not all the neutral.

18 They're -- they're either very positive or
19 -- or the negative side. You get an average of five
20 point six (5.6), but the highest number on -- on any of
21 the numbers of pe -- of one (1) to ten (10), where one
22 (1) is not at all satisfied and ten (10) is very
23 satisfied.

24 The highest number is seventeen (17),
25 which is a number who would give it a ten (10) out of ten

1 (10).

2 The next highest number is fifteen (15)
3 and that's the number who would give it one (1) out of
4 ten (10).

5 The others are -- are all middling, five
6 (5), seven (7), sixes (6s). Five (5), you know, gets
7 twelve (12). It's -- it's -- it's a very interesting
8 thing, I'd love to write a paper on this.

9 MR. ANTOINE HACAULT: Well, perhaps
10 you'll have an opportunity to do so. You seem to be
11 doing a lot of surveys across the industry for the CPLA.

12 Does this survey tell us anything about
13 what the customers are willing to pay for different
14 qualities of service?

15 MR. MICHAEL MARZOLINI: I think that
16 would -- that would only be extrapolated, and we don't --
17 we don't wish to extrapolate. Clearly, they're --
18 they're very happy with the overall customer service
19 experience, the level, the -- the level of respect that
20 they were treated with, the way they were treated, their
21 understanding of the terms of the loans and the
22 repayment.

23 Does that say that if that wasn't there,
24 they'd be less willing to pay or if it was greater, that
25 they would be more willing? Those are things we cannot

1 answer with the questions that we asked.

2 MR. ANTOINE HACAULT: Okay. Does this
3 loan tell us anything about the customer expectations as
4 to whether or not different lenders should accept
5 different risks in loans?

6 MR. MICHAEL MARZOLINI: Could you --
7 could you be more specific on that, please?

8 MR. ANTOINE HACAULT: For example, some
9 payday lenders may only lend to borrowers based on
10 databases, which allow them to lend only to very low-risk
11 people, having corporate result rate of between 1 and 2
12 percent of default on their loans.

13 Whereas some companies may be willing to
14 lend to higher-risk customers, which may end up costing
15 them in a higher range, say from 6 to 10 percent or
16 higher, of defaults on their loan portfolio.

17 Does this survey tell us anything about
18 the expectations of customers on that type of service and
19 flexibility?

20 MR. MICHAEL MARZOLINI: Not on -- not on
21 something like that. And I'd also wonder whether --
22 whether that'd be setting the bar too high for the amount
23 of economic literacy among any group of people.

24 In Canada we have 60 percent of Canadians
25 do not know how many millions are in a billion. We've

1 got 25 percent who know the definition of a deficit, but
2 only 8 percent can tell the difference between a deficit
3 and a debt, you know?

4 So in my estimation, the amount of
5 economic literacy shown by customers of -- of the payday
6 loan companies is, if not commensurate, is higher than I
7 would expect from general public.

8 And I know I'm saying that without any
9 basis of comparisons. I'm just talking about the
10 overall level of economic literacy and don't wish to make
11 this as a point.

12 But I think that the points that you're
13 mentioning would be -- would be on really how credit
14 works, would be beyond the expectations of any customer
15 of any of any financial -- financial product.

16 MR. ANTOINE HACAULT: Thank you, sir.

17 Does this survey tell us anything about
18 whether or not clients would be concerned if rates were
19 set at a level which eliminated small operators and
20 eliminated close access to those small operators?

21 MR. MICHAEL MARZOLINI: Well, it's very
22 clear from the other results that they -- they wanted
23 access, they wanted distribution, but we did not tie-in
24 the -- the rates to those findings.

25 MR. ANTOINE HACAULT: Thank you. Thank

1 you, sir.

2 THE CHAIRPERSON: Mr. Foran, do you have
3 anything else for your witness?

4 MR. ALLAN FORAN: No, there were some
5 undertakings taken under advisement, and what I would
6 prefer to do with that, if I could, is to have a -- at
7 some point take a break so I could speak to both the
8 witness and to the CPLA representatives.

9 THE CHAIRPERSON: Sure. We are going to
10 do that now. Well, thank you very much, sir, for coming
11 out to Winnipeg, you have presented and represented your
12 firm's work very well.

13 MR. MICHAEL MARZOLINI: Thank you, Mr.
14 Chairman.

15 THE CHAIRPERSON: I find the survey very
16 interesting.

17 MR. MICHAEL MARZOLINI: Thank you, sir.

18

19 (WITNESS MICHAEL MARZOLINI STANDS DOWN)

20

21 THE CHAIRPERSON: Thank you. We will
22 take a break now and then when we come back we will go
23 back to the examination of the Panel. Thank you.

24

25 --- Upon recessing at 2:40 p.m.

1 --- Upon resuming at 3:00 p.m.

2

3 THE CHAIRPERSON: Okay. Thanks everyone.
4 So we are going to return now to the cross-examination of
5 the CPLA Panel, and if it is all right with you, Mr.
6 Foran, we will just go over to Ms. Southall and she can
7 begin.

8 Oh, sorry, Mr. Hacault.

9 MR. ANTOINE HACAULT: Mr. Chairman, if I
10 might, before we start, I had provided to Board Counsel a
11 Rentcash rate proposal. It's not evidence, but it --
12 it's substantially what I expect to be able to submit at
13 the end of the hearing or at least -- it's like a
14 foresight of what it might be, so we thought that instead
15 of waiting until submissions that it might be useful to
16 distribute that to both the Board and the parties, so
17 that if there's any criticism, suggestions with respect
18 to what's said in here, it can be the subject of comment
19 by both the witnesses and also perhaps questioning in
20 cross-examination.

21 THE CHAIRPERSON: It sounds like a
22 sensible idea. Thank you very much. That is good.

23 Okay, before we begin, we just have a -- a
24 simple question that came to mind during the break, that
25 I am sure Mr. Foran's Panel can answer very simply. It

1 has been mentioned by a couple of people in these
2 proceedings, and I do not think we have actually answered
3 it, at least satisfactorily from our perspective: Why is
4 it that the industry cannot access the Small Claims
5 Court?

6 MR. ALLAN FORAN: Well there's --

7 THE CHAIRPERSON: Is it choice or rules?

8 MR. ALLAN FORAN: Well, there's -- I'll
9 start off with my perspective, and then perhaps I could
10 turn it over to somebody on the Panel. I had the exact
11 same question. I do not believe that there's any
12 restriction that says you cannot go ahead and -- and seek
13 a Small Claims Court judgment against an individual.

14 However, to proceed to Small Claims Court,
15 you need to pay a filing fee, you need to have witnesses,
16 you need to show up, and what we're talking about is
17 extremely small sums. And just to put it in perspective,
18 at Atkins, we basically do Small Claims Court proceedings
19 as a pro bono or for free for good clients, it just --
20 it's not something that lawyers can participate in.

21 I'm -- I'm now going to turn it over to
22 perhaps the -- the Panel to respond as best as they can.

23 MR. NORMAN BISHOP: I think I can respond
24 to that question. In some of the provinces, and I think
25 Manitoba is one, small payday loan providers have in the

1 past, on occasion, commenced small claim proceedings and
2 I know this is in -- in British Columbia is the case, and
3 one of the small claims judges took the position that, in
4 their opinion, the rate charged was in -- in violation of
5 Section 347, and refused to grant judgment.

6 And as a result, I'm not sure if you would
7 be correct to say they didn't hear the term -- the cases,
8 but any further cases coming forward, they were not going
9 to grant judgment on.

10 Now having said that, just looking at it,
11 I don't believe there's any impediment to any small
12 payday lender commencing an action just to collect the
13 principal of the debt.

14 So, for example, if a company had a loan
15 for three hundred dollars (\$300) and there was a -- say,
16 a sixty dollar (\$60) fee connection -- in connection with
17 that, they were commencing an action for three hundred
18 and sixty dollars (\$360). The court would saying, No,
19 you can't do that because the -- the total claim violates
20 Section 347. I believe that's what the court was saying.

21 I don't think there's any reason why a
22 court or a lender couldn't say, I would like my three
23 hundred dollars (\$300) back; I'll commence a claim for
24 three hundred dollars (\$300).

25 I don't believe that's been tested with

1 the courts. And I think the reason, purely speculation,
2 is that as Mr. Foran said, the cost of small claims
3 actions for three hundred dollar (\$300) loans just isn't
4 justified.

5 THE CHAIRPERSON: Thank you, sir. Maybe
6 what we'll do is undertake a little bit of research just
7 to see whether we can confirm that that's what the
8 impediment or situation is.

9 MR. NORMAN BISHOP: And I can undertake
10 to do that as well if you like.

11

12 --- UNDERTAKING NO. 13: For Mr. Bishop to research
13 out the Small Claims issue
14 and so advise

15

16 THE CHAIRPERSON: Thank you, we'd
17 appreciate that, Mr. Bishop. Thank you very much

18 Okay, Ms. Southall...?

19 MS. ANITA SOUTHALL: Mr. Hacault just
20 appeared to want to comment.

21 MS. ANTOINE HACAULT: I don't know -- my
22 experience with respect to the economic viability of
23 attempting any kind of collection on that kind of a loan
24 is the same as Mr. Foran's.

25 Our firm, if it would do any, would be a

1 pro bono; we wouldn't charge at all. The fees to file
2 and then the fees to try and get garnishees or
3 collections often would probably come equal to or exceed
4 the amount of the loan being sought to be recovered.

5 So that you might end up going after
6 somebody who doesn't have any money, trying to garnishee
7 and spend as much money, in real expenses, as is
8 outstanding on the loan.

9 THE CHAIRPERSON: This, of course,
10 contributes to the bad debts of the industry, and I
11 suppose the penalty paid by the borrower. So it will be
12 difficult to access the credit subsequent to that action.

13 Is that a fair statement?

14 MR. NORMAN BISHOP: I would agree, yes.

15 THE CHAIRPERSON: Okay. Thank you.

16 MS. ANITA SOUTHALL: If I could ask then,
17 Mr. Foran to proceed with the remainder of his direct
18 examination of the remaining panel members. Thank you.

19

20 CONTINUED EXAMINATION-IN-CHIEF BY MR. ALLAN FORAN:

21 MR. ALLAN FORAN: Yes, thank you and
22 perhaps the Board was very hopeful that my direct had
23 been completed. In fact, there is some additional
24 commentary that we'd like to put on the record.

25 So, what I'd like to do is to turn to Mr.

1 Schinkel who is with Deloitte & Touche. Mr. Schinkel has
2 filed a report in this proceeding dated September 17th,
3 2007 and I'm going to ask -- in fact, Dean, I'm going to
4 ask you to -- to take the Board through your CV which is
5 located at Tab 7 which is the answer to interrogatories
6 PUB/CPLA-A7. There are three (3) resumes attached, one
7 (1) of which is -- is yours, Dean, if you would just go
8 ahead please.

9 MR. DEAN SCHINKEL: Thank you. Mr.
10 Chairman, Members of the Board. I will start with my
11 background on my education and professional experience.

12 I've been employed by -- in the Winnipeg
13 office of Deloitte & Touche for the past ten (10) years.
14 I obtained by Bachelor of Commerce Honours degree with a
15 major in accounting in 1997 and immediately commenced
16 employment with Deloitte & Touche. The first five (5)
17 years at Deloitte, I spent in the audit department
18 completing audits and reviews of financial statements for
19 both public and private companies.

20 I wrote the uniform final examination in
21 1999 obtaining the Gold Medal in Manitoba and placing on
22 the National Honour Role, and in 2000 was admitted to the
23 CA membership.

24 In 2002, at Deloitte & Touche, I
25 transferred from the Adit Department to the Financial

1 Advisory Group. At that time, I then commenced the
2 Chartered Business Valuator program of studies.

3 And in 2004, I wrote the members entrance
4 exam and received the Gold Medal in Canada. For the past
5 five (5) years, I've worked in the Financial Advisory
6 Group and primarily, my responsibilities have been
7 completing both valuation and damage quantification
8 reports.

9 I complete valuation reports for primarily
10 three (3) purposes; the first being disputes, the second
11 being mergers and acquisition activities, and the third
12 being tax and estate planning.

13 My CV, which is included, outlines
14 examples of types of reports that have been completed
15 since I have obtained my CVV designation.

16 I'll point out -- I won't go through each
17 of them individually, but will point out that a number of
18 them have been prepared on behalf of counsel and have
19 been used for negotiated settlements. And certain of the
20 valuation reports have been prepared where the valuation
21 conclusion has set the amount that a transaction would
22 take place at.

23 I have been engaged by the CPLA to prepare
24 a report which is included on the cost of providing
25 payday loans in Manitoba.

1 MR. ALLAN FORAN: What I'd like to do,
2 subject to comment from other counsel, is I'd like to
3 offer Mr. Schinkel's evidence as expert evidence on
4 business valuation and accounting matters and,
5 specifically, the collection, analysis, and reporting of
6 data which has been applied to the payday lending
7 industry in Manitoba.

8 THE CHAIRPERSON: Mr. Williams, do you
9 have any comments?

10 MR. BYRON WILLIAMS: No comment.

11 THE CHAIRPERSON: Mr. Hacault...?

12 MR. ANTOINE HACAULT: None.

13 THE CHAIRPERSON: It is fine with the
14 Board.

15

16 CONTINUED BY MR. ALLAN FORAN:

17 MR. ALLAN FORAN: Okay, duly qualified.
18 I'd ask you, Mr. Schinkel, to now turn to your report.
19 And if you could provide the Board with an -- an overview
20 of the report that's been filed in prefiled evidence, I'd
21 appreciate that.

22 MR. DEAN SCHINKEL: Thank you. Deloitte
23 and Touche was engaged by the CPLA to prepare a report on
24 the cost of providing payday loans in Manitoba. We were
25 requested that our report specifically deal with private

1 companies only.

2 At the time, we were told that a separate
3 analysis would be prepared by another expert on public
4 companies, and I later learned that that was Professor
5 Gould's report would include that.

6 Prior to starting our engagement, we were
7 supplied with a 2004 Ernst and Young report on the cost
8 of providing payday loans in Canada. Once we started our
9 engagement, we reviewed this report in detail,
10 specifically focussing on the methodology and approach
11 that was allowed. Based on that review, we found that
12 the methodology approach was sound, and that this would
13 be the methodology that we would follow in the completion
14 of our report.

15 The Ernst and Young report, or the E and Y
16 report, broke the costs into four (4) components, the
17 first being operating costs; the second, the cost of
18 capital; the third, the cost of supplementary capital,
19 and the fourth being the cost of bad debts. These are
20 the same four (4) components that we utilized in our
21 report.

22 When we completed our report and during
23 the completion, it was always meant to provide factual
24 data on actual payday loan providers in Manitoba. As we
25 state in our report, it was never meant to give

1 Deloitte's opinion, or my opinion, on what an appropriate
2 rate would be to charge. Instead, it was supposed to
3 represent factual information that we received.

4 In order to obtain information, we sent
5 out surveys to payday loan providers in Manitoba. Now,
6 the survey, which is included in Appendix A to our
7 report, was designed by Deloitte and Touche and, as a
8 starting point, we used the Ernst and Young survey from
9 2004 as our starting point.

10 We shared our survey with the CPLA, and
11 the only comments that came back from them were on
12 formatting -- just trying to make it easier to read to
13 make sure that it was -- that it was understood.

14 One departure from the Ernst and Young
15 report is we did not ask for questions related to
16 rollovers and new-versus-repeat customers. And this was
17 addressed in our engagement letter that this was not part
18 of our mandate. We were not requested to do this with
19 the rationale that in our discussions with the CPLA, we
20 had concerns over whether this information would even be
21 tracked and available from the private companies. And we
22 were also, in our report, trying to provide an average
23 cost, across all types of loans, in Manitoba.

24 Deloitte and Touche sent out thirteen (13)
25 surveys to private companies. The initial contact

1 information, email, and names were obtained from the
2 CPLA.

3 Deloitte and Touche also did our own
4 Internet and Yellow Page search in an attempt to ensure
5 that we did not miss sending a survey to any private
6 companies in Manitoba.

7 Based on our search, we did uncover names
8 that were not previously provided to us. But these were
9 Internet providers and also pawn shops where -- which, as
10 our report notes, are excluded from our report.

11 Based on the thirteen (13) surveys that we
12 sent out, we received five (5) useable responses back.
13 The one thing that occurred very quickly is Deloitte had
14 significant difficulties obtaining information back. We
15 attempted to call and did make contact with almost all of
16 the individuals that were sent a survey, but a
17 significant number of them had serious concerns over
18 whether the information would be held in a confidential
19 manner.

20 In my conversations with them, I attempted
21 to assure them that none of the information at all would
22 be shared with the CPLA, that specific line-by-line or
23 individual information on a company-by-company basis
24 would not be disclosed in our report, and that it would
25 not become public through the hearing process that would

1 occur.

2 Even with our assurances, many of the
3 individuals that started to participate and talk to us
4 declined or dropped out of the process, which resulted in
5 us only receiving five (5) responses back that we could
6 use. For each of the five (5) responses, we had follow-
7 up -- many follow-up conversations with each of the
8 participants.

9 The first goal of those conversations was
10 just to make sure that the participants understood the
11 questions and there was no confusion in what was being
12 asked. We then wanted to ensure that we understood their
13 financial information and that we did not have any
14 misunderstandings with what was provided.

15 After this took place, we reviewed and
16 analyzed each of the participant's data that was
17 provided. And, really, what we were looking for was
18 anomalies that may have to be adjusted before we
19 calculated any cost data.

20 So the procedures that took place here is
21 first we compared the financial data across the five (5)
22 companies that provided data looking for anomalies.

23 Each of the companies, as they're private,
24 had very different financial statement disclosure. So we
25 had to have discussions on what each line item meant and

1 -- and what they were putting in different categories to
2 do this. And we also compared each participant's
3 financial information, their expense as a percentage of
4 overall expenses looking for anomalies across.

5 So, after our analysis was done, and if we
6 had to make any adjustments, we then on -- went on to
7 calculate the costs into the four (4) categories, and I'd
8 like to discuss that now.

9 The first cost category that we looked at
10 was "operating costs," so simple examples are salaries,
11 utilities, security costs, items like this.

12 Each of the five (5) participants that
13 gave us information were multiline providers, meaning
14 that not only did they provide payday loans, they also
15 had one (1) or more other service line, such as cheque
16 cashing, money transfers, et cetera.

17 As our report was only looking at the cost
18 to provide payday loans, we had to allocate their total
19 operating expenses and -- and determine how much of their
20 operating expenses only related to the payday loan
21 portion of their business.

22 And this is one of the questions we asked
23 in our survey. And we were hopeful that the participants
24 would be able to divide their total operating costs
25 between the type of services.

1 But, based on our discussions and based on
2 the responses that we got back, the clear conclusion was
3 the only reliable method -- and it may not be a perfect
4 method -- but the only reliable method to determine
5 operating costs was to allocate it based on the
6 percentage of revenue.

7 So, if 90 percent of revenue was because
8 of payday lending, 90 percent of operating costs should
9 be allocated and used in our analysis.

10 Two (2) of the participants, after we
11 spoke to them, said that they would go off and try and --
12 and come up with a method of allocating salaries and
13 wages and -- and go through sort of a time analysis.

14 But they quickly came back and said, There
15 is no information track that we can specifically say this
16 much was payday lending and this much was other. And
17 they all concurred the only reasonable method was based
18 on a percentage of revenue. So this is what we did for
19 all five (5).

20 After we had allocated operating costs of
21 the payday lending, we then had to go and see if we had
22 to make any adjustments. And there were two (2) specific
23 adjustments that were made for all and a third analysis
24 that took place.

25 The first is we deal with bad debt costs

1 and the costs of interest separately. So we pulled those
2 out -- out of operating costs, we deducted them away, so
3 we were just dealing with non-bad debt, non-cost-to-
4 capital operating costs.

5 The third assessment that we made for all
6 participants is we -- each of the companies, we asked in
7 our survey, what the shareholders of company --
8 shareholders of the companies -- what remuneration they
9 were receiving. And we wanted to make an assessment was,
10 if a shareholder was earning a salary of forty thousand
11 (\$40,000) dollars, for example, was this fair market
12 value? If they had to replace themselves, was that a
13 fair salary?

14 And if we were going to find someone that
15 was underpaying, we would making an adjustment to put
16 them up to fair market value. And if someone was grossly
17 overpaid, we would make an adjustment to try and bring
18 them back down to fair market value.

19 In order to make this assessment, we first
20 asked each of the shareholders what specific duties they
21 performed. We then compared their salary to others that
22 they paid within their organization, and we compared
23 those salaries of the shareholders to specific duties
24 that were compared in our other four (4) responses out of
25 the total five (5).

1 And what we found, there's a very wide
2 degree of what the shareholders were doing. Some were
3 very hands-on, were there every day doing almost all the
4 duties. Others were absent to the business, and they
5 were strictly shareholders that let someone else run the
6 business.

7 And we also had to look at if there was,
8 for example, a husband and wife that were both
9 shareholders. We looked at the combined income they were
10 drawing for the combined services to -- as they thought
11 of themselves more of a family or shareholder group.

12 So, based on this analysis, we did not see
13 any gross overpayment or underpayments. So in the end we
14 did not make any adjustment for salaries that were being
15 drawn.

16 So, after we had our adjusted operating
17 costs, we then divided this over the total loans issued
18 over the year, multiplied it by a hundred (100) to
19 determine a cost of operating costs per one hundred
20 (100).

21 One discussion point that we had to have
22 with all participants was the definition of total loans,
23 and we wanted to make sure that it included the principal
24 amount only, not fees. So we made sure that there was no
25 misunderstanding on this point.

1 The second cost category is the cost of
2 capital. For each payday loan provider to be able to
3 operate, they have to have a capital on hand to be able
4 to make the loans. So this capital could come by either
5 the way of debt or equity. And, if it's debt or equity,
6 it would have a different cost associated with it.

7 The theory of how to measure cost of
8 capital, we used the weighted average costs of capital,
9 which is the blended return that the equity holders would
10 require and that the debt holders would require.

11 The issue that we had in preparing the
12 report, or one thing that we discussed and want to
13 discuss now, is that based on the -- just doing a survey
14 and having discussions, there was no way to accurately
15 and with precision estimate what the cost of capital of
16 these companies were.

17 Each of the companies would have some
18 similar risks as they operate in the same industry.
19 However, each of them would have different risks and
20 opportunities, strengths and weaknesses, that would have
21 to be assessed to be able to estimate what their costs of
22 capital is specific to their cost of equity.

23 Based on a survey and having phone
24 conversations, I don't feel that we'd be in a position
25 to, on a very subjective matter like, whack, be able to

1 say this is what their cost of capital is. So, for that
2 reason, and to be consistent with the Ernst and Young
3 report, we utilized the weighted average cost of capital
4 of 14 percent.

5 And in the report, I make the comment that
6 this is conservative -- 14 percent. And the rationale
7 for that comment is many of the survey participants, it
8 appeared that their capital structure, although varied
9 among them, many of them were primary -- primarily
10 financed with equity and very little debt.

11 And if they did have debt, it was often
12 guaranteed by their -- their home or some other asset.
13 So based on my experience in the Manitoba market with
14 mergers and acquisitions, and I would feel that a
15 weighted average cost of capital, with a company that is
16 primarily financed with equity of 14 percent, would be
17 conservative. So that is why that comment was made.

18 So, after we utilized the 14 percent,
19 applied it to the average loans outstanding at a point in
20 time to calculate the costs of capital per one hundred
21 (100).

22 The third cost -- cost category is
23 supplementary capital, and this is, in a way, related to
24 the cost of capital that I just discussed. For each of
25 these businesses to operate, they need to have working

1 capital on hand and also the infrastructure in place
2 either renting, leasehold improvements, or owning a
3 building themselves. This needs to be financed. So this
4 amount, again, is multiplied by a weighted average cost
5 of capital of 14 percent to calculate the cost of
6 supplementary capital.

7 The fourth component, bad debt costs.
8 There is two (2) components to this which I'll discuss.
9 The first is the more obvious one, that if a loan for
10 three hundred dollars (\$300) is given out and it's not
11 collected -- the principal amount of the loan not
12 collected -- that would be a bad debt as well.

13 The other item that is included in bad
14 debt cost is the operating cost component and the
15 supplementary capital cost component that would otherwise
16 be covered or borne by a debt, had it not gone bad.

17 Or stated differently, the fees revenue
18 earned on the good loans has to be enough to cover-off
19 the operating costs related to the loans that go bad, as
20 they don't contribute to covering of the operating costs.

21 And we give an example in our report that
22 shows that if you ignored the operating costs that are
23 tied to the debts that go bad, that an operator would not
24 charge enough to even be able to break even, if you're
25 only looking at the operating costs portion of the costs.

1 So our conclusions are on page, I believe,
2 9 of our report -- sorry, on page 11 of our report where
3 we break up the four (4) cost categories and we have --
4 what we did to get the cost per one hundred (100) is for
5 the five (5) responses we aggregated all of their data
6 together and calculated an average with all the data
7 included so it's a -- a weighted average with the total
8 costs and total loan volumes of all five (5) included in
9 the calculations and we get -- the two (2) largest
10 components, the operating costs per one hundred (100) of
11 twenty dollars and ninety-five cents (\$20.95) and the bad
12 debt cost per one hundred (100) of four dollars and
13 forty-nine cents (\$4.49).

14 And the one (1) other comment on the bad
15 debt costs is one (1) participant could not provide us
16 with the amount of loans that go into default that were
17 ultimately collected. So when we're calculating the bad
18 debt costs it only includes the responses from the four
19 (4) participants, not the five (5). For the operating
20 costs it includes all five (5) participants. So the end
21 conclusion of total cost per one hundred (100), the
22 factual data received is twenty-six dollars and eighty-
23 seven cents (\$27.87). And thank you.

24 MR. ALLAN FORAN: Okay. Thank you very
25 much, Mr. Schinkel, and now what I'd like to do is to

1 turn to Dr. Lawrence Gould and, first, I'd ask Dr. Gould
2 to provide some commentary as to his CV which similarly
3 is contained at PUB/CPLA-A-7 and it's at Tab (a) of that
4 answer.

5 And, Larry, firstly if I could ask you to
6 just tell the Board -- and I'm sure we all -- you've been
7 qualified as an expert by this Board before but perhaps
8 what we could do is go through again a little bit of your
9 CV, your background, and your expertise, please?

10 DR. LAWRENCE GOULD: Good afternoon, Mr.
11 Chairman, and Members of the Board.

12 My name is Larry Gould. I'm a professor
13 of finance and Director of the Centre for International
14 Business Studies at the University of Manitoba.
15 Previously I've served as the Head of the Department of
16 Accounting and Finance at the University of Manitoba and
17 previous to that as the Chairman of Finance and Business
18 Economics at McMaster University.

19 My educational background, I have a
20 Bachelor of Science degree in Economics from Wharton, an
21 MBA in finance from NYU and a PhD in finance from the
22 University of Toronto.

23 I've served as a consultant and provided
24 expert evidence in a wide range of topics in finance
25 accounting and tax at a number of boards both in Canada

1 and the United States as detailed on my CV. As Mr. Foran
2 said I actually have a -- a long association with this
3 Board from the mid-'80s until about 2000 doing most of
4 the hearings regarding gas distribution either on behalf
5 of the Consumers' Association or at times on behalf of
6 the companies.

7 I was asked by the CPLA to provide my
8 independent judgment on the matter at hand in this
9 Hearing which is to determine or recommend what the
10 maximum amount should be charged for payday loans.

11 MR. ALLAN FORAN: What I'd like to do is,
12 again, subject to commentary from other counsel is I'd
13 like to offer the evidence of Dr. Gould as an expert
14 witness on, in this case, a wide range of topics but
15 generally related to finance, accounting, and taxation
16 with a specific recommendation being made by the
17 application of his expertise as to the rate that should
18 be set by this Board to allow for viable competition in
19 the payday lending marketplace in Manitoba.

20 THE CHAIRPERSON: Mr. Williams...?

21 MR. BYRON WILLIAMS: My clients are
22 prepared to accept Mr. Gould's expertise in finance,
23 accounting, and taxation.

24 THE CHAIRPERSON: Mr. Hacault...?

25 MR. ANTOINE HACAULT: Similarly.

1 THE CHAIRPERSON: We concur.

2

3 CONTINUED BY MR. ALLAN FORAN:

4 MR. ALLAN FORAN: With that then, Dr.
5 Gould, if you could please highlight your -- your
6 evidence? For the purposes of the Board this evidence is
7 contained in the pre-filed evidence that has been
8 submitted on behalf of the CPLA.

9 DR. LAWRENCE GOULD: My report is divided
10 into six (6) sections and the -- the Power Point
11 presentation directly mirrors those sections. So if
12 there's any deviation, I'll point it out to you, but it's
13 pretty close to what the report actually does.

14 In this section of my report I provide
15 some background of the payday loans and some introductory
16 comments on some of the problems. First the
17 characteristics of these loans are that they are
18 typically very short term, one (1) or two (2) weeks and
19 for small amounts. I use, as most of my examples, three
20 hundred dollars (\$300) maybe it's between three (3) three
21 fifty (350), but that would be a typical payday loan.

22 The procedure for obtaining the loan is
23 for a borrow -- borrower to come in and provide both
24 their identification, some proof of income, and then they
25 have a -- either cheque or preauthorized debit for the

1 interest, fees, and principal dated for the next payday.

2 So the first point of this, I guess is
3 that the amount that somebody does pay for this by
4 filling out either the preauthorized debit or the cheque
5 is pretty clear. If you write a cheque for -- on a three
6 hundred dollar (\$300) loan for the loan plus fees of
7 three hundred and sixty (360), you have a very exact idea
8 of what you're paying.

9 What seems to cause a lot of controversy
10 in these loans are that the amount of interest when
11 either compounded annually or calculated as an effective
12 annual return is very high. I think we've all seen over
13 the past week or so headlines in either the TV shows or
14 the -- the newspapers talking about how people were
15 paying interest rates of 700 percent, or 500 percent, and
16 so on.

17 I actually included a table here to -- to
18 illustrate that, and it's a very straightforward
19 calculation. What I've done is take using my example of
20 a three hundred dollar (\$300) loan with a twenty dollar
21 (\$20) fee for hundred (100), i.e., sixty dollars (\$60),
22 calculated the annual return. So for example looking at
23 the middle column for a two (2) week loan, twenty-six
24 (26) weeks times 20 percent is 520 percent. If you do
25 effective compounding, in other words, compound that over

1 the period, you get 11,348 percent. And as you can see
2 for the one (1) week period, you can get into the
3 millions.

4 MR. ALLAN FORAN: Dr. Gould, if I could
5 just -- one, if you could move to the left or we could
6 just move the screen.

7

8 (BRIEF PAUSE)

9

10 MR. ALLAN FORAN: Thank you, Mr. Hacault,
11 I appreciate that.

12 DR. LAWRENCE GOULD: So I think it's
13 important to understand that those concepts have a use
14 and a theoretical foundation in finance, and they have
15 been applied to benefit consumers to allow them to better
16 understand what the cost of the loan is in certain types
17 of situations.

18 And the situation that I point out and one
19 that I got involved in -- in past years, is when you have
20 a mortgage compounded semiannually and another company
21 giving a mortgage, or a second mortgage compounded
22 monthly, one might put a stated rate on the window that's
23 less, but in fact with the compounding effect over the
24 period ends up costing more. So if we're comparing the
25 same period, an annual period with different levels of

1 compounding there is a reason for calculating an
2 effective annual return.

3 In this case though we're dealing with
4 very short term loans, and there's really no meaning to
5 these numbers of 520 percent, or 11,348 percent because
6 you're not comparing the two (2) week loan to what you
7 would do for a year.

8 I guess it would be a -- a similar case to
9 go into a hotel and being told that the rent -- the --
10 the cost of -- of one (1) night's hotel rental was two
11 hundred dollars (\$200) and then having that explained as
12 being seventy-three thousand dollars (\$73,000) a year.
13 It -- it doesn't have any meaning. You look at something
14 like that on the term for which you use it, and I think
15 that that's similar to the payday loan.

16 The other problem is with respect to the
17 sizes of the loan. As I said, these are very small
18 amounts -- a three hundred dollar (\$300) loan. If you
19 express a fee, for example, a sixty dollar (\$60) fee, as
20 a percentage of a three hundred dollar (\$300) loan, it's
21 20 percent. If it's over a hundred thousand dollar
22 (\$100,000) loan, it's six basis points, .06 percent so
23 that if we have administrative fees which we're going to
24 have for executing any type of financial ins --
25 instrument, a mortgage or a payday loan, if it's spread

1 over a very large amount, that fee is very small but for
2 a small loan, you get very, very high short-term interest
3 rates and if -- as I said, if that's compounded, the
4 numbers appear to be very large.

5 So my conclusion on this is that it's
6 really misleading to calculate these annualized or
7 effective annual rates of return. There's no question
8 that these loans are high-cost because of their design as
9 short-term, small loans but they are simply part of the
10 capital market and offer a way of financing for
11 individuals.

12 For me this case really comes down to
13 looking at the costs that are involved in setting the
14 rates for these payday loans transforming it from looking
15 at the effective annual rates back down to, really, the
16 reality of what the costs are of producing these loans.

17 The next section of my report really deals
18 with various problems in regulating payday loans and what
19 I do there is to describe first something that's probably
20 very familiar to the Members of the Board and that's the
21 way in which monopolies, public utilities, are regulated.

22 And we know that in -- in that case a
23 company will come before the Board, they'll have their
24 costs vetted, all their operating costs, taxes,
25 depreciation, and a return on investment, a fair rate of

1 return, and the Board has the opportunity to both analyse
2 those costs and look over the expenses, the capital
3 budget and so on.

4 When a rate is set, that rate applies to
5 the specific company. Their capital structure is taken
6 into account, their risk and a fair rate of return. It
7 is specific to the company.

8 In this case, we're really talking about
9 setting a maximum fee for loans which will apply to the
10 group of payday loan companies. So in this case what is
11 applied may be applicable to companies with different
12 risks, capital structures, all part of the payday loan
13 industry in Manitoba.

14 Another problem with this is that with
15 regard to public utilities there are different
16 opportunities for redressing differences between what
17 should be allowed and what is allowed. And sometimes
18 this is a conscious decision through regulatory lag but
19 the company does have a right to come back, explain
20 what's going on, seek a higher rate.

21 In this case, when the Board sets a
22 maximum fee companies which can't operate at that fee
23 will go out of business. There will really be no
24 opportunity, at least as far as I can see, for these
25 companies to have another -- a chance to make their case.

1 I -- I understand there will be hearings periodically but
2 I don't think that would be applicable to the companies
3 that couldn't survive under the maximum fee.

4 The next section of my report deals with
5 the Ernst & Young results, and the reason for that is
6 it's an important work in that it's an independent study
7 of the costs of providing payday loans. That study
8 looked at the actual costs of a representative sample of
9 payday loan companies. It did not provide individual
10 data, but it did provide groupings of large, medium and
11 small.

12 Large in -- in this case was defined as
13 \$20 million in volume; medium between \$2 and \$20 million
14 dollars; and small less than \$2 million.

15 This is a typical display of many of the
16 tables in the Ernst & Young report and for the purposes
17 of this hearing, it's an important one. First, if we
18 look down the column labelled "Average," you can see, as
19 was described as well in the Deloitte report, that there
20 are four (4) categories here: Operating cost; cost of
21 loan capital; cost of supplementary capital; and bad debt
22 cost.

23 As we go across a row, we can see that the
24 results are separate for both large, medium and small,
25 but an average is provided. So, one of the observations

1 that we can see immediately as we go across the total
2 rows, is that the costs increase as we go from large to
3 medium to small.

4 The average in this case, and this is a --
5 an unweighted average, which I'll compare in a minute to
6 the weighted averages, takes each company into
7 consideration separately without regard to size. For
8 this the average is twenty dollars and sixty-six cents
9 (\$20.66) per hundred.

10 The next table compares that, and you can
11 still see the -- in column 2 of this table, the twenty
12 dollars and sixty-six cents (\$20.66) average, again,
13 broken up between small and medium and large, but lets --
14 you also see what the -- their other calculations based
15 on weighted averages are.

16 The weighted averages weight the larger
17 companies more heavily, and since they have lower cost,
18 we get lower weighted averages. But if you think about
19 it, that's not really representative of the payday loan
20 industry. Asyntautically (phonetic), it's going to
21 approach the very largest firms with the weighted
22 average. So I think that for purposes of what we're
23 doing here, it's the unweighted averages which are
24 important.

25 The next table that I want to comment

1 briefly on is the sensitivity of the results in these
2 costs to the cost of capital. This table has two (2)
3 purposes from my point of view. And I should explain
4 that the second column is one that I -- I've added, this
5 was not part of the Ernst & Young study. It is in my
6 report but it's not part of the Ernst & Young report.

7 What -- what we have if we ignore that
8 second column for a minute, are different combinations of
9 equity and debt costs and their effect on average costs.
10 So the first thing that we can observe from this table
11 is, for example: With the Ernst & Young equity before
12 tax of 15 percent, found in the first column, and
13 7 percent debt, the average cost per hundred was fifteen
14 dollars and sixty-nine cents (\$15.69).

15 If we were to reduce or use a much lower
16 cost of equity capital -- 10 percent -- and a 6 percent
17 debt cost. The average cost per hundred (100) declines,
18 but only to fifteen dollars and thirty-one cents
19 (\$15.31). In other words, there's only a thirty-eight
20 (38) cent differential for a fairly large incre --
21 decrease in the cost of capital.

22 So that's the -- that -- that's an
23 important point for judging what is -- what really
24 impacts on the dollar cost per hundred (100). The reason
25 I added that column -- column 2 -- is that one (1) of the

1 disagreements that I do have with the application of this
2 by Ernst & Young, is that they have applied this as a
3 pretax equity figure into the calculation of the cost per
4 hundred (100).

5 The problem is, of course, as with -- not
6 just with payday loan companies, but with all of us, we
7 have to pay taxes, so that the after-tax cost of this is
8 going to be different -- the equity after tax. In other
9 words, if you allow a 15 percent before-tax return rolled
10 into the fifteen dollar and sixty cent (\$15.60) formula,
11 after taxes - and I'm assumed here a 36 percent tax rate
12 - you would only end up with 9.6 percent.

13 Now, most of the comparisons that are done
14 with indices or with the TSX Stock Exchange are all on an
15 after-tax basis. So we want to compare apples to apples.
16 This wa -- this table provides a random ordering of the
17 different costs, because the identities hidden of the
18 different companies. But what's illustrative of this to
19 me -- and I think it's an important table -- is that if
20 we are -- were to assume that the Ernst & Young data is
21 absolutely perfect -- that they did a perfect job -- and
22 that each of these companies are efficient, meaning that
23 they provide a service, they may differentiate their
24 service and then their costs may be higher or lower, but
25 that there's no inefficiencies in any of these.

1 Just for the purposes of assumption, what
2 would we do?

3 We have a problem here in that we can
4 certainly select the average, but anything -- any -- any
5 company which has costs above that average, in terms of
6 the fees that we set, would not be able to survive.

7 And in the limit, if we push that down --
8 we could push it down as far as we wanted -- we could be
9 left with one (1) firm. And I'll come back to that
10 later. So that's a possibility, an endpoint. You could
11 create a monopoly by regulating the price, but
12 eliminating all the existing payday loan companies. It's
13 not something that I would advise.

14 The average - again, using the unweighted
15 costs of providing payday loans - were twenty dollars and
16 sixty-six cents (\$20.66).

17 In summary, I've looked at the effects of
18 this, which are mainly due to operating costs and bad
19 debts, the assumptions on return on equity or debt have
20 only a marginal impact. And that's why I didn't spend
21 very much time with that aspect, other than the tax
22 adjustment.

23 The other important thing, in summary,
24 from reviewing this, is that there is a significant cost
25 variation across the payday loan industry. And that, for

1 the Board, is going to be the difficult problem is
2 setting these fees.

3 Now, the next section of my report deals
4 with adjust -- looking at the report that was done by Dr.
5 Robinson in ACORN of 2006, that was what was available to
6 me when I filed evidence. And I used that in a way the
7 section is labelled the Robinson report, but I use it to
8 also examine the public -- the data available from the
9 public companies, Money Mart from Dollar in the United
10 States and -- and Rentcash, Incorporated.

11 So this section really does two (2)
12 things. It looks at the Robinson report, but it also
13 really develops how volumes and profits have changed over
14 the period since the Ernst and Young report was
15 completed.

16 First I'd note that in the ACORN report
17 Dr. Robinson recommended, and I'm using the typical three
18 hundred dollar (\$300) loan, two (2) week loan the
19 equivalent of ten dollars and fifteen cents (\$10.15) per
20 hundred (100), that's in comparison with the average that
21 I just showed from the Ernst and Young study of twenty
22 dollars and sixty-six cents (\$20.66), so roughly half.

23 So I think the first question that would
24 come up was how could that be, how can we get such a low
25 number relative to the Ernst and Young study which looked

1 at actual data. How could that be possible? And I think
2 that we can get some understanding of that by looking at
3 what Dr. Robinson's objectives were as stated.

4 Dr. Robinson wanted to design a fee
5 structure that would only allow, as he said, the very
6 largest firms to survive. And in that sense he goes on
7 to say that even that might be too high. That
8 if the banks and credit unions could provide substitute
9 products he would really favour an even lower fee.
10 So if you boil that down it's really saying that you
11 could eliminate the payday loan industry as long as you
12 could get the banks and credit unions to come in and
13 offer substitute profits.

14 The reason he -- it's under -- important
15 to understand that objective is because if you think of
16 that scatter diagram if you define efficiency as high
17 volume, very high volume, you could move toward leaving
18 one large company, creating a monopoly where none
19 existed, to have higher volume and hence lower costs and
20 in that sense create, I'm putting this in quotation,
21 mental quotation marks, "savings for the consumer." Of
22 course, you'd eliminate the industry and choice offered
23 by the wide variety of pay -- payday loan companies that
24 exist.

25 So in this ACORN report, Dr. Robinson

1 worked with volumes forecast of three (3) to 3 million
2 and higher which certainly exceeded at the time any of
3 the payday loan companies, but he had a projection that
4 the large chains, the large companies would increase
5 their volumes dramatically. And that led me to my
6 examination which is relevant to examining or comparing
7 with Ernst and Young as well which is to actually look
8 and see what happened subsequent to that report with the
9 additional data available from 2006 and 2007 to both
10 Money Mart and Rentcash.

11 The first interesting thing is that there
12 was a lot of attention paid to the tremendous growth in
13 loan volume. And, it's true. If you look at 2005 to
14 2007 for Money Mart, loan volume grew from 560 million to
15 937 million, 67 percent per year. That is a dramatic
16 growth rate. But, of course, if you look past that into
17 the fundamental determinants of it a large part of this
18 was caused by acquisition and new stores.

19 So that if you look on a per-store va --
20 basis which is really the important driver of cost, these
21 loan volumes grew from 2.7 million per store to 2.9
22 million; a much, much reduced growth rate of only 3.7
23 percent. I also looked at the profitability of Money
24 Mart from the standpoint of both their profit margins and
25 return on assets.

1 These averaged, over the period 2005 to
2 2007, 14.3 percent on profit margins, and return on
3 assets at 12.6 percent. It's not possible to get a
4 return on equity for Money Mart, because their stock is
5 traded as the consolidated company dollar in the United
6 States.

7 For comparison, I showed the net profit
8 margins and return for an index -- the Canadian Bank
9 Index, from Financial Post. One (1) question that I --
10 I've been asked is, Well, why the bank index? Can't we
11 get a better index for payday loan companies? And,
12 unfortunately, the answer is "no," at least from -- in my
13 judgment.

14 It's not an industry that's easy to get
15 comparative data for. So, I'm providing this as a rough
16 idea of what companies in the financial sector -- the
17 banks, have done as a comparative -- for comparative
18 purposes. It would be nice if we had exact payday loan
19 indices, but none exist. As you've heard many times
20 here, most of the data is not public data.

21 Next I looked at RentCash. Again, the
22 loan volume over that period grew from 281 million to
23 four ninety-nine (499); 33 percent. Again, a substantial
24 growth. However, again, in this case, when we look at
25 the per store -- on a per-store basis, we actually have a

1 decline in loan volume; 11.5 percent per year from 1.8
2 million per store to one point four (1.4).

3 This is a very useful graph because it
4 shows Rentcash's stock price. And it may give you some
5 insight into, perhaps, some of the difficulties in
6 interpreting Dr. Robinson's data. If you see the peak,
7 or the spike, there, that was right in the period when
8 Dr. Robinson was forecasting very high rates of growth.

9 And, of course, there was a lot of talk
10 about -- enthusiastic talk about how payday loan
11 companies were growing so fast and so on. So, the first
12 thing that we can see here is that, obviously, that
13 growth did not continue, and that's the difficulty in
14 many of Dr. Robinson's projections.

15 The other thing we can get from this is
16 that, I think Dr. Robinson has maintained that payday
17 loan companies aren't very risky. In this case, a
18 picture is worth a thousand (1,000) words.

19 I think you can get the idea here that
20 this is a -- was a substantial amount of risk unseen by
21 investors any time you get a spike like that. It also
22 speaks to the decreased profitability in the ratios that
23 I've shown for RentCash, as well.

24 Certainly, with regard to this, there's no
25 evidence between either RentCash or Money Mart that

1 excessive profits are being made by these companies. And
2 in terms of the growth that we've seen in volumes, the
3 growth has been modest, recently, for Money Mart and, as
4 I said, negative per store for RentCash.

5

6 (BRIEF PAUSE)

7

8 The final piece of information Dean has
9 already reviewed with you; access to the small companies.
10 I had done my analysis of the large publicly traded
11 companies, but because there -- there is no data
12 available for the small companies in Manitoba, I was very
13 interested in seeing whether, in fact, we would see a
14 decrease, a level or an increase in costs from this data.

15 In fact, as shown side by side here, we
16 can see with the Deloitte report next to the Ernst &
17 Young report, on the basis of the small sample in
18 Manitoba, there certainly has been an increase in costs
19 for this group. It's information. It's -- it would be
20 nice to have information on all the companies, but some
21 information is certainly better than no information.

22 So far, my presentation is directly
23 parallel to exactly what's in my report. And I want to
24 be fair, and say that this last slide here is not, and I
25 wanted to point that out. I know that Dr. Robinson will

1 have an opportunity to be here and talk about his work,
2 but I felt that since there have been additional evidence
3 filed since I wrote my report, which I only had access,
4 at that point, to the ACORN Report, that I should, at
5 least, briefly give the Board some idea of where Dr.
6 Robinson and I -- and I disagree. It might be useful so
7 that you can consider both reports.

8 First of all, I noted that Dr. Robinson in
9 the ACORN report had a recommended rate of ten dollars
10 and fifteen cents (\$10.15) per hundred (100); that wasn't
11 actually ancient history. We're talking about -- about
12 eighteen (18) months ago in 2006.

13 September 17th, we all had to file
14 evidence. Dr. Robinson made no recommendation at that
15 time, but in what he did file, he said that he didn't
16 think a new analysis would change the rate recommend in
17 ACORN very much, and any change would actually be to
18 lower rates.

19 Now, all the information on the public
20 firms for Rentcash was certainly available, and all the
21 information for Money Mart, up through the fourth
22 quarter; they had had their press release and -- and news
23 conference, although the 10K had actually not been
24 released at that point in time. But a considerable
25 amount of information was certainly available.

1 Recently, on October 31st through the IRB
2 PUB/Coalition-B-18 Revised, Dr. Robinson has put in
3 recommended rates and, on this, I can only say I -- I
4 think that it's a -- it's a range, depending on whether
5 you want to have a -- a loose cap or a tight cap. But
6 it's a fairly large range of twelve dollars and eighty-
7 two cents (\$12.82) to twenty-one eighty-two (21.82).
8 That's based on the fixed -- on the fixed rate. There
9 are actually four (4) there. But that -- it gives you
10 the -- the relative positioning of that recommendation.

11 I'm not sure what would cause these
12 numbers to change over the last couple of weeks, going
13 from lower than ACORN to twelve eighty-two (12.82) to
14 twenty-one eighty-two (21.82). But what I will say is
15 this: That in terms of these recommendations, these are
16 not based on the actual costs of payday loans.

17 In other words, we have the Ernst & Young
18 study which actually looks at real data from payday loan
19 companies. We have the Deloitte study that looks at real
20 data, as well, from payday loan companies. These are
21 based -- Dr. Robinson's recommendations are really based
22 on his model and his assumptions.

23 It -- he takes, as a starting point, Money
24 Mart as the basic model and then adapts it with his own
25 assumptions. So there's -- from my standpoint, there's

1 two (2) problems with that.

2 First, that it's really a one (1) company
3 analysis based on Money Mart, at least to determine the
4 lower limit; with not just using Money Mart, but using an
5 assumption from here, an assumption from there to change
6 it. I think that in this case -- although Dr. Robinson
7 talks about this being applicable to the large chains and
8 efficient firms, that ignoring a large chain like
9 Rentcash in the analysis certainly would change the
10 results dramatically.

11 In other words, there's a -- as you've
12 seen by the data that I've produced, a real difference
13 between the data from Rentcash and the data from Money
14 Mart. My judgment is at the lower limit -- and I think
15 that he gets to that lower limit by this one (1) company
16 concentration, particularly from Money Mart, that the
17 payday loan industry would not be able to function in
18 Manitoba, at that level, okay.

19 And my rationale for that is carried out
20 in the next section where I talk about what rate I think
21 represents the fee level that should be the reasonable
22 range.

23 This final section concludes my report.
24 And what I do is review the fact that we have the Ernst
25 and Young data over the sample covering the entire

1 country with a cost per hundred (100) at seventeen (17)
2 for the large businesses, the group of large businesses,
3 which would have -- and twenty-three dollars (\$23) for
4 the group of small businesses. I want to emphasize that
5 these calculations include no more than a fair rate of
6 return on capital.

7 We could, perhaps, debate whether that
8 should have been 15 percent, or 14 percent, or 16 percent
9 that was used, but it -- whatever that number was
10 determined is what is included in these results. The
11 difference between seventeen (17) and twenty-three (23)
12 is because there are different costs involved in the
13 small and large companies. There are also three (3)
14 things that may make these estimates understatements.

15 First, not considered in that are
16 regulatory costs. These would include the licencing
17 fees, bonding fees, and the legal costs of these
18 hearings.

19 Second, I've indicated that while the
20 results aren't very sensitive to the cost of capital, the
21 failure to adjust for tax certainly does impact on the
22 results that might be somewhere around sixty cents (.60).

23 And last, we have the indication from the
24 Deloitte report that costs have actually increased not
25 decreased, as Dr. Robinson hypothesized, since the E&Y

1 report. Taking all this into consideration and looking
2 at this, we can see that if we have a fee at twenty-three
3 dollars (\$23), we would allow a number of the smaller
4 companies and mid-sized companies to operate.

5 As you move that fee down towards
6 seventeen dollars (\$17), companies will fall out, be
7 unable to function in Manitoba. If you push it far
8 enough, you can get the one (1) company and create a
9 monopoly. As I've said, I don't think that's in the best
10 interest of Manitobans.

11 My recommendation is that the fee be in
12 the range of twenty (20) to twenty-three dollars (\$23)
13 per hundred (100) of payday loans. Plus, as I said -- I
14 did not include this; I didn't have the data for it --
15 whatever the allowance is for regulatory costs.

16 I think that this range would allow firms
17 to function at more than the large-firm basis, and
18 through competition and innovation make it a more
19 beneficial source of capital for consumers.

20 And that concludes my report.

21 MR. ALLAN FORAN: Thank you very much,
22 Dr. Gould. I'd like to mark that presentation as an
23 exhibit, please, and what we'll do is perhaps I'll have
24 Dr. Gould email that to -- to Board Counsel or we can
25 reproduce it through the Board secretary immediately

1 after the afternoon proceedings.

2 THE CHAIRPERSON: That's fine.

3 MS. ANITA SOUTH ALL: Thank you, Mr.
4 Chairman, we're past our normal time. I understood that
5 Mr. Foran may have a bit more direct evidence from CPLA
6 representatives before the cross?

7 MR. ALLAN FORAN: There is one (1)
8 further piece of evidence; it's not lengthy, and if it
9 pleases the Board, we can have that in now or we can -- I
10 see lots of heads shaking. We can do that first thing
11 tomorrow. That would be from -- from Mr. Bishop, and it
12 will relate to regulation in other provinces.

13 THE CHAIRPERSON: Let's hear him on a
14 fresh morning. Okay, so we'll adjourn for the day; we'll
15 see you tomorrow morning at 9:00. Thank you.

16
17 --- Upon adjourning at 4:10 p.m.

18
19 Certified Correct,

20

21

22

23 _____
Wendy Warnock, Ms.

24

25