



BRITISH  
COLUMBIA

**OPINION**

**OF THE CONFLICT OF INTEREST COMMISSIONER  
PURSUANT TO SECTION 15(1) OF THE  
*MEMBERS' CONFLICT OF INTEREST ACT***

**IN THE MATTER OF AN APPLICATION BY  
GORDON CAMPBELL, MEMBER OF THE LEGISLATIVE ASSEMBLY  
FOR VANCOUVER-POINT GREY, AND LEADER OF THE OFFICIAL OPPOSITION  
WITH RESPECT TO ALLEGED CONTRAVENTION OF PROVISIONS OF THE  
*MEMBERS' CONFLICT OF INTEREST ACT*  
BY THE HONOURABLE PAUL RAMSEY, MEMBER OF THE LEGISLATIVE  
ASSEMBLY FOR PRINCE GEORGE NORTH**

City of Victoria  
Province of British Columbia

May 14, 1998

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Section 19(1) of the *Members' Conflict of Interest Act* (the Act) provides:

A member who has reasonable and probable grounds to believe that another member is in contravention of this Act or of section 25 of the *Constitution Act* may, by application in writing setting out the grounds for the belief and the nature of the contravention alleged, request that the commissioner give an opinion respecting the compliance of the other member with the provisions of this Act.

Pursuant to that section, Gordon Campbell, MLA for Vancouver-Point Grey, wrote to me on the 16th day of March, 1998 requesting an opinion respecting compliance with the provisions of the Act by the Member of the Legislative Assembly for Prince George North, the Honourable Paul Ramsey. That letter contained the following:

I submit that there is [sic] reasonable and probable grounds to believe that Mr. Ramsey has a real or apparent conflict of interest in regard to a \$4,000 contribution made by Canadian Woodworks Limited to his recall defense campaign. Mr. Ramsey's conduct as member of Treasury Board and Cabinet is in question in light of the fact that a \$4 million government loan was made to that same company only one day after the campaign contribution was received.

In addition, I believe there are compelling grounds to believe that Mr. Ramsey may have breached sections 3, 4, 5, 7(1), and 10(1) of the *Act*. An opinion would be helpful in this regard to ascertain whether Mr. Ramsey used his office, influence or inside information to further his private interest and obtain a cash benefit that has resulted in a real or apparent conflict of interest.

On the 26th day of March, 1998 I indicated that I was satisfied that the requirements of section 19(1) of the Act had been met by Mr. Campbell and that I would give an Opinion on the matter.

## **GATHERING THE FACTS**

In preparation of this Opinion in response to the request of the Honourable Member for Vancouver-Point Grey, I have conducted several interviews, mostly in person but some by telephone, as follows:

1. The Honourable Member for Prince George North (hereafter called Ramsey) who was accompanied on his visit by Ms. Brenda Edwards, Legal Advisor, Office of the Premier. I took the Member's evidence on oath and in the presence of a court reporter. The transcript is attached.
2. Mr. Arnold Zwiers, President of Canadian Woodworks Ltd. I took Mr. Zwier's evidence in a hearing room at Prince George on oath and before a court reporter. The transcript is attached.
3. Mr. Eric van Soeren, Job Protection Commissioner to whom I am indebted for production of the Economic Plan and the Mediation Plan. Mr. van Soeren at the material times, was the Managing Director of the Job Protection Commission and succeeded to the office of Commissioner upon the untimely death of his predecessor who was primarily responsible for the negotiations. I interviewed Mr. van Soeren by telephone and in person at the Office of the Job Protection Commissioner in Vancouver.
4. Ms. Eloise Spitzer, Cabinet Secretary. I am indebted to Ms. Spitzer for making available to me the appropriate portions of the Treasury Board minutes and Cabinet minutes to which I refer in my Opinion. I interviewed Ms. Spitzer in Victoria.
5. Mr. Robert Steventon. I am obliged to Mr. Steventon for details of the organization, of the financing of Mr. Ramsey's defence to the recall petition. I interviewed Mr. Steventon by long-distance telephone call to Prince George.

I have also conducted follow-up interviews with several of those whom I had previously met or talked to.

Before completing this Opinion I was again in touch with Members Campbell and Ramsey to make certain that they had no other individuals that they thought I should interview before completion of this assignment.

I wish to express my appreciation to all those who assisted me, particularly for accommodating my schedule as I moved to complete this assignment expeditiously. Everyone I approached willingly made themselves available for an interview with me.

Any delay in the preparation of this Opinion was occasioned by the non-availability for approximately one month of an Official Reporter in the City of Prince George.

## **THE FACTS**

I have divided the facts into three sections:

- A. The Government Loan
- B. The Member
- B. The Recall Campaign Contribution

### A. The Government Loan

Canadian Woodworks Ltd. (CWL) operates a secondary wood manufacturing plant in Prince George, British Columbia, mainly concentrating on engineered wood products. The company was founded in 1979 by Tony Zwiers Sr. and is 51% owned by Zwiers Management Services Ltd., a holding company of the Zwiers family, and 49% by West Fraser Timber Co. Ltd. The minority share holding company does not take an active part in the operations of the company. In January, 1997, a major fire destroyed the mill which supplied 60% to 65% of CWL's new material and the company found itself unable to obtain a suitable alternate supply of lumber for its operations. The company employed a work force of 190, working at full capacity, but had to scale down its operations, due to its inability to obtain a suitable supply of lumber, to a work force of 124. This shut-down caused severe pressure on cash flow resulting in a shortage of working capital. It became evident that a re-structuring of the company's finances was required if the company was to remain in business.

Mr. Tony Zwiers Junior, President and C.E.O. of CWL, in May 1997 approached the Job Protection Commissioner whose duty it is to administer the *Job Protection Act*. The objects of that Act are as follows:

- (a) to minimize job loss and the consequent de-stabilization of regional or local economies, particularly those mainly dependent on one industry, and
- (b) to preserve, restore and enhance the competitiveness of business enterprises in British Columbia and in the global marketplace by introducing temporary measures designed
- (c) to encourage business enterprises to obtain management consulting and counselling services,
- (d) to provide mediation services to business enterprises and interested parties in order to encourage cooperation conducive to the effective operation of the business enterprises, and
- (e) to enable business enterprises and interested parties to establish, subject to this Act, economic plans.

In performing his functions under the Job Protection Act, the Job Protection Commissioner must have regard to:

- (a) the objects of the Act,
- (b) the economic importance of a business enterprise to British Columbia or to a region or locality within British Columbia,
- (c) the need to balance the interest of the business enterprise, interested parties and public bodies concerned, in a fair and equitable manner where sharing the burden of preserving restoring or enhancing the competitiveness of the business enterprise, and
- (d) the impact of any proposed assistance to an applicant business enterprise under this Act on other business enterprises operating within the region or locality in which the applicant operates.

In May 1997, the Job Protection Commission and the Bank of Nova Scotia undertook an action plan that consisted of two components:

1. An independent examination of the long-term viability of Canadian Woodworks Ltd.
2. Development of an Economic Plan.

The consulting firm of Deloitte & Touche was engaged to develop the first element. The consultant identified two major areas that required attention: the need for a consistent supply of suitable fiber, and the financial requirements of the company. The report concluded that the company was viable if these two areas were addressed.

The Ministry of Forests advised that the short-term fiber supply needs of the company would be accommodated through eligibility in the Small Business Forest Enterprise Program and that the company would be given the opportunity to access a long-term supply under a Small Business Forest License, as identified in the (then recently) announced Jobs for Timber Accord of the provincial government. An Economic Plan under the *Job Protection Act* was therefore developed by the Job Protection Commission and dated July 23, 1997 and was duly accepted by all parties.

That Plan, with minor wording changes, was amended on August 22, 1997. The Plan envisaged uninterrupted operations, the securing of a more permanent fiber supply, and the injection of new funds to assist with working capital. The fiber supply problem was solved and firm arrangements were put in place to obtain suitable lumber. The additional funding made available was partly dispersed in mid September and the remainder in late October and early November. Cash flow did not materialize as envisaged in the Economic Plan. Consequently, the company was prevented from operating at optimum capacity. CWL suffered large losses as a result of operating inefficiencies and experienced additional accumulations of debt. This forced CWL to again close its operations, to conserve scarce resources while it reviewed its options. At this point, the Job Protection Commission engaged Deloitte & Touche to update their earlier review and to comment on the future operations of CWL. The consultants report indicated that long-term viability was still attainable: however, an additional \$4 million in financing was needed to allow the company to become operational again. CWL would require the funds for operating losses and working

capital, to build up inventory, pay down old payables, and provide funds for supplies and services as they would, at least initially, be on a cash basis with suppliers. Accordingly, the Job Protection Commission prepared a Mediation Plan which confirmed the agreements entered into in the earlier Economic Plan as amended and in clause 3 provided for a provincial government loan of \$4 million through the Ministry of Employment and Investment.

The Job Protection Commissioner, in a letter to me, has added, as a point of clarification, that the first Economic Plan continues in full force and effect, but that delays in its implementation necessitated the second Mediation Plan. He points out that the difference in terminology related to the fact that the Economic Plan modified an impost (stumpage) while the Mediation Plan did not. In view of the fact that the loan to CWL, from the Province of British Columbia through the Ministry of Employment and Investment, formed an essential component of the Mediation Plan, it was necessary prior to its completion to obtain government approval. On December 2, at a meeting of Treasury Board, a request was received from the Ministry of Forests that the Treasury Board direct the Ministry of Employment and Investment out of the Industrial Incentive Fund to CWL to enable that company to re-open its engineered wood product plant in Prince George which employed 120 persons. The terms of the proposed loan were discussed and Treasury Board decided to defer the question to Cabinet and the Ministry of Forests and the Ministry of Employment and Investment were directed to prepare for Cabinet's consideration a framework of policy considerations. The Hon. Paul Ramsey, though a member of Treasury Board, was absent from the December 2 meeting.

There was a meeting of Cabinet on December 3, 1997, at which time the December 2 Treasury Board item that was deferred for decision to Cabinet came up for discussion. Cabinet approved a \$4 million loan from the Industrial Incentive Fund to CWL, the loan to be at prime plus 1% and to be paid back over five years. The Cabinet minutes show 13 Ministers present at the meeting and three Ministers absent (including Ramsey).

On December 16, 1997, an Order in Council No. 1368 approving the loan by the Minister of Employment and Investment on behalf of the government to Canadian Woodworks Ltd. was ordered and approved by his Honour, the Lieutenant Governor.

B. The Member

Mr. Ramsey has been acquainted with Mr. Zwiers for five to six years and knew CWL as one of several important value added manufacturers in Prince George. He has worked closely with that industrial community and probably visited CWL's plant on half a dozen occasions over the years. He became aware of the company's financial difficulties early in 1997 following the destruction of the Upper Fraser Sawmill. There was a likelihood of bankruptcy and of closure of the company's operations with resulting unemployment of over 150 people. Ramsey, as one of the local members, felt that it was very important, if at all possible, to protect those jobs and, according referred Zwiers to the Job Protection Commissioner and urged the Job Protection Commissioner to give full and prompt attention to the company's problem since they were a major forest employer in the area. Referrals by MLA's by employers to the Job Protection Commissioner in such circumstances appear to be customary and proper.

Ramsey recalls, at a later date, that he, or a member of his staff, urged the office of the Minister of Employment and Investments to give prompt attention to the recommendations of the Job Protection Commissioner since it was his understanding that time was of the essence. In November, 1997 Zwiers made Ramsey aware of new financial difficulties and Ramsey again urged prompt attention and action by the Job Protection Commissioner and by the parties to the economic plan that the Job Protection Commissioner had developed.

Ramsey, though a member of Treasury Board, was unaware that the matter was on the Treasury Board agenda for December 2 and was absent from that meeting. He was also absent from the meeting of Cabinet when it considered the Report of Treasury Board. He played no role in the



decision making process of Treasury Board or of Cabinet in this matter. Insofar as Zwiers' contribution to the recall defence fund is concerned, it is Ramsey's evidence that he had no advance knowledge that Zwiers or his company were to be approached and no knowledge that a contribution had, in fact, been made until well after the decisions of Treasury Board and of Cabinet.

B. The Recall Campaign Contribution

The Hon. Paul Ramsey has been a Member of the Legislative Assembly for Prince George North since 1991. In the Fall of 1997, it became clear that a recall petition under the Recall and Initiative Act 1996 would be filed with a view to vacating Ramsey's seat. At that time, a group of Prince George citizens came together to form an organization they called Citizens for Recall Democracy to oppose the recall of their MLA.

Mr. Bob Steventon, a school teacher and long-time acquaintance of Ramsey, became his campaign manager and was later appointed by him as his financial agent. The members of the campaign committee, finding themselves in the unaccustomed role of having to seek campaign funds to oppose the recall of a Member in the first recall election there has been in this province, cast their net wide and approached organizations and individuals throughout the Prince George community. Zwiers was amongst those approached. There is no suggestion that it was suggested to him that a campaign contribution would benefit his company's need for financial backing. Zwiers asked Mr. Bob Martin (a member of the campaign committee) what others were contributing, received an answer, and said that he wished to talk to his partners. He left the room, conferred with his three partners, and returned with an offer of \$4,000 (or as he put it, \$1,000 each) to fight the recall petition and gave a cheque for this sum to Mr. Martin. At no time was there a discussion between Ramsey and Zwiers about a campaign contribution. At no time did Ramsey suggest to members of his campaign committee that Zwiers or his company should be approached: Ramsey first learned about CWL's campaign contribution in mid December (perhaps some 10-14 days after approval of the loan to the company).

Zwiers testified that he did not believe that this campaign defence contribution would have any effect whatever on the financial assistance from the Financial Incentive Plan, and, that in making the contribution he expected nothing in return.

I find the evidence of this witness and of the others who I have interviewed in the course of my investigation to be persuasive and credible.

In my judgment, the loan to CWL was the end product of a lengthy process of inquiry by the Job Protection Commissioner developed with the aid of Deloitte and Touche, an internationally noted firm of Chartered Accountants, initiated in May, 1997 and resulting in a mediation plan of considerable complexity between the following parties;

1. Canadian Woodworks Ltd.
2. Arnold Zwiers, Tony Zwiers, Jr., Ken Zwiers, Geraldine Zwiers and Tony Zwiers, Sr.
3. The Province of British Columbia through the Ministry of Employment and Investment.
4. The Province of British Columbia through the Ministry of Forests.
5. Forest Renewal B.C.
6. Bank of Nova Scotia
7. Zwiers Management Services Ltd.

Any suggestions that the loan was made or induced directly or indirectly by a campaign contribution is specifically contradicted by the evidence.

## **SPECIFICATIONS**

The request before me for a written opinion specifically alleged the following breaches of the Act:

- A. Section 3 - exercising an official power etc. whilst having a real or apparent conflict of interest.
- B. Section 4 - Improper use of insider information.
- C. Section 5 - using office to seek, for one's private interest, to influence the decision of another.
- D. Section 7(1) - Acceptance of a personal benefit connected directly or indirectly with performance of duties of office.
- E. Section 10(1) - Failing to follow statutory procedure for declaring a conflict of interest.

## **OPINION**

After careful consideration of all of the circumstances and pursuant to section 19(1) of the Act, I find that in respect to each of the specification (A to E) set out above, the Honourable Paul Ramsey, MLA, did not contravene the Members' Conflict of Interest Act and that he was motivated by a legitimate desire to avoid a major loss of employment in Prince George.

Dated this 14th Day of May, 1998  
in the City of Victoria, Province of British Columbia

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H.A.D. Oliver, Q.C.  
Conflict of Interest Commissioner