

Public Hearing: Department of Economic Development

The Chair: — I think we'll begin. Mr. Toth sends his regrets. He had a cattle problem yesterday and it wasn't quite finished this morning and he's on his way. But he will be late, so it would not be appropriate to wait for him any longer.

Welcome to the ministry of Economic Development and to everyone. We will begin again today as we did yesterday by asking the Provincial Auditor to give some general comments on this chapter. And then we will invite the deputy minister to make some comments as well. And then we will proceed with inviting members of the committee to address questions to the department.

Mr. Strelioff: — Thank you, Chair, members. Good morning. Again with me today are Fred Wendel and Bob Black; Tara Kucher is one of our new articling students, articling for her chartered accountancy; and today Rosemarie Evelt, a manager in our office who's going to lead us through our chapter on the Department of Economic Development.

Ms. Evelt: — Okay. Thank you, Mr. Chair, and members of the committee. Chapter 14 of our report contains our audit findings on the Department of Economic Development. This chapter begins on page 277.

The first section highlights the appropriation managed by the department and depicts the size of expenditures made. Payments to support tourism of 7.2 million and payments under the various business investment programs of 11.8 million are the most significant items. The department also raises approximately \$200,000 in revenue during the year.

Volume II of *Public Accounts* contains a more detailed review of the revenue and expenditures. In 1994-95 the department also managed the northern Saskatchewan economic development revolving fund. In 1995-96 the department wound this fund up and transferred the remaining loans to the department. The government published the financial statements for the year ended March 31, 1995 in part A of the compendium. And we found the rules and procedures to safeguard the assets of the revolving fund adequate and complied with the legislation.

Overall, we found the rules and procedures to safeguard assets and comply with legislation at the department adequate, with two exceptions. Our first audit finding begins at paragraph .07 and it states the department did not have adequate procedures for ensuring that the money it gives to Saskatchewan Tourism Authority is spent for the department's purposes.

The department pays 4.8 million to the Authority to carry out the department's tourism activities. These activities included the delivery of the Destination Saskatchewan programs.

Department did not ensure they had the authority to maintain adequate rules and procedures to achieve the department's objectives because it did not receive all of the necessary information from the Authority.

As a result of not following its procedures, the department could not determine if it has complied with the Destination Saskatchewan program regulations and if the money given to the Authority was spent for the department's purposes.

Our recommendation, noted at paragraph .15, states:

The Department should follow its procedures for ensuring the money it gives to the Saskatchewan Tourism Authority is spent for the Department's purposes.

We note that this problem has been corrected for 1996.

Our second finding in Economic Development begins at paragraph .16 and relates to the non-compliance to a Public Accounts Committee recommendation.

This committee recommended that monthly time reports for ministerial assistants should be certified by ministers and should show attendance and the executive committee activity undertaken to support the payroll payments.

The time reports for the ministerial assistants at the department did not show the specific activities that they undertook in the month. And our recommendation states that the department should ensure the time reports for ministerial assistants show the activities they undertook in the month. And that concludes my report.

Mr. Strelioff: — Thank you, Rosemarie. Mr. Chair.

The Chair: — Thank you very much. Before I invite the deputy minister to reply, I'm obligated to make the following statement for the record.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action.

In addition, I wish to advise you that you are protected by section 13 of The Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any (other) proceedings, except for a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I ask that 15 copies be submitted to the committee Clerk, who will then distribute the document and record it as a tabled document.

You are reminded to please address all comments through the Chair. Thank you.

And so, Deputy Minister, I invite your comments on this section.

Mr. Kirkland: — Good morning. Thank you. I have with me this morning also, Donna Johnson, director of administration in the department.

Regarding the two comments made by the auditor's office, the first was noted as corrected. And regarding the second, we expect that to be corrected in the very near future — in fact there's action being undertaken at this time.

Ms. Haverstock: — Yes. Good morning to the two of you. I have some, what may be considered rather specific but are more general questions, regarding the department in the year under review. And the first is regarding organization. I'll go through organization, the role of the department, measurement, and some specifics regarding the budget, and then a more general question about negotiating contracts out of the country.

How many assistant deputy ministers and executive directors are there in the Department of Economic Development in the year under review?

Mr. Kirkland: — The answer is four. It would have been Robert Perrin, Tom Marwick, Tom Douglas, and Peter Phillips.

Ms. Haverstock: — Now are there any other titles that are used that would differentiate people as top management and not be given titles as assistant deputy ministers or executive directors?

Mr. Kirkland: — Not in the year under review, I don't believe so.

Ms. Haverstock: — So these four people would have the role of assistant DM (deputy minister) and executive directors?

Mr. Kirkland: — Correct.

Ms. Haverstock: — Okay. What specific areas were each of these individuals responsible for?

Mr. Kirkland: — Peter Phillips was the assistant deputy minister responsible for policy and research; Robert Perrin was responsible for business and program management; Tom Douglas was responsible for investment services; and Tom Marwick was responsible for the cooperatives directory.

Ms. Haverstock: — Thank you. How many staff would report to each one of these individuals?

Mr. Kirkland: — Yes, we would propose to respond to that in detail later. We wouldn't have that information in front of us at the moment.

Ms. Haverstock: — Sure, and if there is anything else as well that I ask, it would be appreciated if you would make a copy for each member of the committee.

How would you define the role of your department? I'm specifically interested in whether you would define it . . . and I

know that there is a, you know, a mandate that's indicated and so forth, but how would you define it in terms of job creation and/or investment?

Mr. Kirkland: — We look at our role as working with stakeholders in the economy and providing a business climate where they're likely to grow their business or engage in expansion of their business; also a business climate which is conducive to attracting investment. And then we're also . . . we would work on various kinds of strategic initiatives to establish infrastructure so that businesses, singularly or cooperating as associations or as partnerships, could in fact expand.

Ms. Haverstock: — With regards to what you've just said then, I'm really very interested in how you measure whether or not success is taking place. I mean this is probably one of the most difficult things, is when we're talking about performance measures. And one of the things that this committee deals with on a regular basis and seems to come up regularly in the auditor's report is how important being able to measure objectives is.

And if I may, I just want to maybe give you a frame of reference here. I'm interested in how performances are measured, not only the department overall, but how you measure the performance of your staff. Is it with regards to the number of jobs that are created or the investment that's brought into the province, or are people perceived as more significant if they have more people reporting to them, that kind of thing?

Mr. Kirkland: — There is a number of items of economic data that we would track on a regular basis. Difficult for me at this time to really sort of go through them in detail. But very clearly we track jobs in aggregate as well as geographically, as well as sectorally.

Capital investment particularly is tracked, particularly with respect to the investment attraction side where we're looking at a number of companies in North America, Europe, Asia, etc., where we're in negotiations. So our success in that area is tracked.

Our department, I would say, would put a very low emphasis in terms of the whole business about how many people are reporting to a manager and that whole aspect; that we're much more oriented towards delivery of initiatives.

Ms. Haverstock: — While some may wonder why I'm asking this particular question in Public Accounts, you do have a budget and I'm really interested in your total administrative budget versus the number of project monies that you have to spend, okay.

And I know that . . . I mean we've got this kind of accounting here for the year under review where it says, you know, that the actual dollars of spending in administration actually went down from that which was estimated. But I'm quite interested in looking at what we've just talked about.

In other words, I would be very interested, in the year under review, the results that you've had in terms of your

performance measurements on numbers of jobs created and investment brought to the province — things that in fact you feel were successful and perhaps then looking at that relative to the dollars that were spent from your budget to accomplish that.

And then of course I would like you to answer the question which I probably know the answer to, but I'd like it anyway. Do you think that this ratio of the administrative budget versus the project monies is appropriate given what the result is? It's like a formula, okay, that you're getting X for projects and you're creating . . . or the result is Y, okay; but the other dollars that are being spent in the department — would you see that the ratio is appropriate given your experience?

Mr. Kirkland: — The ratio of the administration subvote to the total for the department in the year under review is slightly less than 10 per cent. And that ratio, were this a larger department, it's possible to have that ratio lower, but as the department has been reduced over the years, of course there are certain fundamental pieces one needs to do as part of administration; so that ratio tends to creep up. We're not concerned that this number, which is slightly less than 10 per cent, is excessive at the moment.

And you also asked another question, I believe, about some performance measures?

Ms. Haverstock: — Right, I am interested in . . . I don't expect you to have that information available to us this morning, but would be very interested in knowing that given the performance measures that you've indicated that you have in place, it would be useful to see the results and the dollars associated with those results. In other words, we invested X per cent of our budget and the result was Y.

Mr. Kirkland: — So you're asking for information on jobs created and increases in investment as related to how much of our budget was spent on those . . .

Ms. Haverstock: — Yes.

Mr. Kirkland: — . . . areas.

Ms. Haverstock: — And of course, something that seems to come up regularly in the media, and regardless of administration by the way, is about dollars spent on trade missions. And I'm wondering how you measure, how your department actually measures, the success of trade missions.

Mr. Kirkland: — That is a somewhat subjective issue in terms of . . . It depends over how many years you want to track it. In some cases we will have a success in any given year and if you look back it may have actually . . . you can look at it as like a sales cycle. You could say that the sales cycle may in some cases have started five years earlier; so it's always a case of how far you track it.

But these trips are very thoroughly organized and there is a very specific itinerary, and so it's very easy for us to specify what the expectations were, which firms were visited, and that sort of thing. And then one can at any point in the future go

back and see what the results were from a particular trip.

Ms. Haverstock: — So you actually have in the department a way of attempting to measure so the costs/benefits . . .

Mr. Kirkland: — We do not have a formal system specifically designed to measure the effectiveness of these trips. It's subjectively done.

Ms. Haverstock: — One of the other things that seems to come up a lot is the question of — and I have my own opinion about this — is the necessity for having a number of government officials present when there is a Saskatchewan business wanting to do business with a foreign country. And I mean I happen to know that in some countries it has tremendous influence because of just the nature of the culture and the way in which they view this, in many ways, as a proper diplomatic kind of behaviour.

But I'm just wondering what your department sees as the role of government when two businesses are wanting to negotiate, one of which is in Saskatchewan and the other one in another nation.

Mr. Kirkland: — Right. It's very much the case that outside of North America, and I would say even south of the United States, the general rule around the world is that you need to start these investment attraction and export development initiatives on a government-to-government basis.

For private enterprise to go and attempt to do it themselves is really in some cultures overtly disrespectful, which actually it turns out, I mean, it makes it a very long cycle. But it must really commence with a government-to-government relationship.

What we have done . . . but we look at that as a door opening. And over the years we have increased the extent to which these trips are organized in terms of taking Saskatchewan business people with us. In fact the experience from the year under review, some of the impetus for the establishment of the Trade and Export Partnership, which is now well under way.

So now on the basis of the experience here it's very well organized. Formal arrangements are made on these trips for Saskatchewan business people to attend with us. So we're well beyond the simple door-opening, and now we're actually transacting business.

Ms. Haverstock: — Well thank you very much. I'm sure that Mr. Munk can attest to the importance of having even ex-politicians do business in places like . . . especially when you're trying to take over the entire gold in the district.

Now what you will then do is to provide for us the information that you are unable to respond to today. That would be great. The staff that report to the assistant deputy ministers and executive directors and so forth, as well as any information that you have about performance measurement. It would be most appreciated. Thanks.

Ms. Stanger: — Mr. Chair, Mr. Auditor, and people from the Department of Economic Development, I was very pleased to note that you followed some of the instructions — or recommendations, I should say — of the auditor; that your board membership now includes the deputy minister of Economic Development which, I think, was a good suggestion; that your cash flow statements are quarterly statements to date; and the Destination Saskatchewan regulations, that you're going to review a sample of payments under the Destination Saskatchewan programs to comply with the auditor's suggestions.

Also I just want to say a word about the Saskatchewan Tourism Authority. I have attended a few of their seminars when they have invited us, and I'm just really pleased at what is happening with the STA (Saskatchewan Tourism Authority). And I have noted that other provinces are very interested in following this model. I think working with the private sector and the government sector in partnership . . . and actually when you look at the amount that the government has put into STA — \$4.8 million — I think that is a small investment in the return that we are getting in tourism in our province.

And I think that this summer . . . If you could just make a comment on the Saskatchewan destination program, if you have some information on that. I think by all, any criteria that I can see, that it was very successful, one of the objectives being in keeping Saskatchewan people spending money right in Saskatchewan.

And like I said, I'm very impressed with the STA, the work that the private and the public sector are able to do together, and some of the results.

Mr. Kirkland: — I can't comment specifically in terms of specific data on the success of the destination program. Perhaps in responding to the earlier request for information on the jobs and investment, we could comment as well on the effectiveness in that area.

Generally speaking though, we are very, very pleased with that partnership. It's proving to have a higher level of private sector interest than we expected; so they're above target there. And a lot of the data is showing that the interest in tourism in Saskatchewan is growing quite rapidly.

Ms. Stanger: — That was one of their prime objectives, is to get more involvement locally. Could you make a comment on national involvement, if you see an increase in tourism nationally?

Mr. Kirkland: — I don't have any statistics in front of me, and I recall reading a number of items where there were some plusses and some minuses; so I don't have anything specific to offer on that.

Ms. Stanger: — Well I just think though, that the partnership is working extremely well. And from what I can gather from the information I've gotten from STA, tourism is definitely a growing industry and a great part of economic development actually.

Mr. Kirkland: — Yes, we look at tourism in terms of the decades to come. Tourism is one of our major growth opportunities. And the other major opportunity, if we had to pick just two, would be in the whole area of food.

If you look at what's happening in the world economy, tourism is now probably the number one industry in the world. It has a total value of in excess of a trillion dollars a year. And the food markets, particularly of course because of the rising incomes in Asia, the food markets show fantastic promise for Saskatchewan.

Ms. Stanger: — That's why I was so impressed with the ability of the department to get STA and get all the players together, which there were three major. And that wasn't an easy task. But I think that the private and the public sector has done this very successfully.

Mr. Kirkland: — Yes. We're very pleased with the partnership.

Mr. Toth: — Thank you, Mr. Chair. In the spring report under the introduction, item .02 talks about the fact that STA receives about 35.3 million from general revenue for its programming, to spend on its programs. It also indicates that you raised .2 million of revenue, or \$200,000 of revenue, and I'm wondering how that was received or where that revenue would have come from and what it was utilized for.

Mr. Kirkland: — Yes. In the year under review, something slightly less than \$80,000 was transfers from the federal government. And we also had . . . Another example of some items — we had secondments of some staff so we received compensation from other departments for seconded staff, which was counted as a revenue.

Mr. Toth: — That would have been 120,000 then, roughly?

Ms. Johnson: — It was broken up quite a bit, I mean the 200,000 in revenue that we got came from four sources. Less than 80,000 from the transfers from the federal government, which would have been some of the cost sharing that we had with the tourism WEPA (Western Economic Partnership Agreement) program.

And then we had a very small amount of money, almost less than 20,000, coming in the form of interest and foreign exchange. When we had some trips going to other countries there was some foreign exchange differences, and some interest on some of our smaller community bond investments.

And then we had some very minor sales of publications and that sort of thing. So all of our revenue was very insignificant.

Mr. Toth: — How much would have been staff secondments?

Ms. Johnson: — Well it would have been less than 80,000; I don't know exactly.

Mr. Toth: — And so where would these staff have come from?

Ms. Johnson: — They were our staff but they were seconded out.

Mr. Toth: — Oh, so they were staff that you had sent out?

Ms. Johnson: — Yes, so we were reimbursed for the cost of their salary.

Mr. Toth: — So where would they have moved to?

Ms. Johnson: — I'll have to check the records. I don't have that information available.

Mr. Toth: — Okay, if you wouldn't mind, please.

Mr. Kirkland: — I'll provide that information.

Mr. Toth: — I note that tourism was allocated \$7.2 million, and I'm wondering how this is split between projects or administration within the department itself and the new tourism agency partnership.

Mr. Kirkland: — Of the total of the 7.2 million, 4.8 million was a grant and 2.4 million were expenditures within the department. You asked in terms of a breakdown by project; we would be able to more easily provide a breakdown by a program, if you would like. It's difficult to break it down by project.

Mr. Toth: — You say 2.4 is programming?

Mr. Kirkland: — Yes. We have a WEPA program and a destination program. There'd be a number of other programs which we could provide a detailed breakdown of.

Mr. Toth: — Could we have that breakdown even by program . . .

Mr. Kirkland: — By program, sure.

Mr. Toth: — . . . just to follow up and maybe get some information on them.

Are any funds directed to the new tourism agency partnership, and do you get any contributions from private sector partners to this tourism agency?

Mr. Kirkland: — In the year under review there was no contribution from the private sector. That came in subsequent years.

Mr. Toth: — That came later?

Mr. Kirkland: — That came later, yes.

Mr. Toth: — I note that we've got expenditures to diversification, business and economic development, and business investment programs. I'm wondering if you could just give me a bit of an idea of what types of programs we have — diversification programs or the three different ones I've mentioned here and how the funding is allocated to these

programs.

Mr. Kirkland: — In terms of how the money is allocated between the subvotes that you noted, this is a part of the annual budget review of course, where we look at the various priorities. And from year to year the allocations between these subvotes tends to change fairly subtly. All the areas noted have been long-standing areas of economic development programming.

Diversification of course, we work on various kinds of . . . work with specific industries as well as work on development of sectors. We have the investment attraction, which was mentioned earlier.

In the community economic development, we're at this time working on the development of the regional economic development authorities which expanded in subsequent years.

Beyond that kind of general response, if you wanted more detail, we would have to do some homework on it.

Mr. Toth: — So basically what you're saying, funding can vary from year to year in any one of these projects?

Mr. Kirkland: — Yes.

Mr. Toth: — Would it be possible to give us an idea of what types of funding would go to what types of projects, say for diversification and economic development, to see where its expenditures are?

Mr. Kirkland: — Yes, we'll be able to provide you with more detail in those areas.

Mr. Toth: — I notice you have a column titled, other, and there was an estimate of \$2.8 million for other projects, actual expenditure of 1.6. What types of projects would fall into that category of "other" and why do we have specifically a column like this when we've got so many other programs already in place?

Mr. Kirkland: — That wording, chosen by the auditor's office, would refer to the subvote in our records which is described as northern Indian and Metis economic development.

Mr. Toth: — Okay. So all the funding goes into that, has been going into that program, northern . . .

Mr. Kirkland: — That's the 2.8 million that's referenced, of which, you know, there was 1.3 million underspent in the year under review.

Mr. Toth: — Mr. Chairman, I do have three or four more questions, but I also got a note that I've got someone waiting at the door. Can I just speak with them for a minute?

The Chair: — Certainly.

Mr. Aldridge: — Good morning to the deputy minister, and the minister and his official. Earlier you had mentioned certain

countries where it's all . . . not a prerequisite, I guess wouldn't be the correct word, but customary that the government would deal with another government authority in establishing trade relationships. I wonder if you could list those countries for us here this morning. Would you have some idea for us of which countries those might be?

Mr. Kirkland: — The countries we would have visited in '94-95?

Mr. Aldridge: — Of which countries that you have established that it's essential that there be a government-to-government interaction in order to establish trade.

Mr. Kirkland: — I would not be able to do that at this time, but I would, could offer that in a detailed response in terms of, I can consult with our professional staff and get their advice in terms of countries that, in our judgement, operate in that fashion.

Mr. Aldridge: — In terms of the exports out of the province, how many hundreds of millions or billions of dollars per year are we speaking of overall? Would you have some figures, as a department, in hand on that?

Mr. Kirkland: — Yes, we certainly would. Off the top of my head, I'm not getting a definitive answer. We certainly would have detailed records on that.

Mr. Aldridge: — Would you be able to then ascertain or attribute a certain amount of that export income as a direct result of efforts of your department in promoting trade? Have you ever attempted to do something like that in establishing some sort of a benchmark as to whether you're making any progress; whether it's of benefit to exporters in the province to have your assistance or not?

Mr. Kirkland: — Yes. We would be able to point out specific examples of expansions in particular industries and also in particular companies as a result of our working with them in partnership.

Mr. Aldridge: — But as a percentage of the total export sales in any given year from this province, you would not be able to say that as a result of our efforts in enhancing exporters' efforts, \$100 million or whatever the figure may be, could be related to what our efforts have been in conjunction with private industry.

Mr. Kirkland: — We would like to be able to, but our judgement is that no, that would not be possible. There are so many other factors in any given year. And the base of exports is, you know, it's really based on our fundamental resources — agriculture, energy and mines, and our forestry.

So in any given year it would really be a very, very subjective judgement in terms of assigning some portion of that exports to prior year's activity by the department. I believe that would be an exercise in . . . It wouldn't be a fruitful endeavour in our point of view; although I do very much like the idea of us challenging ourselves to make sure that we have in fact effective export promotion programs.

But to actually take a specific portion of any given year and say, you know, of the X billion, a half a billion was due to our programs, I doubt that we could ever get there.

Mr. Aldridge: — So then it's pretty much safe to say then that any sort of measure of performance is pretty much of a testimonial nature really then with respect to what your department's activities are?

Mr. Kirkland: — Yes. I think you really have to go back to the . . . to more specific events, you know, particular firms that establish in the province or the analysis, which I mentioned earlier on, analysis of specific foreign trips. You need to go to that kind of data I think, to be able to . . . And then you really have to make a judgement based on that kind of evaluation of what the productivity of it . . . I think an overall, aggregate analysis is going to prove to be very debatable.

Mr. Aldridge: — Has your department ever undertaken to determine the effectiveness of your own department's initiatives on their own in conjunction with private trade versus the Team Canada approach, where you're also participating? Which have you found to be the most effective means of enhancing trade for the province?

Mr. Kirkland: — We now operate on the basis of a Team Saskatchewan approach. Now the foreign trips, as a result of the experience over the years including the year under review, we now operate with . . . where we set these trips up. They're planned in advance; the itinerary is packed full. And then we . . . The majority of the entourage, if you will, is actually composed of private business people who pay their own expenses. So I think the testimony is right there.

We have learned over the years, how to make these events more productive, and I think we have shown that this Team Saskatchewan approach is more cost-effective.

Mr. Aldridge: — I was wondering, in terms of the department, any sort of pre-recognizance I guess, if you'd call it that . . . when you're going into a specific region or specific country, does your department attempt to determine whether or not there are already Saskatchewan exporters active in that market, and by you entering that market with others you're really, for all intents and purposes, doing nothing more than just dividing up the pie in more pieces; not really serving to enhance the total export dollar?

Mr. Kirkland: — Yes. We have . . . The staff in this area . . . Of course many of the staff have been involved in this program area for a number of years. They have in-depth knowledge of the firms as well as the particular economies. We also work very closely with the federal Consulate General and embassy services. So our reconnaissance these days, I think, is actually quite good.

As to whether or not — in taking someone over on a Team Saskatchewan, whether or not we actually are taking some firm in that may displace an existing Saskatchewan firm — in the months that I've been in the office, I haven't heard a single complaint in that area. I'm not saying that it hasn't happened.

But it is interesting; your question raises in my mind . . . I have no information; I've never heard a complaint on that.

Mr. Aldridge: — Well I do know of specific examples where that has been the case in years gone by, so I would hope as part of the department's initiative that they would try and undertake further to determine, in advance of going to specific regions, whether or not they're just going down the same path that's already well-worn by other Saskatchewan exporters.

Because many of these countries in the world, that is actually the case; although those comments would have to be more commodity specific, I guess. I'd have to qualify it. But certainly there are well-established markets for certain of our Saskatchewan goods throughout the world. And I do know of examples where it was . . . One, for example, since 1991, one particular exporting firm, ever since having provided a certain amount of information to the department, has had representatives of government and other competitive firms stopping in to visit their sales agent ever since, on a fairly regular basis. So these sorts of . . .

It leads me to another question. In terms of the information that's gleaned from the travels, the trade information that you develop in terms of profile in any given country and customers therein, for how long is this kept confidential? Is it specific to whatever company you may have taken with you on that particular mission, or does it become public information to anybody right at that point that you've discovered it? Could you make some comment about that.

Mr. Kirkland: — Generally the information that is involved is shared amongst the parties participating. The aspect of information that would be kept confidential would relate to a particular, sort of planned or existing transactions. You know, if someone is looking at an investment opportunity or they're looking at establishing some kind of export contract or something, of course the details of those specific business transactions would be kept confidential.

But most of the general information is shared. Having gone on a couple of these myself, my assessment would be that the information is shared as opposed to retained as confidential.

I wanted to comment earlier on the issue that you bring up regarding displacement, you know, where we would be working with Company A, in let's say a place like China or something, and then only to discover that in fact Company B had already invested a significant amount of time and it was established and was fearful that Company A, with the help of the government, was going to displace their position in the market-place. I would be interested in learning more from you on that.

I'd mentioned earlier that when we work on this kind of program area, we start out with a government-to-government event, which then the desire here is for that to progress as quickly as possible. But typically this takes two or three years at a minimum for that to progress to the point where in fact our firms are transacting business in a foreign country with very minimal, you know, support from the provincial taxpayers.

For example, with respect to Japan, we have a number of firms now, of course, who are transacting business in Japan as a result of work that's been done in the years past. And they do that, you know, as we're sitting here today, essentially on their own.

What we're encouraging them to do is to begin to recognize that as exporters from Saskatchewan, on a world scale they tend to be very small players. And there is a tendency in this province for people to — even when they're going to foreign markets — to look at their next door neighbour. You know, if they're producing some kind of product and there's somebody else somewhere else in the city producing it, they look at themselves as competitors for, let's say, for a Chinese or Japanese market.

We're trying to encourage them to look at themselves, at both being small, to come together in order to build export — to look for the win-win opportunities rather than try to bootstrap themselves as very small exporters into this world market.

So I think, you know, over time the firms operate autonomously, and we're trying to encourage them to look at cooperating themselves without the government putting together Team Saskatchewan — have them, as industries, work together to expand their markets.

It is very common in our economy for firms to, you know . . . You can be a big player in Saskatchewan, in Saskatchewan terms, but when you get on the world stage, you know, we are really . . . we have many great firms who on a world scale are infinitesimal. And so the idea . . . It's a new way of looking for them to think about cooperating. Whereas if you look at some other countries — the Scandinavian, some of the European countries — the industries are much further progressed in terms of cooperating on capturing exports.

Mr. Aldridge: — Would your department ever consider to recommend to the government then at some point in time to promote the establishment of exporting cooperatives? Because it sounds to me that if your direction, without officially having that as policy, is taking some of these smaller exporters in that direction already, is that something that we could see in the future?

Mr. Kirkland: — Yes. I don't know as to whether we would be specifically an export co-op, although that's clearly an option. But that is our general direction now in terms of developing the export capability of our firms, is in fact to get them to . . . We're moving towards working with them as parts of associations or partnerships and away from the relatively more expensive individual firm attention. So our programs worked at looking at developing our firms. We are looking at doing that in groups.

Mr. Aldridge: — In the efforts of your department, do you promote actively the use of brokers or sales agents or trading houses or all three of those types of companies or individuals to exporters from this province? Or would-be exporters, the kind that want to be exporters, I guess would be the way to term them. Are those avenues that you point them in the direction of

actively?

Because certainly there are many of those individuals and companies out there and perhaps they would be best suited to steer them past the land mines that exist in the terms of the world trade.

Mr. Kirkland: — Yes. We very much do that working with the trading houses. These days that's often the only way to establish initial sales. But I would point out that, for instance, that in a country like Japan, Japan is beginning to recognize that, you know, in many cases to get a product from production in Saskatchewan through to consumption in Japan, it goes through a number of phases. You know, what we in this province probably call middlemen.

So it goes through a number of trades and they are recognizing that that is affecting . . . in terms of their retail sector, it's very low productivity because of all that complicated process.

And in recent meetings with a number of the trading houses — I'm particularly thinking of ZEN-NOH (National Federation of Agricultural Co-operative Associations) from the big cooperative trading house in Japan — they are talking about moving towards more of the traditional North American approach which is to minimize the middlemen.

So over time, I think that is going to be a very dynamic area where we're going to need to be able to follow the evolution in these economies to make sure we can continue to develop our exports. So we use trading houses now but over time I expect that to diminish.

Mr. Aldridge: — Just one more question if I could. It's with respect to your efforts, and then now there are efforts on the part of other departments, for example Agriculture and Food, in terms of trade initiatives. In your opinion, are these efforts well coordinated enough? Are both of your departments working hand in hand on these initiatives? Or is there further work that's required there so we never get into a situation where there's significant and unnecessary overlap of initiative?

Mr. Kirkland: — Yes, I would say that our level of cooperation is quite satisfying, particularly between Agriculture and ourselves. I'm aware of, from time to time, we will have particular areas that we want to pursue. For instance, Minister Upshall will be in the Orient and he will help us out. And later on . . . for instance, the minister recently had an extensive trip to Turkey and a number of countries in Europe, and when we were there we had a number of agriculturally related items. So that cooperation, I believe is quite effective.

Mr. Thomson: — Thank you, Mr. Chairman. Welcome, Deputy Minister, and staff. It's nice to have you here, particularly because things are going so well in the economy right now. And I just want to ask you a few questions, I guess to help put into perspective some of the questions opposition members were asking about the benefits that we're seeing from this government's policies and the department in general and their activities.

And particularly in terms of international trade, I know there's been a fair amount of discussion on this. I was reading the *Sask Trends Monitor*, taking a look at the 1995 year totals. I was impressed to see that over the previous year, over 1994, that we had seen an increase in our international balance of trade of almost 1.3 billion and an increase in our total international trade of 1.6 billion.

And I was just wondering to what extent do you see this trend continuing, and in terms of the benefits of some of the initiatives that have been undertaken in previous years by this government. I mean, is this what we're starting to see as sustainable growth in this area?

Mr. Kirkland: — We certainly hope so. A certain amount of the expansion in trade revenues has been due in recent years to price increases of course, and some of it has been also due to increases in tonnages. The Saskatchewan economy is . . . it's a big challenge to grow the economy, because of course you have these base commodities moving which are the great bulk of exports.

And then on top of these big bulk exports you have these promising little niches which we're developing. And the growth rate in some of . . . you know, like in agriculture equipment, you know we're even exporting clothing now and those kinds of things.

If you go into some of these little niche areas, the rate of growth there is really very promising, but of course it's going to be . . . you know we're going to have to sustain our efforts and work for a considerable period of time before those niches come anywhere near to being a significant portion of the base.

I mean this is still fundamentally a resource economy, and of course . . . so what our challenge is, to take our expertise in that resource economy and lever it into higher value added products. And so that's something we're going to have to keep our nose to the grindstone for another generation, I would say. Very promising results to date, but you know it's far too early to rest on our laurels.

Mr. Thomson: — No doubt. I was interested also to read, in terms of manufacturing shipments — and I guess the output that we're seeing in our economy, the rather substantial growth over both 1994 — we saw roughly, according to my figures, about 7 per cent growth, looking at *Sask Trends* figures, and almost 30 per cent over the year 1993. And what I was even more impressed, was the fact that we saw a growth in 9 out of 10 of the sectors that they measure.

Is this something that you see continuing? Are we going to be able to . . . this is not in fact a case where we're seeing winners and losers among the categories, but rather a pace of stable growth in all the categories.

Mr. Kirkland: — Yes, we look at it as being very promising. We have success across the sectors. The export readiness, the marketing programs, the management of the firms, all of these various areas are improving; so we are expecting this to increase.

In fact now, you know, success brings with it other problems. And one of the challenges we have now of course, is ensuring that we have adequate skilled workers to support continued growth in these sectors. So one of our challenges now is training programs.

Mr. Thomson: — Mr. Chairman, if I could ask the deputy, I'm interested in terms of the relationship between the Department of Economic Development and the Department of Finance on things like tax policy. Could you explain to me the relationship there? I know both have a unique role. Could you explain to me, I guess, Economic Development's role?

Mr. Kirkland: — Yes, we have a very close working relationship with Finance on the tax policy, and that's a matter of regular . . . Every year we have a number of areas where we work. And we in our department engage actively in the debate in terms of wanting to make sure that not only do we pay attention to all the normal areas of fiscal responsibility, but we also very carefully address the effect of taxes on various kinds of business decisions. So yes, we are very actively engaged in that.

Mr. Thomson: — So within that then, do you also take a look at what happens in terms of our tax policy versus other provinces? I'm thinking in particular of a situation . . . I realize you're likely busy with policy and don't spend a lot of time worrying about politics and the position of opposition parties, but I note that both of our opposition parties support a harmonized sales tax in the province under an initiative very much like what has happened in Atlantic Canada. Now from what I've read, we're starting to see some reverberation in terms of the problems that they're having in their retail sales economy.

I note that here we've seen remarkable growth over the past five years at least, of this government's administration, recovering from the massive slump that happened in the retail sector when the Tories were in. And I'm just wondering, is this an issue that Economic Development would look at or is this something that we should be, I guess, asking the Department of Finance about?

Mr. Kirkland: — The harmonization issue is really . . . our judgement is that that's a very broad government issue and we're not currently engaged in analysis of that.

Mr. Thomson: — Okay. I'm not sure I have any other questions at this point, Mr. Chairman. But I thank the deputy for his answers.

Mr. Toth: — Thank you, Mr. Chairman. It's always interesting to have Mr. Thomson enter the debate and . . . (inaudible) . . . to point out the political achievements that we've so rightly achieved. I appreciate the deputy minister's comments about the fact that our economy does go up and down; this resource-based economy isn't always that easy just to maintain. And if Mr. Thomson thinks that we've got a rosy economy, come out and see what the agricultural sector is facing right now. It looked bright in the spring, but it certainly isn't quite as rosy and bright today as it was six months ago.

But coming back to the auditor's report here. Items .07 through .14, the auditor points out a few things about . . . the department has set up procedures to ensure that its money given to the tourism . . . STA is spent for department purposes. But he points out that he did have some checks and balances in there.

And I note in .10 and .11 that you did have an employee on the board to monitor the activities. However, in January '95 this employee left the department and to date . . . or based on the report that we have in front of us, there wasn't anyone appointed to replace the employee, to explain what has been transpiring and whether or not the funds that have been going to the Saskatchewan Tourism Authority have indeed been properly applied and spent appropriately.

I'm wondering if you could just explain why this employee wasn't . . . or why there wasn't another department person put on the board to make sure that . . . and to monitor the funds that were being given to the STA.

Mr. Kirkland: — Yes, the person moved out of the department and actually stayed on the board. What had occurred was really not adequate maintenance of the processes of getting information from the Authority to the department. The deputy minister, now of the department, is on the board. We get regular quarterly reports. And of course the other aspect of sampling of payments from the destination program, that's been completed as well.

Mr. Toth: — So as it sits today, you do have representation on the board to indeed follow through on the procedures that were put in place to monitor the funding and to make sure that those funds were appropriately expended.

Mr. Kirkland: — Yes, we believe we've got something which thoroughly addresses the issue identified.

Mr. Toth: — And item no. .12 talks about the department not ensuring it received all required reports from the STA. The department has an agreement with STA requiring the STA to provide quarterly cash flow statements. Are these now being followed up as well, based on the most recent information that you would have?

Mr. Kirkland: — Yes, they are. We get regular quarterly reports.

Mr. Toth: — And items .13 and .14 regarding details whether projects given Destination Saskatchewan funds qualified under criteria for the program. Have these projects been investigated to ensure they qualify and do you intend to pursue companies that do not qualify to repay wrongfully acquired funds?

Mr. Kirkland: — We did an 18-month, as it turns out — we did more than a year — we did an 18-month audit on the program and we're very satisfied with the results.

Mr. Toth: — Okay, thank you. Ms. Stanger mentioned that she did cover a number of points. I'm wondering if she covered the last point about the department ensuring the time reports of ministerial assistants show the activities they undertook in the

month — they undertake in any given month. That's item .19; that's my last question.

Mr. Kirkland: — I had indicated earlier that action is under way at this time to address that issue.

Mr. Toth: — I'm wondering, why was this requirement overlooked? And you've indicated that action is being taken at this time, but why was action not taken earlier when that was a requirement?

Mr. Kirkland: — We're somewhat hesitant to duck, but we look at this as an Executive Council issue. And I think it's really government wide; it's not just a particular department. And so as a government-wide issue, this is, we believe, most appropriately addressed by Executive Council.

Mr. Toth: — Okay, I appreciate that. I can appreciate why your hands may be tied at times. Thank you.

Ms. Stanger: — Mr. Kirkland, I was just wondering about post-secondary jobs and training and the cooperation that you would embark on with Post-Secondary Education and Economic Development. Is there quite a tie-in?

Mr. Kirkland: — Yes, we have a good working relationship there. There has in recent years been some staff that have gone from our department to their department, which of course improves our communication and our working relationship. So we have a very close working relationship and items of policy on post-secondary education. We are regularly asked to offer our views on those.

Ms. Stanger: — It would seem to me this would be a natural webbing between departments.

Mr. Kirkland: — Yes. We look at the issue of adequately trained, skilled workers as being essential to continued economic growth. And so in that sense we very, very clearly share common objectives with the department.

Ms. Stanger: — I think that you're right about that. I mean that is one of the top priorities of any company establishing in a jurisdiction, is access to highly trained, skilled workers.

Mr. Kirkland: — Yes. Last week I was in Toronto and we were discussing a particular project with IBM, for example. Of course they're very knowledgeable about the information technology sector.

And information technology, they look at that as being the number one issue now — just as an example. There are in this province at this time hundreds and hundreds of jobs wanting information technologists. So that's a big challenge for us, a big opportunity. But training is very important.

Ms. Stanger: — Yes. Thank you.

The Chair: — I am at the end of my speakers' list. If I see no other people who are going to ask questions in general, we'll proceed to deal specifically with the two recommendations.

Recommendation .15 on page 279, I believe what I heard in the discussion is that we concur with the auditor's recommendation and note the department's compliance. Is that agreed? Agreed.

Item .19, that we concur with the auditor's report and note the progress as outlined by the deputy minister? Agreed.

I would like to thank you very much, Mr. Kirkland, and your assistant for joining us here today. As you noticed, I allowed the discussion to be fairly wide-ranging, but I think it's very important for the members of the committee to have greater insight into the workings of your department so that we can conduct our affairs. And I thank you very much.

Ms. Stanger: — I'd like to thank Mr. Kirkland and his assistant — I forget your name. What was the name again? Donna Johnson. Sorry about that, Donna. I should have written it down — for coming and sharing your expertise today.

The Chair: — I would like to have the committee recess then until 1:30. But I would also make note that the official photograph is due here at 1 o'clock, so the committee will resume its work at 1:30 but all the members appropriately should be here at 1 o'clock in this room. Thank you very much.

The committee recessed for a period of time.

Public Hearing: Department of Highways and Transportation

The Chair: — Ladies and gentlemen, we will reconvene. First of all, welcome to the members of the ministry of Highways. The procedure that we've adopted for these committee hearings is to invite the Provincial Auditor to give his comments on the general section; to then invite the deputy minister and officials to give a general response, and we open it up to committee members in a general sense to ask questions and direct questions to yourself. Please feel free to ask any of your officials as well to answer as you see appropriate. And then in the latter part of the section, then we go through the specific recommendations in order.

So with that in mind, I would like to invite the Provincial Auditor to initiate the discussion.

Mr. Strelioff: — Thank you, Chair, members, and good afternoon. With me today again are Fred Wendel, and Bob Black; as well as Cathy Klisowsky, an auditor with our office. This is the first time she's been to a committee meeting. And Judy Ferguson, an executive director with our office, and she's going to lead our discussion on the Department of Highways. Judy.

Ms. Ferguson: — Thank you, Wayne. Chair, members, government officials, my job, as Wayne said, is to provide you with an overview of chapter 19 of the spring report. What I'd like to do is to draw your attention to, firstly, table 1 in that report that's on page 315.

What's interesting about that table is that it shows you that for transportation expenses, that the department basically handles

about 85 per cent of the government spending on transportation, and that about — or 87 per cent — and that the Municipal Government handles about 13 per cent. So that there is basically a shared responsibility for transportation and that Highways carries the lion's share of that responsibility.

As you're also aware, that the department manages the \$6 billion investment in the highway infrastructure, and besides managing the appropriation, it manages the revolving fund and the Transportation Partnerships Corporation. The corporation was inactive at the time of the 1995 audit.

Chapter 19 reports on the results of three audits that we did at the department and it also provides you with the status of the recommendations that we made in a 1992 audit on their surface repair maintenance plan.

For the department you'll find that what we've . . . We've concluded that the department had adequate rules and procedures to safeguard and control its assets and to comply with the law, with three exceptions, and we point out those exceptions in paragraphs .14 to .32.

In paragraphs .14 to .20, we note problems that the department encountered in 1995 in preparing its interim financial reports. Some of these problems linked into a new computer system, which I'll talk about briefly later on. And those computer systems were used to track and record activities of the revolving fund.

Due to the implementation problems encountered in its computer system, the department didn't have reliable financial information for its department activities. And we also noted that the department's policies and procedures used to prepare accurate and reliable interim financial statements weren't adequately documented at that point in time.

We think that this contributed to inaccuracies noted in the interim financial reports, and that, as always, management always needs accurate and reliable information to make decisions. You'll notice that in this section we draw to your attention that the department exceeded its 1995 appropriation and as a result it could not comply to The Financial Administration Act.

To avoid similar problems in the future, we recommend that the department should clearly document and follow rules and procedures for preparing interim financial reports.

Moving on, in the next section, .21 to .28, we note that the department didn't comply with established government purchasing policy in its own purchasing procedures. We think that sound purchasing procedures help ensure that the right goods and services are purchased at the right time and at the right price.

In this section we recommend that the department comply with the established government purchasing policies and comply with its own procedures.

Moving on to the next section, we draw to your attention a

matter that links to a previous PAC (Public Accounts Committee) recommendation. In this section we note that the department didn't comply with a recommendation that this committee made on ministerial assistants. This committee recommended ministerial assistants submit time reports each month. The minister responsible should verify these reports and the report should show both the attendance and the activity undertaken by the assistant.

We noted that the department employed ministerial assistants in '95 and that their monthly reports did not show the activities undertaken. And also we noted that the supervisor that headed up the ministerial assistants signed his own time report.

As a result, we're recommending that the department ensure that all ministerial reports show the activities undertaken and that they be appropriately certified or signed by the appropriate person. In the case of the supervisor, that would mean that the minister would sign for the supervisor's report.

The next section of the report deals with the revolving fund's activities. We conclude that the 1995 financial statements are reliable, and we conclude that the fund had adequate rules and procedures to safeguard its assets and to comply with the law. And again we note three exceptions. And these exceptions are set out in paragraphs .35 to .54.

In paragraph .35 to .40, we describe numerous accounting problems that occurred in 1995. And we note that the staff assigned to the fund need better direction and guidance in the form of accounting manuals that clearly define the rules and responsibilities and clearly define the accounting policies and procedures to be used for the fund. We think that staff need a good understanding of both why and how they're supposed to be doing accounting procedures. This would reduce the risk of errors and any breakdowns in controls.

In this section we recommend the department update their accounting manuals for these areas. And we also recommend that the department submit their fund's financial statements to Treasury Board on a quarterly basis. This didn't occur in 1995 due to some problems encountered.

In the next section, paragraphs .41 to .50, basically in that section we talk about problems that the department encountered in developing a new computer system and some results of those problems.

In 1995 the department started a new computer system. It used the system to record revenue, inventory, and capital asset transactions for the fund. The department did have and does have established rules and procedures for developing new computer systems. Unfortunately, in '95 it didn't follow all of them.

It encountered some problems in the development and implementation of these new computer systems. And as a result of those problems, it couldn't record some essential information, and the ripple effect was that it couldn't produce interim financial reports for about six months.

Accordingly, we recommend that the department comply with its system development controls that it has in place. And we also recommend that when they are undergoing system development, that it appropriately restrict access to its computer systems; that even during that period of time that access is appropriately restricted.

The last point that we raised with respect to the fund is one that we note that the existing financial systems that the department uses for the fund do not prepare financial statements efficiently.

The computer systems at this point in time are fairly old. They don't work well together. And as a result, it requires a lot of manual intervention, manual transactions, etc., to actually produce financial statements and financial reports for the management of the fund.

As a result, we recommend the department formally define and document its reporting requirements and assess the cost-effectiveness of the accounting system for meeting its needs.

The next section, paragraphs .55 to .60, relate to the Transportation Partnerships Corporation. As indicated earlier, this corporation wasn't active in the 1995 audit year. In this section we note that the department didn't table a report that was required by The Crown Corporations Act. This report . . . the Act requires that they table a report that sets out the name of the corporations, the object and purpose of the corporation, and location of the head office.

We recognize that the Assembly did discuss this corporation in its proceedings, the existence of it, but our office feels that it is important that the report be provided as the law requires. As a result, we recommend that whenever Treasury Board Crown agencies are created under The Crown Corporations Act, that the minister responsible, whoever that is, should table in the Assembly the report that's required.

In our 1996 audit we did note a number of areas where the department has made progress and improvement in the matters that we have reported. And you may want to ask them about those, progress and improvements that they've made.

The last section of the report deals with the surface repair maintenance plan. This is not an audit. Rather it is follow-up work that we've done to determine what the status of the progress that the department has made in this area. This links to a 1992 audit that our office has completed. In that audit we made a number of recommendations and those recommendations are set out in paragraphs .64 and .65. And I'll just quickly read through them.

The first one is that the department:

... should document the knowledge possessed by its senior staff and address the future need for more formal communications and reporting strategies before these staff retirements occur.

The reason that our office made this recommendation was that

we recognize the demographics of the department. We also recognize that they were undergoing a lot of change in both terms of . . . changes in how they do things and their organizational structure. So we felt that it was important that the knowledge possessed by a number of key people in the department was somehow captured and transferred to other people.

We are pleased to report that the department has made progress in that area; that it has documented a lot of the knowledge possessed by some key people within its department and has also set up means to transfer that knowledge by working in teams and in its reorganizational structure, in the means it's doing that.

There's three recommendations set out in paragraph .65 and they relate to the surface repair maintenance plan more directly. In it we recommend the department should set performance benchmarks for maintenance activities and compare those benchmarks to actual results.

The department should prepare its maintenance budget based on current highway conditions, technologies used, and related highway construction activities. And lastly, the department should assess over the next few years, the effect of its maintenance activities on maximizing the service lives of the highways.

Again we're pleased to report that the department . . . we feel that the department has made significant progress in implementing these recommendations. And you'll find that paragraph .68 sets out some of the progress the department has made. The department has, for a number of its key activities, actually set out performance benchmarks. It is now capturing data and information so that it can assess how it's doing against those benchmarks for a number of its key activities, and it's building up the information in that area.

It is also preparing . . . since it is capturing more information, it is in a better position to prepare its budget, based on its maintenance activities and the current highway conditions and is making good progress in that area.

We encourage the department to continue in the direction that they're continuing. We think that . . . we recognize that the recommendations that we've made are not a one-year recommendation, but do take time to implement in the fullness, and that they will provide the department and the government as a whole with a lot of very important information that they can use in decision making and deciding on overall management of the highway system.

And that concludes my comments. Thank you.

Mr. Strelcoff: — Thank you very much, Judy.

The Chair: — Thank you very much. I was remiss earlier. I notice Mr. Paton has some people with him and perhaps he would like to take this opportunity to introduce them.

Mr. Paton: — The two people with me today, I've got Dan

Dufour, is an analyst in the comptroller's office; and Jim Fallows, a senior analyst with our office.

The Chair: — Thank you. Welcome. Before we move the agenda to Mr. King, I am reminded again that I have a statutory declaration that I am required to read into the record for you.

Witnesses should be aware that when appearing before a legislative committee, your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide in this committee cannot be used against you as the subject of a civil action. In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I ask that 15 copies be submitted to the committee Clerk, who will then distribute the document and record it as a tabled document.

You are reminded to please address all comments through the Chair. Thank you.

With that, behind us I would like to open it up to you, Mr. King, for your comments.

Mr. King: — Thank you, Mr. Chairman. Members, officials, guests, I first want to say how much we appreciate the work done by the Provincial Auditor in helping us manage our accountabilities within the democratic system. I think at the latter end of the report that was just done, you will have heard that flowing out of a 1992 audit report, some suggestions or recommendations came forward for improving our management of the asset. And the department responded, I think, in a way that was positive, in saying yes.

I'm pleased to report to you that we presented a seminar on the asset management system at the Transportation Association of Canada meeting which drew about 5 or 600 delegates. And the interest shown in what we have been doing here, flowing from the Provincial Auditor's report, caught the attention of transportation specialists across North America.

And we're now actually in the embarrassing position of being asked to come down to teach some of the U.S. (United States) states how to develop asset management systems. Embarrassing, because we really don't have the capability at the present time to do that in a real way. So we'll have to invite them up to Canada.

In addition, the province of Manitoba and the city of Saskatoon are coming forward, wanting to partner in this system. And we hope to be able to do not only a comparison of how we're measuring up on our upkeep of the highway system, but we

hope to be able to draw in future years comparators between how Manitoba does with their allocation of resources and how Saskatchewan does. So that in addition to measuring ourselves, we can be measured against other jurisdictions. If we could convince Alberta that they should rub elbows with their fellow prairie provinces maybe we'll get them involved in this as well.

Responding briefly to some of the comments that were made or the recommendations that were made, I won't repeat everything that was provided to Mr. Strelloff by way of the management answer to the audit, although I will briefly summarize what we've done in each of these areas.

The first that was raised was that we should clearly document and follow rules and procedures for preparing interim and financial reports and comply with The Financial Administration Act. Immediately following the audit being presented to us, we did appoint a task group to review all of the recommendations and the situation in detail; identified the factors which had contributed to whatever inaccuracies were there, and a comprehensive action plan was developed for each item identified by the task force.

The only major outstanding item from this working group, or this task force, is the documentation of the maintenance forecasting process, the so-called maintenance management system, which is yet to be fully developed. We have done a lot of work and we expect to complete it early in this coming year . . . I'm sorry, Lynn, help me out on this if you can, yes.

We have had extensive discussions with both the Treasury Board and the comptroller's office, and a detailed report was done to the deputy minister of Finance. They're comfortable with the follow-up and action plan. A new purchasing system was implemented in April of '95 and we now have access to commitment reporting, which should improve the accuracy of our expenditures.

We've yet to do the complete financial system which we require — the integrated financial system. I've had rather considerable experience with systems development in my career, and it is an area that one should proceed with the greatest of planning and the greatest of caution.

Those of you who have followed some of the system development nightmares and who've read the Auditor General of Canada's recent report on system development, will know that done improperly, they can be a drain, and a horrible drain, and you get very little positive result from it.

We have done the work-up for our financial system. I'm chairing the steering committee which is monitoring the work of the working group. The working group has been small up until now. Yesterday, by coincidence, we met to fill out the rest of the working group and we will work our way slowly and carefully through to the development of a new financial system which will meet the needs of both our reporting requirements to the proper authorities in executive government and to meet our own business needs as the Department of Highways and Transportation.

We expect that the entire system will be in place for April of 1998. I want to assure committee members however, and the Chair, that the system will be fully tested and proven to be accurate before we throw the switch, so to speak.

With respect to the non-compliance with government purchasing policies, we did implement — I indicated in my remarks on the first item — a new purchasing payable system in April of 1995. It is, as I believe, in compliance at the present time, but as well we're serving as a test for a new system that we're working through Finance on a card system. And I don't know whether that will add value to our monitoring of purchasing, but I might argue that we're also going to be presenting a case with the comptroller's office for examination of the rules and regulations with respect to purchasing. We're a very decentralized organization. We have shops scattered across the province.

There has to be a balance between our people that live in a local community and know the vendors in that community versus the set of centralized rules which may do more to handcuff proper purchasing than it does to provide value for money. So we're certainly going to be, as we develop our new financial system and purchasing systems, making argument for changing rules where they don't fit with what we consider our business needs.

With respect to ministerial assistants' reports, once this was brought to our attention, we have moved into compliance in this area and we're now requiring proper signing-off of ministerial assistant time reports.

Updating accounting manuals in the revolving fund. A very professional senior expert in the area of accounting was assigned to the revolving fund from the finance part of the department. And this individual has made substantial gains in improving the accounting processes in the revolving fund and then updating manuals and documentations. We expect to be able to keep our documentation up to date in the future and it will be tied into the new financial system.

Quarterly fund financial statements for the revolving fund. In addition to the purchasing payment system that was introduced, we have also introduced the fleet management system and we . . . I was going to say we will have no problem in meeting this requirement in the future, which are the words on the page. We expect to have no problem meeting this requirement in the future. My previous remarks about systems, that sometimes they, for unknown reasons, do continue to have glitches.

With respect to systems development, we admit to not having followed completely the department's own procedures for systems development. I had indicated previously that you could be assured, through myself, that before the new financial system is finally implemented in a working way, that we will have done all proper testing.

Sometimes a small element of risk is possible, but we would certainly determine that element of risk and make a reasoned decision if we were to accept any risk and certainly document that we have accepted certain risk in systems development.

With respect to restricting access to the computer systems, we have now moved to provide proper password and proper security for the system.

With respect to the Treasury Board Crown, the auditor was quite correct in pointing out an oversight on our part or a misinterpretation of the rules, and we will certainly comply in the future.

Might I, before turning it back, just introduce my officials here. On my left is Don Metz. And in the spirit of the report that you received from the Provincial Auditor, Don was set to retire in July after over 30 years with the Department of Highways and Transportation. And I persuaded Don to stay on for an extra six months to help turn over some of that knowledge that's in the minds and, with Highways people, I think in the hearts of those who have worked on our system of roads and bridges for the past several decades.

So I'm pleased to say that Don did agree to stay on for that six months and will soon be enjoying his retirement now that he's tried to bring me up to speed about what this department is all about and this system we've got.

On my immediate right is Lynn Tulloch, who is the executive director and . . . I might not even remember the precise name — so she's of support services, I'll call it, but she has the financial on the systems part of the operation.

And Stu Armstrong from Prince Albert, who is the executive director of the northern region of the preserve and operate part of our . . . the people that actually do the work in maintaining our highway system.

Thank you.

The Chair: — Thank you very much, Mr. King.

Mr. Flavel: — Thank you, Mr. Chairman, and to Mr. King and the officials, welcome today.

I think there are some remarks that I would like to make in regards to our highway system in Saskatchewan. I guess not only our highway system but all ground transportation network that goes throughout rural Saskatchewan. Because the highways are there linking city to city, but once you leave the city you are actually in rural Saskatchewan, so the whole highways system is in rural Saskatchewan.

As most of us know I guess, this province is very large and very spread out and is connected by a web of roads that make up more miles of highway than any other province. And as we just heard, \$6 billion investment in highway system in Saskatchewan, which is a major investment. But the highway system — and it has been said — if it was put end to end, highways throughout Saskatchewan would reach around the world four times, around the earth, so there is a major undertaking out there, I guess, to maintain the system that's there.

But as we see in .01, I think on page 315 of the '96 *Public*

Accounts book, transportation also includes Municipal Government, that brings municipality road network into the forum and which consists, I guess, of more roads than highways out there — grid road, farm access, some low maintenance roads, some prairie trail I guess, in rural Saskatchewan. But there's a real network out there, a web of road systems. I guess it's not just the building of these roads that everyone looks at as being the major cost, but it's the maintaining of them for the 20 or 30 years after they've been built that really becomes a burden on the taxpayers.

It's going to get more of a major problem for your department, likely because of the elimination of the Crow rate for the movement of grain that is going to — with an abandonment of rail lines also — with the movement of grain from the track, I guess, to the highways, it's going to put an enormous amount of pressure on our highway system.

That, I guess, I want to know somehow how you plan on handling that in the future, of what it's going to take to maintain this system under the tremendous pressure I guess, of the larger and larger trucks that are going to be on the road and the more material that's going to move over the roads.

I don't believe that anyone would think that we could maintain this network that we have now without more money. Of course the balancing act then becomes, where do we get the money. Because of the fiscal situation that was left from the 1980s and so forth and leaving us with a real balancing act to get back to a balanced budget — not a surplus budget, but balanced — there's very little room for increases in any department, let alone yours, certainly. I know that every department goes after as much as they can get out of the budget but there is only so much out there.

I guess when the opposition parties call for money, the question is, I guess, where do we get it from? I guess I ask them, where do you want to take it from — the hungry children or from the health care or the education system? So I guess it's easy to call for extra funds, but someone has to make the decision as to who goes short when someone else receives extra funding.

Let me also say that we have some sections of highway out there in Saskatchewan that, I guess there's no other way of putting it, that are in terrible shape. It's not in very good shape, might be a gentler way of putting it. But I think one's got to . . . has to remember that 75 per cent of the traffic in Saskatchewan moves on, I believe it is 6 per cent of the highways.

Therefore I guess one has to ask, where do we put the priorities in our highway maintenance and building when you've got only 6 per cent of it carrying that much of the traffic. Naturally they're the through highways, the trucks on the No. 1 and the 16.

But I think there are some very positives out there that I would like to, you know, hit on. I notice there's 15.8 kilometres of No. 16 Highway I believe it is, from Saskatoon to North Battleford that has just opened, been twinned this year. I believe that's one of the highways with the largest accident and fatality numbers in the province. I know that No. 20 has been resurfaced. No. 6

has been resurfaced. Cumberland House bridge, which has been waiting for for many years, the Department of Highways worked it into their budget and that . . . (inaudible) . . . that link.

But even with this 75 per cent of the transportation going over 6 per cent of the roads, I guess doesn't mean that the other 91 per cent is just forgotten about. It still has to be maintained out there and it has to be looked after. So I'm very pleased with the general condition of most of the highways I've travelled in Saskatchewan this year.

Of course I'd like to put in a call right now for more money for No. 22 from Cupar to Lipton and Earl Grey to junction of No. 20 Highway. I'll get my plug in early for the budget here. I'll just leave it up to you to decide where the money comes from.

But I guess it comes back to the theory of doing more with less. And I think that the Department of Highways, in the restructuring and so forth, has done that very well and I commend your department for the restructuring and eliminating some of the waste. I'm not so sure that you're done. I think you've done a good job and still providing a fairly good service out there to provide safe highways for our people to drive on.

I think a lot of it too is, if the federal Liberal government would live up to some of its commitments to a united Canada and help fund the interprovincial highway network, we could in fact then start twinning the Trans-Canada.

I realize your department has a tough job ahead of you, but because of the increased activity in the economy I'm hoping that in the next few years you can find some money.

So in closing, I guess I'm delighted to hear you say just now that you've set up a task force to study and to follow up on the recommendations for the auditor. I also note your caution in proceeding quickly and recklessly in setting up a systems, and I agree with you that it's best I guess, to go slowly and cautiously and do it right the first time.

I also like the comments you've made just now on the local purchases. If I hear right, you'll be asking for the rules to loosen up a little to allow more purchases in small town Saskatchewan — the local shops and the maintenance people — to be able to buy locally. I certainly agree with that, that there's some small cooperatives and private entrepreneurs out in rural Saskatchewan and in small town Saskatchewan that need all the help they can get. And I think if a government department can throw that little bit of purchases their way, it's certainly going to help and I'm delighted to hear you say that.

So I guess thanks for your officials for coming out today. And I guess in closing, I want to say to Don, thanks for the 30 years and six months and maybe it'll be another six, you never know. But very much enjoy your retirement — it's well deserved and the rest of us are all looking forward to retiring someday too. So thank you.

Mr. Sonntag: — Not till we get our 30 years in.

Mr. King: — Actually, I didn't . . . it's sort of like a Canadian

dollar — I deflated it. Don actually has 34 years in. I guess I rounded it down to 30 years, but . . .

Mr. Flavel: — He's done enough work for 30.

Mr. King: — Let me give a brief response to, I guess, one of your bigger questions, which is what are the challenges and how are we going to try to meet those challenges.

We do have a massive system of roads in this province. We have more roads in Saskatchewan than any other province in Canada and when you compare it per capita, we're not even close, because we stick around the million people. And when you compare the length of our road system with any other province, we're at least double the length of road per capita of any other province, including Manitoba.

Of that roughly 200,000 kilometres of road we've got, about 26 to 27,000 kilometres is under the direct control of the Department of Highways and Transportation, and of that we have the pavements, which make up about 12,000 kilometres. The so-called thin surfaces — I call them oiled roads yet — are around 9,000 kilometres, and gravel's at around 6,000 kilometres.

The pressures on this system have increased dramatically. We used to have 900 grain delivery points in Saskatchewan. Right now we have around 450, and as I watch the concrete elevators going up and talk to people in the industry, we may well end up with about a hundred grain delivery points in this province.

What this means is that this network of country elevators that we're so used to, that have been 12, 15 miles apart based upon the early part of this century whereby you had to have an elevator within half a day's journey so that you could load up, go deliver, and be home again before dark, is disappearing — that system of grain delivery.

There's two options for the farm community. One of them is to try to maintain the system themselves through maintaining the rail branch lines which the Canadian transportation Act has now allowed to be abandoned as per the wishes of the railways rather than the users. Or to truck longer distances and therefore call on heavier payloads in order to make it economical.

We plan to work in two areas. One of them is to see whether or not we can support the creation of short-line railways if they make economic sense to the people of the area. There's no use moving in and trying to take over or prop up something that simply doesn't make economic sense or isn't supported, if people aren't going to use it. So we will be doing work in the area of short-line railways with local people.

With respect to the trucking, which is where an awful lot of the business is already gone, and it's increasingly going, we have several challenges here. One of them is to create trucking partnerships. We've done this to some good extent with the bigger trucking companies already.

We're the only province that I'm aware of that has sat down with the trucking industry and said, the payloads that you can

carry on the highways may not be the most economical for you, but if you carry any more you damage or excessively damage the roads.

And we've sat down and worked out a formula whereby they determine their most economical payload, and if it will not cause too great a damage to the road, we'll permit them to carry heavier loads than normal. But they make a voluntary payment then back to help pay for upgrading the road and repairing the road. So in fact you end up with a win-win.

The trucking industry becomes more economical, thus the purchaser of the goods and services the trucking hauls end up with a better deal. We end up with more money to put back at upgrading highways. We expect to be receiving around \$10 million a year within a few years from this type of voluntary, win-win partnership.

Secondly, we're going to have to work out some traffic management. As many of you will know, we began some years ago in the south-west in an area planning model. And so a group of municipalities both urban and rural, from approximately Assiniboia, Saskatchewan over to the Alberta border and from the U.S. border up to the South Saskatchewan River, have been involved in an exercise of area planning. They've identified, with assistance from the Department of Highways and Transportation, the flow of goods and services in that area and what routes are the most important to them.

The next phase of that plan is to prioritize those routes and determine which ones need the most by way of upgrading and by way of priority. So we hope to rely heavily on this area planning to help identify and prioritize the allocation of dollars.

But in addition, where people have got a thin membrane highway — and these are the so-called oiled roads that provided the dust-free surface but were never built up to the grade to handle the heavy payloads — if a thin membrane highway continues to be a priority in the area, we're going to have to provide alternate trucking routes that trucks have to take in order to preserve and protect that thin membrane surface. So building a good solid gravel as an alternate trucking route will do an enormous amount to preserve the oiled surface.

We've been working together with the federal government and municipal government for allocation in the proper way, the monies from the agriculture infrastructure fund. This was a fund set up by Ottawa in partial payment or partial remuneration for the abandonment of the Crow rate. So for instance, Minister Goodale announced another \$21 million for 1997 spending in the area of roads; and we sit on a tripartite committee with the federal government, with municipal government and the province, to prioritize the roads that will be built up through that fund.

We began some years ago switching our budget away from capital — that is the building of new roads — into preservation. As the province determined that fighting the deficit was the most important issue and we were asked to play our part, the department said our top priority has got to be to maintain and preserve our existing structure, because if we let it deteriorate

beyond the point of maintaining it, it's going to be incredibly expensive to rebuild it all.

And so our crews have now been geared into the preservation mode. Using asset management — that system that we talked about earlier — we don't do the things the way we used to do them. It used to be if a section of road was starting to get in rough shape, you'd come along and you'd do the whole thing. You just put pavement over top of it all.

Right now, through the asset management system, we identify the areas that are most in need of repair and we target our resources into repairing those areas. So if you have a 5-kilometre stretch of road and only a half of a kilometre needs the work, that's where the work will get done.

We continue to spend some money on research and development because we believe that unless we come up with new and innovative ways, we're not going to be able to meet the challenge of fewer resources. So we have research and development under way for instance on low tire pressures.

There's technology now that allows you to inflate or deflate your tire pressure while you are driving. So a truck can move off of a good pavement highway with high tire pressure onto a secondary highway and automatically deflate the tire pressure to a lower pressure and therefore not cause as much damage to the secondary highway as they would with high tire pressure. We're at the leading edge of experimenting and researching that and have some of that under way at the present time up North, I believe, in the logging industry.

In addition to that, other research: we're at the forefront of working with sub-grade X-ray technology. If we can map all of our highway system or our road system to determine where the weaknesses are occurring — not on the surface but underneath the surface — that will again allow us to allocate our dollars in a more effective way and we expect returns from that kind of research and development in the relatively near future.

The federal government are possibly on the verge of announcing an infrastructure 2 program to match the previous infrastructure program. We're heavily involved in the negotiations with the federal government as to where the monies will be allocated if they do indeed agree to a federal infrastructure 2 program.

There's the competing interest of sewers and hockey rinks versus the road system and we're certainly holding our hand up to say the road system should get the majority of the money. In addition, Minister Renaud has met with Minister Anderson to argue for the development of a national highway program.

We sometimes think we're the only province that has bad roads. But the No. 1 Highway — which isn't called No. 1; I think it's the 17 — running north of Superior is in such bad shape right now that trucking is not going north of Superior if it can avoid it. It's running through the U.S.

And what it really means is this east-west ribbon is disappearing. And I think the only way we can hold it together

is if the federal government does move in and start to spend some money on a national transportation highway policy.

Finally, with respect to what we're doing — and it's not everything; I'm trying to paraphrase a good deal of activity — restructuring took place in the Department of Highways and Transportation last April. We've been able to divert about \$6 million which was in support, if I could use that term, which is now going directly into the road. And at a budget of under \$170 million, some \$6 million was identified to go back into preserving the road.

With respect to purchases, sometimes the rules that are set for government through a central, executive government agency don't always meet business needs of a decentralized operation like ours. And it certainly makes a lot more sense, in my mind, that if we can pick up a tire that's blown in a local location and have the warranty there and have any warranty work done in the area, it makes sense, even though there may be a centralized policy that says you put your tire out for tender or this or that. So we'll be working to try to come up with an equation which satisfies the control needs of a central agency versus the flexibility needs that I believe a decentralized operation like ours requires.

We've tried, through the restructuring that occurred in April, to change the culture of the Department of Highways and Transportation. The local areas are made more responsible and accountable for their . . . the work in their area and it's less of a head office type of a control atmosphere now than it is a regionalized service, a decentralized service. And so much so that I'm not too sure they're going to listen to me very much any more out there in the regions. Anyway that's generally in response . . . yes, for guys like Stu. That's generally some of the things we're doing.

The Chair: — Thank you.

Mr. Toth: — Mr. Chairman. Welcome, Mr. King, and the rest of the officials. I've been listening to some of the debate that's been taking place and thank the auditors for their report and their recommendations. And I would also like to acknowledge the fact that you have indeed listened to some of the recommendations, or a number of the recommendations, and have taken some action on in a number of areas already. And I would commend you for that.

Let me just feel sorry for you in some ways as well. I'm not exactly sure that you have a lot of influence as to how much money your department gets. In fact I think it's seen a significant drop over the last five years, and trying to spread it over that same road ribbon that was being described by a few moments ago, it makes it somewhat difficult. But I think Mr. Pringle reported to me that as of the spring of 1991, No. 48 was going to be upgraded.

When it comes to highway construction and maintenance, it might have been appropriate to head the \$30 million that went into Casino Regina, went into the Department of Highways. It might have been more appropriately used and could have benefited the taxpayers of this province much more wisely.

But I note in the report on 316 you received a \$177.6 million from the general revenue pool, and of that hundred and seventy-seven six, it shows, under other, gives the list of the different operations of the department, where the funding, actual expenses, go. You spent 11.2 under other. I'd like to know where; what do you mean by 11.2 in that area? But I also see you raised the \$11.2 million. It almost balances off what the expenditures are under other.

And in your report, Mr. King, you talked about some of the revenue you may see in the future as a result of some voluntary pay-offs with regards to loads and load limits as they are hauled on the highways. And I take it none of those would be in this report or we're even seeing any of that voluntary payment yet. But I'll get to that in a minute.

I'm wondering if you could explain the areas of "other" that you are talking of here, for as regarding expenditures and also explain the 11.2 in revenue — how that was raised; where that came from.

Mr. King: — I'll answer part of it and then turn it over to Lynn Tulloch.

First, the partnership money that we have been able to raise thus far is not included in here. We... Well maybe I'll let Lynn answer. I apologize for not being fully briefed in this partnership money issue.

Ms. Tulloch: — I'll speak first to the other, the 11 million of other expenses. That is primarily expenses in a couple of program areas that aren't as... don't get as much highlight I guess, as other areas. Our transportation policy area, the area of the department that does do the policy development, the transportation partnerships and some of those new initiatives that you've heard of, is one of the areas that is within there, and has about two and a half million dollars' worth of expenditures.

Another major area is our regulation and compliance. The highway traffic officers and the compliance activity is also within that \$11 million, and they're actually about 4.3 million of that total.

And the third main component is, I guess what we call administrative expenses, but it includes our minister's office, our executive administration, as well as all of the various support services — financial, human resources, communications, our information technology expenditures, and those kinds of things. So that would be the 11 million that's shown in other.

On the revenue side, the 11 million that is indicated in revenues, as Mr. King pointed out, does not include any of the partnership or the new partnership revenues that he was speaking of. The majority of that \$11 million is federal cost-sharing revenues under the existing national highway program which is called the strategic highway improvement program. And that's about 8 or 9 million of that 11 million.

And the balance of the revenues are other miscellaneous permit fees, operating authority fees. We operate some airports in the

North, so there's landing fees, parking revenues. We sell some miscellaneous materials; so it's made up of a number of other miscellaneous items.

And there have been some trucking agreements, bulk-haul agreements in place for the last several years, similar to the kinds of partnerships that Mr. King spoke of but not entirely the same. And that makes up a component of that 11 million as well.

Mr. Toth: — Okay, thank you.

Mr. Paton: — Mr. Chairman, if I might make a comment. This morning we had a similar question of another department and the question related to the auditor's summary of some of the major program and spending. I just draw it to your attention that the *Public Accounts* does disclose more detail, similar to what Lynn Tulloch did just provide to you. And if you have Volume 2, page 8 provides the revenue summary for the Department of Highways and page 114 provides expenditure summary. You can often get more detail from those reports, if you'd like.

The Chair: — Thank you.

Mr. Toth: — Thank you, and I appreciate that because I always think when it comes to administrative staff, most of that, I think should be in that audited statement, shouldn't it? As far as ministerial staff and all... If I recall going through some of the audited statements, a lot of that information is there. But I appreciate the comments here.

In items — I believe it's .14 through .19 — the auditor talked about management direction and there were some situations where management had not provided staff with adequate training back in the year under review, and I take it that there was some recommendations even made earlier regarding staff training for... and direction for preparing reliable and accurate interim forecasts.

I believe, Mr. King, you did allude to the fact that some changes have been made, that you've been addressing that, and I'm wondering how far you've gone in view of the fact that in paragraph .16 and .17 we see as a result of some of the inaccurate information, where the department had in March of '95 estimate it would spend about 99.7 of its maintenance budget, and yet by the time the actual year was over, there was a budget over-expenditure of 3.6 per cent of the \$860,000.

And it would seem to me those types of things, especially while it may seem fairly small in view of the overall budget, 860,000 is a substantial change that you'd have to deal with or the department would have to deal with all of a sudden when you are thinking you were going to be coming in under budget. And I'm just wondering if you could just fill us in as to what has been done to address this problem so it doesn't occur in the future.

Mr. King: — Ms. Tulloch will respond.

Ms. Tulloch: — The problems which led up to the

over-expenditure, really I think fell into two categories. There were some problems of that particular year related to new computer systems and delays in being able to get information. As Mr. King mentioned earlier, we did set up a task group that thoroughly went through all of the various factors that contributed to the inaccuracy in the forecast that year, and they fell into really two groups.

Problems that were quite specific and unique to that year and perhaps had sort of a quick fix to them where there was a specific action that could be taken to improve and ensure that that particular occurrence didn't reoccur. But perhaps the second group, more importantly, were some of the ongoing problems in our financial systems caused by the complexity, the growing obsolescence, of some of our systems, the lack of integration of some of our systems, and the lack of documentation and understanding of those systems, which is what the auditor really pointed out.

And that is a problem that is not a quick fix. One that we're working to solve in the longer term by improving overall the financial systems in the department. And that was the major financial system project that was mentioned earlier that we are embarking on and targeting to have new systems in place for April of '98.

In the meantime, we are also working at documenting the existing processes and systems, since we do still have to live with them until we have new systems in place. So we've done some work already and we're continuing to do some work in documenting all of those forecasting processes, so that our forecasting accuracy is improved over what it was in the past.

But we feel that the improvements of new systems that we won't have for a couple of years will be what really brings us forward and brings us greater improvement.

Mr. Toth: — So most of this over-expenditure that actually ended up showing up versus what had been forecast basically had a lot to do with administration and computer set-up, glitches with the computer.

Would any of that, any of those additional expenditures, be tied to some of the maintenance operations of the department in view of say weather conditions that may have changed versus what jobs that you had committed funding to and had basically assigned so many dollars on the anticipation that certain environmental conditions applied — that that's what it would cost, and then you find that you maybe over-budgeted.

Or have you got a mechanism . . . is this part of that mechanism now that's reporting that — basically updating — if you allocated — I'm going to throw a number out because I really don't know — but let's say in the maintenance area, of 55 million. And all of a sudden like this past year with the type of year we've had, you may find in order to get the same amount of work done you're looking at maybe \$62 million. You've got the equipment in place now and the expertise and the technology. I would say we're going to probably shoot over, so we may have to make adjustments in other areas so that we stay within our budget. Is that what we'd be looking at?

Ms. Tulloch: — In the year in question, if you did refer back to our original estimate, you would see that we were more than the \$800,000 over what our original budget estimate had been. And a portion of the greater amount that we were over was as a result of the favourable weather conditions that year. And in our capital program in particular, the contractors were able to make a lot more progress than we had anticipated because of the weather; so there was a greater expenditure in that area.

In the preservation programs, the maintenance programs, we do try to manage very tightly with the allotment that we have. We could always do much more if we had more funding, but we have only a very specific amount available in any given year and we do attempt to manage that very closely, despite the weather conditions, to come in within budget.

The only factor I guess, in the preservation budget, would be the winter conditions that are sometimes out of our control. And we budget for sort of an average winter, but if we get more snow than average or worse conditions than average, we may occasionally end up over-budget because of winter conditions. That hasn't happened recently in the last few years.

Mr. Toth: — Regarding winter conditions, with the changes that are taking place across this province with regards to the department personnel — I don't know, it's hitting my area big time too — I'm not exactly sure what, and this is deviating just a little bit, what exactly we're going to face as we get into some of these more severe weather conditions. I trust that as you've, I guess, amalgamated a lot of our services areas and put together the larger districts . . . do you anticipate a monetary saving while maintaining as good a quality, or are we going to give up some of the quality of road maintenance through the reduction of personnel in the province?

Mr. King: — Stu Armstrong can respond to that.

Mr. Armstrong: — Basically what we did in last spring's reorganization, we had a task group put together to look at our entire maintenance organization throughout the province. They came to the conclusion that it would be most effective to close maintenance section headquarter points at approximately 26 communities throughout the province.

We still have staff located at approximately 100 locations throughout the province to provide these maintenance services, but with the reduction in locations we were able to provide a more equal workload throughout the province in terms of kilometres per person on the highway system.

Prior to 1996 we had some of our crews looking after 4 or 500 kilometres, or probably more like 400 kilometres. We had other crews with 200 kilometres and they were all . . . We provided various levels of service throughout the province. With our restructuring we feel we've equalized the level of service.

In addition to that, we feel we don't need as many people as we once did. We've re-equipped a lot of our trucks with wings. We have better salt application equipment. The trucks are more powerful than they used to be, and we feel we can keep the level of service up to what it was in previous years with less

people at less locations.

Mr. Toth: — Maybe I can ask you another question related to that. In moving some of the personnel, moving some of different locations and amalgamating them into centres, has the department looked at — and in this case I'm going to refer to a specific one and you may have others throughout the province, and I know there's an employee in the Rocanville area who happens to reside there — the town of Rocanville. And I don't know if you've received a request from them for the . . . leaving a truck available in the community where they would provide a bay for that truck so that the Highways employee, as soon as he left the house, would actually be on the job rather than having to work his way through some severe weather conditions to get to his equipment.

I'm not sure whether you've received that, where it's gone, or what the officials that are here right now . . . if that would be something that would be given consideration. I think in the long run, if personnel . . . rather than uprooting personnel and if they happen to be right on the area that they're going to be maintaining anyway, that there might be some savings versus having them to always travel under adverse conditions to start working with the equipment that they would be working with. Especially if you have communities who would like to help that employee out and who are also more than willing to offer you a place to house your equipment.

Mr. Armstrong: — I can't answer that specific situation, but I have an almost identical situation in my own region. And the problem is — you suggest that we might be able to put a truck and a piece of equipment with an operator at a certain town — our individual pieces of equipment aren't assigned to the individual operators, and it would be inefficient to do that because our operators are on holidays, they may be at training courses. So it's more effective for us to deploy our equipment all at one point, and it could be any different operators coming in to that point at any given day. Then the whole fleet of equipment is available; whereas if we stationed a truck at Rocanville, it wouldn't be very accessible for the other members of the crew to use on days when he may be sick or away or on vacation.

So overall, we found it more effective to deploy our equipment, in most cases, at a central point and have the staff go there. If that answers that question.

Mr. Toth: — It may or may not, depending on how the community looks at it. But if a person is going to be ongoing, and you happen to be in a situation where there's some weather circumstances that you have to deal with, that the operator is going to continually be on the go. That may be something that could be a consideration. I can appreciate if the operator is going to be off for a few days, yes, it would be inconvenient because the next operator then has to make the extra trip.

Mr. Armstrong: — . . . it's all . . . storage is probably at another location.

Mr. King: — I can add just a brief bit to that. I was speaking with the manager of the PCS (Potash Corporation of

Saskatchewan) mine in Rocanville and one of Stu's counterparts from the South is talking with them about effective ways to try to deal with the problem they've got in having the shift occur — the shift of miners occur — at the mine and whether the road is properly cleared if there's a storm.

So we're looking at that right now. Whether it'll be the solution that you asked about or not, I don't know, because I haven't got a report back yet.

Mr. Toth: — Thank you. Coming back to it, another point here, the auditor pointed out in section .19 that the department did not comply with subsection 33(1) of The Financial Administration Act. The Act limits expenses to the amount appropriated.

And I'm just wondering — and this is back in 1995 — and I'm wondering what kind of actions would be taken or what are some of the consequences if you would over-expend the appropriation that is coming. Who's held responsible for that? What action is taken?

Mr. King: — I believe ultimately, the deputy minister is accountable for the actions of the department under his or her supervision.

The normal procedure would be, given the nature of Highways work whereby you might have an extension of good weather and therefore can do more while the sun's shining — there may not be an ability to be right on budget or it may be more efficient to spend a bit more money — we would normally go to the Department of Finance and request additional funding.

The problem we ran into here was we weren't aware that we were spending more than we had been allocated — and I wasn't around at the time so I'm not too sure what discussions the deputy had with the Department of Finance, etc., etc. But certainly I would expect to be held accountable as a deputy and it would be part of the discussions on performance that I would have with my superior.

Mr. Toth: — So you're basically hoping that with the changes that are taking place, with the technology, the reporting mechanism, that down the road should you run into a situation like that and like you mentioned highways — I can appreciate that — if you happen to get some good weather, you're not going to wait just because your funding is so much and you're going to be over it so you're going put it off till the next month's allocation. You want to make sure that you're getting the work done while the weather's good.

But you'll have the mechanism in place that basically that will allow you to then approach the government for that appropriation and make sure the funding is adequate to cover it.

Ms. Tulloch: — If I might add as well, Mr. Toth, the over-expenditure of that particular year that was unauthorized was taken off the department's budget in the following year. So that's one of the other outcomes of that situation. So the extra work we did one year meant we did less work the following year.

Mr. Toth: — That's unfortunate we can't keep up.

Ms. Tulloch: — It's unfortunate but . . .

Mr. Toth: — I've been asked to run out for a few minutes but I've got one more question, and then if Gerard has some, I'll have to forego to another member or two for a minute, but the . . . in items .21 through .28, the auditor's recommending that the department should comply with the established government purchasing policy and its own purchasing procedures.

And I look back through the items here, I see that item .24 talks about local purchase orders and policies require staff to record the estimated purchase price on the LPO (local purchase order). A little later on, in item .26 or paragraph .26, the auditor points out the fact that staff did not properly complete 8 out of the 14 local purchasing orders that they examined; and I'm just wondering what steps have been taken today to make sure that all these local purchasing orders are indeed filled out and maintained and reported on properly.

Ms. Tulloch: — At the time that the auditor reviewed our procedures, this process was an entirely manual system with employees being responsible for filling out local purchase orders before they made a purchase.

Employees, especially in our field offices and on the front line, felt this was unreasonable. Quite often they were making purchases with local suppliers that they knew very well and didn't feel that there was really a role for this form, even though it has certainly a role to play in financial control.

As a result, quite often employees were simply not filling out the information on the LPO and were just waiting till the invoice arrived and then saying, see attached. We now have a new, automated purchasing payable system, and to create a local purchase order, you now create it on the system and the system requires the information to be entered. So you can't create the form without filling in all of the required information. So local purchase orders now do contain all of the information.

Mr. Toth: — I thank you, because I and . . . I really, actually I don't really . . . I kind of feel for all these people trying to fill it out. I hate doing paperwork myself to be honest with you. But when you have to deal with the auditor, then it's a little different story.

Mr. King: — If I just might add. There are a set of rules and procedures and we clearly were not in compliance with them. A point I tried to make at the very beginning is, maybe it's a silly rule. Maybe our people out there in the field actually know something about the way they do their work and how it might be done more efficiently.

And so we'll be doing some discussions with the comptroller's office and Finance to see whether we can't help empower those people out there who are actually the ones that keep our highways preserved and cleaned. And I don't think we should burden them with too much of this paper. We should try to clear the path for them just as they clear the path for us — literally.

Mr. Toth: — Well as MLAs (Member of the Legislative Assembly), we know all about paperwork. And I think I was just talking down at legislative staff. They're trying to help us come up with something simpler too. It's becoming complicated; so anything we can do to simplify the process so individuals can actually get about the work that they're really being paid to do rather than tied up in offices and paperwork, is certainly appropriate.

I appreciate the auditor's comments too, because we're accountable for every tax dollar out there. Mr. Chairman, I'm going to excuse myself for a minute. I'll have to just acknowledge that if you happen to get past this before I get back then you'll have to go ahead.

Mr. Aldridge: — Thank you, Mr. Chair. Good afternoon to everyone. There was some mention earlier with respect to the closure of the regional maintenance depots. And in an attempt to sort of equalize — I think it was referred to as equalizing service — there were instances where some highway crews were responsible for, I think the figures were used like maybe 200-and-some kilometres and then in other instances perhaps 500.

What would have been the average number of kilometres prior to the closure that the highway crews would be responsible for?

Mr. Armstrong: — I don't think we have a specific number for you, but I believe it would have gone from an average of something like 250 to something like 325, roughly.

Mr. Aldridge: — So after the restructuring that has occurred then, the average number of kilometres assigned to each crew has increased.

Mr. Armstrong: — That's correct, yes.

Mr. Aldridge: — But we're not exactly sure to what extent though.

Mr. Armstrong: — We are. Unfortunately, I don't have the precise numbers.

Mr. Aldridge: — Oh, okay. So would you say at this point in time that we would be at the optimum number of kilometres per crew?

Mr. Armstrong: — The group of people who examined that, in their judgement felt that perhaps we could have had slightly fewer locations, but we're getting close to optimum in our view.

Mr. Aldridge: — So would this, this particular parameter we're discussing here, would this form one of the benchmarks of your department, one of your performance measures? Is this one of the factors that's taken into account?

Mr. Armstrong: — It could serve as a benchmark. We haven't at this point in time compared ourselves to the other jurisdictions in terms of kilometres of road per person, but it's something we are looking at.

Mr. Aldridge: — Because I would suggest it probably would be something that would be worthwhile looking at as far as one of those benchmarks is concerned.

Mr. Armstrong: — I would agree.

Mr. Aldridge: — Another point that comes to mind, is I've heard recently with respect to maintaining highways under winter driving conditions, I think the terminology that was used when some of the media maybe questioned the Highway department about it was that it's felt that an acceptable level of risk is being attained in terms of how the highways are being maintained now.

And I was wondering if any of the officials here this afternoon could define that for the committee. What just exactly is an acceptable level of risk with respect to winter road conditions?

Mr. Armstrong: — Okay. What the media reports were referring to was a study that was done in the fall of 1995 where we assigned a group of our experienced maintenance people to look at all of our winter maintenance practices and procedures with a view towards being more efficient and effective. The group of people came forward to management with seven different items where they felt we possibly could make practice and policy changes. For each of those seven items they identified the implications and/or risk of making a change.

We did in fact make policy changes in four different areas in the fall of 1995. Those four particular areas were selected because we felt there was a very low risk to the public by making changes in those four areas.

So I didn't answer your question about a definition of risk, but what I tried to explain was why we made the policy changes we did in terms of them being very low risk, in our judgement.

Mr. Aldridge: — But it would sound to me though that the decisions were made more in the interest of efficiency and effectiveness versus safety. Now I notice there's some acknowledgement here within the auditor's report that the department has started to use some of these benchmarks in determining their . . . assessing your performance. And I do note on page 327, .74, that safety is one of them. And would it not be appropriate to try and define a term such as acceptable risk, with respect to the fact that you have safety as a benchmark? I guess the people of the province would like to know, is acceptable level of risk measured in terms of highway mortalities? Perhaps I could put that question to the officials this afternoon.

Mr. Armstrong: — I believe the document you're referring to relates back to our asset and management methodology and process in the Department of Highways, which doesn't relate to winter maintenance, which is not a preservation activity; it's an operations activity. So I don't think there's any correlation between what we're doing in winter maintenance and what that particular question of the report refers to.

Mr. King: — I think the question was, whether or not we have a definition of acceptable level of risk, and I think it fair to say

we haven't, from the documentation I have seen. I looked over the documentation and what this was, was people saying, in our minds there is minimal additional risk if we don't do this activity. It was a lay person's definition, not a technical definition, and I'm not too sure you could ever put a measurement on it.

For instance, we used to have the finger drifting on the shoulders. Crews would go out. And when this group that Mr. Armstrong referenced looked at that issue, they said, well unless the finger drift starts to come onto the road itself, there should be no need to go out and clear off the shoulder.

I suppose you could consider there to be some additional risk under some conceivable circumstance if you don't go out and clear the finger drift off of the shoulder of the road, but I'm not too sure it's quantifiable in terms of morbidity or mortality or accident.

It's just intuitive I suppose, that you could run into a situation where a risk might arise because there was a slight finger drift on the shoulder of a road. So I guess in direct answer to your question, there was no objective measurement of risk that was undertaken in the analysis of the documents I read.

Mr. Aldridge: — Mr. Chair, could I just ask for a clarification. As far as a benchmark with respect to winter maintenance, is safety then not one of the parameters, not one of the benchmarks? I note in your comments that with reference to what's in the auditor's report here, it refers to maintenance other than winter maintenance. But would safety not be considered a benchmark?

Mr. King: — Yes, again there were, I believe seven items considered as possible cost savings in winter maintenance that had been identified. Several of those were not changed because people felt it might increase the risk. Again I don't believe it was through any sort of objective measure; it was through their experience. And perhaps Stu can give a specific example where we continued the existing winter maintenance because "people felt it might not be safe" to not do it.

Mr. Armstrong: — Yes, you're right. We didn't have an objective measure. We did identify seven possible areas of changes to our policies and practices. Three of those areas were not selected primarily because of concerns that they might increase the hazard or increase the number of accidents occurring. And the areas that were selected were those felt to have a very low risk, in our judgement, in terms of adding to the potential for accidents.

Mr. Aldridge: — So it would seem to me then that the department has given a fair bit of consideration towards this whole aspect of safety. I acknowledge that, but . . .

Mr. Armstrong: — Yes.

Mr. Aldridge: — . . . but then in terms of just trying to establish, have we created a more risky situation than previously, I think there should be consideration given to some sort of a quantitative benchmark in this regard. Whether we

don't have to . . . If some might consider it too morbid to set that as highway fatalities, then just highway traffic accidents, period.

But there should be some way of assessing whether or not we've perhaps overstepped the bounds in terms of what would be considered acceptable risk on the part of the people of the province when they take in travel on their highways.

Mr. Armstrong: — Okay. If I could comment on that. We do monitor the amount of accidents which occur each winter. In our view, the policy and practices changes which were made in the fall of 1995 would be very insignificant in terms of having an influence on the accident rate as opposed to the significance of one freezing rain occurring throughout the province. And I don't think we'd have anything statistically show up which would relate directly to these policy changes, because weather is much, much more significant.

Mr. King: — I recently met with SGI (Saskatchewan Government Insurance), with the vice-president in charge of the automobile accident fund, and we were going over their accident information system, and we're going to be working together with SGI to see what useful information we can develop from their accident information on identifying hazardous parts of our road system, identifying perhaps some practices. We're not there yet. Most of our energy has been in measuring our asset management; so spending the dollars wisely.

We have a lot of work yet to do in the area of benchmarking and in measuring. It's certainly high on our plans. We did put out a first draft of a business plan, for instance, some months ago and contained therein are quite a few areas we're going to be measuring. And also quite a few areas where we're still searching for the proper way to measure, so that one ice rain doesn't skew the statistics. So we're not there yet. We hope to be soon.

Mr. Aldridge: — Thank you. If I could make one other suggestion too. Given particularly the high probability of another federal infrastructure program in the offing here, and if, as we're seeing here, that perhaps there's some more work that should be done, cooperating with SGI in terms of determining what particular parts of our highway system are where the accidents are occurring, I think it would be very timely that the department undertake some of that cooperation now, and in turn then could be providing, through the system, what in terms of infrastructure would be the best projects in that regard, keeping safety first and foremost in mind.

Mr. King: — I don't want to leave the impression that we're not using accidents or safety in our benchmarking or our measuring. All of the capital improvements to the system undergo a benefit/cost analysis where we try to determine how to prioritize all of our capital expenditures according to a complex formula which does involve safety and the accidents.

So we do get information on accidents and accident costs according to locations, but I don't think it fair to say we're using them to measure the effect of our policies yet, which is

the first question you had. We're using it to measure and prioritize the capital expenditures; so that we have a list of 113 proposed capital projects prioritized from 1 to 113 based upon this formula.

Mr. Aldridge: — And just one other if I . . . perhaps more of a comment but I'd just like to commend your department on, well certainly the spirit of the intent of trying to utilize more regional suppliers of goods and services, local purchasing, as you've related to us this afternoon. Certainly would have to go a long ways in that regard to ever undo the damage that's been done when the rural underground development program was eliminated by SaskPower, because there was a lot of local suppliers of goods and services both who were affected by that program's demise. But certainly I'd like to recognize your department for keeping with that spirit.

I have nothing else this afternoon. Thank you.

The Chair: — Thank you very much. If there are no further general questions or comments, we'll move to the detailed recommendations beginning on page 318, recommendation .20.

The way we proceeded, Mr. King, with other departments, is as we go through it we invite your direct response to that specific auditor's recommendation. And I recognize a lot of these have been covered in your general comments, but if you could briefly update us on each specific recommendation — if it's complied with, if it's under way, or what the case may be — and then the committee can respond appropriately.

So if you're ready, if we could begin on .20, Mr. King.

Mr. King: — Yes, the recommendation was that the Department of Highways and Transportation should clearly document and follow rules and procedures for preparing interim financial reports. I will repeat and perhaps expand a little bit on what I had indicated earlier.

A task group was formed to identify the contributing factors which had led to the over-expenditure of the maintenance budget by \$860,000. A comprehensive action plan was developed to deal with each item identified by the task group. The only outstanding item to be completed is the development of full documentation of the maintenance forecasting process. And we anticipate completion of that in early 1997.

We have met with both Treasury Board and the Provincial Comptroller's office and they've indicated satisfaction with our follow-up on our action plan.

We have cost information from the newly implemented fleet system and it's now being received on a timely basis.

A new purchasing payable system was implemented in April of 1995 which will improve accuracy of expenditure forecasting. This system automatically updates the maintenance management system. And a fully integrated financial system is presently under way and in the developmental stage, and it's a top priority for the department in terms of systems, in terms of our resource allocation.

We're targeting to have the system in place on April 1, 1998. That's an achievable time frame. I think we've allowed sufficient time. We've got a consultant in place at the present time who is assisting us with the search for a software package we can utilize as the central focus for the new financial system, and we're having our first in-depth meeting on Friday with the consultant.

I had indicated earlier, I've taken over the chairing of the steering committee for this and certainly look forward to being able to provide the sort of information that we have to provide in an accountable system like our democratic one.

The Chair: — Thank you very much. I take it that what we do as a committee is concur with the auditor's recommendation and note the progress as outlined by the deputy minister. Is that agreed?

Recommendation .28, Mr. King?

Mr. King: — Yes, the recommendation was that the department should comply with the established government purchasing policy and its own purchasing procedures. I've indicated that a new purchasing payable system was implemented in April of 1995 and it requires the local purchasing order forms to be created on-line. This system tracks and controls all authorized approvers electronically through the use of electronic personal identification numbers, eliminating the need for manual records.

In addition, I will add to this that we will be working with the central agencies to try to amend government purchasing policy where it makes more sense to us from a business practice point of view.

The Chair: — Thank you. Again, I think we concur with the auditor's recommendation and note compliance and also the recommendation for consideration of local purchasing options. Agreed.

Item .32.

Mr. King: — Yes, we were . . . it was recommended that the department should ensure ministerial assistant time reports show the activities the assistant undertook during the month and an appropriate person certify the reports. All ministerial assistant time reports are now signed by the minister and have been modified to include all information that was recommended by the Standing Committee of Public Accounts.

We're suggesting to the Department of Finance and Executive Council, we need to clarify who's responsible for ensuring all Public Accounts Committee recommendations are communicated to affected departments and agencies. As I understand it, Mr. Chairman, we were not notified as a department of what the recommendation of the department . . . of the Public Accounts Committee had been. And we're merely asking that that be clarified, who's responsible for that.

The Chair: — Thank you very much. I think the recommendation is that we concur with the auditor's

recommendation and note compliance. Agreed.

.39.

Mr. King: — It was recommended that the department should update its accounting manuals to define clearly the roles and responsibilities of the revolving fund's accounting staff and the accounting policies and procedures for the fund.

Substantial gains in improving accounting processes and procedures and updating manuals and documentation have been made. Continuous progress and improvement will be an ongoing process.

In the 1996-97 fiscal year, the fund established a project team and a number of task groups which re-engineered the accounting processes and procedures for the fund, based on user needs. Existing processes have been documented and the new processes are to be formally documented in a revolving fund accounting manual and implemented over the next few months.

The development and implementation of a new, fully integrated financial system for the department has been identified as a top priority, the initial target to be in place on April '98. This system will be used for all revolving fund financial systems as well.

The Chair: — Concur with the auditor's recommendation and note progress as outlined by the deputy minister? Agreed.

.40.

Mr. King: — Yes, it was recommended that the department should submit quarterly revolving fund financial statements to the Treasury Board division, Department of Finance, within 30 days after the close of each quarter.

The fleet system, which was one of the two systems implemented, led to . . . the delay in implementation of the fleet system led to the inability to provide financial information from the revolving fund to the Department of Finance. That system is now operational and quarterly reports are being done on a timely basis. We believe the issue has been resolved.

The Chair: — Concur with the auditor's recommendation and note compliance? Agreed.

.49.

Mr. King: — Yes, it was recommended that the department should comply with the established rules and procedures for systems development. Future systems development projects will comply with the established rules and procedures.

The Chair: — Concur with the auditor's recommendation and note compliance? Agreed.

.50.

Mr. King: — It was recommended the department should

adequately restrict access to its computer systems at all times. Security access to systems have been developed and are fully operational.

The Chair: — Concur with the recommendation and note compliance? Agreed.

.54.

Mr. King: — It was recommended that the department should formally define and document its reporting needs and assess the cost-effectiveness of its accounting system for meeting these needs. In 1995 we hired a new accountant for the revolving fund and made the replacement of the fund's accounting system a priority. A review is currently under way and a new accounting system for the fund is expected to be in place later this fiscal year.

The development and implementation of a new financial system has been identified as a top priority, April 1, 1998. As an aside, I'll indicate to you that the people responsible for the revolving fund had identified a stopgap measure which could have been utilized to meet this requirement or this recommendation.

Based on a steering committee meeting and the identification of the cost of that stopgap measure versus the benefit, it was determined that the cost outweighed the benefit as a short-term solution and we linked the solution to this particular recommendation to the larger financial system.

The Chair: — Concur with the auditor's recommendation and note progress as outlined by the deputy minister? Agreed.

.60.

Mr. King: — It was recommended that when creating a Treasury Board Crown corporation under The Crown Corporations Act, the minister responsible should table to the Assembly, the report required under subsection 15.3 of the Act. The information has now been tabled. Any further Treasury Board Crowns will be created in compliance with the law. It will be reported.

The Chair: — Concur with the auditor's recommendation? And note progress as outlined.

Thank you very much — I believe that completes the specific recommendations — Mr. King, and your officials, for being with us this afternoon. Thank you as well to committee members.

Mr. Sonntag: — Just on behalf of the government members, I as well want to thank you for the diligence you've shown here today in providing all of the answers to the committee. We certainly appreciate that, and I know that we as a government have placed you in interesting circumstances with the constraints we've put on all departments. But we certainly do appreciate your innovation in resolving many of the problems.

On behalf of us, we'd like to wish you a Merry Christmas and a Happy New Year. And hopefully we don't get snow or freezing

rain during the holiday season. Thank you.

The Chair: — One note before we adjourn, is that I've been rather harsh on committee members by not having coffee breaks, etc., but I would like you to note in your agenda for this Thursday, the Legislative Library staff is having a Christmas coffee party from 2:30 to 3:30. So we will put it on our agenda to have a coffee break on Thursday. So it's something you can look forward to.

I'm informed that we need a motion to adjourn, since it isn't at our agenda time, and we will reconvene tomorrow at 9:30. Thank you very much.

The committee adjourned at 3:17 p.m.