

Public Hearing: Department of Energy and Mines

The Chair: — Good morning, gentlemen. We will bring the committee to order, and certainly first of all, welcome to the members of the Department of Energy and Mines — Mr. Clayton, deputy minister, and your officials.

The procedure we use in the committee and have adopted, I would like to briefly explain. We begin by asking the Provincial Auditor's department to give comments on the relevant chapter that we're studying. Following that, I have a statutory declaration that I have to read into the record and then ask the deputy minister to introduce the people that he has brought with him and to make some general statements about the auditor's observations.

Following that, we open the meeting up for discussion by committee members and to direct questions in a general sense to the department. And then we go specifically finally, to the recommendations on an individual basis and ask the deputy minister to give his comment as to the status of those individual recommendations.

And I have been faithfully — in recent days anyway — asking the Provincial Comptroller to firstly introduce the people he's brought with him this morning.

Mr. Paton: — Thank you, Mr. Chairman. Today we have with us Shawn Grice, who's an analyst in the financial management branch. And I have two managers from the same branch with us today, Lori Taylor and Jim Fallows. Thank you.

The Chair: — Thank you, and welcome to the meeting. Mr. Strelloff.

Mr. Strelloff: — Thank you, Mr. Chair, members and guests. Good morning. Today we're at chapter 15, Department of Energy and Mines, page 283. And by the way with me today are Fred Wendel, assistant provincial auditor; Bob Black. Robert Drotar works on the Energy and Mines audit, as well as Bashar Ahmad.

So on page 283, the first part of 283 sets out the significant revenues and expenses of the Department of Energy. As you can see, the total revenues for '94-95 were \$726 million compared to the original estimates of 402 — a significant revenue source for the province; as you can see, the difference between estimates and actual is significant.

You may want to ask the department to discuss the difficulties in forecasting revenues, particularly the oil revenues, because as you know, the original estimates and the mid-year forecasts and the year end results released by the Department of Finance are certainly significantly fluctuating.

Paragraph .04 sets out two Crown agencies that the department is responsible for. And then paragraph .05 gives our standard three opinions — that we are advising you that the financial statements of the funded agency are reliable and the department has adequate rules and procedures for '94-95 to safeguard their

assets, except for the issue that we bring to your attention in paragraphs .21 and .27; and that they're complying with the key financial legislative authorities, except where we bring to your attention the item in paragraph .07 to paragraph .20.

That relates to the NewGrade payment. This issue has been brought to the Public Accounts Committee for quite a few years. And the issue generally is that the government provides NewGrade a grant and doesn't have the necessary legislative authority to provide that grant. As well, it's not recorded in the financial statements, the expenditures of the General Revenue Fund; so that when the expenditures are brought to your attention, they do not include the costs of this grant. And as you can see, in previous years the Public Accounts Committee has asked NewGrade to include in the estimates, the grant paid to NewGrade.

The item in paragraph .21 to .27 relates to carrying out audits of producers', potash and uranium producers', tax of royalty returns. We note that the auditing of those returns is not very timely. In this year under review we noted that they were still doing the audits back to 1988 and were concerned that there may be a loss of revenue to the Crown.

And then we move into the SECDA, or the Saskatchewan Energy Conservation and Development Authority, bring to your attention the absence of budget versus actual comparisons in their financial statements, as well as list of payees. We also understand that the operations of this Authority are being wound up and either folded into the responsibilities of the department or the Saskatchewan Research Council.

And that concludes a summary of chapter 15, Mr. Chair.

The Chair: — Thank you very much. I would like to read the following into 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 a 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.

With that, Mr. Clayton, I would like to invited you to introduce your department officials and make a few comments.

Mr. Clayton: — Thank you, Mr. Chairman. I have with me today one of my assistant deputies, Donald Koop, and also Doug Koepke, our manager of accounts. I assume that the committee, Mr. Chair, will wish to speak to individual questions, so perhaps I will comment more in an overview context than getting into specifics.

I think I would like to say generally that we have had a very constructive relationship with the Provincial Auditor and we appreciate that through the process of engaging in these audits annually, that we feel the overall system that we operate under is strengthened. And we do encounter differences from time to time. That's to be expected. But we think the process is certainly one that is a very valuable one, and as indeed is that part of the process that we're going through this morning.

We have had, over the years, a number of items brought to our attention that we have acted upon. There have been others we have differed on, but overall I think it's been a helpful and constructive process. So, Mr. Chair, if there are any specific questions that the committee would like to get into, we'd be quite happy to respond as best we can.

The Chair: — Thank you very much. We will now open it for comments and questions from committee members.

Mr. Toth: — Thank you, Mr. Chairman. Welcome to the officials. As noted by the auditor certainly in 1995, what were estimates for income, by the end of the year, had changed significantly. And I anticipate this year we should see some more changes.

And I guess the question, even as the auditor had referred to it, how does the department go about establishing what its revenue may be? And in view of the fact . . . I don't know if you have the ability to come down with and be close on revenue projections, due to the volatility of oil prices and what have you; it's something like the agricultural sector — high grain prices this spring have certainly changed the picture this fall.

And in your industry it really isn't any different, and I'm just wondering what avenues you pursue when you're trying to project what your income is for the coming year and how you arrive at the figures that . . . or the estimates that you basically present to government.

Mr. Clayton: — Well, Mr. Chairman, the process we go through is one of first making some assumptions, frankly, about some of the key variables that we know affect the industry. We make some assumptions in regard to prices. We make some assumptions in regard to exchange rates with the United States dollar where the bulk of our oil is sold. And we make some assumptions in regard to the level of optimism in the industry, which certainly affects things like their purchase of mineral development rights, for example.

And having done all of that and based on past experience, we try to project the production levels as best we can.

We find of course, that in spite of the greatest of diligence that we endeavour to bring to this process, that it's a very subjective area. No one really knows what oil prices are going to be. If we knew, we wouldn't be civil servants; we'd be making millions somewhere in the private sector, I guess. It's a very difficult area to predict.

Illustrative of this is the phenomenon over the last year or so where there's been a lot of speculation as to when Iraqi oil production is going to enter into the world market once again and what the impact of all of that would be once it began. And some were making the comments that once this production started entering the world market, we'd be entering into a period where there'd be more and more such production entering the market and would have a downward impact on overall world prices.

And then other analysts came along and said, well it's actually going to have the opposite effect, because when the market sees how readily that production can in fact be absorbed into the world without an immediate impact on price, that this will then have a positive effect on prices; they will be sustained. So that is simply illustrative of some of the difficulties in arriving at these estimates.

Another feature that seems to have quite an impact is how the stock markets themselves tend to view the industry. And when the stock markets and the mutual funds, for example, when they have a positive expectation in regard to the industry, they then make, through the markets, available, capital for those industries to proceed and expand.

And so that has a particularly significant impact on our land sales. Now to make a projection then of the kind of revenues that we're going to get, not only do we have to come to conclusions about the variables that are the most direct ones to deal with, but we have to try to second-guess, more or less, what the market out there generally views.

So notwithstanding what we expect, what others predict early in the financial markets expect, has an impact then on the monies, the capital monies, that are available to the industry and hence their levels of investment. So I don't know, Mr. Chairman, if I've enlightened anyone with these comments or simply added to the confusion. But that's how we've endeavoured to go about the process.

Mr. Toth: — Thank you for those comments. As we look at, and I realize we're looking at spring '96, and these actual revenues I would take it are based on March 31. Are these March 31 figures that we're dealing with here? March 31, '95.

Mr. Strelloff: — Right.

Mr. Toth: — Would it be fair to say that we could assume there's going to be much . . . even higher revenues in the oil sector this coming year, in the '96-97 fiscal year?

Mr. Clayton: — Yes, we are already exceeding our estimates on the land sales. And with the higher prices, and of course the royalty system is a price sensitive system, so the higher the prices, the higher the royalty levels. And because the prices have been considerably stronger than expected, yes we will see revenues again. We expect it will be in excess of the estimates.

Mr. Toth: — I note in this report that natural gas and uranium actually were significantly lower than the estimates and I wonder . . . natural gas was something like \$30 million lower and uranium some 5. I'm wondering if you could explain why those two sectors are substantially lower than what were projected, when all the other areas actually have major increases or significant increases.

Mr. Clayton: — In the case of natural gas we've had a considerable weakness, Mr. Chairman, in the natural gas markets. And with that weakness we've seen lower drilling levels. We've seen production levels taper off and with the lower prices themselves having been somewhat lower than we projected, this then has all resulted in lower revenues.

There has been, quite apart from the fact that across North America we've had a fairly depressed natural gas market the last couple of years, it tends to be particularly so in western Canada largely because the producers in western Canada when prices do strengthen, seem to have the ability to respond to those market opportunities very quickly and in a very substantial way.

And so we have in the face of strengthened prices and markets, what in retrospect would be seen as an overreaction. And so when prices do strengthen, the producers drill more wells, make more gas available and this has the effect of driving price down. And in western Canada this phenomenon is somewhat more pronounced in terms of its impact on price because of limited take-away capacity to the U.S. markets.

So we end up with a lot of gas trying to chase a limited market in western Canada. So that's one of the reasons why we tend to get quite a bit of additional volatility in the gas area as compared to the crude oil markets.

With regard to uranium, the uranium royalty system is essentially a mini income tax system. And there are allowable expenses and allowable revenues and fairly extensive rules governing how all of these things are dealt with as set out in regulations. And the department bases its estimates on what it expects the companies are going to submit by way of this mini income tax system that we have. And we're not always aware of what specific credit banks and so on they're able to draw upon to impact the revenue that they're required to report for the purpose of calculating the royalties. And so it is a particularly difficult thing in estimating the uranium royalties.

It probably has . . . in most cases those variations between estimates and actual performance don't have a whole lot to do with prices or production and sales volumes, but have more to do with how the companies choose to take advantage of the various elements of the, what I have called a mini corporate income tax system.

Mr. Toth: — Thank you. In view of, I guess if you will, the actual returns in natural gas last year and the fact that it came in much lower than what were estimated, what are you expecting per return this year in natural gas?

Mr. Clayton: — We have seen over the past very few months, a considerable strengthening in prices. And our drilling for natural gas is considerably up relative to the drilling levels last year. So we expect our estimate to be more in line with, or our actuals, to be more in line with the estimates, because of the strengthened prices more lately.

Mr. Toth: — So based on those comments, the fact that last year where there were some depressed prices, this year most of it, as you've just mentioned, are more to do with increased drilling and some increased prices of . . . in more recent months.

It would seem to me that based on where fertilizer prices went last year, in view of the place natural gas plays as far as nitrogen fertilizers, there should be a substantial return to the department. Agriculture should have kicked in a pretty good chunk of change into your pockets as a result, almost a doubling in the fertilizer prices, and yet you're telling me natural gas, it appears, wouldn't have played a major role in the increase in those fertilizer prices. Because if I go by the fact that you're saying your prices were pretty stable.

Mr. Clayton: — Low and stable for the bulk of this past year and a half. They've certainly been climbing very rapidly lately.

Mr. Toth: — That doesn't bode well for agriculture next spring then. Just by the increases last year, with low ag prices and natural gas and all your natural gas prices, I realize that's out of the debate here, and your control.

The other thing, propane has become a major issue and especially just recently. What's propane a derivative of? Is it some of the leftover gases that they just break down and create propane out of — a by-product of some of these?

And what I'm trying to figure out, whether your department follows some of these pricings and the fact of where the market is today. Is there a major return to the department on the production of propane? And why would we see . . . other than we hear the argument there's a shortage of supply and there's a demand in certain market-places. And that's because that demand is there, we end up paying because of the call from other jurisdictions.

Mr. Clayton: — We have relatively little propane production in Saskatchewan, and what there is is a by-product of other operations. And in fact the volumes are . . . where the volumes are fairly low, as they are in by-product production, we do not levy a tax or royalty on what's called associated gas, or gas that's associated with production. We've looked at it a number of times and felt it not worth . . . or not in our interest to pursue that. So that the volumes in Saskatchewan are indeed quite low.

Mr. Toth: — In one of your opening comments you made a remark about, I believe it's Iraq, having . . . and I believe the

countries of the world have opened the borders of Iraq to some production. Right now I think they're limiting it in trade for food. But who knows, like you say, that's . . . (inaudible) . . . Eventually some day they may be back in the market full force. And it would seem to me that if they came on stream immediately full production, it would almost anticipate there would be probably a drop for the immediate in oil prices until the market-place developed where it would be going.

The unfortunate part in this whole oil market pricing and what have you, and as far as the consumer goes — and we're all consumers in this room — is, and I note today's prices at the pumps and I realize that there's a lot of taxes that have been added to that that eats up the majority of it, but today's prices at the pump do not reflect the fact that oil went from a high of about 44 around the early '80s and it's down to in the 22, \$24 a barrel.

I guess one of the concerns that consumers have is even if it jumps a bit today, like propane, will those markets back off? And I know we're not producers in this room to determine whether they're going to back off the markets or not. Governments have an opportunity to reduce some taxes if they so desire.

But the thing is the volatility in the market-place certainly creates an interesting scenario for you to work with as far as bringing actual figures forward. And I appreciate that and I thank you for the work you're doing.

I just wish there was maybe some way, without being in there heavy handedly, trying to make sure the consumers have some benefits and not taken advantage of simply because there's a shortage today. So a market-place reacts. But then when there is surplus again, that that price isn't reflected to the consumer.

I know that's basically out of the ballpark from where we're talking today but I'm just throwing it out as a few comments.

The auditor also pointed out the fact that your estimates, under item .15, should present future payments to . . . estimates should present future payments to NewGrade under this agreement as expenditures. And I'm quite well aware of the fact that the NewGrade royalty rebate was an order in council in 1989, and I think one of my current government colleagues has said basically it's your fault, pointing to as a member of a former government. But they've had five years to change that if possible.

Now I understand from the auditor's report here that in the years '92, '93, '94, the recommendations have been concurred in but not for '95 again. And I'm wondering, if we've had this concurrence in .17 through .20, why wouldn't you just continue to . . . (inaudible) . . . change the program to make sure that that concurrence is there and it's an ongoing thing and it meets the recommendations of the auditor?

Mr. Clayton: — Mr. Chairman, this particular item has been dealt with as a remission continuously since the first arrangements were provided for under the order in council back in '89.

We do acknowledge that there is a difference of opinion between the Provincial Auditor and the department on this item. When the original order in council was being prepared, the regular processes for the development of that order in council engaged the Department of Justice in the process, and at that time we had their concurrence with this method; in other words, that they felt the appropriate authorities were there and that it was being handled appropriately. And we have seen no particular reason to change the way in which that item is dealt with.

We feel, particularly in regard to the question of disclosure, that because the item is identified specifically in the *Public Accounts* that the issue really is not one of disclosure of what is taking place but it's a question of what is correct from an accounting standpoint. And that's where we have the difference that's rooted in our different legal opinions.

Mr. Toth: — So when you're talking about disclosure, I believe the auditor is mentioning that these payments should be reported as an expense. How are they disclosed? You mentioned that they are disclosed or they are available to the public, whereas the auditor is bringing up the point of really showing them in your expense accounts. I'm wondering, maybe you could explain that a little clearer please.

Mr. Clayton: — Well the items are shown in the *Public Accounts* as a remission, or a . . . I think that's the appropriate term. Remission or a rebate might be another term that could be applied to it in respect of revenues that would otherwise be received.

Mr. Toth: — Why couldn't that be listed as an expense? While you use the term remission or rebate, it does become, though, an expense that the department . . . it's an expenditure to NewGrade from the office.

Mr. Clayton: — Mr. Chairman, that's one way of looking at it. We looked at it as an assigned remission; in other words, a remission that's given to the producers of the gas that's produced who have agreed to assign that remission to NewGrade.

We recognize there's an alternative way of looking at it. We acknowledge that. But our views remain different on it.

Mr. Toth: — Could I ask the auditor a question? When you mention about reporting these payments as an expense, exactly what are you looking for? What are your reasons for that, Mr. Strelieff?

Mr. Strelieff: — Mr. Chair, members, Mr. Toth, our understanding of the transaction is that producers are given an approval not to pay a royalty. Our general concern is that there is a grant paid to NewGrade, and that grant should be part of the expenditures of the department that are brought forward to the Assembly so that the Assembly has the opportunity to scrutinize, understand, assess, debate whether that grant is appropriate and then authorize it and to make sure that the total expenses of the department are complete.

And when we've discussed this in previous meetings of the Public Accounts Committee, the committees have agreed with that and have recommended that the department account for it that way so that the total costs of subsidies to NewGrade are clearly shown and that the Assembly also has the opportunity to decide, debate, approve those grants and subsidies.

Mr. Toth: — The fact that it's shown as a remission is an indication that that dollar value is still there and it's out to the public. Would that be true?

Mr. Strelieff: — When it's shown as a remission it means that the revenues of the department are reduced by 1.3 million. So the Assembly doesn't approve or authorize the revenues of the province. You vote on the expenses. So it's a way of netting the total costs of the department.

But we hold the view that showing it as an expense and also a revenue item on both sides is a better reflection of the substance of what's going on. And also our legal advice is that the cabinet does have the power to remit royalties but does not have the power to make grants, and that it has to come to the Assembly for that kind of authority as part of the estimates.

Mr. Paton: — Mr. Chairman, if I could just make a couple of comments on this and hopefully clarify what the issue is here. I just want to make a statement that the way the remissions are set out in the *Public Accounts* I think is a proper disclosure, and I don't think that's what's at issue here. The question I think that's being raised is whether or not this is a remission. All remissions result in kind of a netting, as the auditor has disclosed, and I think that is appropriate. I don't think he's questioning the treatment of remissions in general. So whether they should be netted or not isn't the question; the question is whether or not this one qualifies as a remission.

And in this case I think we've got differing legal opinions, where the auditor is of the opinion that it does not qualify as a remission, and the department I think has support, legal support that it is a remission. So I think that's where the concern lies, is the legal perspective of whether it is or isn't a remission, not how remissions themselves are being dealt with.

Mr. Toth: — I thank you. And I guess if anything, if I understand the auditor, possibly if it was in the expense side of the ledger we as legislators might address or speak up to it more, versus going through and finding it where it's reported as a remission. And that's where it . . . while it's reported, it may not show up as clearly to those of us who are perusing the . . . or reviewing the expenses, or how would the departments operate. Is that one of the major concerns you have, Mr. Strelieff?

Mr. Strelieff: — Mr. Chair, members, well normally a remission is where someone doesn't have to pay. In this case the producers do have to pay, but the payment goes to NewGrade. And since that ends up being the substance of the transaction is a grant, then the normal way of recording it and authorizing it is through an expense of the department. And so I guess we hold the view that the substance of this transaction is a grant and should be recorded that way.

Mr. Toth: — Thank you, Mr. Strelieff. I think we've hit another one of those snags where there's some differences of opinion as to how things are really reported. And I'm not going to drag this out. I think by bringing it to our attention, Mr. Strelieff, you're at least keeping us aware of this expenditure, whereas quite candidly I may not pick up on it just going through departmental estimates. So I appreciate your work and recognition of that fact.

While I appreciate the department's views on it, and I'm not going to hide behind the fact that whether it was started in 1989 or whatever, if it's something that can be a little more upfront for the public, I think it's maybe something the department could certainly look at too in addressing, rather than hiding behind legal opinions as to whether it should be a remission or directly on the expense side of the ledger and so its . . . I thank you for your comments as well.

And there's the one other question here we have is regarding the audits of potash and uranium producers' tax and royalty returns. What we are basically looking at — 1988 and earlier returns and auditing. How come those returns haven't been audited to date, or what's the specific concern we have raised here? Maybe I should ask that of the auditor first before . . .

Mr. Clayton: — The department acknowledges that this is not a particularly desirable situation to be in. Companies are continuing to submit their royalties as required under the regulations. The question relates to the auditing of the returns that they make. And of course there is an issue there in that quite often, as a result of the audits that are undertaken, we find that the companies owe more than what they had actually submitted in their regular returns. And so then the question arises as to the . . . not with regard to the ultimate recovery of the amounts owing, but the foregone interest if you like, that we may have received certain sums later than we otherwise would have, had our audits been more up to date.

Both the potash and uranium royalty systems are quite complicated. Both of them are like corporate income tax systems with all their own sets of rules in terms of what qualifies as revenue and expenditure and so on. And so it is quite an involved process, and occasionally we can get involved in some fairly substantial discussions with the industry on these specific matters. And these discussions in the past have consumed more time than we would have liked, and as a result we have gotten somewhat behind in bringing our audits for those commodities right up to date.

We have however, Mr. Chairman, acted upon the expression of concern of the Provincial Auditor. We were concerned ourselves, and we have added an additional auditor to our staff in this area. That person is now on staff and we hope to be able to get more up to date — well we will get more up to date and we hope to be right up to date as soon as possible.

Mr. Toth: — So from what I understand, part of it is a difference of opinion when it comes to what the potash companies or the uranium producers may view as the fact that they've concurred and paid the proper royalties.

And your purview of the books in determining, well maybe in the year 1989, no we don't think that you paid, yes, and we appreciate the payment, but we feel that there were . . . you didn't pay the total amount of what was actually owing. And there's some differences there that you've had to try and argue over. And so that's one of the reasons, if I get it, that you're kind of behind.

The fact that you've appointed another auditor, I guess it just gives you one more person to look at the books and get more up to speed. Because I think if you've had arguments in the past, you're probably going to have arguments well into the future as well, and on the royalties that should or . . . should have been paid, which may take a bit of time. So no doubt it's going to require a little more help. And I appreciate the fact that you are making an effort to try and become more timely.

I think it certainly would make it even easier for the department if you can get it a lot more up to date, and you wouldn't have to deal with these issues that kind of become belaboured and somewhat older.

So thank you for your comments, and that's basically my questions for this morning.

Mr. Thomson: — Thank you, Mr. Chairman. I want to return to this question of NewGrade. I guess I want to start by saying I want you to know I have tried very hard this week to find some area to agree with Mr. Toth on. And I was convinced this would be the piece today. But once again, I think we find ourselves on opposite sides of this . . . (inaudible interjection) . . . You should be. Join us.

This is a complicated question but it's . . . and a complex issue. But as I understand this, what the cabinet did in 1989 and has continue . . . what the cabinet continues to permit, is that a lessee is required to pay a royalty, that they are then allowed to get a rebate or a remission on that if they have assigned the remission to NewGrade. So in fact this is not a grant from the province but is a payment from the lessee to NewGrade.

This is my understanding of this. And so in fact what we have done is, in other circumstances, if the condition were not in this order in council, the payment would have been simply made back to the lessee. But in this case the lessee has assigned the payment to NewGrade. So it's being accounted for that way.

I'm also interested as to why, I guess, the auditor would view this as an expense when The Financial Administration Act clearly says any refund of revenues may be paid out of the General Revenue Fund and may be accounted for as a reduction of revenue under section 25 of that Act. And so it would appear to me that in fact the department is appropriately dealing with this remission by treating it as a reduction of revenue, not as an expenditure.

So perhaps I could get clarification, both from . . . I guess initially from Mr. Paton, to ensure that I understand The Financial Administration Act and that that is in fact the powers of the government. And I guess secondly from the auditor, in terms of why he would differ . . . or why he sees things

differently than what I would read section 25 of The Financial Administration Act to permit.

Mr. Paton: — Mr. Chairman, unfortunately I don't have a copy of The Financial Administration Act to speak to this completely. However this isn't treated like a revenue refund; it is a different issue. This is a remission of taxes and it's a different type of item. A different section of the Act deals with remissions as opposed to revenue refunds.

Mr. Thomson: — Right, but I'm just taking a look at a copy of the Act. So the remission . . . Oh, I see. Okay. I was referring to the wrong section. It's actually subsection (5) of section 24 of the Act which says:

A remission granted pursuant to this section may be paid out of the general revenue fund, and may be accounted for as a reduction of revenue.

My apologies. I cited the wrong section.

But the treatment would remain the same in terms of the Assembly's eyes. They have wanted this to be treated as a reduction of revenue, not as an expenditure. Is that right?

Mr. Paton: — That's correct.

Mr. Thomson: — Okay, thank you. So to the auditor then: could I ask for clarification as to why he would view this to be an expenditure rather than a remission as provided for under section 24 of The Financial Administration Act.

Mr. Strelloff: — Okay. Mr. Chair, members, Mr. Thomson. On paragraph .08 of this chapter, page 284, it says section 24 of the Act gives cabinet the authority to remit or forgive or exempt any person from the liability to pay that royalty to the Crown.

So the cabinet does have the authority to say to a producer, you don't have to pay that royalty. But then in paragraph .10 we explain that while producers still pay the royalty to the department — I mean the money still comes — but the agreement is that the department will then pay that amount to NewGrade. So in essence the producer has not been given the forgiveness. They're still paying the royalty, but it's moving through the department and then it goes to NewGrade.

So our thoughts are, and advice is, that really the substance of that transaction is, the revenue is still being collected and there's a grant to NewGrade from the department. And therefore the total transaction should be reflected that way.

Mr. Thomson: — Well this would seem to be analogous to me sitting down and doing my income tax. The province has deducted the tax they feel I owe. However, they set out certain conditions in which they will remit or forgive portions of my tax. For instance, if I contribute to a labour-sponsored venture capital fund, they'll allow me to deduct that. They would then normally send me back the refund, right, the cheque. If I were to say instead, no, send it to Vi Stanger . . .

Ms. Stanger: — Oh, good idea.

Mr. Thomson: — . . . because it would be in the public good. why would that then be any different than this situation? It's not in fact a grant that the province would be making to Vi Stanger, it would simply be a forgiveness. I mean it would simply be me assigning my rebate and my right to Vi.

Mr. Strelloff: — Mr. Chair, members, the remission is the forgiveness.

Mr. Thomson: — Yes.

Mr. Strelloff: — So that means you don't have to pay the royalty.

Mr. Thomson: — That's right.

Mr. Strelloff: — But in this case you do have to pay the royalty to the department. And so the substance of it is that you're still paying it, but the department has then granted that money to NewGrade.

And there is a legal part of it, as being the substance of the transaction still seems to be revenue to the government in a grant to NewGrade. But also, there's also an understatement of the cost of NewGrade happening here; that the Assembly . . . because the grant to NewGrade isn't recorded as an expense, the actual government's cost of contributing to the operations of NewGrade are understated as well for I don't know how many years — 15 years or until a whole bunch of years.

So a million dollars a year in terms of the cost of the province or the government subsidizing NewGrade is not clearly reflected in the expenses of the province. But on the legal part, I mean a remission is a forgiveness; I mean you don't have to pay. But in this case, the substance is you are paying and then the amount is going to NewGrade.

Mr. Thomson: — But the amount that goes to NewGrade is not determined by the government. It is a right signed by the lessee. It's not a grant provided from the department, as I understand it. It is in fact an assignment of any remissions by the lessee to this third party, which in this case is NewGrade Energy.

So I fail to understand how it works that this would be considered an expenditure of the government, when it is in fact the lessee who has determined that the money will go to NewGrade. And that the only role for government in this is to concur with it and say fine; in that case that you assign it, we will forgive it. I still think it is somewhat analogous to my own tax situation, where I'm required to pay my taxes but there are certain conditions under which portions of that will be forgiven.

In this particular case then, all we're dealing with is who is making the payment. I would argue that — and I think it is fairly clearly spelled out in the order in council — that the payment is being made by the department on behalf of the lessees, not on behalf of the government. It is the lessees' money; the government has agreed to forgive it; the lessees have agreed to assign it. So in this case we simply serve as a paymaster.

The Chair: — Mr. Clayton has indicated he'd like to comment.

Mr. Clayton: — Part of the rationale or explanation that we would bring to this situation is that, that it's our view that a remission can be made on any terms or conditions that the minister considers advisable and that the remission can be either conditional or unconditional. And in this case the arrangements are that the remission is made on the condition that it go to NewGrade. So that's the basis for the . . . or the logic track if you like, that we've been following on this.

The Chair: — Mr. Thomson, do you have any further comments?

Mr. Thomson: — I think the deputy minister has probably made it even simpler than I had attempted, which is not unusual.

So just to make this clear then, as I understand this, and I think we will deal with this obviously when we're attempting to dispense with the recommendation, but this is an assignment from the lessee to NewGrade. This is not an expenditure, in my mind, from the department to NewGrade; and that the government has treated it as a reduction of revenue, which is spelled out for in The Financial Administration Act and therefore properly accounted as the legislature envisioned it to be.

Mr. Aldridge: — Good morning, sir, and to your officials. You've mentioned just recently here now that you have developed . . . or you have this opinion and it dates back to '88 or '89. Has the opinion that you'd developed back at that point in time, has any Public Accounts Committee ever had a copy of that for their consideration? I see this has come up time and time again and I wonder if, for the consideration of the current committee, we might be able to obtain copies of that legal opinion from Justice.

Mr. Clayton: — Mr. Chairman, this item has been before us for so long that frankly I forget some of the detail around this. Now my understanding, my recollection at this point, is that the form through which Justice expressed its view on this was through the processing, assisting us in the processing, of the order in council, as opposed to a separate, identifiable, explicit, discreet opinion that would be separate and delivered to the department. Now I may be wrong on that. We may in fact have such an opinion, but that's not my recollection.

Mr. Aldridge: — Mr. Chair, then could I suggest that perhaps the committee should request an opinion from the Department of Justice on this matter, just as we've done in recent days on other matters, to assist us?

Mr. Thomson: — To what end?

Mr. Aldridge: — Well to the end of resolving this.

Ms. Stanger: — No, we've resolved it in our minds.

Mr. Aldridge: — You can't deny the fact that Public Accounts Committees prior to us on many occasions have recommended

that we follow the wishes of the auditor in this respect. You can't just sweep away all of the previous recommendations and the approval of previous Assemblies. I think it's the duty of this committee that we ask the Chairman to get the Department of Justice to respond in this matter.

Mr. Thomson: — I don't think we are debating the legality of this. We are debating an accounting question as to whether it's properly accounted for as per section 24 (5) of The Financial Administration Act or whether it should be accounted for as the auditor believes it should. What we're attempting to deal with is simply an accounting issue. It's not a legality issue. And so in that regard, I don't see any need for us to pursue a Justice opinion.

Mr. Aldridge: — Well, Mr. Chairman, I don't like to contradict Mr. Thomson in this matter, but in the Assembly this spring the minister did state that they had a legal opinion supporting how they record this whole transaction. So it does have some legalities as well as a . . . You know, it's not just a matter of the accounting.

And we are dealing too, incidentally, with an amount of monies now which, as of March 31 of '96, is now like \$1.6 million in a grant that we're now giving to NewGrade. And so as a committee, I think we have to make sure that this is transparent for what it is. It is in fact a gift to NewGrade.

So I still maintain that we should be getting an opinion from the Department of Justice.

Mr. Sonntag: — Thank you. As much as I thought our evening, yesterday evening, with Mr. Aldridge, I might have softened him up to my way of thinking, it appears that it hasn't worked.

I think that the issues are entirely separate. I don't think that there's any comparison to be made because I don't believe under this that there is any question about the lack of disclosure. And as Mr. Thomson said earlier, this is all about accounting and nothing to do with a legal opinion.

And I don't think the committee would be any more advised by having an opinion from the Department of Justice because, as I said earlier, I don't think there's any question about the lack of disclosure; simply an accounting. It's simply the method of accounting. So I would disagree with any suggestion about bringing in the Department of Justice.

Mr. Aldridge: — One more question if I could then. In this . . . Maybe I'll direct it to the auditor or perhaps the Provincial Comptroller, whoever. At what point in time did the province switch to the accrual versus cash accounting in terms of how they handle the province's accounts? What fiscal year was that? And should there have been any consideration given to a different treatment of this particular transaction in that light?

Mr. Clayton: — Mr. Chairman, I didn't hear the last part of the question, but I think the switch to accrual accounting, I think was April 1, 1993, but I don't think it would have any bearing on what we're talking about here. Well no, I don't think accrual

accounting is at issue here.

Mr. Aldridge: — On the matter of the audits of the potash and uranium producers, has some of the delay, if you would, in getting up to a more current basis, been due to reluctance on the part of the producers themselves to submit to auditing, or has it just been a lack of manpower on the part of your department to date?

Mr. Clayton: — Mr. Chairman, we've had excellent relationships with both the potash and uranium industries, and whatever backlog we've gotten into here is really not explained by any reluctance on their part. There have been very legitimate differences of opinion and we've worked our way through these, Mr. Chairman, and ultimately end up resolving them.

But we are dealing with a fairly complex system, and I think it's the complexity of the system that we have that is accounting for this as much as anything. It's quite unlike the oil and gas royalties, for example, where the formulas are all set out and it's a very simple matter to then calculate the amounts owing and to verify them. The discussions we've had with the industry have gotten quite involved on occasions.

But again, I would want to emphasize absolutely that it's not . . . the backlog is not attributed to any kind of reluctance or any kind of stance on behalf of the industry that we wouldn't care for. They've been quite cooperative.

Mr. Aldridge: — Mr. Chair. Would you be able to provide us some sort of an estimate as far as how many additional revenues were recovered through your audit work for, say this '94-95 fiscal year that we're covering here and pertaining to the potash and uranium?

Mr. Clayton: — Mr. Chairman, that's a question we would like to take under consideration. And I have a bit of reluctance. That reluctance has to do with the confidentiality feature of things. And I'm not quite sure where we would stand in that respect. If there were a way of doing this that didn't in any way reflect negatively on our fiduciary responsibilities to those that are submitting the returns and so on, I think we'd be prepared to assist if we could.

I think it's . . . quite apart from that comment, when you're dealing with complicated questions like this, it's also a bit difficult to know, when you have an issue that's under discussion for a long time and it ends up being resolved, what is the incremental amount that we're talking about. I'm not sure that it's a very straightforward thing in all cases.

But, Mr. Chairman, in any event, a question has been raised and we would be quite happy to have a look at that and see what information we could provide back that may be of assistance to the committee.

Mr. Aldridge: — Thank you, Mr. Chair. Well as a member of the committee, and I'm sure the rest of the members would concur with this, that we want to try and get some sort of a measure of whether these are resources well spent in terms of the audit work you're doing. Should we allocate more

resources?

You've mentioned you've allocated an additional auditor to the process. If we're recovering significant amounts of monies in doing so, perhaps the committee might want to recommend that you be allocating additional resources to the whole effort. So this is why I question it.

You've mentioned that soon you'd like to be up to current in terms of your audit work. Would you be able to be a little bit more specific about where you would be at this point in time with respect to this?

Mr. Clayton: — Pardon me, Mr. Chair, I was just consulting with my assistant deputy on this issue. I'm advised that our audits for the potash industry are approximately three years in arrears; and between two and four years, depending on which company, on the uranium side of things.

We will not resolve this — I don't know if the word is backlog. That's maybe not quite the right term to apply to it but I guess it's close enough. We expect it'll take several years to gradually overcome that. If, for example, it were only to take one year to catch up, then I think we would not be engaging permanent resources, as we have.

It's a situation where we think it's going to take us a few years to catch up. But we see ourselves on the track towards that, and once having achieved a more up-to-date circumstance, we hope never to fall behind again.

But it will take us a while. I would suggest three or four years just as a ballpark estimate before we're right up to date.

Mr. Aldridge: — I assume by regulation, you're able to attach interest to monies that you determine should have been remitted previously. Is there any other provision in the Act or in the regulations for any additional penalties beyond that, or is it strictly just an interest?

Mr. Clayton: — The amounts that we're talking about are really not considered to be in arrears until the department has undertaken its audit and issued an audit assessment saying, you owe this amount of money; there's no obligation on the part of the company to pay any interest penalty.

But in a situation where we have reached ... where we've made an audit assessment indicating these are the amount owing, if they then fail to remit those, that's when the interest starts accruing. To my recollection, we have not had any of those situations that ... In other words, that when the department has indicated these are the amounts that are owing, they have been paid.

Mr. Aldridge: — Have you ever determined in your auditing that there was any gross negligence on the part of any of the producers in terms of misreporting these royalties?

Mr. Clayton: — Absolutely not, no. We've had excellent cooperation, and whatever differences we've had have been legitimate types of differences.

Mr. Koenker: — Yes. Thank you, Mr. Chairman. We've talked about the uranium and potash industry just a few minutes ago and obviously you're responsible for the oil and gas industry. The Department of Highways has partnership agreements with ... assigned partnership agreements with both the uranium and potash industries for improvements to highways.

And I'm wondering if the department has had any hand in those negotiations or whether that's strictly with, and through, the Department of Highways. Or whether the department is, in the light of those agreements, in the other sectors, has been talking with any of the oil companies in terms of possible partnership agreements.

We all know that there is a lot of highway work that needs to be done. I can think of, well, what? — Highway 303, for example, has been the subject of a lot of controversy and need for improvements. And I'm ... God forbid that we should have these companies make a payment to the department maybe, but maybe some kind of assignment to the department that could then be forwarded to Highways for highway improvement.

Do you have any comments in that regard in terms of your role in this relationship?

Mr. Clayton: — The department has had no direct role in any of these negotiations or discussions. In regard to the arrangements with the uranium industry for the improvement of certain highways in northern Saskatchewan, we have been more aware of those discussions that have been going on than we would have had with regard to other situations, largely because of the extensive involvement that we have had in the process of assisting the uranium panel review of the projects and tally the costs and benefits and that sort of thing.

So this has come to us by way of information, Mr. Chairman, as opposed to having had direct involvement in the discussions. It's been pretty well directly between the Department of Highways and the uranium industry.

With regard to the oil and gas industry, I'm not aware of any arrangements they may have entered into with the Department of Highways. They do enter into quite a number of arrangements with the various rural municipalities, as you may be aware, where there's items called road maintenance agreements and so on. I'm not aware of whether there have been any discussions of extending the kinds of principles that are involved there into our provincial highway system.

Mr. Koenker: — Thank you very much.

The Chair: — That being the completion of my speaking list, if there are no further questions or comments from members, we will move to the specific recommendations. I think in terms of the specifics of recommendation .15 and .16, there may or may not have been ... (inaudible interjection) ... oh, please stay, yes. There may or may not in members' minds been enough discussion on this, but I look for direction.

Mr. Thomson: — Mr. Chairman, I'd be prepared to move:

That the Public Accounts Committee disagrees with the auditor's recommendations as cited in paragraphs .15 and .16 of chapter 15 of his spring report, and notes that the department is in compliance with the accounting requirements provided for in section 24 of The Financial Administration Act as pertains to order in council 7/89.

The Chair: — A motion has been moved by Mr. Thomson. Is there discussion on the motion? Mr. Aldridge.

Mr. Aldridge: — Well I can only reiterate what I said earlier, is that we've had a number of Public Accounts Committees previously who were completely of another mind than the motion that you're presenting here today. And the only other recommendation I could make is that if it's a problem related to nomenclature, is that perhaps if people have a problem calling it a grant — which is what it is — then let's call it a forgivable loan. That's all I have to say.

Mr. Thomson: — I think we've gone through the merits of the auditor's recommendations and the problems with it. What I want to deal with though is the issue Mr. Aldridge addresses, which is previous recommendations to this committee. I think it's important. We need to remember that this committee is constituted of this particular legislature, who needs to review the facts that are presented to it in this particular case today. And based on that, I have obviously moved the recommendation — moved the motion — based on that discussion and those facts presented to us today. So I don't think that we need to feel any particular attachment to previous recommendations.

Mr. Aldridge: — The facts before us today don't have the facts that this original determination was made by the department. We haven't seen the recommendation that Justice made to them. And the people across from us are of another mind on asking the Justice department for an updated opinion on the matter. So we're not dealing with the facts before us. We're deliberately attempting to avoid dealing with the facts. Plain and simple.

The Chair: — I do not note any further . . .

Mr. Toth: — I'd just like to have the motion read again to hear what the motion is actually saying.

The Chair: —

That the Public Accounts Committee disagrees with the auditor's recommendation as cited in paragraph .15 and .16 in chapter 15 of his 1996 spring report, and notes that the department is in compliance with the accounting requirements provided for in section 24 of The Financial Administration Act as it pertains to order in council 7/89.

Is there any further discussion or debate on the motion? If not, are you ready for the question? All those in favour? Agreed. Opposed? It's carried.

Item number .27. I believe as well there has been a fair amount of discussion on this specific recommendation. Is there any

further comment that's to remain?

Mr. Thomson: — I would just think it's appropriate, from what I understand the deputy minister to have said, that we concur with the auditor's recommendation and note progress.

The Chair: — I believe that that is a suitable recommendation. Are we in agreement? Agreed.

.35. Mr. Clayton, would you like to comment specifically on that recommendation?

Mr. Clayton: — I believe this has to do with the Energy Conservation and Development Authority. I think the issue is academic at this point, having given the fact that the organization has been discontinued.

The Chair: — So on .35 we concur with the auditor's recommendation and note that the organization has been terminated or wound down. Agreed.

.38, same recommendation? Agreed.

Well thank you very much on behalf of the committee, Mr. Clayton, and your officials, for being in attendance for our discussions on chapter 15 today. We thank you very much for coming and wish you a very happy holiday season.

Mr. Thomson: — On behalf of the government members, I too would like to thank you for your attendance today and your walking us through these fairly complex matters. And I would like to wish each of you a Merry Christmas as well.

Mr. Toth: — And thank you, Mr. Chair. I would like to extend our appreciation as well. We wish you well in the upcoming year and Merry Christmas.

The Chair: — I'm looking for direction. Mr. Toth has indicated to me that it is necessary for him to leave. Our agenda only calls for an additional 30 minutes of time and so I'm looking for direction as to if we adjourn or we . . .

Mr. Koenker: — I think we should continue. My plans are to be here for this morning and I'm prepared to stay. We have work in front of us.

The Chair: — Well the understanding we had, that if we completed our agenda items, we would go back to the outstanding issues in terms of the response to the first report.

Mr. Koenker: — I think we should do that, keep going.

Mr. Toth: — Yes, Mr. Chair, it's just the . . . I made a commitment to be at the office for a couple of things that have been coming up. But my presence or absence at the moment does not have any bearing on whether the committee continues to operate. I'm just indicating that I won't be available for a while and whether I can get back before 11:30 is irrelevant.

If the committee wants to continue to operate, I think there are enough members here to operate, and I'm certainly more than

prepared to allow the committee to operate. I'm not asking you to shut the committee down because I have to be called away at this moment.

Just in case I don't get back though before committee recesses, I'd like to wish each and every one of you a Merry Christmas. And while I wasn't really looking forward to working in Public Accounts this close to Christmas, I have enjoyed it and I thank the auditor and his staff and just extend my greetings at this time of the year. Thank you.

The Chair: — Thank you, Mr. Toth.

Ms. Haverstock: — Well before Mr. Toth leaves, I find that there's an action which is very, very important. I know that Mr. Pringle isn't here, but I'll get him when he gets back. What I've done, Mr. Chair, is to pay close heed to the behaviour of everyone in Public Accounts this past week and I . . . quite frankly, I've used two criteria, naughty or nice. And I want you to know that I've been extremely impressed, not simply by the behaviour of the Provincial Auditor's office but the behaviour of the Provincial Comptroller and all of his staff.

And shockingly, I've been very impressed by the behaviour of the Clerk, because as you know, he is usually so verbal and obvious in this room. I felt that every representative of *Hansard* has been so incredibly professional and, in quotation marks, "nice."

And then it comes to the members, of course, Mr. Chair, and I'd like you to know that I have been so pleased, indeed impressed, with the exception where there's one member who came very close to naughty on several occasions.

And, Mr. Thomson, you're just very lucky that in the spirit of the season that I've decided to overlook those. And I can tell you that there were more than just one or two moments where your gingerbread man was going to be broken.

But what I would like to do is just to express to all of you that this has been a particularly — I think — well-functioning committee this week. And so because Santa is so busy and couldn't be here today, I've decided that on his behalf I will hand out your deserved positive reinforcements.

So to each and every one, a very Merry Christmas and a Happy New Year.

The Chair: — I'm reluctant to bring us back to business. We are on recommendation no. 4 and the response by the minister to recommendation no. 4. I entertain comments by any of the members.

Mr. Sonntag: — I'm just referring to the minister's response here. I would suggest that we simply note the minister's response and concur. I don't know what the process would be here but I would be open to a suggestion.

I note in the response that CIC (Crown Investments Corporation of Saskatchewan) and its subsidiary Crown are currently considering adoption of the annual report disclosure

requirements of the TSE (Toronto Stock Exchange). I'd be interested in finding out whether in fact that's what they . . . I don't know whether it would be reported back to the committee here but I'm not going to say that I want CIC to come back here because that would be inconsistent with what I suggested in the past.

But I would be interested in knowing what they do. So I don't know what is the formal vehicle for doing that?

The Chair: — I think that perhaps I could suggest that we note the minister's response and await further developments in regard . . . as committed.

Mr. Sonntag: — That's fine. That's good.

The Chair: — It doesn't take anything away from our recommendation, and recognizes that some work is being done.

Mr. Sonntag: — That would be fine.

The Chair: — Are we in agreement with that? Agreed. Thank you.

Recommendation no. 5.

Mr. Sonntag: — I think on that one we simply note the minister's response and look forward to the final and concluding report from the . . . with respect to the Gass Commission. We've asked that that be presented to the legislature, did we not?

The Chair: — Yes. Are we in agreement to the suggestion by Mr. Sonntag? Agreed.

Recommendation 6.

Mr. Sonntag: — I'd simply agree and note progress unless . . .

The Chair: — Note the minister's response and await final result or something of that nature? Agreed. Thank you.

Recommendation 7.

Mr. Sonntag: — I would suggest the same for 7, Mr. Chair.

The Chair: — Is that agreed? Agreed.

Recommendation 8.

Mr. Sonntag: — I think essentially the same. This might be a wee bit different but essentially this noting . . . I would note, simply note, the minister's response and concur, I guess.

Mr. Koenker: — I think this is one in which we really need to note the minister's response because that's very pertinent to the recommendation. I don't know that we can simply concur.

The Chair: — So then it is your wish that we note the minister's response and leave it at that?

Mr. Koenker: — Yes.

The Chair: — Is it agreed then that we note the minister's response? Agreed.

Recommendation no. 9.

Mr. Sonntag: — Note the minister's response and . . . I don't know if you want to note progress but apparently . . . note progress.

The Chair: — Await progress? So we note the minister's response and await progress? Is that agreed? Agreed. Thank you.

Recommendation no. 10.

Mr. Sonntag: — I would say exactly the same thing.

The Chair: — Note the minister's response and await progress. Agreed.

Recommendation no. 11.

Mr. Sonntag: — I think essentially the same on no. 11 as well.

Mr. Aldridge: — Except, Mr. Chairman, I think the members of the committee should note that the Finance minister did commit at one point to establishing a pension commission when the issue was raised during session in response to media requests. And I don't see that evident from their response here.

Mr. Sonntag: — I think — sorry — I think in noting the response we wouldn't be ignoring that. In noting the response the recommendation would stand.

The Chair: — By simply noting the response it wouldn't take anything away from the recommendation, which is indicating that we are asking for the establishment of a pension commission. Right?

Mr. Thomson: — Sorry, can you restate that?

The Chair: — In simply noting the minister's response, and limiting it to that, it would in no way diminish from our recommendation, which is still calling for a pension commission to be established.

Mr. Aldridge: — Thank you, Mr. Chair. Don't some of the members of the committee find it unusual though that the minister's response isn't that, yes, we are about to establish a pension commission or that we will within a certain period of time, given that that was her undertaking to the public? Do you really consider that this rhetoric is acceptable?

Mr. Sonntag: — I would, sorry, I would agree with what you've said. I think by noting it we are maintaining the position that was stated in the recommendation.

Mr. Thomson: — I would agree with Mr. Sonntag. I think the two key points out of the minister's response that need to be

noted are that the government will continue to work towards resolution of issues respecting pension plans that it administers, which is what we've asked. And secondly, that she notes that the government recognizes its financial obligations, including its pension obligations. These are both important components of what I think we were initially asking for. The question of whether it's a commission or not, I think is a secondary issue.

Mr. Aldridge: — Well it certainly wasn't when we made the recommendation. I mean it was the crux of our recommendation; it wasn't a secondary issue.

Mr. Thomson: — That wasn't the reason I supported the recommendation. I supported it in the . . . with the view that the government should study the many issues related to its pension plans. The instrument the minister uses to study that is of a secondary concern to me. But I think we can proceed with Mr. Sonntag's proposal, which is simply to note the response.

The Chair: — The suggestion that we note the response of the minister, is that agreed? Agreed. Recommendations 12 to 16 have been responded to as a group by the minister. Do we want to deal with them in terms of that same grouping? And if that's so, looking for direction. Mr. Sonntag.

Mr. Sonntag: — I would simply note the minister's response and note progress, I guess.

The Chair: — Okay. We note the minister's response and await further progress. Is that agreed? Agreed. Okay.

Mr. Sonntag: — We've still time . . . We got time for more gingerbread cookies, actually.

The Chair: — Well, committee members, I certainly like that there is certainly time or a little bit of time. I, on my behalf as the Chair of this committee, would like to take this opportunity to wish each and every one of the committee members, the department officials, and staff that I've had the great pleasure of working with, the very best of the Christmas season.

It is going to be a particularly delightful Christmas in our household this year with a brand-new granddaughter to be in our home, and I know that our family is very much looking forward to it. And would like to wish to each and everyone of you a joyous and a blessed Christmas season.

Mr. Sonntag: — And certainly on behalf of the government members. Mr. Chair, I appreciate that I think this has been a very productive week. I think we've accomplished very much. It's been enjoyable, and I want to thank the Provincial Auditor's office, the comptroller's office, and *Hansard*, and everyone involved. All of the witnesses this week, all of our support staff, and certainly the Clerk as well, thank you, and the Clerk's office, may I say, not simply the Clerk — and wish each and everyone of you a Merry Christmas and a happy holiday season, and hopefully we'll all come back here in January fat and jolly. Thank you.

A Member: — I don't think that would be hard to do.

The Chair: — With that, if there's no further comments, I would like a motion to adjourn. Mr. Flavel, thank you very much.

The committee adjourned at 11:19 a.m.