

April 21, 1983

Mr. Chairman: — Okay. I would formally call our meeting to order. I want to welcome to the public accounts committee certain officials of the Department of Industry and Commerce; introduce to the committee Mr. Hutch, acting deputy minister; Mr. Harvey Murchison, director of administration; Austin Selby, supervisor of finance and accounting; Mr. Baron, executive director of regional services; Mr. Lorch, executive director of trade, industry and services — that's five, and I see . . . Five people, right. Okay. I saw six but I guess the other one was . . . Yes, come on in. I saw six but the other one was the commissioner . . . (inaudible) . . .

I want to welcome all of you gentlemen to the public accounts committee. Let me preface it with a comment that I usually make, and that is that proceedings of the committee enjoy an absolute privilege, and that is that nothing that is said here can be the subject of libel and slander outside the committee. On the other hand, what is said here is taken down verbatim. To that extent it is available for use outside.

When you speak, sort of try and speak into the mikes. We never have a problem with the officials here. The problem is always with the elected people who . . . We have a tendency, and I'm as much of an offender as everyone, to all talk at once. I gather, gentlemen, the *Hansard* has . . . There's been some hair torn out and thrown on the floor over our proceedings. We have been getting a little informal, and perhaps talking at once, more than one person talking at once, and *Hansard's* having a problem. So let's try and remember to recognize whoever has the floor and leave it at that.

Mr. Katzman: — . . . (inaudible) . . . You and I . . . (inaudible) . . .

Mr. Chairman: — We're probably the worst offenders. Okay. With that I want to again thank you gentlemen for coming, and perhaps turn the committee over to anyone who may have any questions.

Mr. Folk: — Welcome, gentlemen. I've got to leave fairly soon so I'd like to ask a few fairly specific questions in the public accounts book — C 28 on the actual statement in that; and generally speaking, under the appropriations, etc. Under Industry and Commerce there were numerous virements, and most of the money was taken out of small industry development program, industrial technical assistance program, the Main Street program, and put into, most of it, into the payments under the Operation Recycle program for this year. Is there any, perhaps, explanation why large amounts came out of . . . fairly large amounts came out of certain programs and most of it into the payments under the recycle? I realize it will take you a while but . . .

Mr. Hutch: — We have a bit of a problem. Some of us weren't here during this period.

Mr. Murchison: — Yes, if I could perhaps address the question. The Operation Recycle . . . I'll deal with Operation Recycle first, and why the overexpenditure on Operation Recycle, and I think it was based on two things. First, that I think we underestimated the original budget level for Operation Recycle. Secondly, there was an increase in the allowance that's payable to contractors that are contracted under the program to collect and supply the scrapped vehicles. And that was an \$8 per ton increase which took effect on February 1 of 1981 which contributed to the overexpenditure, and by that time it was too late to make the adjustment in the budget. The budget had more or less been finalized by that time for '81-82.

Mr. Folk: — That would account for almost all the overpayment — overexpenditure, excuse me.

Mr. Murchison: — Well, it was a contributing factor. I think the other problem was that, I think, we just hadn't allowed enough in the original budget. We had underestimated the amount of tonnage that we deflected. It's largely a function of the weather. If you have a mild winter, you're going to collect more. If the weather is very poor, then they can't get out to collect their vehicles and the expenditures then would be down. So we try to budget sort of on a long-term average; some years it's higher and some years it's lower, and this year it was quite a bit higher. And the increase in the tonnage rate also contributed to that.

On the other side of it, once again, we budgeted for the financial assistance programs, based on our information as to commitments that have been already made for grant pay-outs, plus an estimate of what additional or what new applications we would be receiving for the coming year. Generally speaking, across the board, we were underexpended on these assistance programs. We would have to attribute that largely to the economic conditions. Most of the programs are geared towards providing incentives for business to expand, to go into new product lines, to expand their facilities — this sort of thing.

With the high interest rates that developed during the '81-82 year, this type of expansion didn't take place. Our applications were down, and also the commitments that we had made weren't followed up on, and we found that we didn't make the expenditures as we had originally anticipated.

Mr. Folk: — On the, I believe it's the Aid to Trade program: could you explain that just a little bit for me how that works?

Mr. Hutch: — The Aid to Trade program is a grant program that is an incentive for manufacturers in Saskatchewan — manufacturers and providers of services — to export their products. And we provide assistance in many different ways. We provide assistance in market research, product promotion, assistance if they're going to trade fairs, for trade missions, to incoming buyers, and to handle sample shipments. The object, of course, is to increase the sales of Saskatchewan-made goods and services.

Mr. Folk: — For example, I don't need the details on any one, but say Audio Visual Centre gets X number of dollars, how would they apply for, in this case, 2,000-and-some dollars? Would it be predetermined how much they're getting or . . .

Mr. Hutch: — Yes, yes. They send in a proposal as to what they wish to do. We do an evaluation of it, and because of the experience we have we can determine whether or not it's a reasonable request, and we'll make an offer to share in some of that expenditure.

Mr. Folk: — And an offer to share — is that a black-and-white offer? Like, is it always a certain proportion of their expenses or . . .

Mr. Hutch: — I would ask Mr. Murchison to answer that. We do have it in here at 50 per cent. Trade fairs, for instance, we can go up to 100 per cent; trade missions up to 100 per cent; incoming buyers, 50 per cent. It's usually based on — there are some things where we have the commitment, where we feel they should be there. Those are

the 100 per centers Where we feel there should be some commitment from them, those are the 50 per centers In other words, if we have identified an opportunity somewhere and we see somebody in Saskatchewan that should be going, and we go there and persuade them to go, that's what we're talking about the 100 per cent. Once he is in to it, the next time he comes around then we're down to 50 per cent.

Mr. Folk: — So then, if it's their first time, they'll get a larger proportion . . .

Mr. Hutch: — Pardon?

Mr. Folk: — If it's the first time they're going they'll likely get a good percentage of it covered for them, and then the second time . . .

Mr. Hutch: — Mr. Lorch just pointed out to me that I'm in error on the 100 per cent. It's not 100 per cent of everything, it's 100 per cent of the cost, taking a trade fair, of space rental. They have to take care of everything else, travel, etc. On trade missions we pay 100 per cent of actual travel cost but we don't pay for their room and board and that sort of thing.

Mr. Katzman: — Just one comment here. Do you share with other departments on these kind of things as well?

Mr. Hutch: — Well, I don't quite understand the question.

Mr. Katzman: — Let's assume that we're sending somebody to South Africa to a trade show, and let's assume it's agriculture because it's simple. So does industry pay a portion, ag pay a portion of the whole 100 per cent, or would you be picking it up and there would be no joint sharing?

Mr. Lorch: — I think the question is, is there stacking and the answer is, no, there is no stacking.

Mr. Katzman: — No, not stacking, where you would pay half of it and they would pay half?

Mr. Lorch: — Well, we refer to that as stacking. There is a federal government program where, in some instances, they can get some money too. What we do is, we communicate directly with the federal people here in Regina so that we know either they are using their program or our program or agriculture's program but not both or all three. We tend to avoid what we call stacking so that the person could conceivably get 100 per cent of the whole package. We try to avoid that.

Mr. Hutch: — We're not answering Mr. Katzman's question though. Do we share, split the costs?

Mr. Katzman: — If we agree there is 100 per cent cost we will pick up, so ag is going to pick up a little, the feds are going to pick up a little, and industry and commerce are going to pick up a little but he won't get more than 100 per cent or 50 per cent, whatever we decide is the maximum that he can get from the government.

Mr. Hutch: — I'm aware of some such deals on special occasions where the thing may be in Australia where it is a long ways away and all three might co-operate.

Mr. Folk: — If I could — just going down that list on the aid to trade, I pulled out the largest grant that was there, and that was to Rite Way Manufacturing for 31,000. Why, for example, would that be so high compared to the other? Do they go to more than one?

Mr. Lorch: — No, I think . . . a number of reasons. I don't believe that that was one grant. It's probably the total that . . . (inaudible) . . . I'm not sure what you're seeing there, Harvey, but could you explain, Harvey, for me, is that the total that they would have got in one year . . . number of projects?

A Member: — Yes.

Mr. Lorch: — So they got a total of that much in one year. Okay?

Mr. Folk: — Yes.

Mr. Lorch: — So that's a number of projects. So the total for that year was \$31,000. During that year I guess was the beginning of some of the turn-down in farm machinery sales. And I think, if you look at other instances, some of the other farm machinery companies may have got a fair bit of money as well. and the idea there was an attempt to help them reduce their inventory, and one way of reducing inventory was to get out and to be more aggressive in the marketing activities. And therefore we approved a number of programs for Rite Way.

One of them was . . . As you may know, they brought on a new product which was a street sweeper. At that time they had a yard full of them, and they had just started to put them into the market-place, and hadn't done an adequate job of advertising or marketing, and a large part of that money went toward assisting them in promoting that street sweeper, I believe the results, which may not show here, but they had around a half a million dollars worth of inventory, and within six months or so after that they were right down to pretty well zero. So it was quite an effective exercise.

Mr. Folk: — I'll switch around here a little bit and go to the industrial, technical assistance program. That was the one that had the most money taken out of it through the virement. And he explained earlier that due to the downturn in the economy that overall that might be the main reason why this is happening. Is that why this program was hit, say, the hardest of the bunch?

Mr. Murchison: — There were actually three programs under the industrial, technical assistance subvote. There was a product development program, which the answer would be yes with respect to product development, because of the high interest rates that the incentives to expand were somewhat decreased. There was a small amount of money provided for management development program which has never really gotten off the ground for us; and then there was a product development management program, which was a . . . Moneys were provided for a joint program to be run between the federal government and Saskatchewan, and to be co-ordinated through the Saskatchewan Research Council. Some problems developed with respect to the agreement, and the agreement was never signed, and consequently the money that was provided for that program was not spent.

Mr. Katzman: — I was very curious on your comment on the opportunities and the trade shows. I guess I've been around a couple or watched things like this happen over

the years. Are you involved or is it Agriculture that's involved in the big show that goes here each year in Regina?

Mr. Lorch: — You mean the farm machinery show?

Mr. Katzman: — Yes.

Mr. Lorch: — The June show?

Mr. Katzman: — Yes, the June show.

Mr. Lorch: — We are again involved . . . (inaudible interjection) . . . Western Canada Farm Progress Show. We've been involved in the committee and the organization since its inception about five years ago. We did put a fair amount of money into it the first year to encourage Saskatchewan manufacturers to come in and exhibit, so therefore we used the Aid to Trade program to cover rental cost for those companies. Then our direct financial assistance has been reducing over the years; now our involvement is still active on the committee, to organize incoming buyers from around the world and intending to use federal government money for that. But we identify who we want to bring, then we host the international lounge, where these international visitors can come to during the show, and we also host a reception the first night of the show which is intended to bring the Saskatchewan manufacturers — not all the exhibitors, just the Saskatchewan manufacturers — together with the incoming international buyers so they can meet the first night of the show and carry on to do business during the rest of the show. That's really our involvement at the moment.

Mr. Katzman: — Is it PEM or PME or something?

Mr. Lorch: — PEMA . . . No, PEMD.

Mr. Katzman: — What's that? Is it a federal program?

Mr. Lorch: — PEMD — Program for Export Market Development, is what it stands for.

Mr. Katzman: — You're indicating here that we use that an awful lot with trade shows and the other one where we pay half and half.

Mr. Hutch: — Yes. We show the private sector how to access. That's the federal program.

Mr. Glauser: — Okay, I would like to turn to item II.A. 1 under the Special ARDA (Agriculture and Rural Development Act) program grant and that's in your letters, letter going back to the auditor. It's the fourth sheet. There seems to be . . . What is happening now? Is this as a result of research that was done? Is a farmer eligible under another section of the act?

Mr. Murchison: — There's a bit of a conflict there. Our department had traditionally used as its authority . . . For all of the business assistant grant programs that we operated, we used The Industry and Commerce Development Act, which grants power to make grants loans, etc., but The Industry and Commerce Development Act specifically included farming operations from its term of reference. The majority of the grants that we made under Special ARDA were not to farming operations, but were to small native businesses, that type of thing. We had, really, just in error, quoted The

Industry and Commerce Development Act as the authority for the payments when we made the grants to the farmers. When the auditors raised this and brought it to our attention, we looked at it and we said they're right, obviously we can't make payments under Special ARDA to farming operations. But Special ARDA you know, by definition, is Agricultural and Rural Development Act, so there has got to be some way of making that payment. Now we have The Federal-Provincial Agreements Act which authorizes agreements between Canada and Saskatchewan; we have a Special ARDA agreement in place which has been approved by order in council. So we've did a bit of digging and what we've come up with is that we think that the proper authority that should have been quoted was section 5 of The Federal Provincial Agreements Act.

Under section 5, there are orders in council 741-77 and 1341-82 which initiated the Special ARDA agreement, and then subsequently extended that when it expired March 31, 1982. Those are authorized under section 5 of The Federal-Provincial Agreements Act, and section 5 authorizes the Lieutenant Governor in Council to appoint a minister to be responsible for administering the agreement, and gives that minister the power to make advances for grants for loans. So we think that that is the authority that we should be using, and we don't feel that a case that there wasn't an authority to make the payment but that we were just administratively quoting the wrong act.

Mr. Glauser: — You have included a page of that federal-provincial agreement with your letters here.

Mr. Murchison: — That is right. Our original letter, we were looking at section 10 of The Federal-Provincial Agreements Act. In consultation with the comptroller's office subsequent to that, subsequent to some reference that we had from the Provincial Auditor, we amended our position and we feel it is section 5 that we should be quoting as the authority. But that would allow us to make payments to farming operations under Special ARDA.

Mr. Glauser: — Okay. What I've read of this material that you have included here, I'm having difficulty locating in there where the application, where it would apply.

Mr. Murchison: — The page that you have doesn't have section 5 on it because that was our original response.

Mr. Hutch: — That was our first answer.

Mr. Murchison: — I can quote you section 5 if you like; it's quite lengthy but I could quote directly from it. Would you like me to?

Mr. Glauser: — Well, maybe we should get that. Is it very long? Oh, it's quite a bit.

Mr. Murchison: — It's fairly long but I could quote the relevant excerpts from it if you like.

Mr. Glauser: — The relevant excerpts would be enough.

Mr. Murchison: — It states here that:

For the purpose of giving effect to that section (3 — federal-provincial joint participation in providing grants, loans, guarantees or investments) . . . the

Lieutenant Governor in Council may authorize one or more members of the Executive Council on behalf of the government of Saskatchewan or any agency thereof: to initiate, co-ordinate, organize, plan, direct and control within Saskatchewan . . . and to exercise for such purpose all or any of the powers and duties of any member of the Executive Council . . . including but without limiting the generality of the foregoing, the power to make advances, grants or loans or any combination thereof to a municipality, local government authority, person or association . . .

So we feel that covers it.

Mr. Lutz: — Is that The Federal-Provincial Agreements Act?

Mr. Murchison: — The Federal-Provincial Agreements Act, section 5.

Mr. Lutz: — This particular grant is being shared by the federal people?

Mr. Murchison: — Yes.

Mr. Lutz: — But not in the Industry and Commerce act?

Mr. Murchison: — No. But under the Special ARDA (Agriculture and Rural Development Act) program which is administered by Industry and Commerce under authority of the CIC that was passed, under authority of this act.

Mr. Folk: — Before I leave, I'd just come back to that recycle program and (I guess it's quite a basic question): why is Industry and Commerce in the recycle program?

Mr. Hutch: — We don't have it any more. Is that a good enough answer? Yes, we got rid of it this year. We were handling it, I suppose, because we have the business atmosphere to be able to deal with and negotiate and handle contracts and so on with the people that we dealt with. And also, Industry and Commerce was involved in getting the concept going of chopping up the vehicles and, you know, it just sort of grew into that.

Mr. Chairman: — If I may interrupt just for a moment, where is that program now?

Mr. Murchison: — It's with the department of . . . Is it public works now or Government Services?

Mr. Hutch: — Government Services.

Mr. Katzman: — I have a bunch of questions on that. I can leave . . . (inaudible) . . .

Mr. Folk: — The other one was right at the bottom there — to provide for loan guarantees pursuant to clauses 5(e) and 7(a) of The Human Resources Development Act. \$5,000 estimated and nothing expended . . .

Mr. Murchison: — These are carry-overs of loans that were made under the HRDA act. It goes back to the early '70s. The HRDA program was discontinued. There were some guarantees that were outstanding — a fairly large number of them at that time that were outstanding. Somebody had to carry the administration of them. Because they were of a business nature, our department was charged with that responsibility.

We now have only three loans remaining that have not been fully completed and remain outstanding. So it's just a small amount and we actually don't anticipate any problem with those loans coming to term. It's just a slow process, so it's just something we have to carry until they disappear.

Mr. Folk: — So this year just keep on budgeting for . . .

Mr. Murchison: — So we'll budget, maybe, \$4,000 next year and \$3,000 next, until it's . . . (inaudible) . . .

Mr. Folk: — I think Mr. Katzman has some more questions on that recycle program.

Mr. Katzman: — There is funds coming in on recycle from somewhere, and by what legislation and who gets them, and then how did you get them to pay them out? I've been running around after this for a week.

Mr. Baron: — There are two sources of funds for the operation of the recycle program — well, not actually for the program. There is a surcharge on every licence plate that's sold in Saskatchewan.

Mr. Katzman: — Okay, stop right there. There is a surcharge on licence plates. What is . . .

Mr. Baron: — \$1.

Mr. Katzman: — \$1. Okay, where is the legislation or regulation, or whatever else that gives us permission to collect that one dollar?

Mr. Baron: — It would be in the motor vehicles registrations act, or whatever the name of that legislation is. I'm not sure what the . . .

Mr. Murchison: — We don't collect the revenue ourselves. That revenue just comes in with the registration fee on motor vehicles. Those registration fees are set, I believe, by regulation under the motor vehicles act. I don't know whether that one dollar has ever been specifically . . . (inaudible) . . .

A Member: — This is where I'm going around . . .

Mr. Murchison: — . . . or whether they just added a dollar to the total . . .

Mr. Kraus: — I'll just say, Mr. Chairman and Mr. Katzman, if a dollar is being collected in that manner, it is being paid by the person who is collecting the fee from the person who's purchasing the licence, who I suspect is SGI. Then SGI would transfer moneys to the government, and all the moneys that are due and payable to the government would go into the Consolidated Fund. They wouldn't be earmarked as moneys to be specifically spent for recycling or anything like that, if that's what you're asking.

Mr. Katzman: — I don't know who's going to answer me, but I'm into something that I totally am confused by. I buy a licence plate. There is a dollar tacked onto my licence plate, which is sort of precommitted to Operation Recycle. Operation Recycle, at the time of this book, was under your auspices to pay out the money. In this book here we show \$808,000 — 170 blah, blah. Okay. That is additional money out of — or is that the one dollar . . .

Mr. Murchison: — No, that's additional. That's additional money.

Mr. Katzman: — So it is not a self-funding program as is indicated years ago?

Mr. Baron: — As I understand it, when the program was introduced in the early 1970s, 1971, that was when the one-dollar levy was established for every licence plate sold in the province, and that was money to go into the consolidated revenue fund to offset part of the cost of the program.

Mr. Murchison: — In addition to that, we also receive revenue from Ipsco (Interprovincial Steel and Pipe Corporation) for the tonnage that is collected and . . . (inaudible) . . . So in 1981 our estimate of the surcharge would have been \$800,000, which would go through SGI and find its way into the Consolidated Fund. Okay. In addition to that, our department collected \$808 — I'm sorry — 791,042, for total revenues then of 1,591,000, as compared to a total expenditure of 1,034,000.

Mr. Katzman: — Where do we spend 1,038,000? No, I'm sorry, 1,034,000. In actuality, what you're saying is the dollar plus the scrapping of the vehicles — which we got money from Ipsco on — we actually made a buck on it?

Mr. Murchison: — Yes.

Mr. Katzman: — Okay, I still would like to know if it's a regulation or if it's tied to where the authority for the dollar charge comes from.

Mr. Baron: — I'm sure we could find that out.

Mr. Katzman: — I've been looking for a week and I can't find it.

Mr. Hutch: — I don't have the answer, Mr. Katzman.

A Member: — We'll come forward with that for the committee.

Mr. Chairman: — Would you respond in writing then, and provide 15 copies of your response to the Clerk?

Mr. Katzman: — And if you have the legislation — that's if you find it — send a photocopy of it with them.

Mr. Murchison: — As a matter of interest, we do have cumulative expenditure and revenue totals since the program was initiated.

Mr. Katzman: — Could you file that in your report?

Mr. Murchison: — Certainly.

Mr. Chairman: — File what? What was that you asked?

Mr. Katzman: — The total cost of what it's cost since the program started, plus what we've received from the two sources and what we've expended. And I assume we are ahead on the game if your report is . . .

Mr. Chairman: — Simplified cumulative balance sheet . . . (inaudible) . . .

Mr. Katzman: — Okay, just one more thing on this one. I believe, and I'm going back in my memory here, that when this was programmed there was also some special grants from your department to help the native group, or whatever the group was called, out by Ipsco that used to pile those cars up.

A Member: — Yes, Native Metal Industries.

Mr. Katzman: — Now, was that a repayment, or was it a grant, or how did that one end up?

Mr. Hutch: — I'm not sure if I have that information. I think it was a combination. Sedco was involved . . . (inaudible) . . .

Mr. Katzman: — I'll get down to my real question then. In other words, it now runs on its own; we're not granting it. And the money they get paid, I assume, plus the money we pay that guy out in the street, out in the country, who picks up the car, is now all shown in this \$1,034,000?

Mr. Hutch: — There were grants in prior years, but nothing in '81-82.

Mr. Katzman: — So, in other words, it is totally funded out of revenue, right from the guy who picks them up at one spot until the end of the system. We are not subsidizing it any more.

Mr. Hutch: — That's right. They had a lot of trouble off the start, organizationally and so on, and there was help during that period. But they've been running on their own. Mr. Baron, do you know how long now? '77-78?

Mr. Baron: — Well, there have been no grants since '76 or '77 to that operation. The payments under Operation Recycle through our budget are strictly to the contractors that collect the vehicles. Any payments for the shredding operation come from Ipsco. The department is not involved in that.

Mr. Katzman: — Okay, just to make sure I have it totally in my mind. Mr. X goes out and picks up a car in Timbuctoo. He hauls it to a compound, or a central place where he stores them. The crushing truck comes in and they're hauled to Ipsco or to this other place where they're shredded, and that's where we are done with them. Except for now we get revenue.

Okay, now, Ipsco pays the shredding place, if Native Industries are still doing that?

Mr. Baron: — Ipsco actually now owns the shredder. Native Metal Industries and Native Auto Shredders were two different entities. Native Metal Industries still is an independent native-owned business which dismantles railway cars and supplies the steel to Ipsco; Native Auto Shredders was also a similar organization. It was subsequently purchased by Ipsco, and is now owned and operated by Ipsco. It shreds the cars that our contractors deliver.

Mr. Katzman: — Okay. Now who handles the tenders now if it isn't you any more? That is now government services?

Mr. Baron: — As of April 1st of this year.

Mr. Katzman: — April 1st, 1983.

Mr. Baron: — So the transfer has not been implemented as yet.

Mr. Chairman: — April 1st of 1983.

Mr. Murchison: — Yes, the transfer has been implemented.

Mr. Katzman: — And the contracts, of course, that you made during those periods would all have been transferred, supposedly. I have some questions on the tenders of those. On the tendered of those policies: they were what — two- and three-year tenders? Or one-year tenders?

Mr. Murchison: — I believe they're one to two. I could check that for you. I'm not absolutely certain.

Mr. Chairman: — Okay. Are you going to respond to that?

Mr. Katzman: — I'll tell you where I'm coming from. I don't understand why we in some areas make it very simple for people to pick up cars and in other areas we don't. For example, the contractor around the Saskatoon area, and I assume around the Regina area, is allowed to take them out of the SGI lot, and does not pay SGI a thing for them, from what I understand. And yet we pay him, and yet there's enough there that we could have the crusher go directly there and ship them here and not have a middleman. I haven't figured out why.

Mr. Hunt: — I'll have to respond in writing.

Mr. Katzman: — It was very strange that the man hauls five and six cars a day out of this one spot, hauls them a few miles, sits them in his own pile, a crusher comes . . . (inaudible) . . . and we pay him for it, where he could have come into the SGI lot and did it right there.

Mr. Baron: — I suppose the only response that I could make to that is that that situation is a factor that the contractor will take into account when he submits his bid.

Mr. Katzman: — It didn't show up that way, from what I understand.

Mr. Baron: — Well, it's a competitive bid so if it's easier to accumulate cars in Regina and Saskatoon than it is in other areas. One would assume that all of those contractors would have tow trucks, who are interested in that contract, knowing that they could get cars from the SGI lot would take that into account in some of the other . . . (inaudible) . . .

Mr. Katzman: — Unfortunately, the problem is that nobody else who goes to bid except the fellow who had the contract knows that that's there, and nobody is telling the new contractor about this special benefit he gets, and therefore we're not getting a true competitive bid I do not believe, from what I understand.

Mr. Baron: — They are public tenders and the tenders are all advertised in the

newspaper. Anyone interested in bidding is free to come to the department to get whatever information they require to submit their bid, or have been.

Mr. Katzman: — I'm onto one specific contractor. And this is the problem I don't think the other people that bid against that particular contractor, who's been getting it each year, were aware of this little special thing he had going, which would have affected their bid. In other words, when we put the tenders out or we should now notify Government Services, for Regina and Saskatoon, that they do have some extra benefits, so that they know that when they bid — because we'll get a better price. And I think that's affected the bid, and I've checked . . . (inaudible) . . . before.

Mr. Baron: — You may be perfectly correct, but that is probably the kind of circumstance that anyone who has been doing a certain type of contractual work probably has an advantage on a new contractor because he knows something about how and where . . . (inaudible) . . .

Mr. Katzman: — Well, my second part of the question is obviously if we're going to . . . (inaudible) . . . either get a benefit one way or ship them direct. It would be the obvious solution, and I don't know what they're recommending here either, so I would leave that to you to pass along to Government Services and let them make up their mind. Their suggestion — whatever — goes from here on in.

Mr. Hutch: — Do you want a response here or . . .

Mr. Katzman: — Not on that.

Mr. Hutch: — We'll just follow what you just said.

Mr. Katzman: — As long as you notify Government Services so they get a good tender. That's my concern.

Mr. Chairman: — Yes, I was wanting to raise with you . . . Do you have a copy of the *Report of the Provincial Auditor* with you?

Mr. Hutch: — Yes.

Mr. Chairman: — Turn to page 15. An issue was raised there which caught my interest, and which is not a problem that is particularly confined to this department. The comment there was that loans were made. There were conditions attached to the loan which the borrower was required to meet. The Provincial Auditor was unable to satisfy himself that there was any follow-up to ensure that those conditions had been met. And in addition, there seemed to be no formal policy for the collection of loans.

I know, from my own personal experience in running a law office, if you don't have a formal collection in loans, the tendency is not to get around to it. If somebody doesn't know that, in the fourth month after something is overdue, they're to send out a certain letter . . . It's been my experience that unless the process is formalized, it's awfully informal, and you sometimes don't get around to collecting them.

So I appreciate your comments on both of those. As I say, the collection of the loans is not a problem which is very widespread.

The other problem of ensuring compliance with conditions attached to grants is not confined to this department. We're raising it with others, as well. But I'd ask you to comment on it.

Mr. Murchison: — If I could, Mr. Chairman. The concerns raised by the auditors are as much a concern of the department, I assure you, as the auditors. We do have (if I can just get to the bottom line of it quickly), we do have now a loan compliance, a written loan grant compliance policy in place. It was developed this past winter, and we worked with officials from the comptroller's office on it, and it is now in place and operative.

There are two types of non-compliance situations that were of concern to us. The majority of the grant programs that we're operating involve the issuing of up-front moneys. These up-front moneys were granted based on the terms and conditions of the program. They were formal agreements, formal contracts raised with the clients, specifically outlining the terms and conditions which had to be met in order to qualify for the grant.

So we have falling from that two types of non-compliant situations. One is the money: was the money spent for the purpose for which it was granted? Okay. But in addition to the money there were also other terms and conditions that would go with the contracts, depending on the nature of the program under which it was granted. It might involve expanding product line the purchase of equipment to expand product lines in the different areas. It might involve the creation of jobs for less able persons. It could involve a variety of different things. The terms of the contract often would go on beyond the point in time when the money has been accounted for and expended.

So we've got the two types of situations. We've set up a procedure now which allows us to ensure that both types of compliance are being dealt with. The money thing is fairly . . .

Mr. Chairman: — What is the nature of the follow-up on it? How do you . . .

Mr. Murchison: — Okay. With respect to the dollars, the regional representatives who are involved with the project, normally right from the start — where the individual comes in and says, you know, 'Would I qualify here or there? I need some help,' and you would say, 'There is a program,' and they would be involved — but the regional representative would follow up with the project after the contract is signed. He would do a physical inspection of the premises. If the money was granted, say, for the purchase of equipment or for the expansion of his facility, he would do a physical inspection to ensure that that actually took place. He would collect the actual invoices and bills, check those out to be sure that they were accurate and correct, legitimate. They would be forwarded into the department and we would do some processing on it and maintain the books, so that we might, say, if we issued a grant for \$10,000, three months down the road we may account for \$4,000 of that. Another two months down the road we might account for another \$2,000 of that.

But you are left with the problem: okay, what do you do when everything is done? They've got the \$10,000 and they've only spent 9,500 of it. Well, we have set procedures now where we would send out a letter of demand to attempt to recover the outstanding balance. How far you go beyond that, whether you take legal action, is largely a question of materiality, I suppose, in terms of cost of the legal action versus the cost of the amount outstanding. We do issue several letters of demand on the matter and at some point in time, if we're not satisfied, there's a follow-up report done

on it and a decision would be taken as to what further action we would take. At that point in time it would be either legal action or we would have to apply for a formal write-off of the amount.

Mr. Chairman: — Okay.

Mr. Murchison: — That's on the dollar side of it, There's the other side of it which isn't quite as cut and dried. You may have a contract where the dollars have been accounted for but the firm was to provide, say, four jobs over a period of three years. After two and a half years two of those jobs have disappeared, perhaps because of the economic situation or other extenuating circumstances. How do you handle that? Do you go back and demand the entire \$10,000 back because he didn't comply with the conditions for the full term of the agreement? Do you ask for something less than that and, if so, how do you prorate it? Or do you look at other factors? I guess what I'm getting at is the bottom line, in terms of the policy that we have been pursuing, has been that if we're satisfied that the intent of the client was to live up to the terms of the agreement but for reasons beyond the client's control he has not been able to, that's a bit of a judgement call. We would probably arrange for an administered write-off of the outstanding commitment.

If we're not satisfied, then we've got some tough decisions to make as to how much do we try to recover and how do we prorate it, and so forth. We haven't had that specific type of situation come up yet. We've been able to deal with them. But we have had some of the dollar problems come up where we've had to go back and recover, you know, specific dollars.

Mr. Chairman: — And your agreement with them is such that there is . . . that if you can establish they didn't comply with the conditions to employ four people, you can collect it back in a court of law. The shoving match comes in . . . it comes to that kind of shoving match.

Mr. Murchison: — Well, we think we could. We've never had a test case.

Mr. Chairman: — Never had your feet put to the fire?

Mr. Murchison: — No.

Mr. Chairman: — Okay, to what extent has non-compliance to the conditions been a problem? What's the degree of non-compliance? How widespread is the problem?

Mr. Baron: — In proportional terms I think relatively small. The numbers of files that there has been significant non-compliance are probably well below 10 per cent of the total number of projects. It will vary considerably with the type of program.

The employment opportunities program and the Special ARDA program, which were designed to assist disadvantaged groups, the risks with those projects are often far higher than they are with the other programs, such as the small industry development program and the product development program. In the case of the latter two, the small industry development program and the product development program, we have very few cases of significant non-compliance. With respect to the other two programs, that assist the disadvantaged groups, there are a higher percentage of cases of non-compliance, but few cases where the recipient, in our opinion, did not make a sincere effort to comply.

Mr. Chairman: — How much work would be involved in actually giving us the stats of how many files you've had problems with non-compliance on? If it's a huge undertaking I don't want to request it.

Mr. Katzman: — Which programs are you referring to?

Mr. Chairman: — I'm referring to them all; I'm referring to them all generally.

Mr. Murchison: — We could provide you with a list of what we would refer to as active files, or give you some stats in terms of the number of active files and the number of those . . . the number we have identified, currently, as being potential non-compliance situations. It would be very difficult for us to go back two, three or four years into the history of it.

Mr. Chairman: — No, I wasn't in any sense suggesting that. If it isn't a herculean effort, I wouldn't mind receiving that, just to show the magnitude of the problem we're dealing with.

Mr. Murchison: — Certainly, okay.

Mr. Katzman: — No names.

Mr. Chairman: — I don't think we particularly need the names, Mr. Katzman.

Mr. Katzman: — Okay, no names, just numbers.

Mr. Murchison: — Numbers and dollars?

Mr. Chairman: — Pardon me?

Mr. Murchison: — Numbers and dollars?

Mr. Chairman: — Numbers and dollars, yes.

Mr. Katzman: — No names.

Mr. Chairman: — I want to deal with . . . Along the same lines . . .

Mr. Katzman: — I had one left on my Operation Recycle.

Mr. Chairman: — The Provincial Auditor has a comment then with respect to this last item.

Mr. Lutz: — Yeah, I'm a little confused by what you just said to Mr. Murchison. If you tell us about active files, I gather then there are inactive files. And would inactive files represent defaults, closed out?

Mr. Murchison: — Inactive files would represent files that have been closed out, mainly because there have not been compliance problems.

Mr. Lutz: — So then if you use your active files, these are going to be files that have not been closed out, have not been a particular problem. I'm just wondering what kind of a

statistic I'd be getting at?

Mr. Murchison: — Well they would be files that have not been formally closed off, that are still ongoing, and require some form of action. It may be an old file that we just haven't gotten around to applying for a write-off on, for example. So, you know, the file may be closed, except we have to do a formal write-off.

Mr. Hutch: — You'd probably get a distorted statistic if you try to relate it to a flow-through because you've got an accumulation, as I understand it, of . . .

Mr. Lutz: — My problem, of course, is that if you told me that you had 100 active files and 200 inactive files, I would wonder how the 200 became inactive, versus the 100 that are still pretty nice.

Mr. Baron: — I think when you're referring to active files, Harvey, you're referring to files which have not been formally closed, are you not?

Mr. Murchison: — That's right.

Mr. Baron: — When a file has been formally closed, a decision has been made as to whether it was in compliance or non-compliance.

Mr. Katzman: — I think what Mr. Lutz is saying now . . .

Mr. Chairman: — Could I just . . . (inaudible) . . . for a minute if I might? We've got the Department of Health officials doing circuits out there, and I wonder if there's any point in it now? It's 10:25, and I wonder if we're ever going to get to them today?

Mr. Katzman: — What time do you want to finish, Mr. Chairman?

Mr. Chairman: — 11:00.

Mr. Katzman: — We won't get to them.

Mr. Chairman: — I'm sorry to interrupt you. Go ahead.

Mr. Katzman: — I don't know. I think my question is either to the comptroller or the auditor in this case. On page 260 of *Public Accounts*, volume 2, I show, under payments under Operation Recycle program, one lump sum; but yet when I look under Main Street or small business abatement, I get names. Is there a reason I don't get names here?

Mr. Chairman: — It isn't the . . . not necessarily these officials who prepare these public accounts. That may be a question of . . .

Mr. Kraus: — That's a good question. I'm not exactly . . .

Mr. Hunt: — Mr. Kraus, is it not true that the names were produced under grants — when there are grants made under a subvote, the individuals are named at that stage if the payments are in connection with contractual services, salaries, travel expenses and those don't appear under each subvote? They appear at the end of each . . .

Mr. Kraus: — That's correct. These aren't grants and they are grants. The grants

follow immediately behind the particular subvote, but these are not grants for contractual services, so they will be shown where we show the payments made on behalf of the department. That's back on page 268. Any payments to suppliers under this Operation Recycle will be included in the schedule of payments on page 268.

Mr. Katzman: — Could you show me where?

Mr. Kraus: — On 268. At the bottom it says, 'schedule of payments.' That's the beginning of the payments for the department as a whole, excluding grants.

Mr. Glauser: — You'd be hard-pressed to identify it with recycling.

Mr. Kraus: — Well, I'm not sure. Perhaps the officials could . . . or you look over here on page 269, there is a category called 'other expenses.' Now, again, I couldn't tell you . . .

Mr. Murchison: — We could identify from the other expenses for you which one of those were Operation Recycle.

Mr. Hutch: — Do you wish an official response? We could select on page 269, other expenses, all those items which were related to Operation Recycle.

Mr. Katzman: — I wouldn't mind that, if I could. I had trouble trying to understand why it wasn't here. I accept the reasoning now. And there's others that are that way. They come under here as well.

Mr. Kraus: — Yes, only the grant payments are shown . . . (inaudible) . . .

Mr. Katzman: — When I go through the whole blue book here, that's the procedure I will follow.

Mr. Kraus: — That's correct. Yes.

Mr. Katzman: — See, for example, you have Interprovincial Steel here on your page 269 for \$45,000, and that's a payment to them. And the payment, of course, from them, where will it show? You indicated you received . . . That will be in revenue? That will show in revenue?

Mr. Kraus: — Yes, it will. You wanted to look at that figure in particular?

Mr. Katzman: — I'm using this one to get a little education here.

Mr. Hutch: — The Interprovincial item showing up here is a study that we funded. That item has nothing to do with Operation Recycle.

Mr. Katzman: — Okay, I'll now get into my second part of my question here.

Mr. Chairman: — If I could just clear up our minutes. Were you going to supply a list of those for the member from . . .

Mr. Murchison: — We will provide a list from page 269, under the other expenses, of those items that are Operation Recycle there later.

Mr. Chairman: — Thanks.

Mr. Katzman: — The other question I was going to ask is: you said earlier you received 791,000 from Ipsco, or 800,000, sorry . . .

Mr. Hutch: — 800,000 for the licence.

Mr. Katzman: — 800 for the licence, 791 from Ipsco. If there was cost to you, would they be just deducted and the revenue would give a cheque, or would there be a cheque going out as well as a cheque coming in? I'm trying to follow something here, just so I understand the system.

Mr. Murchison: — Well, the cheques would go out to local contractors, to the contractors. There would be no cheques going out to Ipsco from Operation Recycle. We would get a cheque from Ipsco for the purchase of the tonnage that have been collected by the contractors. But we pay the contractors, Ipsco pays us.

Mr. Katzman: — Okay, let me ask you who pays that trucker that hauls them in. Ipsco or us?

Mr. Murchison: — We do.

Mr. Katzman: — That will be in this page 269?

Mr. Hutch: — That's where these contracts are.

Mr. Murchison: — But page 269, I believe, is what — \$10,000 and over?

Mr. Kraus: — Yes. Any contractor . . . (inaudible) . . .

Mr. Lutz: — I think what Mr. Katzman is asking you, Harvey, is: do you net these transactions . . . The revenue is shown on page . . .

Mr. Hunt: — No, no.

Mr. Lutz: — The revenue is shown in gross and the expenditures are shown in gross. I think that's what his question is trying to find out.

Mr. Chairman: — I want to get on to a different subject then, if I might.

Mr. Glauser: — Before you do that, Mr. Chairman, I wonder if I could just go back to what we were discussing here, and on this, if those four jobs didn't exist then really the project has grounded and there would be no chance of recovery in any case. Is that correct?

Mr. Hutch: — That is a possibility, yes.

Mr. Murchison: — That is a possibility: the firm may have gone out of business.

Mr. Baron: — That is part of the judgement that has to be made at the time we determine what our action will be if there has been non-compliance. If the individual went bankrupt and is now unemployed and we made him a grant of \$10,000 and he didn't meet the terms and conditions because he went bankrupt, then we have a

decision to make. Do we pursue him to try to recover our\$ 10,000 or do we accept the situation?

Mr. Glauser: — Now I understand that part of that program ceased operations in December. Is that not correct?

Mr. Hutch: — That is correct.

Mr. Glauser: — Then how many of those are still out there? Would you have any idea of how many of those are still out there that are still ongoing?

Mr. Murchison: — There are approximately 70 projects still outstanding.

Mr. Baron: — Are you referring to the . . . (inaudible) . . .

A Member: — Are you talking about the EOP program?

Mr. Murchison: — Yes. Under the employment opportunities program, approximately 70.

Mr. Glauser: — Well, also, I was thinking of the other program where the up-front money for developing any . . .

Mr. Murchison: — Small industry development?

Mr. Glauser: — Yes. That has also been . . . (inaudible) . . . Has it not?

Mr. Murchison: — Yes.

Mr. Glauser: — How many of those are still outstanding?

Mr. Baron: — It would probably be roughly somewhere between 150 and 200. Under the small industry development program, the loans are forgivable over a two year period. So that any approval made in one year would have two years to run. And our approvals under that program were running in, roughly, between 90 . . . Well, in 1981-82 we approved 117 applications in that year. So, we would assume that there would be, roughly, two years of backlog, because the loans were forgivable over a two-year period. So roughly the number of files would be somewhere in the area of 200.

Mr. Chairman: — You gave us your policy on ensuring compliance with loans. Did we get what your policy was with respect to formalizing collections?

Mr. Murchison: — That was included in the policy that we've developed.

Mr. Chairman: — And what was it?

Mr. Murchison: — With respect to . . .

Mr. Chairman: — Collecting overdue loans.

Mr. Murchison: — Well, basically, the policy would be to have a report done by the regional rep as to the circumstances or situations on the project with a recommenda-

tion. That would come to the department and be reviewed by the project review committee which is the authorized body within the department to make project decisions. A decision would be made at that point in time as to whether we should collect or not to collect. If we would collect, we would start with a phone call. Okay, that's not . . . (inaudible) . . . policy, but basically we would start with just a phone call to the client, saying we have this problem, you know, what can we do about it?

Mr. Chairman: — I'll stop you for a minute, Harvey. How long would you let this go on before . . . How long would you let the default continue before this mechanism swings into motion?

Mr. Murchison: — Under the policy . . . Well, as soon as we're aware that they're not complying with the situation, yes. And all projects would be reviewed at least once a year, and some more than that, depending on the terms and conditions within the agreement and the things that need to be checked on, but every project would be reviewed once a year. So I suppose that would be the longest period that a default could go before we would be aware of it — would be a year. Right after the last inspections.

Mr. Chairman: — Okay. So you start with a phone call, the letter, and eventually . . .

Mr. Murchison: — The phone call, then the registered letters of demand, and then we would look for legal advice and make some decisions on the . . . (inaudible). . .

Mr. Chairman: — I didn't see. I may have missed it, the names of any law firms down under . . . Does the AG's department do this for you?

Mr. Murchison: — Yes, they do.

Mr. Chairman: — I wanted to get on to another item which was raised in the compendium of management letters which we received. And we do not have (we do now, but just got it this morning) Mr. Lutz' letters to you and your responses back. I gathered that you were in breach of treasury board regulations with respect to virements between (I see the official smiling) one year and another, and I would just appreciate a brief comment on how that came into being, and what steps we've taken to ensure that it isn't repeated.

Mr. Murchison: — Okay. Yes, Mr. Chairman, it relates again to the grant programs. When the grant programs started, the policy, the administrative policy in the department was that these grants, because they were conditional grants, they were viewed or treated in an accounting way as accountable advances rather than conditional grants. The advantage of treating as an accountable advance was that, for accounting purposes, the department was able to use the Department of Finance's comptrollers office accounting system, which reported on a monthly basis on all standing accountable advances, so that was sort of being used as a conditional grants ledger, which told us what we had outstanding.

That was fine to a point, but they weren't really advances; they were grants, and what the Provincial Auditor raised, a concern — the first concern he raised was, because they're treated as advances, at the end of the year, if they're not accounted for, they have to be rolled over to the next year. So that means that the expenditure that was made perhaps in 1980-81 gets rolled over into 1981-82, so although the expenditure was actually incurred in '81-82, it may not be — '80-81 — it may not be reported until the year after. So that was problem number one.

Problem number two, which resulted in the virement situation, problem number two was, over time the amount of the outstanding advances grew to the point where in '80-81 it got to the level where, when we rolled over . . . I won't say we, but when the advances were rolled over into 1981-82 under the employment and development subvote, and the legislature was in session and there was a one twelfth appropriation, there wasn't enough money in that appropriation to handle the roll over of expenses from '80-81 into '81-82. The department could not go for virement because the House was in session and there was no approved budget, so we couldn't vire from a budget that had not yet been approved.

So we were faced really with two options, or the department was faced with two options: one was roll these things over and charge them to the wrong codes and then move them back when the budget was approved and there was enough money in it, or secondly, go back to the legislature and have them pass a special act to provide the funds for the department to cover it. The administration at that point in time made the decision to charge them to the incorrect codes which was probably the same decision I would have made in the situation.

Mr. Chairman: — I can see there's a practical problem. What steps have we taken to . . .

Mr. Murchison: — We took immediate steps, and it didn't take very long to . . . It's very simple, we just charged them as condition of grants, and we set up a condition of grants ledger. So it solves both problems. We still meet the requirement of having a ledger of outstanding grants that have to be followed up on. It solves the problem of transferring the money from one year to the next or charging the expenditures to the wrong years. It also satisfies the cash flow.

Mr. Kraus: — Yes, I would just like to say, Mr. Chairman, with the department here that I think they recognized that they were beating the system, that the system that's in place for accountable advances is fairly permissive, for good reason. There are situations where advances should be made and should be accounted for during the year, but this isn't one of them. But the way the system is, and we are central, in our audit, and are not necessarily always able to determine exactly what the department is requesting the advance for, so we are somewhat at their mercy. So when they do this, it really, I guess it doesn't need to be said, they are taking advantage of the system, and are breaking the rules and procedures. So I am glad to hear that they're not going to do it in the future, because I share the concern of the auditor on this particular point.

Mr. Chairman: — We wouldn't want to see this become a widespread practice throughout the various departments.

Mr. Kraus: — No, no.

Mr. Glauser: — Mr. Chairman, I wonder if I could just take a look at the first sheet of your letter, your answer to the auditor. I can't really understand, and maybe you can help me with some information here. When you look at the actual expenditures of the department and the approved appropriation, why would you run into a lack of fund problem when there is a surplus showing there of 1,108,000?

Mr. Murchison: — The point that the auditor was raising was that we didn't have a formal system to keep track of our commitments, so that we might not know at any point

in time whether the total of our expenditures and commitments during the year would exceed the total of our budget. Now the response I made was that I felt that probably one of the reasons why we didn't have a formal system was because it had never really been a problem for the department. In the past we have tended always to be so much under budget, largely due to the grant programming and the responses to the grant programs. But we had tended to be so much under the budget that it was never really a problem for us, so we never instituted a formal system.

This past year, though, the budget has been much tighter, and we have had to institute a regular monthly system of commitment reporting from the branches so we know not only what they spent but what they're going to spend. And I think you would find, you know, when you look at the '82-83 actual to budget that you will see that it's much tighter than these surpluses.

Mr. Glauser: — Well, this happened after this '81-82 surplus then. Is that it?

Mr. Murchison: — Yes, we've instituted a system since '81-82 to monitor commitments.

Mr. Glauser: — But I mean the shortage of funds, the overcommitment.

Mr. Murchison: — Well, we haven't overcommitted.

Mr. Lutz: — That was a temporary aberration, I believe. Is this what you're telling us? Mr. Glauser is confused. I think what you're telling me is that on an interim very short-term basis you didn't really have the funds right now to do what you had to do.

Mr. Murchison: — Yes, that was a temporary thing. Yes. Just until the budget was approved, because they only gave us one-twelfth of the budget.

Mr. Katzman: — And you used it all on the first day.

Mr. Murchison: — Yes, that's right, we lost it all on the first day, plus some.

Mr. Chairman: — Okay. I had a question on the grants that you provided for trade fairs. I note from your annual report that you provided a grant to Ag Expo '82 with nine Saskatchewan companies participating, another one to Canada Farm Show with nine Saskatchewan companies participating, and the Ag Expo at Lethbridge with 18 companies participating, and finally Canadian Western Farm and Ranch Show with 19 companies participating. Is there any follow-up to this? Do you follow up with the companies and say, 'Now, listen, did you find this show effective? Did you get any orders as a result of it? Was it worth the expenditure?' Is there any follow-up?

Mr. Hutch: — Yes, there is, and I'll let Mr. Lorch handle that.

Mr. Chairman: — All right.

Mr. Lorch: — Yes, I think, Harvey, I just want to clarify: the grants here really are expenses to purchase a block of space at the show.

Mr. Murchison: — Yes, these aren't necessarily grants.

Mr. Chairman: — Yes.

Mr. Lorch: — So we purchase a block of space and put all the Saskatchewan companies together in a Saskatchewan exhibit. And then, at the end of the show, or shortly thereafter, there's a survey done of the exhibitors to determine the success of the show. What did they sell? The local distributors or dealers — their opinions as to whether we should repeat the exercise in the next year and so forth. Yes, that is done.

Mr. Katzman: — I understand — maybe I'm incorrect — that it takes probably till the second or third year till you really get the results of going to these trade shows. Is that correct?

Mr. Hutch: — If you're talking offshore and probably some new territory, but if you're talking the June show, when I was in the private sector you use show to gauge what kind of a year you were going to have, and you knew when the show was over what kind of a year you were going to have and you could make a good estimate of what your return would be for being in that show.

Mr. Katzman: — My concern is, let's forget the in-province shows and go to the out-of-province, looking to develop markets. Am I correct? It takes two or three years, or am I wrong?

Mr. Lorch: — I think that you're absolutely correct, and the companies will tell you that. Some of the companies — the one that just received the large order to the U.S.S.R., feels that the only reason they got that order is they were in the same show in California and a few other American shows for three or four or five years. You drop out and they wonder what happened to you.

Mr. Katzman: — You led me right to my Rock-O-Matic question, because that's the question of the U.S.S.R. How much involvement did your department have in assisting them? I know in the news reports they indicate that they had locked it up on their own, with some assistance from somebody. But nobody has ever said if we were involved or the feds were involved or how did that lock-up come?

Mr. Lorch: — We were both involved. They were in a number of shows that we sponsor as a province. We were involved in the California show, certainly the Spokane show and all these shows here. I'm sure Rock-O-Matic were in all these shows; also the show each year that was in Toronto; the Western Canada Farm Progress Show. The foreign buyers come to those shows, whether they be in Toronto or here or Edmonton or in California. And we also gave them an Aid to Trade approval to do some of their audio-visual in the Russian language, which they used for the demonstration for two years in Russia, prior to obtaining the order.

Mr. Katzman: — \$3 million contract or something?

Mr. Lorch: — First order, yes.

Mr. Katzman: — First . . .

Mr. Lorch: — Well, the one they're filling now is a \$3 million order.

Mr. Katzman: — You hit something that I'll touch one more time — the first order. Does that indicate to me there was an option supposedly looked at?

Mr. Lorch: — No, I'm not saying there is an option. I'm saying that we're optimistic that there will be more orders, not just for that company.

Mr. Chairman: — I had a similar question with respect to the employment support program. Do we follow this up for some period thereafter to see how many of the disadvantaged and disabled people that we would find in training and working are still working? I sometimes wonder how long they continue or if these folks tend to get shuffled out once they're free of your program.

Mr. Baron: — The employment opportunities program has been in existence in the department for approximately 10 years, and there have been two formal evaluations done by people outside the department. The most recent one was done about nine months ago — or completed about nine months ago — which reported on the success of the program.

Mr. Chairman: — Could you summarize that for me in 50-words-or-less sort of thing?

Mr. Baron: — The program had a number of components and the report found only two of the components really successful from a cost-benefit point of view, and the other three components were considered to be only very moderately successful, and that's the reason why the program is currently being reviewed, and probably will be subject to significant changes.

Mr. Chairman: — I was going to ask the same question about the employment support program, as distinct from the employment opportunities program.

Mr. Baron: — The employment support program was a very temporary thing as far as the department was concerned. It was not a formal program. It was a block of money that was transferred from the Department of Social Services to the Department of Industry and Commerce, along with the transfer of some part of the Special ARDA program that the Department of Social Services was administering in 1980. And that block of money was with the department only for the one year. The references in the '81-82 report are for . . . I'm sorry. The funds were in the department for two years, but in the second year, very early in the 1981-82 year, by mutual agreement the funds were transferred back to the Department of Social Services.

Mr. Chairman: — The department of . . .

Mr. Baron: — Social Services.

Mr. Chairman: — I see. So you never did an evaluation of this because I guess you didn't have it long enough.

Mr. Baron: — We didn't have it long enough. That's right.

Mr. Chairman: — Well, I want to at least congratulate you on doing an evaluation of your employment opportunities program. There are too many departments who don't do that, and the programs go on and on without ever finding out if we're really getting our goals. I'm pleased that you're doing that.

We're coming very close to the time when we've got to quit. I don't know if any of the members have any other questions or not.

Mr. Katzman: — Main Street program. Evaluation there, how did you make out? I've heard some good comments and I've heard some bad comments.

Mr. Baron: — We have not undertaken a formal evaluation of that program by anyone outside the department. The program was established — a pilot project was done in four communities before the program was established. A formal evaluation of the pilot was done which led to the establishment of the Main Street program which was a five-year program. It ran its five years — the five years just ended at the end of March.

Mr. Chairman: — '83.

Mr. Baron: — '83. So the program is no longer operative.

Mr. Katzman: — Some of the people that were in the program had some funds left over, and I think we discussed this at the last time we were here. And some of them have asked for it, because of the type of money that it took them a little longer to do what they wanted. Has there been a formal decision made? What to do on those?

Mr. Hutch: — Yes, we are reclaiming those funds.

Mr. Baron: — Well, there were two issues. One was, could they have more time? We have given them an additional year to use the money. If there are still any surplus moneys left then they will be required to return them.

Mr. Katzman: — Yeah, the first one was because as I say the tight money. Most of them ended up slowing it down a little bit, but want to continue finishing it because they seemed to like the program, and it has brightened up some of the small communities, the Main Street type of idea. I'm glad you made the decision to give them the extension, and I think you'll have very few left to claim — am I correct? — because of that extension. Pretty well everybody . . .

Mr. Hutch: — Yeah.

Mr. Chairman: — Do you intend to do an evaluation of this program?

Mr. Baron: — Yes, not an evaluation specifically of the program, but to do an evaluation of the impact of this type of programming in the entire sphere of smaller community development.

Mr. Chairman: — Any members have any other questions of this department?

Mr. Glauser: — No. I think that I have gotten all the answers I want.

Mr. Chairman: — I want to thank you gentlemen very much for coming to the committee and being of assistance to us, and you have. There are a number of items which you undertook to supply. I trust someone has made a note of those.

Mr. Katzman: — Ned, may I make one comment? A compliment to you, gentlemen, as one of the best groups we have had for replying very quickly and efficiently, and coming with most of the answers.

Mr. Chairman: — I think that's fair.

Mr. Katzman: — You're one of the best groups we have, so we thank you for that.

Mr. Chairman: — . . . (inaudible) . . . Just hold it a moment until after the . . . Well, let's start with one thing. Health — they're all off lollygagging about somewhere next week, so I tentatively agreed, subject to any different instructions I might get from the committee, to call them the week thereafter. The only other item is . . . (inaudible interjection) . . . Huh?

Mr. Katzman: — You're looking for somebody else to call, are you?

Mr. Chairman: — Well, I thought we'd just continue — computer utility after DNS, and roar through that. I think what we've decided to do, as a consequence, is to put Health down at the bottom of the list now as number 7 or 8.

Mr. Katzman: — That's what I was asking you.

Mr. Chairman: — Anything about this department we wanted to flag arising out of this morning's proceedings?

Mr. Katzman: — I think all the things we asked for . . .

Mr. Chairman: — . . . seem to be taken care of.

Mr. Katzman: — I am not scared to, for the first time, change this committee procedure, and in our report put the comment on their . . .

Mr. Chairman: — We don't want to get into the habit of congratulating departments.

Mr. Katzman: — I think it might not show them that we do respect the efficiency of a department, even in our report.

Mr. Chairman: — I was being facetious. I think that's an excellent idea. If we think this department has responded promptly to the comments raised by the Provincial Auditor and the comptroller and . . . (inaudible) . . . it wouldn't do any harm to say so in our report to the legislature.

Mr. Katzman: — Am I correct that this is . . .

Mr. Lutz: — Possibly, Mr. Chairman, don't get carried away. We still have one extraneous item to settle with Mr. Comptroller on that one grant to a farmer. So we're not really settled on that one yet. Other than that . . .

Mr. Chairman: — By and large, though, the other items — they seem to have got their act together.

Mr. Katzman: — They are, to me, the first group in seven years that we've seen so efficient.

Mr. Lutz: — As long as they no longer charge grants to advance accounts (inaudible) . . . on a general basis.

Mr. Kraus: — If they're correcting things and abide by it, I would agree with your

remarks, Mr. Katzman.

Mr. Glauser: — They seem to be working very closely with you people.

Mr. Benson: — Well, we haven't seen how it's operating yet. They've just implemented some of these things, so it's a little premature for us to say . . . (inaudible) . . .

Mr. Katzman: — Except they're trying. We've had other ones we have to drag and pull stuff out of them.

Mr. Glauser: — There's one thing I would like to get on the record here, and that is the request for the comptroller to gather the information on the cost-sharing interprovincial programs.

Mr. Chairman: — Our Clerk has tried her hand at writing the minute. Let her just run it past you to see how you think it sounds.

Ms. Ronyk: — The committee requested the comptroller to report to the committee by July 1, 1983, regarding the number, kind and monitoring of interprovincial agreements.

Mr. Glauser: — . . . (inaudible) . . . any addition to the previous minutes?

Mr. Chairman: — . . . (inaudible) . . . previous minute . . . (inaudible) . . .

The committee adjourned at 11 a.m.