

## Department of Northern Saskatchewan

**Mr. Vice-Chairman:** — Witnesses this morning is the Department of Northern Saskatchewan, and I'd like to welcome you. And, Mr. Dick Bailey, acting deputy minister, sitting in the centre, I would ask you please if you would introduce your officials.

**Mr. Bailey:** — Yes, Mr. Chairman. On my right is Gerry Stinson, who is the acting director of municipal advisory and training branch. On my left is Marcel L'Heureux, acting executive director of economic development. Behind us is Bill Worster, who is acting director of support services; Tony Kuchapski, who is our co-ordinator of loans and grants; and Jim Paul, who is the acting manager of financial administration.

Mr. Chairman, if I could just make one or two comments before we get on with the questioning. When we were here last time at the beginning of our session in December of 1982, Ray Purdie made the point then that the decisions had been made on the realignment of DNS. Pardon me, I'm starting the day with a sore throat. I just wanted to report to the committee that those decisions have now been implemented and that, effective April 1st, '83, we are a new Department of Northern Saskatchewan with a new organization and a new mandate.

Our mandate is in the area of economic development and municipal development, and of course I and my staff here are fully prepared to discuss those areas and answer any questions. We've not brought with us any representatives of other departments who took over program responsibility from us. In fact several of the people who were responsible for those programs at a senior level are no longer with the Saskatchewan public service. But of course the year under review included a number of programs in that category, and we'll do what we can today to answer questions in those program areas. Where we can't, we will endeavour to get the information for the committee.

**Mr. Vice-Chairman:** — Thank you very much. Well, the way we had intended starting off here this morning, and I would assume that you would have the report of the Provincial Auditor — there were three particular areas that we were going to address, and on page 16 of the Provincial Auditor's report . . . Do you have those books with you?

**Mr. Bailey:** — Yes, we have briefing notes, not organized in that fashion, but if you mention the topic we will certainly . . . (inaudible) . . .

**Mr. Vice-Chairman:** — Yes, and the first topic is on public housing, 2.2.1. I understand the greatest percentage of this may have been turned over to Saskatchewan Housing. However you perhaps . . . When relating it to the year under review, that function would have still been under your jurisdiction and, to the best of your ability, if you could answer any questions that are related to that it would be most helpful. And I would ask the two gentlemen from Prince Albert if either one of them would start this off. Mr. Dutchak?

**Mr. Dutchak:** — Mr. Chairman, I'd just like some clarification. Mr. Worster — what is his position?

**Mr. Bailey:** — He's the acting director of support services.

**Mr. Dutchak:** — Okay. And, Mr. Bailey, what is your position at the present time?

**Mr. Bailey:** — Acting deputy minister.

**Mr. Dutchak:** — Okay. You've described what these individuals are doing now. Regarding the year under review, what were their positions then?

**Mr. Bailey:** — Well, Mr. L'Heureux was not with the department. Mr. Stinson was the director of municipal services branch. Bill Worster was the provincial co-ordinator of the Northlands agreement. Tony Kuchapski was the co-ordinator of loans and grants and Jim Paul was the department's accountant, and I was the executive director of support services.

**Mr. Dutchak:** — Which one of the gentlemen has anything to do with northern housing?

**Mr. Bailey:** — The northern housing program was managed under an assistant deputy minister, Don Murphy, and was operated out of that sector. None of the staff here today have any direct responsibility for the northern housing program.

**Mr. Vice-Chairman:** — If I may just interject here. You may feel free to go ahead and ask the questions in any case, and if they have not got the answers for you, I'm sure they will endeavour to obtain them.

**Mr. Dutchak:** — I'm just wondering whether we shouldn't bring someone in tomorrow morning.

**Mr. Vice-Chairman:** — Well, it would depend on how well they are able to respond to the questions, I would think, so I would just go ahead and see how we make out.

**Mr. Dutchak:** — Mr. Bailey, do you or any of the people here present have any knowledge regarding public housing — the loans, the qualifications for loans and the system of the loan structure itself, in the year under review? Is anyone knowledgeable in that area at all?

**Mr. Bailey:** — Well, we would have some general knowledge of the program — the federal-provincial program.

**Mr. Dutchak:** — And what about the getting down to the mechanics of it — the actual loan subsidies themselves, the administration, the individual cases?

**Mr. Bailey:** — The day-to-day administration of them would not have been managed by anybody here today.

**Mr. Dutchak:** — That would be part of Saskatchewan Housing at the present time?

**Mr. Bailey:** — Today, yes, it would be.

**Mr. Dutchak:** — And are any of them individuals that were working with you in the year under review presently working in part of Saskatchewan Housing?

**Mr. Bailey:** — They would be at a clerical level, but the assistant deputy minister and the director of the branch are no longer with the public service of Saskatchewan.

**Mr. Meagher:** — Mr. Chairman, correct me if I'm mistaken, but we're dealing with 2.2.1 — correct? Public housing. There are some comments by the auditor here regarding the collection of the accounts on some of the tenants and that it was passed to a credit committee who will, except in unusual circumstances, arrange for foreclosure proceedings to commence. I would like someone to explain to us just what are the foreclosure procedures and who were employed as the legal capacity? Who did you retain in the year under review as a lawyer to advise you?

**Mr. Bailey:** — The foreclosure procedures in the area of public housing — we'd have to get that information from Saskatchewan Housing Corporation because we don't have that information here with us.

Who we engaged — we're not certain this morning who we would have engaged as a legal firm for that purpose. I certainly know that we engaged certain Prince Albert based legal firms and we have records of payments to them. But precisely what those payments were for — if they were for foreclosure on public housing or on this housing program — we'd have to determine that.

**Mr. Dutchak:** — Mr. Bailey, you'd have no problem getting that information to us for tomorrow morning then? And would you also have no problem in acquiring one of the individuals from the appropriate department who could give us that information for tomorrow morning?

**Mr. Bailey:** — Well, we'd have to get then the director of probably the northern branch of Saskatchewan Housing Corporation, whose name slips my mind at the moment . . . (inaudible interjection) . . . Mr. Lloyd in Prince Albert.

**Mr. Dutchak:** — There'd be no problem in having that done or having someone here that can answer the questions in detail?

**Mr. Bailey:** — Well, if Mr. Lloyd's available, we'd ask him to attend tomorrow morning, if that's what the committee wants.

**Mr. Dutchak:** — Now, Mr. Bailey, regarding the loans, the housing applications, there is some indication in the report that there was no verification of income conducted by the department. Is that correct? Was there no investigation of whether the individual qualified or not, that you just take his word for it on a statement?

**Mr. Bailey:** — It's my understanding, from the auditor's comment, that the auditor is saying its department did not go far enough in verifying income. And, I think in our reply to the auditor, we've acknowledged that, and we, prior to realignment, the housing branch began a more thorough verification through employer contact and other information that might be in the department by way of trapping and fishing . . . (inaudible) . . . and so on.

**Mr. Dutchak:** — Mr. Bailey, do you know if public housing was available for DNS employees or people employed by the government, which includes people employed under order in council?

**Mr. Bailey:** — I think that would be the case, but I would have to verify that with people

running the program.

**Mr. Dutchak:** — Mr. Bailey, I want you to verify and acquire information for us for tomorrow morning, for example, on one application made by one Lawrence Yew regarding a house which is apparently owned by him through the program. And we want details of information available to the department while Mr. Yew had possession of the house.

**Mr. Bailey:** — Income information?

**Mr. Dutchak:** — Yes, the income information, and we'd also like to know what attempt was made by the department to ascertain whether statements made by Mr. Yew in writing were accurate and whether there was any question as to whether they were accurate during the year under review. And we'd like that information by tomorrow as well, and I believe the documentation should be within the department's possession or within the department's . . .

**Mr. Bailey:** — Well, if it's in Saskatchewan Housing Corporation's possession, I will.

**Mr. Dutchak:** — Yes, and I'm sure the other department will co-operate.

**Mr. Meagher:** — Mr. Chairman, as well I would like to know if they can provide us with information as to the status of that mortgage collection, any efforts or attempts that were made to collect on that mortgage, if quit claims have been signed. Well, what other information that we should know?

**Mr. Bailey:** — Yes, we'll attempt to get that information, Mr. Chairman.

**Mr. Dutchak:** — Mr. Chairman, Mr. Bailey, you may also want to verify whether Mr. Yew was in possession of this house at the time that he was employed under order in council, and earning approximately \$39,000, in that vicinity. And I think you should be able to verify that. And Mr. Meagher indicated the quit claim. We also would like to know the details of the quit claim, and the reasons for the implementation of the quit claim, and who advised as to the quit claim. And we'd also like verification as to what the arrears were. Our information indicates that there was approximately \$7,000 in arrears, and that Mr. Yew did sign a quit claim turning the house back over to the Government of Saskatchewan. And we'd like to know who authorized it and what the status of the outstanding arrears are at the present time.

**Mr. Bailey:** — Yes.

**Mr. Katzman:** — While you're pulling this information together, I assume I'm looking at last year's *Public Accounts* and this year's. There is numbers reflected in the book. Could you also, I assume, indicate date of possession?

**Mr. Bailey:** — Date of possession of the unit occupied by Mr. Yew? Date of possession in returning the unit to the department . . . (inaudible) . . .

**Mr. Dutchak:** — Perhaps one final thing that we would require. We would like to know as to whether you can produce the documentation which Mr. Yew signed in order to acquire the house, indicating his income verification, and so on, signed by him, which I understand was a requirement. Am I correct on that?

**Mr. Bailey:** — Yes, I would think that an application would have to indicate some statement of the applicant's income.

**Mr. Dutchak:** — And also tomorrow morning perhaps you'd be prepared to give us an idea as to what the qualifications were for qualifying for one of these homes. There were income limits and so on. And briefly, you know, we'd like to know what those limits were.

**Mr. Young:** — Mr. Chairman, if I might ask a question at this time. Obviously there's been some serious overruns on building the houses there to the extent that the federal government owes 5 million more than what they anticipated. As I understand it, overruns in construction in the North are quite common. My question is: was there a northern factor, so to speak, built into the cost estimates when they were given, or were they basically southern estimates that ended up being 5 million at least for the fed share overboard?

**Mr. Bailey:** — Well, I don't know precisely, Mr. Chairman, but I would think there would be some recognition at the beginning of the construction of a building that it would cost more to do that in northern Saskatchewan than in other parts. But there was also a concept in my own understanding, in the housing program, that CMHC has what they called 'an appraised value,' which is a kind of a standard average of various locations. But we can determine that more precisely.

**Mr. Young:** — I've heard horror stories about 1,000 square foot houses running to as much as \$200,000 in the end, for construction costs. Now maybe that is just rumour, but are you aware of any . . . For instance, possibly you have decided, in order to see what the problem was, singled out a particular house. If you have done that, where did you find the big overruns were? On cement or siding? Or just where was it that the overrun was most out of proportion on a northern house?

**Mr. Bailey:** — Mr. Chairman, I'm not aware of where the overruns were in this housing construction program — precisely in what aspect of the construction.

**Mr. Vice-Chairman:** — Perhaps I could ask a question, Mr. Bailey. Are you aware what the criteria was for these developments? Were they put out for tender, or what was the nature of the contracts that were being let?

**Mr. Bailey:** — Mr. Chairman, I'm not aware of that. I would suggest that, with Mr. Lloyd here in the morning, from Saskatchewan Housing Corporation, he would be in a better position to answer that than . . . Seeing he's going to be here.

**Mr. Katzman:** — Could you take a note, I think, were these non-profit housings . . . Were they, you know, contractors who were bonded type things? I think the last time we had DNS in, there was a combination of different kinds of builders which caused different kinds of combinations of overruns.

**Mr. Bailey:** — Yes.

**Mr. Katzman:** — If I may, one additional question on that, Mr. Chairman. Part of this overrun — is this the court cases that were held up North several years ago are reflected in these figures? Am I correct?

**Mr. Bailey:** — I don't know if there's a connection between the court cases and this \$5 million.

**Mr. Dutchak:** — We have a couple of other areas. Since Mr. Bailey will be acquiring information for tomorrow morning, we'd just like to touch on them so he could get this information for us. I believe Mr. Meagher has one regarding municipal matters, the construction of a dental clinic, or a health clinic at Pinehouse. I gather you would have to search that information out for us, would you?

**Mr. Bailey:** — The construction of a dental clinic?

**Mr. Meagher:** — It's a Pinehouse health clinic and fourplex that were built together in Pinehouse and completed in the year under review. We would like to make some inquiries into the tendering procedure and the ultimate construction costs. They were built by DNS.

**Mr. Vice-Chairman:** — That would be under your purview now, Mr. Bailey, would it not?

**Mr. Bailey:** — Not now, no. But that construction program has gone to what we knew as Government Services. And we'll retract the file from Government Services and be prepared to speak to it, if that's the wish of the committee.

**Mr. Dutchak:** — All right. There's a number of concerns we have and we'll raise them now so you can pin-point your information and acquire that . . . What happened, the DNS opted for self-delivery after receiving several private bids by tender.

**Mr. Meagher:** — As well there, school construction. Is that under another department now as well?

**Mr. Bailey:** — Is that the school mentioned in the auditor's report?

**Mr. Meagher:** — I'm not sure. I'm referring to the Stony Rapids school.

**Mr. Dutchak:** — Perhaps we'll just finish . . .

**Mr. Bailey:** — School construction now is a combined responsibility of the Department of Education and the Department of Government Services. But if there's some specific school construction information you want from the year under review, we can investigate that for you and bring the information forward. Again, the senior officers of the department, who are responsible for those programs, are no longer. . . They're not just in another department; they're not in the public service of Saskatchewan, so we will need to go to that other department and extract the information from them and . . .

**Mr. Vice-Chairman:** — That is under another section here and I'm just wondering if we're getting a little bit ahead of ourselves here, but that depends if we're finished with the housing aspect.

**Mr. Dutchak:** — Well, we're highlighting the areas because we are running out of time, and I just want to give these gentlemen some lead time so they could acquire the proper officers. If I can perhaps finish regarding the health building, really what we want to know, we can see . . . We have information showing a number of private

tenders and then self-delivery and an overrun of roughly \$800-900,000, and the original bid was for something like \$900,000 — in that range. Now, I'm generalizing. What we'd like to know is the exact figures as to the final cost and we also would like to know the reasons why self-delivery was chosen, and we'd like to know the reasons for the massive overrun.

Regarding the school, we'd like similar information on the Stony Rapids school, and if you gentlemen don't feel that you have a handle on it, we'd also like you to acquire the proper individual to appear before us who could answer the questions.

**Mr. Meagher:** — You could perhaps give them this information as well, that it would be helpful, that I'm concerned with the disposition of some \$78,000 worth of material left over from that site — from the Stony Rapids school project — that were left on site as surplus.

**Mr. Dutchak:** — Mr. Chairman, now we'll get back into gear. We'll start in housing, where we started in the first place. I just want to flag some of the issues that we will be dealing with tomorrow.

**Mr. Meagher:** — Mr. Chairman, we are dealing with the public housing, Department of Northern Saskatchewan — 2.2.1, page 16. And I would like to pose a question, or ask for this information to be forthcoming as well. What efforts were made . . . We could use a specific, in view of the fact that we're raising a particular house, the question of a particular house, that that could be used as a guide post, I suppose. But what efforts were made to determine if sweat equity or down payments were actually . . . How were they verified? If a declaration was made that the sweat equity was the down payment . . .

**Mr. Bailey:** — Was it Mr. Yew's house? Or any other?

**Mr. Meagher:** — Or any other. But in a general way that one would serve to indicate what efforts were made to determine if in fact the individual did that work. Or, if any efforts were made, we'd like to know what they were.

**Mr. Bailey:** — . . . were determined.

**Mr. Dutchak:** — Mr. Chairman, as far as Mr. Meagher and I are concerned, we would be satisfied to leave the housing matters until tomorrow when the officer is here. And I understand the other gentlemen will be here with him anyway, so if there is any crossover we can verify it.

**Mr. Chairman:** — That sounds good. It sounds good and we'll leave that and adjourn the discussion on that until tomorrow morning.

**Mr. Dutchak:** — I understand we can now go into economic development. Is that the intent?

**Mr. Katzman:** — Mr. Chairman, if I may, I would just like to pose this. Do you have administration as well here? Do you have the administration figures here as well?

**Mr. Bailey:** — Administration of . . .

**Mr. Katzman:** — Usually it's vote 1 in the estimates.

**Mr. Bailey:** — Yes.

**Mr. Dutchak:** — Mr. Bailey, in the year under review, I understand the same problems were probably in existence as the former year, where there were a number of loans made and payments not made, so you have a massive amount of arrears. Do you have a figure on the present amount of those arrears?

**Mr. Bailey:** — Arrears for the year under review?

**Mr. Dutchak:** — The present arrears.

**Mr. Bailey:** — Are you referring to current arrears — today's arrears?

**Mr. Dutchak:** — Yes.

**Mr. Bailey:** — I'm not sure if we have that with us, Mr. Chairman. We are prepared to speak to the . . .

**Mr. Chairman:** — That's fine. I'm sure the member is aware that they will only be obligated to provide information for the year under review. I assume you have no particular qualms about providing it. You just don't have it with you and . . .

**Mr. Bailey:** — We have no qualms about providing it. I'm not sure we have it with us.

**Mr. Dutchak:** — That's fine. If you're here tomorrow you can just give us the figure. It helps us in our discussions.

**Mr. Chairman:** — Can you have it — if I may just interrupt the member; I'm sorry — can you have it compiled by tomorrow? I think what the member wants is the information to March 31st, the end of the last fiscal year. He doesn't want it up to the 27th of April.

**Mr. Bailey:** — Yes, we can.

**Mr. Dutchak:** — Thank you.

**Mr. Chairman:** — You can have it tomorrow. Good.

**Mr. Dutchak:** — Now in the year under review, were there any specific measures taken to collect the outstanding accounts which were different from the previous year? Were any attempts made that were any different?

**Mr. Bailey:** — At the year under review we continued the same collections policy that we had in practice the year previous. We reviewed that collection policy recently with public accounts, but we'd be prepared to review it again with you.

**Mr. Dutchak:** — Well, we're familiar with what you did. We'll just possibly expand on some of the questioning that wasn't covered last time.

When the loans are made they are approved by a local committee. Is that correct?

**Mr. Bailey:** — Yes, certain loans are.



**Mr. Dutchak:** — Yes, which ones are?

**Mr. Bailey:** — Maybe a description here of the local loans committee and the district loans committee and their approval authorities would be in order.

**A Member:** — As they exist now?

**Mr. Dutchak:** — In the year under review.

**Mr. Bailey:** — They haven't yet changed although we are now, Mr. Chairman, going through a process of change.

**Mr. L'Heureux:** — Well, as Mr. Bailey indicated, this whole process is under review and recommendations have been made to the government with the view of changing the program, and final decisions have yet to be made. Under the year under review, there was a local loans committee structure that had the authority to approve loans under \$4,000; also it could reject a loan of any size and could recommend loans over 4,000. The loan from them was sent over to the department where the local loans committee reviewed the documentation and the information submitted and then, in turn, made their own recommendations. The loan was then presented to the district loans committee. And the district loans committee had the authority to approve any loan under 25,000, reject a loan of any size, and recommend on loans over 25,000.

**Mr. Dutchak:** — I'm sorry, what was that last statement?

**Mr. L'Heureux:** — They could recommend on loans over 25,000.

**Mr. Dutchak:** — Right. And it's my understanding . . . Oh, sorry.

**Mr. L'Heureux:** — I was just going to say, Mr. Chairman, that, in very brief form, is the authority . . . (inaudible) . . .

**Mr. Dutchak:** — And it's my understanding that the minister could overrule any decision made by either the local committee or the district committee. Is that correct?

**Mr. L'Heureux:** — Yes, technically that's correct. The power within the act and the regulations lies finally with the minister, yes.

**Mr. Dutchak:** — Yes. And in fact, in the year under review, several loans were made because of the ministerial decision, as opposed to the recommendation of either committee?

**Mr. L'Heureux:** — The answer is no. No loans were made at the discretion of the minister contrary to the recommendations of the committee structure.

**Mr. Dutchak:** — In the year under review?

**Mr. L'Heureux:** — In the year under review.

**Mr. Dutchak:** — And who appoints . . . In the year under review, who appointed committee members?

**Mr. L'Heureux:** — The committee members are appointed by the minister at any time.

**Mr. Dutchak:** — And in the year under review, did the minister recommend any approvals, to your knowledge?

**Mr. Katzman:** — That would be to your committee that you . . . (inaudible) . . .

**Mr. L'Heureux:** — Well, the minister would make the decision on loans over 25,000. That would be his prerogative, you know. Under this authority structure, that's his prerogative to make those decisions.

**Mr. Dutchak:** — And who made the decision to attempt to collect outstanding loans which were in arrears?

**Mr. L'Heureux:** — Well, that's an internal administrative decision, made by the loans unit.

**Mr. Dutchak:** — Well, in the year under review, who made those decisions?

**Mr. L'Heureux:** — It would be the civil servants, the staff working in the loans unit, and then through the director, or whatever level is required.

**Mr. Dutchak:** — Well, for tomorrow morning, we'd like to know, in the year under review, who was in power to make that decision. It would boil down to one or two people, according to my understanding.

**Mr. L'Heureux:** — Well, okay. Maybe the answer could be best answered in a different way: that there is a procedure, a policy and a procedure, outline of collections, and the staff simply followed that procedure and outline.

**Mr. Chairman:** — I gather you have that policy there in front of you, do you?

**Mr. L'Heureux:** — I believe . . . Yes, we have.

**Mr. Chairman:** — Why don't you file it then with the committee so that then we'll have it?

**Mr. Dutchak:** — Well, I'm familiar with the policy. I think we've got a copy somewhere. My concern is that we have a number of loans, as indicated previously, which you may or may not be aware of, we I believe have one loan that was given in 1977. No payments were made on it, and approximately two weeks before April 26th, 1982, the matter was turned over to a solicitor in Prince Albert who wrote a demand letter to the individual that owed money. I believe it was over \$ 100,000. Now that indicates to me that there may be an outlined procedure which was not being followed. And that's the reason for my question: who was responsible for making the decision in the year under review?

**Mr. Bailey:** — Well, ultimately the deputy minister is responsible for the administration of the department's procedures. So, if you were wanting to pin-point responsibility of a staff nature, I would have to say that the deputy minister would be ultimately responsible for the performance of the employees and staff under him. And, more precisely, we have an economic development branch, or had an economic development branch then with a director and a co-ordinator of loans and grants and a collections officer and perhaps two or three other positions I can't think of offhand. And

those staff were operating under procedures which the chairman just mentioned we have here with us, but if it's a question of the performance of carrying out those procedures I would think the deputy minister's responsible for that.

**Mr. Engel:** — Mr. Chairman, for the good of the committee, can you just outline those procedures similar to what Mr. L'Heureux did? I'm not familiar with that collection procedure, so if you could do that for me, please.

**Mr. Bailey:** — Yes. All the new loans, Mr. Chairman, are — we're now talking about new loans — monitored on a monthly basis by the economic development branch collections unit. Where payments are not received, they're followed up in the following sequence. In the first month, there's a notice to the client from the collections unit requesting a payment. In the second month, if no payment is received, a second notice to client from the collections unit requesting payment and asking the client to contact the collections office. In the third month, a strong letter to client from the collections unit requesting payment. A development officer from the branch visits the client and reports to the regional co-ordinator. The regional co-ordinator and the collections unit then review the client's situation. In the fourth month, the collections unit makes a field call on the client requesting payment and opportunity to review the situation with that client personally. The staff then set up a final course of action if the client will not co-operate or make payments. In the fifth month, a final request goes to the client advising the client that legal action will commence if there's no payments. In the sixth month, then, legal action — a letter from DNS legal adviser to the client requesting settlement and giving notice that legal action to commence in 15 days. If payment still is not received, then it goes into some form of legal action. We could serve the client with a writ. We register the writ and make a demand at the courts and ultimately physically repossess the chattels.

Now, it was mentioned earlier, we're making changes to this. It's much more common in a conventional lending business to do the legal action beginning with the third month, and that's what we're moving to now currently. But in the year under review we began the, what might be called, firm legal action in the sixth month.

**Mr. Dutchak:** — Mr. Chairman, I wonder if Mr. Bailey can indicate what the arrears, the arrear amount was in the year under review, in economic development?

**Mr. Bailey:** — Well, the *Public Accounts* indicate an allowance for doubtful accounts figure of \$1,710,439.

**Mr. Chairman:** — What page are you on, sir?

**Mr. Bailey:** — Volume 1, F 66. Actually, perhaps a better table is . . . No, that's right, F 66.

**Mr. Dutchak:** — Is that arrears of interest and principal?

**Mr. Bailey:** — Yes, both interest and principal.

**Mr. Dutchak:** — And that would be out of what amount in total outstanding loans?

**Mr. Bailey:** — Loans receivable at March 31, 1982, plus accrued interest is \$10,028,647.

**Mr. Meagher:** — Mr. Chairman, this collection policy you just enunciated for us, is that a current policy or was that a policy in place in the year under review?

**Mr. Bailey:** — That policy was in place in the year under review and one we currently follow . . . (inaudible) . . . be changed imminently.

**Mr. Dutchak:** — Mr. Bailey, would you say that that collection policy was not being followed, generally, in the year under review?

**Mr. Bailey:** — No, I just said that the policy was being followed in the year under review.

**Mr. Dutchak:** — It was being followed? Okay. I'm just going from the auditor's statement; he said he was not able to examine a formal collection policy.

**Mr. Bailey:** — Well, that statement puzzled us as well, Mr. Chairman, because we had a collections policy and procedure in. I would have to ask the auditor to clarify that.

**Mr. Meagher:** — Well, if I might . . .

**Mr. Chairman:** — Why don't we give the auditor an opportunity to do that then. There's some confusion about what the problem was.

**Mr. Lutz:** — On page 19 of my report, Mr. Chairman, I comment at the top, in the middle of that first paragraph, 'At the time of our audit in September, these records had not been written up beyond April 30.' It would be difficult, I submit, to collect an account if the accounts had not been written up.

Item 7 on that page says, 'I was not able to examine a formal collection policy.' I do not believe that the department would withhold such a policy if we had asked for it formally.

**A Member:** — Yes, Mrs. Kristoff has some comment.

**Mrs. Kristoff:** — I'm not aware of my staff having a copy of the policy. I can check on it. But I have to agree with Mr. Lutz that the problems that we found in reviewing the loans would indicate that the policy has not been adhered to strictly, and I have Mr. Bailey . . .

**A Member:** — That word 'strictly' . . .

**Mr. Lutz:** — I would further submit, Mr. Chairman, if you do not have your records up to date, if you do not have your subsidiary records up to date and in agreement with your control accounts, I think it would be very difficult to go out and collect an amount that is not displayed on a current basis.

**Mr. Bailey:** — Mr. Chairman, there's no doubt that if the records are behind it would influence collections, and we can speak to that if you like, but the point either being implied or explicit was that there's no collection policy. I'm just saying that we had a collection policy in place and I've just read from it.

**Mr. Dutchak:** — Mr. Chairman, in this regard I'd like to direct a question to Mr. Worster, or through Mr. Bailey . . .

**Mr. Chairman:** — Direct your comments to the deputy, and he can ask

**A Member:** — Well, is there any provision for that?

**Mr. Chairman:** — It's just a practice we've normally followed. Ask your questions to the . . . (inaudible) . . .

**Mr. Dutchak:** — Perhaps I'd determine whether Mr. Worster was in charge of retaining legal assistance to collect any of the loans that are under review.

**Mr. Bailey:** — Mr. Chairman, Mr. Worster had no responsibility in that area, nor does he have today. So I'm not sure why . . .

**Mr. Dutchak:** — He wasn't involved in the collection of any loans?

**Mr. Bailey:** — Maybe there's confusion in who behind me has an interest in this area, but Mr. Worster at the time in the year under review was the provincial co-ordinator of the Northlands agreement. Today he's the director of support services. The loans fund is operated in our department by the economic development branch which takes care of collections and so on.

**Mr. Dutchak:** — To your knowledge, do you have another Mr. Worster employed with the DNS in La Ronge in the year under review?

**Mr. Bailey:** — No, I only know of one Mr. Worster.

Now there might have been another one, but I'm not aware of.

**Mr. Chairman:** — I want to caution the member. I don't want to interfere with your line of questioning, but I want to caution you, it's not the responsibility of this committee to fix responsibility on an individual official. We simply report to the Legislative Assembly that we find a problem. There may be something larger to your question. There may be something untoward about Mr. Worster's appointment, or something, but normally we don't attempt to fix responsibility on individual public servants. That's not our . . .

**Mr. Dutchak:** — I realize it. I just want to make sure we get the right answers from the direct source if possible.

**Mr. Bailey:** — Well, I might add to that, Mr. Chairman, that again the deputy minister, whether I was at the time or not, as the chief administrative officer is accountable for the performance of the department. So a question should at least . . .

**Mr. Chairman:** — I agree with that. The question should be put to the deputy.

**A Member:** — It's no problem.

**Mr. Meagher:** — Mr. Chairman, I would like to know as well, during the year under review, what were the criteria if any, for a writing off a loan, an economic development loan. Do you have a formal criteria?

**Mr. Bailey:** — Perhaps Mr. L'Heureux might add comments to this, but the Department of Northern Saskatchewan has never proceeded fully with the write-off of

any loans that it has made. There have been one or two submissions developed over the years. They did not, for one reason or another, get through treasury board or the board of revenue commissioners. We are now in the process of preparing a substantial report to treasury board recommending a number of write-offs.

**Mr. Glauser:** — Mr. Chairman, if I may come in here, and that was going to be my question. And while this goes a little bit beyond the year under review, when you look at the relationship between the reserves for write-offs and the dollar amount of loans, it is a commendable relationship. However, since the year under review, has there been a more clear statement of what the actual relationship should be? Is it, in fact, a one-point-something relationship, or is it something far greater than that? Are we getting a more realistic picture now? And what is it?

**Mr. Bailey:** — Well, Mr. Chairman, we will get a much more realistic picture when we've completed this submission to treasury board which will indicate to treasury board those loans and the dollar amounts of those loans that we consider are totally uncollectable. And they will be put forward as recommendations for write-off. We may have that information with us now. Excuse me a moment.

**Mr. Glauser:** — Mr. Chairman, I wonder if I might just interject here. If you're providing us with privileged information that has not yet been submitted to treasury board, perhaps it should not go on the record at this time.

**Mr. Bailey:** — It did concern us a little bit. If the committee, of course, demanded it, we would provide it, but . . .

**Mr. Chairman:** — If it's satisfactory to the members, and I gather that it probably is, why don't you undertake to respond to the committee in writing after you've gone to treasury board and have the information? That might be a more appropriate time to respond.

**Mr. Bailey:** — Yes. And I might say that our report to treasury board is imminent. Within the next few days or couple of weeks we will . . .

**Mr. Chairman:** — Yes. Well, perhaps then we'll expect you then to report by June 1st.

**Mr. Bailey:** — Yes.

**Mr. Chairman:** — If it turns out that you haven't gone to treasury board by that time, at least write us and tell us that you haven't gone to treasury board and we'll understand that. And you understand that you provide 15 copies to the Clerk, and she distributes them.

**Mr. Bailey:** — I'm sure by then or certainly much before then we'll be in a position to do that.

**Mr. Meagher:** — Well, Mr. Chairman, I would just like to pursue this write-off for just a moment to establish a point that in fact, in the year under review, an unsecured loan to an individual in northern Saskatchewan who has no assets and is, in fact, dead, would still not be written off.

**Mr. Bailey:** — Today — no.

**Mr. Meagher:** — That loan would show up as being . . .

**Mr. Bailey:** — An account receivable.

**Mr. Meagher:** — An account receivable?

**Mr. Bailey:** — Yes, that's right.

**Mr. Dutchak:** — Mr. Chairman, perhaps you could acquire information for us. You explained to us what your collection procedures were. Our information indicates that these procedures were generally not taken. You could provide us with information and tell us: out of the arrears in the year under review, how many assets were actually taken back, if any? What security was exercised upon?

**Mr. Bailey:** — Well, it's not a problem for providing it for tomorrow. We don't have that with us though. The assets repossessed during the year under review?

**Mr. Dutchak:** — Yes, was any security realized? You indicated what you did with letter writing and so on, and you can tell us: in that full year, how much money, assets, anything — what was realized on any security?

**Mr. Bailey:** — For accounts that were in arrears?

**Mr. Dutchak:** — Yes.

**Mr. Meagher:** — The numbers, as well, I would like to know, the numbers of actions that were commenced. Legal actions.

**Mr. Bailey:** — The number of . . .

**Mr. Meagher:** — The numbers of cases — individual loans.

**Mr. Bailey:** — The number of loans we were dealing with. Yes. And the dollars.

**Mr. Dutchak:** — And we have some specifics we'd like to give you on several loans and we would like you to advise us as to what collection procedure was taken in regards to these specific loans in the year under review. The first would be a loan to one Jack Thompson, Buffalo Narrows, Saskatchewan, for a mink ranch. The amount approved was \$40,000. I also believe there was a second loan to the same individual, but I'll . . .

**Mr. Bailey:** — Excuse me, Mr. Chairman, are these loans that are in arrears?

**Mr. Dutchak:** — They were in arrears in the year under review.

**Mr. Bailey:** — I'm sure it's for the committee to decide, but we did agree — or the committee did agree — at the last session that the names of loan clients who are in arrears would not be made public, because it was a private matter between the lender and the client. If the committee wants to change that, that's fine, but I just remind the

**Mr. Katzman:** — If I may, I think the condition was that when you were giving us a big bulk of them just to give us examples, we agreed no names at that time. But now he is asking for a specific one which he has indicated the name, not you, which is the reverse

of what happened last time. Last time we said, give us examples, but don't give us names because we really don't want names, but show us what you did with different examples — what you did.

**Mr. Bailey:** — Last time, Mr. Chairman, we weren't asked for examples. We were asked to list all loans in arrears for a certain period of time, without names — dollar amounts, loan numbers and so on. And we did that and we discussed some of those individually.

**Mr. Dutchak:** — Well, all right. The way I'd like it then, if possible, if you can categorize every loan that was in arrears in the year under review, with the loan number on it.

**Mr. Bailey:** — Every loan that, in the year under review, was in a state of arrears?

**Mr. Dutchak:** — Yes, and every loan that was over \$25,000.

**Mr. Chairman:** — You don't want those under \$25,000. Is that what you're saying?

**Mr. Dutchak:** — Yes.

**Mr. Bailey:** — Well, I'm just trying to think if that information was included in the information we gave last time. Of course we can give it again, but I'm trying to just think whether we can have that ready tomorrow morning.

**Mr. Chairman:** — How soon can you have it ready?

**Mr. Bailey:** — Obviously the files are in La Ronge, so we'll need to . . . There'll have to be some communication.

**Mr. Dutchak:** — Well, we won't need it for tomorrow morning. On that information, I can wait for it.

**Mr. Chairman:** — Are you prepared to accept that in writing?

**Mr. Dutchak:** — Yes.

**Mr. Chairman:** — Okay, why don't you provide that in writing then?

**Mr. Bailey:** — Yes, we can do that, just as quickly as possible.

**Mr. Meagher:** — I would like to ask just one final question. Is there a way of determining if grants payable to individuals in northern Saskatchewan in the year under review were applied to loans in order to make them in a current position?

**Mr. Bailey:** — Mr. Chairman, the Special ARDA (Agriculture and Rural Development Act) grants, which is a federal-provincial program which DNS contributes toward through its economic development grant fund . . . In some of those cases, DNS uses the loan fund to put loan proceeds into the hands of a successful applicant under the Special ARDA grant program, in other words, to front-end the project. And when the grant proceeds are issued by DREE (Department of Regional Economic Expansion), the federal government, those grant proceeds then go against . . . automatically are assigned to the loan.



The economic development grants that DNS operates on its own, without the Special ARDA, are not used to offset any loans made by clients of DNS.

**Mr. Meagher:** — In the year under review, is there any loan — could you provide this information — if there are any loans in arrears that the principal was increased to cover accumulated interest? That is to say, a new loan figure was created in order to absorb the interest charges.

**Mr. Dutchak:** — To show that it was in a current status.

**Mr. Bailey:** — In other words, we rewrote the loan, so to speak.

We're not precisely sure whether in the year under review there were any of these 'rewrites,' but the loan fund and the regulations certainly allow for as I imagine with any financial institution, for a lender or for a borrower to make application to the loan fund or a bank to rewrite the loan. And that may have happened during the year under review, but we'll have to look at the records to see if that in fact happened. They would have to go back to the loans committees — the local and district loans committees — depending on the amount asked for.

**Mr. Chairman:** — It's only asking for amounts of 25,000, I think.

**Mr. Meagher:** — I'm concerned if they, under the policy that you enunciated here . . . Would it be possible for the department to initiate that action without an application from the client. To simply renegotiate the loan.

**Mr. Bailey:** — I suppose it's conceivable in discussion that the department may suggest that as an option, but it would still be entirely dependent on the client making an application, and again, depending on the amount of the loan for the loans committee to either recommend it or approve it, or the department to do that.

**Mr. Dutchak:** — Mr. Bailey, Mr. Chairman, I think that the reason we're talking about this . . . Sorry.

**Mr. Young:** — It's with respect to the disclosure of particulars with respect to the loan. I believe the name that Mr. Dutchak mentioned was Jack Thompson or Thomas. Someone like that, a mink ranch. And I think that what we have here is something a little different than in a situation where I go into the Royal Bank and take out a loan, and I get in arrears of debt, and they're good enough not to disclose the circumstances to the public.

We have here a situation where an individual has borrowed directly from the government. Certainly the Department of Northern Saskatchewan is the government. It's not a crown corporation. It's the real thing. And in a situation such as this, if the rule (and Gwenn, I guess, would know what it is), that in the past, names of people who are in arrears with loans to the government are not disclosed . . . It would be identical, for instance, I would submit, to a land bank lessee being in arrears on his payments. He's borrowing from the government land bank, and he's in arrears, and I don't think that the same sorts of fidelities should exist between the government and a borrower as should exist between possibly a bank and a borrower.

Once a writ is issued it is public for everyone to go into the court-house and search it, and go and read that the government of Saskatchewan is suing John Bloggs for debt or

for money that was borrowed. At that point the cat's out of the bag at that stage anyhow. I don't understand, if that is the principle, as Gwenn has it, then I don't understand the rationale for it, and I'll just leave it at that.

**Mr. Chairman:** — I think the principal practice has been that we have not. It may be that that should be reviewed. I wonder if it isn't more appropriate to review it in camera tomorrow morning. We normally do that, rather than review it in an open session, and it may be that it should be reviewed. It is the practice. If we're going to change it I think it would be an appropriate item for discussion in camera tomorrow morning.

**Mr. Young:** —The aspect of changing it, If we go into camera on the thing, we're taking away the . . . (inaudible) . . .

**Mr. Chairman:** — I'm not suggesting that the question should be asked in camera, but your suggestion that the procedure be changed is a proper item for in-camera discussion.

**Mr. Young:** —Oh. I agree there, Mr. Shillington.

**Mr. Chairman:** — If we decide to change it, then you can ask your question in open committee.

**Mr. Katzman:** — One question, if I can, before we get to it tomorrow, though. Could the Clerk pull the — and I stand corrected; I may be wrong — but I believe it was a Sedco argument where this took place, both in the House and in crown corp. On Sedco I think we've had the same discussion in crown corp, and there was some rulings made, which of course would be a precedent on this committee as well. But somebody could check. I'm not sure if it was in the House or if it was in crown.

**Mr. Chairman:** — Well, we'll have a hair-pulling session tomorrow.

**Mr. Katzman:** — My concern is that there's a ruling somewhere. That's all I'd like.

**Mr. Dutchak:** — Mr. Chairman, I only have one more question for Mr. Bailey, and I have to leave early, and I wonder if I could ask it. It's in relation to what Mr. Meagher was talking about. And you indicated that a bank often does a similar procedure of consolidating interest with the original principal and writing a new loan. I think what concerns us more is that there weren't even any security documents executed on some of these that were consolidated, according to our information. And we'd also like you to give us that information regarding the year under review: how many of these loans had no proper security documentation? And you can give us general information on that.

We have information that several of these loans, for instance, the letter was written to the individual saying, 'Yes, we'll loan you \$75,000 if you execute a chattel mortgage, a debenture, a land mortgage,' and so on — a promissory note. The money was subsequently given to the individual, and no security documents were ever signed. We'd like to know how many loans in arrears in the year under review were in that status.

**Mr. Bailey:** — We'll discuss that in the morning.

**Mr. Chairman:** — All right, you'll bring that to us tomorrow.

**Mr. Katzman:** — Just before we, I guess, adjourn I'd like a question here, and to help you out I'm on C 31 of book 1 and page 318 of book 2, just so you know where I'm coming from. You may have it in your book. You indicated you have the cost of executive administration here, the breakdown. In the book it shows \$1,622,300 as . . . (inaudible) . . . across the line. That's the item I'm going to get at. So we're aware of it?

**Mr. Bailey:** — Could you repeat the dollar number that you just . . . (inaudible) . . . ?

**Mr. Katzman:** — It's the Department of Northern Saskatchewan, executive administration, \$1,622,300. Okay? My comment is: that pays for what individuals? Like, is that the deputy minister and his support staff?

**Mr. Bailey:** — The executive administration in that year included the deputy minister, three assistant deputy ministers, an executive director of support services, and in each case their immediate support staff, meaning secretaries primarily and executive assistants, if they existed, in the various offices. And it included the minister's staff associated with the Department of Northern Saskatchewan.

**Mr. Katzman:** — Let's start right on the minister's staff then. In the minister's staff you're talking in La Ronge, not in Regina.

**Mr. Bailey:** — No, the minister's staff, wherever they may be, associated with the department, again, if the minister had other responsibilities.

**Mr. Katzman:** — How many staff did the minister have in Regina, Prince Albert and La Ronge — just in total numbers?

**Mr. Bailey:** — La Ronge, Prince Albert and Regina?

**Mr. Katzman:** — I guess that's the three places that the staff would be.

**Mr. Bailey:** — None in La Ronge, and in Prince Albert . . . Unfortunately, we don't have a listing with us that we just . . .

**Mr. Katzman:** — Okay, La Ronge was where I was after, so we'll start right there. I don't agree with your last statement, by the way, unless there's a different way that they show the person. We're going back to Mr. Lawrence Yew, again. Mr. Lawrence Yew was a \$35,000 employee. My understanding is he took his orders from a Mr. MacAuley, who was a Legislative Secretary, plus he had secretarial staff as well. How would they fund that if it isn't funded out of the minister's department? The point that I'm getting to is he . . . My information indicates that he was a Legislative Secretary's EA with support staff, and if it was not charged to the minister where was it charged to?

**Mr. Bailey:** — My understanding, and you can verify this, Mr. Chairman, but my understanding is that Mr. Yew was a special assistant or a consultant — I've just forgotten the word used — to the assistant deputy minister whose area involved the development of what we called then the Options '80 process, which is the consultation that went on with local governments on the development of the new legislation for The Northern Municipalities Act. And Mr. Yew was attached to that deputy minister to be a special adviser/consultant on this consultation process.

**Mr. Katzman:** — So he was attached to somebody else, even though he took his

orders and instructions totally from Mr. MacAuley, who was the Legislative Secretary? That's just the way they put his finances through.

**Mr. Bailey:** — You mean a Legislative Secretary or a . . .

**Mr. Katzman:** — Correct. Yes, Mr. MacAuley. Norm MacAuley was a Legislative Secretary, the same as I am, and Mr. Yew was assigned basically to work through him, and as well as a secretary, I believe, at \$25,000 a year. I'd have to research that one again. What you're telling me is that it was run through a deputy minister, even though he reported differently than what he was . . . (inaudible) . . . I accept that.

**Mr. Bailey:** — Well, what he did on an actual day-to-day basis . . .

**Mr. Katzman:** — You're not aware of here, with your . . . (inaudible) . . .

**Mr. Bailey:** — I can't be, but what his role was was what I described.

**Mr. Katzman:** — Yes, I understand that, and I understand that his direction of course coming the other way, and that's what I was trying to figure out — where they paid him for — because the Legislative Secretary is paid from the Executive Council and not from a department.

**Mr. Bailey:** — Mr. Stinson has just corrected me. This Mr. Yew was paid against a position in the municipal services branch, which is a little later on. It's about page 306. There's a municipal services. . .

**Mr. Katzman:** — Well, in volume 2 I have him at \$35,000. Okay, sorry, that's combined. 306. Which vote?

**Mr. Bailey:** — I'd like to review that point again, Mr. Chairman. Jim Paul, our accountant here, has just indicated from his records the payments were a part of executive administration. And I think where the, where our own discussion here is taking us, is that perhaps the position was taken out of the municipal services branch for the use of Mr. Yew, but he was charged against the executive administration. So that's probably what happened. But he was charged. . .

**Mr. Katzman:** — I have him in executive administration, working with the Legislative Secretary, taking his directions there, working on that piece of . . . that legislation you referred to — community.

**Mr. Bailey:** — No, no, no. Options '80 consultation process for The Northern Municipalities Act.

**Mr. Katzman:** — Yes. Which was under the responsibility of . . . (inaudible) . . . MacAuley. Somehow Norm was given the instructions.

**Mr. Bailey:** — Well, that wasn't our understanding. Nor were we operating on that basis. The Department of Northern Saskatchewan, the administration of the Department of Northern Saskatchewan, had the responsibility to see to these consultations . . .

**Mr. Katzman:** — Am I correct, Mr. MacAuley had an office in the DNS building at La Ronge?

**Mr. Bailey:** — No, in the credit union building.

**Mr. Katzman:** — I'm talking about a government office, not his personal constituency office. Or he had the use of a government office . . .

**Mr. Bailey:** — Well, the credit union building has some government offices in it. Mr. MacAuley presumably occupied one of those offices. How it was paid for, we don't know precisely today but . . .

**Mr. Katzman:** — You'd better bring the answer back, because it's all a part of that same confusion.

**Mr. Bailey:** — Okay. The question again is: how was Mr. MacAuley's office space at La Ronge paid for?

**Mr. Katzman:** — As an MLA you have constituency funds for an office, which is your constituency. As a Legislative Secretary I understand he also was in government space as well. Now could it be in the credit union?

**Mr. Chairman:** — I don't think we're terribly concerned about how it's paid for. I think what they want to know is: was there an office in the building leased, or premises leased by the government which was regularly set aside for and used by Mr. MacAuley? Did he have assigned office space in a government building? I don't think they care how it was paid for.

**Mr. Katzman:** — Well, yes, there is a difference here, Ned. There is a difference if it's paid by himself. . . . (inaudible) . . . constituency or if it's government funded.

**Mr. Chairman:** — I see, I see, I see.

**Mr. Katzman:** — There is a major difference here.

**Mr. Chairman:** — Yes. Okay, it is three minutes to 12. Unless somebody's got a question that they're going to choke on before tomorrow, maybe we'll adjourn this. 8:30 tomorrow morning. Yes?

**Mr. Bailey:** — Are there particular areas that we might . . .

**Mr. Chairman:** — Bone up for.

**Mr. Bailey:** — I mean, we're generally boned up for the discussion but we get fairly specific. If there is some specific areas which we could use this afternoon's time for.

**Mr. Chairman:** — Well, I ask the member for Prince Albert and Rosthern and the others whether or not there is any particular areas that you're going to be zeroing in on. No, eh? Apparently they don't think they can be of much assistance to you. Okay, 8:30 tomorrow morning. I declare the meeting adjourned.

The committee adjourned at 12:00 p.m.