Public Hearings: Saskatchewan Computer Utility Corporation (continued)

Mr. Vice-Chairman: — Okay, gentlemen, This is a continuation of Saskatchewan Computer Utility Corporation, and we'll just continue on from yesterday, and I'll turn it over to Mr. Embury. I think he's got some more questions.

Mr. Embury: — I have a question dealing with your year-end financial statement under statement 2, and that's under revenue, other, note 8. You have there a figure of $596,000, and I go to your financial notes no. 8, note 8. They specify two items which total 361,000, but there's $235,000 of other income there which is not noted. That is, we don't know what it is. Could you explain what the 235,000 . . . Note 8 says 'revenue included' — this is in other revenue. Year-end financing the sum of 190,000 and investment income of 171,000, totalling 361. And the total of other revenues is 596 so there's $235,000 not accounted for. Could you just briefly outline what that might be?

Mr. Fitch: — 1981?

Mr. Embury: — Yes. The year under review.

Mr. Nell: — So in the note there's 196,097 plus 171?

Mr. Embury: — That's right. Which comes to 361 roughly. And the total is 596 so there's 235,000 that I was just wondering what that might be.

Mr. Nell: — We'll have to take a second here to check our backup.

Mr. Fitch: — There's a portion of that that's a gain on the principal portion of the leasing transactions. There's a gain on sale of fixed assets and miscellaneous other revenues. Now the gain on sale of fixed assets is 119,000 of that. There's miscellaneous like bank interest, E&H tax remittance commissions.

Mr. Embury: — What was the sale of fixed assets?

Mr. Fitch: — Gain on sale of fixed assets, about 119,000.

Mr. Embury: — 119, yeah.

Mr. Fitch: — And miscellaneous income like bank interest, E&H tax commissions, 93,000.

Mr. Embury: — Bank interest?

Mr. Fitch: — Yes.

Mr. Embury: — All right. What's the difference between your bank interest and your invest . . . where do you get your investment income?

Mr. Fitch: — Surplus funds on deposit with crown investments corporation.

Mr. Embury: — How much would you have in surplus funds then?

Mr. Fitch: — Well, it varies during the year, but the surplus funds that we don't need on the short term are invested with crown investments corporation.

Mr. Embury: — Will they invest it for you?

Mr. Fitch: — Yes, they pay us interest on those funds, yes, that we have on deposit with them.

Mr. Embury: — What would that . . . I don't . . .

Mr. Fitch: — That 371,491.

Mr. Embury: — How much?

Mr. Fitch: — $171,491 as in note 8.

Mr. Embury: — No, that was your income from that. What would your principal amount be that you would have invested?

Mr. Fitch: — It would vary during the year.

Mr. Embury: — Well, average.

Mr. Fitch: — On average, I'm sorry. I couldn't tell you what the average was. It would fluctuate from a few hundred thousand to perhaps in excess of a million on occasion.

Mr. Embury: — Okay. You don't have a breakdown for that year, eh?

Mr. Fitch: — No, I'm sorry I don't have.

Mr. Embury: — Are these investments basically short term?

Mr. Fitch: — Yes, they are.

Mr. Embury: — . . . types of investments that you roll over and then you use the principal, as you need it, for operating purposes?

Mr. Fitch: — Or capital.

Mr. Embury: — What's the policy there on whether you use it for operating or capital or is it just done from day to day?

Mr. Fitch: — It's part of our cash management process and it's handled on a day-by-day basis, for whether we need it for operating or whether we need it for capital purchases.

Mr. Embury: — Okay. Getting back to the elusive million dollars that was borrowed and showed up as cash, is there now a different policy in place regarding your borrowings from CIC for capital purposes? Or are we continuing to borrow a million dollars and then not acquiring equipment and just throwing it into cash?

Mr. Fitch: — If you're describing it as a different policy then, yes, there is a different policy in effect, in that it's not borrowed to increase the cash balance.

Mr. Embury: — Okay. Now you just stated that in the year under review, your policy was to take your surplus cash, or a portion of your surplus cash, and invest it in short-term investments with CIC. Did I understand that?

Mr. Fitch: — Yes.

Mr. Embury: — Why was this million dollars, which shows up in cash as of December 31st, not . . . First of all, I don't understand why you didn't pay the loan back. But having that you didn't, why wasn't that million dollars put into a short-term investment? Why would it show up in . . .

Mr. Fitch: — That loan was taken out on December 20th, and this statement shows the balance at December 31st. It's a period of 11 days. It was subsequently put into short-term investment in January of 1982.

Mr. Embury: — What's your time frame for taking a million bucks and investing it? If you had the million, why would it take you over two weeks to decide to invest it?

Mr. Fitch: — This is part of the areas that were addressed in recruiting additional staff, that were qualified staff, so that we could be on top of these things and manage them properly, which is now being done.

Mr. Katzman: — Is that the reason why we see in 1981 a 3 million profit, where the other one is a lot less — because of these new people that you brought in?

Mr. Fitch: — Yes. That has been a portion of it, but that's not the only reasons for it, of course.

Mr. Folk: — On that $1 million, you mentioned yesterday that that was for a capital purchase that was planned and then subsequently cancelled. Is that correct?

Mr. Fitch: — It didn't materialize to the extent planned, yes.

Mr. Folk: — Why would the million dollars be borrowed before the actual purchase?

Mr. Nell: — Perhaps I should speak to that for a moment, Kent. I don't want to get into too much detail here, but the sequence of events that was involved here . . . The capital purchase that was being considered was the purchase of a computer, an IBM computer, which we had had leased and were actually disposing of. And we had two options at this point. We could either just terminate the lease at the end of the year, the calendar year, so that means December 31st, or we could purchase the computer from IBM, using our rental credits, and then sell it on the used computer market through a broker, and the decision was depending on whether we could get a bid higher than our cost price to buy it from IBM.

And so, during this period we were in effect conducting negotiations almost like an auction, with several potential buyers of this computer. And the price was very close to the cost figure, and we did not yet know whether we would get a bid higher than our cost price to make it worth while to buy and then resell. We would not have owned the equipment very long, and we couldn't have acquired the capital quickly between Christmas and New Year's because of, you know, just holiday season, etc. So we needed to have the capital available in case we had to pay IBM before the end of the calendar year, in the event we couldn't get a bid high enough to make the transaction worth while, and so we just terminated the lease. So that was the reason, if you like, for needing that capital at that time, and that's the reason it fell through.

Mr. Folk: — So the terms from IBM, in this case, would be that you'd have to pay for it real quick after acquiring it? You wouldn't get 30 days, or whatever is normal?

Mr. Nell: — No. Well, I guess it's more complicated than that. We would be paying lease — every day costs money on the lease. And so every day that you wait would, you know, make the interest on this amount of money pale in significance. And so it was to our advantage to pay it immediately. Besides which, if a broker had bought the computer they'd want title, and we don't get title until we pay for it; and so there's reasons for that as well.

Mr. Folk: — When was the final decision made on this computer?

Mr. Nell: — Well, I would have to check, but I think probably the second last working day or the last working day of the year.

Mr. Folk: — Okay. So that's the reason why the million dollars wouldn't have been put back to CIC to take care of that loan?

Mr. Fitch: — Basically that's . . . yes. And given that there's some kind of holiday hours involved with year end, you know — like New Year's Day and so forth contributed to it as well, because we don't have the same number of working days right at year end. And, in addition to that, CIC is closed between Christmas and New Year's.

Mr. Folk: — So then, going on with what Mr. Embury was saying there then, it was decided to carry it as cash in the start of 1982 and then put it into short-term investments with CIC, rather than pay back the loan?

Mr. Fitch: — Yes, that's correct.

Mr. Embury: — Under your fixed assets for the year under review, at cost are around $8.5 million. Of that equipment, is all the equipment being used?

Mr. Fitch: — Is it all being used — are you asking is any of it sitting idle?

Mr. Embury: — Yes.

Mr. Nell: — Perhaps I could respond. Normally all of the equipment would be being used. At this precise instant, we had one computer which had just been taken out of service and was not yet sold on the broker's market. That was valued . . . well, I believe it was about 35-or-so thousand dollars that we have actually sold it for. It was on the books for 25,000, Kent just tells me.

Mr. Embury: — What I'd like to know is: what is the normal turnover, or is it sporadic, in the acquisition of equipment and the taking out of service of old equipment? How quickly do these things become obsolete and what's your turnover?

Mr. Nell: — Well, it, as you would expect, varies from piece of equipment to piece of equipment. The range would probably be perhaps as short as two years for some equipment up to as long as . . . We have had some go as long as eight or nine, but that's quite unusual. I think we generally depreciate over three to seven years as the range.

Mr. Embury: — Okay. If most of this or all of this equipment is in use, are there plans for the purchase of back-up equipment?

Mr. Nell: — Well, we in our main centre have, I guess, a strategy of having duplicate equipment. For example, in our main centre, which is in the building just south of us here, we have two computers and two of critical items that go with the computer. And so we normally are able to continue operation, although at reduced capacity in the case of a failure. And I guess our strategy says that that is adequate. We don't have 100 per cent back-up. We have back-up that will enable us to keep operating, and at least get the critical work done. Generally these equipment manufacturers can repair the equipment within hours

Mr. Embury: — The equipment that you have, the back-up equipment and the equipment you are using daily, are they both in the same office? Same space?

Mr. Nell: — Generally, yes. We do have four computing centres so we do have some back-up ability outside of the computing centre. I think yesterday it was asked whether we were satisfied with the security. I said that there were some areas we wanted to improve. That's one of the areas that we feel should be improved.

Mr. Embury: — Well in case of, let's say, fire or explosion, that would probably just knock you right out.

Mr. Nell: — Well, it would knock out the centre that that occurred at, and that would be a serious problem.

Mr. Embury: — Are there now plans to set up another geographic area with your equipment in it so that, at least for security reasons, that you would get away from having most of your equipment knocked out by fire, explosion in one place?

Mr. Nell: — There are plans to examine the options there. There are not firm plans to develop a second facility in Regina at this moment. Some of the options would be other than that. We perhaps could have an arrangement with another large computer centre, we could perhaps use our Saskatoon centre. We could perhaps use the services of . . . There are people that specialize in providing background for this, Other concepts as well: of having an empty shell computer room, and then usually the computer manufacturers can deliver the equipment very quickly in an emergency like that. So there are several options, and those are . . . We've got plans to review those options and do something.

Mr. Embury: — The problem would be, though, if you knocked out the equipment, if it had . . . If the information is in the equipment and it's destroyed, then getting a new machine isn't going to help you much.

Mr. Nell: — No, but we do have off-site storage of data now. We have an arrangement with Brink's where they come with secure transportation and transfer data on magnetic tape to an off-site storage location.

Mr. Embury: — Off-site.

Mr. Nell: — Yeah, so that the data . . . The facility is there to have the data stored off site. We are planning to review to make sure that every piece of critical data is stored off site as well. He has to check up on that, but the facility is there.

Mr. Glauser: — Mr. Fitch, I believe that you were in administration, the director of administration, at the time. I'm going back to this million dollars for a moment. You were director of administration at that time. Is that correct?

Mr. Fitch: — Yes, that's correct.

Mr. Glauser: — Who would have made the decision? Would this not be a board matter, where that million dollars would have been kept in the company's hands, as opposed to paying back that loan, or who made that decision?

Mr. Fitch: — As I indicated yesterday, I do not attend the board meetings, but the overall decision involved the management of the corporation, relative to the purchase of this equipment that Mr. Nell referred to. And the subsequent decision not to repay the loan I would not say was a board decision. I'm not aware that it went to the board particularly.

Mr. Glauser: — Oh, you mean then that Mr. Lundeen, who was the manager at that time — is he the person then that would have decided, on his own, that the utility could play around with this million dollars, or . . . ?

Mr. Fitch: — No, I wouldn't suggest that at all.

Mr. Glauser: — Well, who then? Who would make that decision then if it wasn't him?

Mr. Fitch: — Well, we retained the million dollars, and did invest it in short-term investments, and looked at that for our 1982 capital requirements — as part of our 1982 capital requirements, then.

Mr. Glauser: — But you had nothing specific in mind that was going to be done at that time.

Mr. Fitch: — Yes, we had a definite capital budget that had been presented to our board and approved by them.

Mr. Glauser: — What was the amount of that budget? Do you recall?

Mr. Fitch: — It was about $5.6 million, I believe, for capital in 1982.

Mr. Glauser: — But, you know it just doesn't seem like a wise decision to keep that money on hand even though your budget is $5 million something. It doesn't seem like good business practice to keep that money on hand when in fact it isn't being used, and that's the part of the decision that I question.

Mr. Fitch: — Well, clearly we didn't have enough staff to do adequate cash management and investments and that aspect, and that has been pointed out by the Provincial Auditor in his report, and we have taken steps to rectify that.

Mr. Glauser: — Well, so what you're telling me then is that from henceforward we won't be looking at anything like this sort of thing.

Mr. Fitch: — That's correct. Yes.

Mr. Glauser: — Okay. I'm satisfied.

Mr. Folk: — SaskComp started up in what, 1983?

Mr. Fitch: — 1973.

Mr. Folk: — 1973. And you felt that the cash management was finally identified in 1980 as being not what it should be?

Mr. Fitch: — Well, I wasn't there in those years, and obviously the size of the operation has grown significantly. Probably in 1973 it was $3 million or $3.5 million of operation. Now it's $22 million in 1982.

Mr. Folk: — So in your experience there, in the year under review, was it a constant problem that you found with cash management procedures?

Mr. Fitch: — I would have to think, yes.

Mr. Folk: — And was this not allayed to the board of directors? Like were they not aware that you were running into a few problems in this area?

Mr. Fitch: — I don't know what the board was made aware of. These are not.

Mr. Dutchak: — When did you arrive?

Mr. Fitch: — November 1978.

Mr. Dutchak: — And are you saying you are not aware whether any complaint was made by yourself to the board regarding your inability to manage cash?

Mr. Fitch: — I don't go to the board meetings, and certainly I had identified, on some earlier occasions, the need for additional staff. But I wouldn't say that it was specifically identified as need for cash management staff.

Mr. Dutchak: — Well, would I be correct in saying then that you yourself didn't identify the need until the Provincial Auditor identified it for you?

Mr. Fitch: — No. I wouldn't say that either. I had made presentations to get additional staff to help out in my area of responsibility.

Mr. Dutchak: — Which would be what? What's your area?

Mr. Fitch: — Well, at that time it was finance, accounting, administration, personnel, union liaison, union negotiations, office management

Mr. Dutchak: — Which includes cash management?

Mr. Fitch: — Yes.

Mr. Dutchak: — Well, I would like to know whether you made a determination at any time, and when you made it, that you needed specific staff to deal with cash managements.

Mr. Fitch: — That was one of the areas of responsibility that was identified as needing more attention than what it was receiving.

Mr. Dutchak: — When did you identify that need?

Mr. Fitch: — Well, it was on several occasions.

Mr. Dutchak: — When was the first date that you identified the need — the first year?

Mr. Fitch: — Probably in 1980; again in 1981.

Mr. Dutchak: — Did you not report it in 1980 to your board of directors?

Mr. Chairman: — Well, he sent his report . . . (inaudible) . . .

Mr. Dutchak: — Well, who do you report to?

Mr. Fitch: — The general manager.

Mr. Dutchak: — Did you report it to the general manager?

Mr. Fitch: — Yes, I had made numerous representations for getting additional staff.

Mr. Dutchak: — Because of the area of your responsibility I would assume that you'd be fairly concerned and would try to follow this up with the manager to see if he received the authorization from the board of directors to hire additional staff for cash handling. Were you concerned?

Mr. Fitch: — I was concerned about the lack of staff and it was in areas more than just cash management that I was concerned about, in that in my opinion we couldn't do an adequate job of the responsibilities that were there.

Mr. Dutchak: — When did all of this change? What year did you feel things fell into place where you received adequate staff and things started to hum along properly?

Mr. Fitch: — Well, we got approval to hire additional staff in the spring of 1982 and had proceeded to advertise for those staff — or for a qualified accountant, more specifically — and we were just going for external advertising when the freeze on hiring was brought in. We then received approval to hire in August of '82 and brought this qualified person on in November 1st of '82. And during the summer of '82 we had some temporaries in there, two of which were converted to permanent people in May of this year.

Mr. Dutchak: — Were any reasons given to you in 1978, for instance, or '79 as to why additional staff was not being provided?

Mr. Fitch: — That would be more 1980.

Mr. Dutchak: — I'm sorry. Okay, '80.

Mr. Fitch: — Generally in the context of . . . We were attempting to keep our staff levels as low as possible, minimize our expenses, our costs of operation, because if you look back at some of our earlier years, we were not having any significant profits or surpluses, and it was a general kind of position of keeping staff at a minimum level.

Mr. Dutchak: — What interest rate were you getting on the cash on hand that you reinvested? The auditor refers to it as nominal rates of interest. What was that rate?

Mr. Fitch: — The nominal rates I believe that it referred to in that one are the funds that were on deposit at the bank, as opposed to being invested on short-term investments. The bank rate, until we renegotiated it, was approximately 3 per cent.

Mr. Dutchak: — 3 per cent above prime.

Mr. Fitch: — No, 3 per cent.

Mr. Dutchak: — 3 per cent. Well, what interest rate were you paying for that money? Prime minus one-quarter?

Mr. Fitch: — Well, the various loans are shown on note 4, and they run from 9.43 per cent to prime-related.

Mr. Dutchak: — And are you saying to that that the cash was then deposited in a bank account and you were receiving only 3 per cent?

Mr. Fitch: — Yes. Now those funds that were on deposit on short-term investments to the crown investments corporation were prime less one and a quarter. So they were significantly higher than the 3 per cent.

Mr. Dutchak: — In the year under review, you had cash that was deposited in a conventional bank. Is that what you're saying?

Mr. Fitch: — Yes.

Mr. Dutchak: — And how much, roughly?

Mr. Fitch: — Well, it varied. On different dates there was different amounts in there, but I believe there's some specific figures in the Provincial Auditor's memorandum.

Mr. Dutchak: — The 691,000?

Mr. Folk: — That's what it started out at the beginning of the year . . . (inaudible) . . .

Mr. Fitch: — Yes, that would have been . . . Well, some of that could have been invested with the crown investments corporation at that point in time. It's listed as cash in the balance sheet. That includes in the moneys that would be on deposit with the crown investments corporation.

Mr. Dutchak: — Can you give me a rough idea of the highest amount that was deposited in a conventional bank in that year?

Mr. Fitch: — In excess of a million?

Mr. Dutchak: — The highest, or the lowest amount, I suppose.

Mr. Fitch: — Well, probably the lowest amount would have been down to about zero at some points.

Mr. Dutchak: — Was that an operating account, or what type of account was it?

Mr. Fitch: — It's our regular operating account, yes.

Mr. Chairman: — The member from P.A.-Duck Lake, are you finished?

Mr. Dutchak: — Yes.

Mr. Chairman: — I wanted just to make sure I understood the loan. I think it is admitted that cash on hand was not being invested in as timely a fashion as it should have been. I think you admit that.

Mr. Fitch: — That's correct.

Mr. Chairman: — That's not in dispute. With respect to the loan from CIC, did I . . . I was a little late in coming, so that's why I wanted to make sure I understood it. Do I understand that one of the reasons you did not repay the loan was because of intended capital purchase the next year of a computer? Is that what you told the committee?

Mr. Fitch: — Not exactly that. The money was not repaid. It was retained for our 1982 capital budget, which was approximately 5.6 million, as I recall it. I'm not certain exactly of those figures in our budget for capital. The original acquisition of the money was in anticipation of the timing at year end of buying a computer and reselling it, one that we currently, or at that point in time, were leasing. And there were critical dates of December 31st to exercise our option to purchase.

Mr. Chairman: — Are either of you gentlemen accountants — chartered accountants?

Mr. Fitch: — Not chartered accountants, no.

Mr. Chairman: — This question then may be . . . You may not be able to answer the question. My question was: what relationship, if any, apart from cash handling, current liabilities have to payment of dividends? It was my understanding — and I ask you to correct me if I'm wrong — dividends are paid out of net earnings. It is unusual, it is not in the ordinary course, although it's not unknown, to pay dividends when a company sustains a loss, but generally dividends are paid out of current earnings. Is it also correct that dividends are commonly paid, even although there are short-term liabilities outstanding. It is my understanding that — I'm thinking now of private companies — probably the majority of private companies who pay dividends also have short-term liabilities, and they may for a variety of reasons decide that the money they have will be used to pay dividends and not to retire short-term liabilities. Have I gone astray so far?

Mr. Fitch: — No, I'd say not.

Mr. Chairman: — The suggestion was made yesterday that there was something unusual about paying dividends when there were short-term liabilities outstanding. It's my understanding that that's not in any sense unusual; that's very common.

Mr. Fitch: — Yes.

Mr. Chairman: — Indeed it would be unusual, would it not, to find a service company whose revenue was — I'm trying to find it — $16 million who did not have current liabilities outstanding at the end of any given year?

Mr. Fitch: — That, I think, is normal in any operation that they have current liabilities.

Mr. Chairman: — There were current liabilities in 1980, and a dividend was paid, I believe. There were current liabilities at the end of 1981, and a dividend was paid. And, significantly, there were current liabilities at the end of 1982, and a dividend was paid. Correct?

Mr. Fitch: — That's correct.

Mr. Chairman: — I'm putting all this on the record to forewarn government members. I think there was nothing unusual about paying dividends when you have current liabilities.

Mr. Dutchak: — That's your opinion, Mr. Chairman. Is that correct?

Mr. Chairman: — No, no, that's the gospel. When you speak, it's an opinion; when I speak, it comes from the fountain of all wisdom.

A Member: — St. Paul?

Mr. Chairman: — Well, one of the apostles; I'm not sure which one.

A Member: — . . . (inaudible) . . . refer to as the former gospel.

A Member: — . . . (inaudible) . . . needed to be canonized.

Mr. Chairman: — Well, I was putting this on the record just so that when we go to discuss our final report my views will be on record. I wasn't putting it as anything higher than my views, as weighty as that is.

Mr. Glauser: — It wouldn't be political. It wouldn't have any connotations . . . (inaudible) . . .

Mr. Chairman: — Absolutely unaffected by any political . . . (inaudible) . . . I might have. I'm sure the vice-chairman understands that. I've done that, so I'm done . . . (inaudible) . . .

Mr. Dutchak: — Just following to clarify something, because I wouldn't want the chairman to give us a wrong view of what private corporations do. What are your qualifications?

Mr. Fitch: — I'm a registered industrial accountant, and I do not have a university degree per se.

Mr. Dutchak: — When the chairman was asking you about liabilities and so on and the payment of dividends, is it not also correct that in the situation of a private corporation, in a lot of cases if the private corporation takes a short-term or long-term loan from a lending institution that the corporation is often barred from declaring any dividends until the loan is paid back, or until they get the approval of the lending institution. Are you aware of that?

Mr. Fitch: — That may happen in some instances. It's, I don't think, an automatic thing that applies in all cases though.

Mr. Dutchak: — In fact it applies in the case of Sedco, does it not? Are you aware of that?

Mr. Fitch: — No, I'm not aware of the conditions with Sedco.

Mr. Dutchak: — Just touching on another matter: your computer softwares, where do you purchase them?

Mr. Nell: — Perhaps I should speak to that. We acquire software from various sources, various vendors. I suppose the majority is not actually purchased per se. A lot of times it's not possible to purchase it. You in effect lease the right to use it.

Mr. Dutchak: — And your equipment comes from IBM?

Mr. Nell: — Well, IBM is our biggest supplier. We get equipment from several suppliers though. Would you like . . . ?

Mr. Dutchak: — No, that's fine. IBM is your biggest and that'd be IBM Canada. Is that correct?

Mr. Nell: — Yes.

Mr. Dutchak: — Toronto is it?

Mr. Nell: — IBM Canada Ltd., which is headquartered in Toronto, yes.

A Member: — Thank you.

Mr. Nell: — Or near Toronto. Don Mills or something like that.

Mr. Folk: — That would be the case in this computer under question at the end of December '81?

Mr. Nell: — That computer was leased from IBM, and would have been sold to some other party, not IBM, if we had sold it.

Mr. Folk: — Okay. And the one you were going to purchase, that was also an IBM one?

Mr. Nell: — That's the same one, I think. We were going to buy it and then turnaround and sell it. You know, well, we were going to make the deal all at once, basically.

Mr. Chairman: — Okay. Oh, I'm sorry. Please proceed.

Mr. Benson: — I think something should be said: if we're making a comparison with the private sector, I think it would be fair to say that dividends generally might not be paid in a situation where you have a high degree of debt in an organization, and I would say in the private sector it would be uncommon to borrow moneys when you have to turn around and borrow on the market for capital purposes.

Mr. Chairman: — Say that again.

Mr. Benson: — Well, if the analogy is being made with the private sector, I would say it would be, I think the conversation a bit misleading, because I would think that most private sector firms would not declare dividends when they are in turn borrowing for capital purposes, particularly when the debt-equity structure of the balance sheet . . . as in the case here. So just by way of comparison with the private sector.

Mr. Chairman: — How do you mean when the debt-equity . . . I really didn't follow that last comment.

Mr. Benson: — Well, if you look at SaskComp at December 31 in the year under review, pretty well all the financing structure of the organization is from debt or advances from CIC, and there is very little by way of retained earnings that would finance the operation. So if you were making a comparison in the private sector, I know it's unfair, but it would be uncommon in the private sector to see dividends declared and then moneys borrowed for a firm like this in the private sector.

Mr. Dutchak: — Mr. Chairman, that was the reason for my line of questioning yesterday, because I think it's always fair to compare a corporation such as this with a private corporation because it's pretty common knowledge that in the last 10 years the private corporations seem to operate with more efficiency and more positive results than crown corporations. And it may come to the time when we have to start running these corporations with a similar philosophy as a private corporation. And I wonder if these gentlemen can answer.

Mr. Chairman: — I'm sorry. Just before you get back . . . (inaudible) . . . I want to follow this comment up. What is it about this financial statement which would make it unusual to pay dividends? I'm sorry, I just don't follow you.

Mr. Benson: — Okay, if you look at, on the balance sheet itself, on the . . .

Mr. Chairman: — Are you looking at statement 1?

Mr. Benson: — Statement 1, on page 10. The financing is . . . You generally look at the liability side and that tells you how the organization is financed. You have current liabilities of 2.9 million: long-term debt of 4 million; advances, which are really borrowings from CIC with no fixed term of repayment, of 2.7 million. That is referred to as the debt side of the organization. The equity side would be the 24,000 in retained earnings. So then it gets a fairly high debt-equity ratio. If the organization in the private sector was going to go out and borrow a million dollars, say, it would be uncommon for them to, in turn, declare a dividend.

Mr. Chairman: — What would be a common asset-current liability ratio? What's considered an acceptable ratio?

Mr. Benson: — Well, they vary with industries and I wouldn't want to presuppose what IBM would have, or whatever. But it would be significantly more than the relative ratio here as being on the equity portion.

Mr. Chairman: — The ratio here is what?

Mr. Kraus: — About 100 to 1. If you were to add the 6.9 million and the 2.7 million, that's 9.6 million.

Mr. Chairman: — I see, you're adding the long-term. I see.

Mr. Kraus: — Yes. That's really a third-party liability, so . . .

Mr. Chairman: — So it's about one to . . . (inaudible) . . .

Mr. Kraus: — Almost 100 to 1, or 99 to 1. Whereas you would expect something like a 70:30 ratios, something like that. I mean it does vary according to industry, but probably more like 70:30, 80:20, 60:40. . . . (inaudible) . . . puts it into some perspective.

Mr. Glauser: — I would like to go back to this idle money. This is most significant. On page 14 of the management letter, we look at a period of 32 days, from November the 20th, 1981 to December the 21st, 1981, and there's a minimum balance there of 1.4 million — that's 32 days. Then we go from December 24th, '81 to February the 16th, '82, a period of 55 days, and that is close to a $2 million minimum balance.

Now, during that same period, the loan at the . . . was 575,000 that was borrowed in June in 1981 from CIC, and the interest on that amounted to $62,911. Now, further to that, I'd like to go back to the authority for that situation and it was not presented to the board of directors for authorization. I wasn't quite clear on the answer I got on that question, you know, who authorized it. So obviously, it was done by management. And further to that you were saying that you were not only concerned with the cash management but you were also concerned with other areas of the total operation. That's correct?

Mr. Fitch: — My area that I was involved in . . .

Mr. Glauser: — Responsible for.

Mr. Fitch: — Yes.

Mr. Glauser: — So, you know, this is not a good situation to have taken place. It would seem to me that the board had lost control of management.

Mr. Fitch: — I would suggest that the board was aware of our intent to buy this computer for resale. I believe . . . Perhaps you can speak to that, Bob, that the board would be aware of that and they would have, had approved that transaction.

Mr. Nell: — I can't recall for sure. They normally reviewed the equipment decisions.

Mr. Glauser: — Yeah, but that's neither here nor there, about what the board was doing in that connection.

Mr. Fitch: — That was the reason for us obtaining this million dollars though — would be the need for that money for that transaction.

Mr. Glauser: — Well, that isn't the way I understood you to say here a while back: that it wasn't necessarily for the purchase of a computer.

Mr. Fitch: — The money was originally acquired to have it available if we bought this computer that we were going to turn around and resell.

Mr. Glauser: — This is the one with IBM?

Mr. Fitch: — Yes.

Mr. Glauser: — Okay, pardon me. Yes, I recall that.

Mr. Fitch: — And the board would have been aware of . . . I would think — I'm fairly certain, but I can't be positive — that they were aware of the fact that we were contemplating this transaction of buying and reselling that computer. And that that naturally would take some money to do so.

Mr. Glauser: — Okay, but they were then in turn never informed that this didn't take place?

Mr. Fitch: — Yes, I would imagine that they were informed that the computer was not bought and resold. I am not certain whether they were informed that we did not repay the million dollars; I don't know in respect of that one.

Mr. Chairman: — Okay, are we finished with SaskComp?

Mr. Nell: — Mr. Chairman, there were a couple of questions asked yesterday that we didn't have answers to.

Mr. Chairman: — Ah, if you have the answers, that would be appreciated. Then I'll get the Provincial Auditor.

Mr. Nell: — Okay. One was whether Saskatchewan Development Fund was a customer of SaskComp, a user of SaskComp. Yes, they are a customer of ours. They have very little usage directly with us. But I understand that they do have a system that they use through a third party, a private firm that supplies them service and uses our computers to do it. So, I believe, yes they are users.

I think the other question was in connection with whether there was an incident with a student from the University of Saskatchewan during the year under review, 1981.

Mr. Chairman: — The member from Saskatoon Eastview asked the question, but it'll be on the record, so you can answer if you like.

Mr. Nell: — Okay. Our investigation that we've done in the last day or so has uncovered no such incident involving SaskComp. I'd like to advise the committee though that the University of Saskatchewan operates one large computer and several smaller computers on their own, not involving SaskComp. So actually most of the student work is done on those computers . . .

Mr. Chairman: — It may have occurred on that one.

Mr. Nell: — Yes, it's quite possible that something happened that we wouldn't have been directly involved in. As I say, most student activities wouldn't actually affect SaskComp.

Mr. Chairman: — The Provincial Auditor.

Mr. Lutz: — Thank you, Mr. Chairman. I would like maybe, if I could, to get a bit of clarification from Mr. Kraus or Mr. Benson. Did I understand you to say that the balance sheet item advances in your view should be a current liability? I didn't quite . . .

Mr. Benson: — It was within the context of a financing operation in that these are advances from CIC, not generated from retained earnings.

Mr. Lutz: — Yes, okay. But did I understand you to use this particular item in arriving at your ratios of fixed to current, and assets to liabilities?

Mr. Benson: — From a financing, debt-equity ratio standpoint.

Mr. Hunt: — You included them in the debt total? So, do you consider them then to be inappropriately classified as equity?

Mr. Benson: — No, I would say within the context of determining, looking at the financing structure of the balance sheet. That's the question that we were talking about.

Mr. Chairman: — . . .(inaudible) . . . answer to the question so I'm not going to get into it, but please continue.

Mr. Hunt: — It might be helpful to know the terms upon which these advances are made. They're non-interest-bearing advances with no fixed terms of repayment.

Mr. Chairman: — Payable then in effect on demand?

Mr. Hunt: — This is the form in which I believe CIC has, over the last several years, considered that these should be reflected.

Mr. Lutz: — As the corporation's share capital, if you will, the equity.

Mr. Hunt: — Not that they're identical to share capital in this same sense that it might be viewed in the private sector. It doesn't have quite the same permanence, but I guess it's been viewed as being closer in character to that type of capital than to normal debt obligations. And I suppose it's something the government is probably wrestling with now in terms of debt-equity ratios and so on.

Mr. Embury: — I think . . . (inaudible) . . . I don't think it was raised by the committee — the significance of that change . . .

Mr. Lutz: — I think if you look at each of the crown's annual reports you will find, I believe, every one of them will have a thing down here called 'province of Saskatchewan equity advances' and these will in, I think, every instance be an interest free sort of a permanent advance callable at the discretion of the CIC people.

But in all cases they have been treated on the financial statements as the equity. I just thought we should clarify this somehow, before this . . .

Mr. Embury: — I don't think the committee brought that . . . or questioned it.

Mr. Chairman: — I'm wondering then if you could make . . . (inaudible) . . . I'm wondering if you can make any sensible comparisons with the private sector then . . . (inaudible) . . .

Mr. Benson: — That particular item is very difficult to compare with the private sector, that you don't see that sort of thing. But the point that I was trying to make is that in the private sector the retained earnings is the equity base from which you can finance things and . . .

Mr. Glauser: — You can't compare it to a shareholder's loan.

Mr. Benson: — Right.

Mr. Glauser: — And this is what you would be trying to do with it if you treated it any differently.

Mr. Lutz: — Mr. Chairman, I think probably, and again it's in the interest of clarification, from my viewpoint, when a corporation pays a dividend to CIC we look at the retained earnings of the corporation who is doing the paying. I object if the payment of a dividend would run the retained earnings into a deficit position. As long as they have retained earnings, we have no particular concern if they pay a dividend. The concern is the corporation's if they don't have enough money to pay the dividend. But that is, again, an administrative problem which the corporation itself has to deal with. As long as they don't have a deficit in the retained earnings — bottom line — we really don't have a problem with it.

Mr. Embury: — No, and I think what you're discussing is a broader policy question. If one were to start discussing the way retained earnings are set up in all your crown corporation books, it would apply not only to SaskComp but to every other crown that we have. I think the recent transactions in the Sask Grain Car Corp, which was held as a loan and then taken over into equity, is another case in point, but I don't really see the usefulness of discussing that broader question for SaskComp.

Mr. Chairman: — The question might more appropriately be addressed with CIC, if you ever want to call them. I'm in essence agreeing with the member from Lakeview that I think it's not terribly productive to wind this one around. Any further questions of SaskComp before we usher in the Health people? Thank you very much, gentlemen, for your attendance. We appreciate your courtesy and the time you've taken in coming.

AGREED

Public Hearing: Department of Health

Mr. Chairman: — We are resuming the accounts of the Department of Health. We began them some period of time ago, and are now resuming again. I would reintroduce . . . You have more here than my list suggests, than the names I have on my list. I'm going to then, again introduce Mr. Ken Fyke, the deputy minister of health, and ask you to introduce your officials, as I don't have a complete list it seems.

Mr. Fyke: — Thank you, Mr. Chairman. To my left, George Loewen, Peter Glynn, associate deputy ministers; to my right, Lawrence Krahn, director of admin services; and John McLaughlin, associate director-, behind me, John Yarske, executive director of psychiatric services; Gerry Patchett, executive director of the medical care insurance commission: and Bob Reid, to my left, assistant deputy minister; and George Peters, assistant executive director of the medical care insurance commission; and Rick Roger, executive director of the Saskatchewan Hospital Services Plan. I'm sorry — and Sharon Andrews, the minister's executive assistant, is sitting in to observe, if that's acceptable to you.

Mr. Chairman: — Do any of the members have questions? If not, I will just lead off for a moment. It has to do with the Provincial Auditor's report, page 22. The Provincial Auditor made a number of comments. It was commented that the management supervisory controls weren't adequate. Audit observations indicated not all regulations administered by the department at these locations were being adhered to, nor were internal control designs entirely adequate. It went on to state that mail opening procedures were not in compliance with treasury board regulations. It also said — and this struck me as being a bit unusual, but perhaps it isn't — that during the year moneys were loaned to staff members for short periods from the Weyburn bazaar trust fund. And I gather that isn't in any sense owned by the staff members, but I may be wrong about that. It was noted that the accountant's advance accounts at both Weyburn and North Battleford were overdrawn on several occasions. That's not the first person who has sinned in that area; we've seen that before. It was also noted that on various occasions certain patients' trust accounts contained amounts in excess of $100, which should have been transferred to the administrator of estates. And, again, that may not be the most serious problem in the world.

Gentlemen, I wonder if you would comment on those items contained in the Provincial Auditor's report?

Mr. Fyke: — I'd be pleased to, Mr. Chairman. Just as an introductory comment, I would say that steps have been taken to correct all of the, or are being taken to correct all of the criticisms and comments of the Provincial Auditor. Specifically, on the mail opening procedures, procedures have now been implemented to provide two people opening the mail and cheques are being restrictively endorsed immediately upon receipt.

In regard to the loaning of funds to the staff members for short periods from the Weyburn bazaar trust fund, I consider it probably the most serious of all of the comments that the auditor has made.

Mr. Chairman: — You're referring to the borrowing of funds from the Weyburn bazaar trust fund?

Mr. Fyke: — Right. Right. While not excusing this action, when I was informed of it I took immediate steps to have it discussed with the individual who made the decision to use trust funds for this purpose. It ended in him being reprimanded in writing by myself and placed on his personnel file. In defence of the action, he loaned the funds to staff members, one being a psychiatrist who I understand was leaving on some holidays and did not have his cheque and wished to go on holidays, and he loaned him the money. All of the funds were returned to the trust account, but clearly in violation of the regulations covering the trust fund.

Mr. Chairman: — Also I think in violation of the Criminal Code, in a technical sense.

Mr. Fyke: — I'm not sure about that, Mr. Chairman. You may be correct. The Weyburn bazaar trust fund are funds that are there for the benefit of all patients. They're not in the name of individuals. It's not as if funds from Mr. Smith's trust fund were used. They're funds that are there for the benefit of all patients in the institution. But corrective action and disciplinary action was taken immediately upon this being brought to our attention. In addition, I requested an internal audit without notification, and I had two people visit the institution immediately and do a complete review of the trust fund to ensure that there were no other discrepancies.

Mr. Katzman: — . . . (inaudible) . . . bazaar fund.

Mr. Fyke:-The fund arose out of work that the patients did on various things; like they were making pallets to hold . . . an example, wooden pallets to hold items for storage and selling them to various organizations. And the fund built up to I think slightly under $300,000, and the funds are to be used for the benefit of all patients in the institution.

Mr. Katzman: — In the Battleford one of several years ago we had problems with the same bazaar account, I guess, for a lack of an explanation. Did you not check all the bazaar accounts then . . . (inaudible) . . . when the problem has popped up at the one?

Mr. Fyke: — If I remember correctly, Mr. Katzman . . . Just let me check on that, I remember the incident. I'll just check and see if it was the same . . . The incident you are referring to: we were criticized for not transferring the funds to the administrative estate quickly enough so that interest was not being credited to the patient. Those were individual patients' trust accounts. I believe at that time we looked at all of them. This is a slightly different trust fund. and a different incident of loaning money.

Mr. Katzman: — I'm not challenging your memory. I'm just saying that you might have . . . There was also the account in Battleford where they were building things, which I think is also called a bazaar account, and I believe it was lawn furniture in this case, or something, and the money wasn't used properly. The auditor pulled up something on that.

Mr. Fyke: — My memory doesn't serve me well on that one. I can't . . . Just let me check.

Mr. Lutz: — Mr. Chairman, Mr. Fyke, I have to agree with you, Ken. I can't match Mr. Katzman memory-wise, but I think he is correct. This was probably before you were deputy minister, I believe. It was one of these similar things that happened in North Battleford with the bazaar account, but it's quite awhile ago. I couldn't give you specifics myself right now.

Mr. Katzman: — It could be in the last seven years because I've sat on this committee for seven years.

You say there's 300,000 in this account. Could you give us an idea what things that this account is spent on for the benefit of all patients?

Mr. Fyke: — To run through a list of a few things that it's been used for in the past: to buy television sets, barbeques for the patients out in the yard, to pay to take some of the patients out to hockey games, this type of thing — for entertainment — and to buy material to use in their craft areas.

Mr. Katzman: — For their personal craft or for crafts resale?

Mr. Fyke: — I believe both — both.

Mr. Katzman: — This 300,000 . . .

Mr. Fyke: — If there's a resale the money would go back into the trust fund.

Mr. Katzman: — That's the point I was going to get to. The 300,000 now is there . . . (inaudible) . . . sufficient to buy whatever they need to make whatever they're reselling. It's a little business basically, with their own fund.

Mr. Fyke: — Right. It's building up.

Mr. Katzman: — Is there any point where you're going to say that this is maximum, or is it just going to keep going?

Mr. Fyke: — We're reviewing that whole area right now, and the thing that we are looking at is whether those funds should be used for the benefit of patients in all the facilities, or isolated to the facility in Weyburn. But we are reviewing that whole area at the current time.

Mr. Kraus: — Mr. Chairman, they are working with some of our officials. We are also interested in the rules and regulations governing these trust funds and we would . . . We are reviewing the regulations that govern them now to determine whether they're appropriate.

Mr. Chairman: — You've answered the question, Mr. Kraus, which I was going to ask. And that is: what steps are in place to ensure that the patients' rights are adequately safeguarded, since the money clearly belongs to the patients? Perhaps if the matter is under review you could simply undertake to report at a later date when the matter has been clarified. By what period of time do you expect to have this wrestled to the ground?

Mr. Fyke: — Six months.

Mr. Kraus: — That would sound reasonable, Mr. Chairman. There is, of course, some discussions taking place with the legal advisers as well because it is a fairly technical area.

Mr. Katzman: — Mr. Chairman, would it be feasible then . . . I'm concerned that. When do we meet again?

Mr. Chairman: — I have a suggestion which the . . .

Mr. Katzman: — We have a July meeting suggested.

Mr. Chairman: — That sounds somewhat premature. My thoughts are that we might . . .

Mr. Katzman: — Next year's review.

Mr. Chairman: — Perhaps next year would do. I expected that we would get together before the comprehensive auditing conference in October, just for sort of a briefing session, so that we would go to it prepared. I would have thought that we might have something to report by October 1st. That's perhaps a little less than six months, but it gives you a lengthy period of time. And I thought we might have something to report by October 1st, that would be in time for an early October meeting, and if the matter weren't finalized then, we would certainly accept that as an explanation. But it may be, and maybe we can deal with it. Is that satisfactory, gentlemen? I was going to suggest that perhaps you might report back by October 1st. I'm not sure that's quite six months, but . . .

Mr. Fyke: — I think that is . . .

Mr. Chairman: — We are in a public meeting in early October and we could then review your comments when we see them, on this issue. Okay?

Mr. Lutz: — Mr. Chairman, I've given Mr. Fyke my 1980 report, and I believe on that page he's reading is the case to which Mr. Katzman was referring. Slightly different than what we were talking about here, but in that kind of ballpark. I think it's the bottom paragraph, Ken, that's at issue here.

Mr. Chairman: — It may be a matter you want to report back on. I don't know whether it's something you can finalize now or something you want to report back on.

Mr. Fyke: — Without going into too much detail, Mr. Chairman, in answer to Mr. Katzman: it's a bit different, but steps were taken at that time to correct that. Maybe if it would be acceptable to the committee I could chat to you privately about this after the . . .

Mr. Katzman: — No, my concern is not . . . I know that one was settled.

Mr. Fyke: — Yeah, overall.

Mr. Katzman: — My concern is if you spot a problem in one of the hospitals you should automatically check to see if that problem is developing in the others. That was my only concern, and that's what I was trying to raise, because if it's happening in one spot it may — not always, but may — happen in the other spot.

On trust funds, Ned, if I . . .

Mr. Chairman: — Continue.

Mr. Katzman: — The individual person who was a client, for lack of a better word to use, at one of these, or somebody living at one of these institutions, if they have been left some wealth either in material or cash, and in the cash side is it placed in an account with their name, bearing interest, and draw it down to a certain point where then it's only used for their personal — like an extra TV, or a radio, or something — where they want it, rather than being used and then the person being totally left at the whims of the institute what they should get? For example, if the family were to leave him some money for extra frill, is it allowed by their choice or with the person looking after them to make sure what they want, so they may get some special benefits because of that, or is it just lost to them?

Mr. Fyke: — If the patient is defined under our Mental Health Act as a competent patient, the family can deposit money and the person can withdraw it to use it at any time. For incompetent patients, we limit it to $100. Anything exceeding $100 is transferred to the administrator of estates for the province.

Mr. Chairman: — What interest rate is . . . I'm concerned initially with funds held by the administrator of estates on behalf of mentally incompetent patients for which there's a certificate on file. What interest rates are paid for the benefit of the patient for whom funds are held?

Mr. Fyke: — I'm told that it's the current rates of the day that are paid back to the patient. Now, swinging back a moment to the bazaar trust account . . .

Mr. Chairman: — How do you define the current rates of the day?

Mr. Fyke: — It would be the date of which the deposit was made to the administrator of estates.

Mr. Chairman: — What is the current — how do you define that? How do you decide what the current rate of the day is?

Mr. Fyke: — Investment board, Department of Finance, establishes it.

Mr. Chairman: — Okay. I think a door just slammed in my face. I was wondering how the Department of Finance finds that. Perhaps Mr. Kraus can lend me some assistance.

Mr. Kraus: — I can't speak to that, Mr. Chairman; that would have to be investment and financial service, Mr, Meiklejohn's area.

Mr. Chairman: — I remember some time ago . . .

Mr. Embury: — You go to the market.

Mr. Chairman: — . . . (inaudible). . . . it was a little low. The interest rate you were paying was a little low. They could have done better by trotting the money down to the Royal Bank and dropping it in a term . . . (inaudible) . . .

Well, I'm going to ask that you report back on that. I want to know how those interest rates are determined, and how they compare with, the usual example is the Royal Bank. No deference to our vice-chairman, it's just the example that's usually used — the Royal Bank. How day-to-day rates, say . . .

Mr. Glauser: — I do not think that they have the capability of going into long-term investments. If I remember correctly, I think that that money always has to be available to be paid out. Somebody can correct me on that.

Mr. Fyke: — If we go beyond term deposits we have to go through Morley Meiklejohn's area. In the Weyburn bazaar trust fund, most of that is tied up in short-term deposits, and some of it . . .

Mr. Chairman: — Of about what length?

Mr. Fyke: — Around 90 days is probably the average.

Mr. Chairman: — And does the administrator of the fund do the investment, or someone on his behalf do the investment directly by getting term certificates from some lending institution in Weyburn? There's a lot of money here; there's $300,000 involved here. It's a big trust account. Administrative estates I think, the government borrows the bloody money, and pays them a rate of interest below what they get in lending institution.

Mr. Embury: — But in Regina the hospital boards that have surplus moneys, the banks . . . (inaudible) . . . on those deposits.

Mr. Fyke: — Term deposits in, for example, Weyburn are handled by the local administrator of the institution. That's one of the areas that we are reviewing, as well, to see whether centrally in Regina here we could do it — maybe maximize the interest return to the fund.

Mr. Chairman: — Given the sums of money involved, one of the members, the member from Lakeview, suggested that it might be appropriate to actually receive bids, given the sums of money involved.

I want to go back to the incompetent-patient staff. And it is my understanding and I may be wrong, I base this on nothing other than something I've heard a long time ago. And that is that the money which is held on behalf of incompetent patients is not actually invested in term certificates of the Royal Bank or the Imperial Bank of Commerce or wherever you want to go, but in fact it is made available to the provincial treasurer, who in turn pays a rate of interest on it, and so is, in effect, a borrower. It's not the Royal or the Imperial but the provincial treasurer.

Mr. Fyke: — I can't answer that question. That really comes under the guide-lines of the administrator of estates — wouldn't it?

Mr. Chairman: — It may not be strictly in your department, I suppose, but maybe AG's.

Mr. Fyke: — Which comes under the Attorney-General's department.

Mr. Chairman: — Let me be fair; I may be asking the wrong people.

Mr. Lutz: — Mr. Chairman, if you will refer to page H 9 in volume 1 — I have it here. This is the financial statement for the administrator of estates. I believe these funds will also include moneys that have been transferred from around the province at these institutions on behalf of those people. In note 2 they do show a schedule of investments. Just turn the page. Here is where that money is invested.

Mr. Chairman: — Well, given that that office reports to the deputy attorney-general, deputy minister of justice I guess it is, and not the deputy minister of health, I'll withdraw that line of questioning. I was perhaps dealing with the wrong department. Sorry. I've wasted . . . Go ahead, member from Rosthern.

Mr. Katzman: — Well, I may end up in the same spot that you are. Let's assume somebody goes into one of your specific spots. I have a problem, and here's my problem: I'm not sure sometimes if I'm into Social Services now, as well as into your department, so if I am on the wrong side, just please let me know.

A person is committed to Weyburn, let's say, or Moose Jaw, or whatever, and the family pays nothing towards that person's costs. Let's assume he becomes a ward of the state. But he has assets. Do we first draw his assets down to the 2,500 as we do in other areas for social services, or do his assets get totally used up and then we look after him, or what are the rules?

Mr. Fyke: — Mr. Chairman, in answer to the question, we're talking about a mentally ill patient — someone admitted to our psychiatric facilities. There is no charge whatsoever against the patient for services or care rendered in the mental health facility even if he's there for a long time. If he dies, under some legislation covering North Battleford there could be a charge against the estate, but that's a different ball game. His assets are not touched.

Mr. Katzman: — What happens to the assets? Because I continually hear that the assets are taken by the Government of Saskatchewan because he was a ward . . .

Mr. Fyke: — I think you're talking about — it's now our responsibility — but level 4.

In clarification, the psychiatric patients — there's no charge. If we're talking about level 4 patients under long-term care, which could be level 4, A, B or C patients, which became our responsibility on April 1st, there's a monthly charge of $417, but there's nothing else against the estate. So I'm just not sure what area you're getting these comments . . . (inaudible) . . .

Mr. Katzman: — Let me give you a hypothetical case, and maybe that maybe easier to handle. Somebody is a single child of somebody with wealth. Both parents pass on. The child gets the wealth. The child is committed to one of these places for the duration of his life basically, because he is incompetent to look after himself. And all these funds, or a farm, or whatever, is left — which has value. And when he dies, do we make a charge back to his estate, or what happens to these funds?

Mr. Fyke: — The answer is no, except in North Battleford, in that in the mental institution in North Battleford, there is still on the books the legislation to make a claim against the estate.

Mr. Katzman: — Now I'm into what I'm looking for. So Battleford . . . That's where I've heard about this issue. So Battleford has special legislation different than everywhere else?

Mr. Fyke: — Essentially, yes.

Mr. Katzman: — Why? While you're conferring, could I give you one more question to confer? . . . (inaudible interjection) . . . Go ahead. I'll wait for an answer if you're ready.

Mr. Fyke: — Okay, this goes back 30 years or so, and it really relates now that North Battleford is the only mental hospital, long-term mental hospital, in the province. The other facilities, like Yorkton, Regina, Weyburn, are really acute psychiatric facilities. But the legislation is still on the books to make a claim against the estate for those patients who were admitted prior to 1976, I believe.

Mr. Katzman: — So if you're committed after '76, the Battleford can't do that.

Mr. Fyke: — That's right.

Mr. Katzman: — So you can't move people from Weyburn to Battleford, therefore, to make a claim?

Mr. Fyke: — The answer's no: only if they were patients prior to 1976.

Mr. Katzman: — Mr. Chairman, I'm prepared to, if you want to shut'er down now. We can continue . . . I think I have to get some more advice, because I think I've missed something here.

Mr. Chairman: — Well, I think we should be shutting it down anyway.

Mr. Fyke: — Would you like a report on the issue that Mr. Katzman is raising? I can probably do that.

Mr. Katzman: — Because there's a lot of misconception out in the . . . I know how Social Services works. There's no problem there. But out in the public's eye, there is also confusion that this works exactly the same as Social Services.

Mr. Fyke: — That legislation has been reviewed by governments in the past, as to whether it should be changed.

Mr. Katzman: — We can discuss that I guess later next day.

Mr. Chairman: — Indeed we can; indeed we can. Health 10:30 Tuesday? Why don't we deal with legal aid at 10:30 Tuesday and we'll deal with you at 11 o'clock?

Mr. Katzman: — It won't work.

Mr. Chairman: — Why not?

Mr. Katzman: — I have a feeling that we may need more than a half an hour for legal aid, because we've never seen them yet.

Mr. Chairman: — Oh, well, that may be.

Mr. Katzman: — It's a short day Tuesday.

Mr. Chairman: — Yeah, we won't take a whole day on legal aid, will we?

Mr. Katzman: — What's the feeling?

Mr. Embury: — Legal aid's on first before Health?

Mr. Chairman: — Yes. Tuesday is a very convenient day for those people to come from Saskatoon. They can catch the plane, be here, and they know they're going to be on first thing and get away first thing.

A Member: — If it doesn't snow.

Mr. Chairman: — If it doesn't snow in Saskatoon.

Mr. Katzman: — Like it did this Tuesday.

Mr. Chairman: — I'm surprised to hear it'll take longer than half an hour, but it maybe. What is the members' preference? Would you rather have them on a 15-minute standby?

Mr. Katzman: — I think that's preferable to them so they can be working, rather than sitting outside this door.

Mr. Fyke: — Mr. Chairman, could I ask: do you still have questions on Health or is it the medical care insurance commission?

Mr. Chairman: — I think probably all. You're asking whether you need all these officials?

Mr. Fyke: — There are some items on page 35 on the medical care insurance commission. If it was just that area you were going to question I would leave a large part of my contingent behind.

Mr. Chairman: — I think it's both, Mr. Fyke.

Mr. Katzman: — I have questions re the regeneration . . .

Mr. Chairman: — Regina hospital regeneration program. Okay. Tuesday, then, on a 15-minute stand-by. You can be here in 15 minutes if called?

A Member: — Yes.

Mr. Chairman: — It means you've sort of got to be ready to drop your pen and run when you get the call, but that may be preferable to standing outside.

Mr. Fyke: — I believe Tuesday's acceptable.

Mr. Chairman: — Okay.

Mr. Katzman: — And if we don't finish Tuesday, Wednesday will be your next shot at it.

Mr. Chairman: — Yes.

Mr. Katzman: — We should finish by then.

Mr. Chairman: — Yes. Thank you very much, gentlemen. You're excused for the day.

Mr. Glauser: — That's a short morning on Tuesday. I would say bring them back Wednesday and let them know right now.

Mr. Chairman: — Do you really think we'll take . . . I'm concerned about, sort of, showing some progress here. You really think we'll be done by . . . Do you really think it'll take all morning?

Mr. Glauser: — I have a feeling it could be.

Mr. Katzman: — We've also got things to put on the sheet to report on, so we can do some internal stuff if we have time left over.

Mr. Embury: — We've taken some lessons from Murray.

Mr. Chairman: — Apparently. Okay gentlemen.

A Member: — Wednesday?

Mr. Chairman: — All right. I'll bow to the government caucus, Wednesday.

Mr. Fyke: — I can let people go out of town on Tuesday then.

Mr. Chairman: — You can let people go out of town Tuesday then. Wednesday morning, 8:30.

I think we should begin by flagging items for SaskComp. Do I assume that we flag failure to do the item mentioned by the Provincial Auditor — failure to invest the money?

Mr. Embury: — Investment policy.

Mr. Chairman: — Investment policy, right.

Mr. Glauser: — And cash management.

Mr. Chairman: — Cash management. As we know, there is I think agreement that money should have been invested in a more timely fashion than it was. So far it was just cash management . . . (inaudible) . . . the bells for regulations.

Mr. Katzman: — Don't we also have one other issue — that million?

Mr. Embury: — Well, that's part of cash management.

A Member: — That's cash management.

Mr. Katzman: — Well, I want to flag the principle of borrowing money and then declaring a dividend.

A Member: — No, it wouldn't affect it.

Mr. Chairman: — I recognize that government members may want to do that. As you know, I'm not with you on that one, but that doesn't mean it shouldn't be flagged . . . (inaudible) . . .

Mr. Embury: — It won't show up as affecting it anyway.

A Member: — It won't what?

Mr. Embury: — Show up as affecting that dividend, if you look at the statement.

Mr. Katzman: — I might have missed something, so . . . I concede because I wasn't here for the last . . . (inaudible) . . .

Mr. Chairman: — Let's leave it as cash management then, and that's generic and ought to include everything. Anything else from SaskComp?

Mr. Katzman: — The one issue of sabotage. Where did you end up on that one?

Mr. Folk: — That was addressed right at the end. You thought it was Kim's question, I believe.

Mr. Chairman: — Oh, yes, yes. That was addressed right at the end.

A Member: — Security.

Mr. Katzman: — Security.

Mr. Chairman: — Yes, that was addressed right at the end.

Mr. Katzman: — Okay, because as I say, I missed it.

A Member: — I was involved, because I thought we'd . . . (inaudible) . . . with their problem.

Mr. Chairman: — Yeah, I think we felt he dealt with it.

Okay, second item: members' — I want to deal with it for the benefit of our Clerk — attendance at annual conference. For the government caucus put down the names of both the chairman and the member from Assiniboia-Gravelbourg. This is going to drive you wild, but you may decide later on . . . (inaudible) . . . to come, but for now . . . (inaudible) . . .

Mr. Katzman: — From the opposition caucus.

Mr. Chairman: — From the opposition caucus. From government caucus, the names are as follows. Take it away, someone.

Mr. Katzman: — We haven't decided.

Mr. Glauser: — Well, I have decided.

Mr. Katzman: — Well, Cal's going.

Mr. Glauser: — I'm going.

Mr. Katzman: — But we haven't decided who else is going.

Mr. Embury: — When is it?

Mr. Chairman: — July 11th to 14th.

Mr. Embury: — Well, we'll still be in the House.

Mr. Katzman: — Yeah, all signs are we'll still be in the House.

Mr. Chairman: — Cruel joke.

Mr. Katzman: — You're going to have to put a plug in Koskie.

Mr. Lutz: — That's a Monday, Tuesday, Wednesday, I believe.

Mr. Chairman: — Yes. Actually leave Sunday. The thing starts normally in good time Monday.

Mr. Katzman: — Okay, we have an agreement that we're going to send four.

Mr. Chairman: — No, I misinformed you. We agreed to send as many as want to go. We had a discussion, and I was wrong.

Mr. Glauser: — Are you going then?

Mr. Chairman: — Yup.

Mr. Glauser: — You realize your friend Ernest Hall won't be there.

Mr. Chairman: — I heard that, heard that. Great loss. I was thinking about whether or not it would be worth while without him, but . . . (inaudible) . . .

Mr. Katzman: — Well, just hold it now. I'm confused now.

Ms. Ronyk: — Mr. Katzman, at the last meeting during the last session when the committee was discussing their report the committee changed their earlier recommendation, and . . .

Mr. Katzman: — So you don't have to go on a per diem. If you want to go, you go.

Mr. Chairman: — And I think it's on a basis of whoever wants to go can go.

Ms. Ronyk: — The resolution read.

> This committee authorizes under sections 54 and 67, etc., of the act members of the committee and the committee Clerk to attend the Fifth Annual Conference of the Council of Public Accounts Chairmen with the final composition of the delegation to be determined by the chairman and vice-chairman.

Mr. Chairman: — Okay, let's leave the government caucus attendance until next Wednesday, but let us deal with it so . . . (inaudible) . . . The Clerk will make the reservations. We know the member from Saskatoon Mayfair will, the member from Regina Lakeview won't. Could the other four people please finalize . . . (inaudible) . . .

Mr. Katzman: — I will possibly, subject to certain things.

Mr. Chairman: — Oh, well then the member from Rosthern is going. Allen Engel

. . . (inaudible) . . . on the same basis. So put the member from Rosthern down. That just leaves three. Would the member from Lakeview just stay for a moment?

Other departments we want to call. Thank you. Other departments we want to call. I have down Sedco, Culture and Recreation — Sedco was yours. Culture and Recreation, Continuing Ed. Finance, I think, was a mutual one. We all want to talk to Finance . . . (inaudible) . . . Okay. I'm told that that's been done. Stroke that out. Parks and Recreation, and the Urban Affairs were mine. Now, that's a list we may not get to.

Mr. Glauser: — Sask Housing was recalled.

Mr. Chairman: — Sask Housing is still on, is already on the list. I was adding names to our list. Do other people have names they want to add? If we don't get these done before we adjourn or prorogue, as the case may be, I'm not sure that I'm going to have the nerve to drag members back here to deal with items which are perhaps of more interest to you than us.

Mr. Katzman: — I have a feeling that I don't mind meeting if we end up coming back for a day or two, because we'll go six, seven hours then, will knock off, you know, whole departments in a hurry if we have to.

Mr. Chairman: — Yeah, that doesn't bother me either. My current thinking is that we will get to have a meeting a few days in advance of the conference, of the annual meeting . . . (inaudible) . . . It'll give us an opportunity to set up sort of a briefing session for the members, and I think if that happens it will mean a lot more to you.

Mr. Katzman: — Is it Toronto?

Mr. Chairman: — Toronto. Hogtown.

Mr. Folk: — Can we have Government Services? We started with them and they're coming back next week, if possible.

Mr. Chairman: — Yeah, let's put Government Services on then after Health. Try and finish Health on Wednesday, and plan on Government Services. Okay. And with that, unless people want to stay . . . Thursday Government Services and how about getting Sask Housing?

Mr. Katzman: — No, Wednesday is Government Services and continuing on Thursday if we need it.

Mr. Chairman: — Wednesday we will deal with Government Services, Revenue, Supply and Services, spilling over onto Thursday with Sask Housing on a 15-minute stand-by for Thursday.

The committee adjourned at 11 a.m.