

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**April 3, 1984**

**Public Hearing: Saskatchewan Hog Marketing Commission**

**MR. CHAIRMAN:** — ... (inaudible) ... the meeting to order, and welcome Jim Morris, the general manager of the hog marketing commission to our meeting. Welcome, and thanks for attending from Saskatoon.

We customarily begin by informing everyone that the proceedings before this committee are privileged in the sense that nothing said here can be used in any legal action outside, in any libel or slander action. On the other hand, it's taken down verbatim, and is therefore readily available for use outside. And to the extent that you slander a member of the media or something, you may expect them to respond in kind — by way of a facetious example.

Do we have your annual report for '82-83 here?

**MR. MORRIS:** — The annual report, I believe, has been made available to the Minister of Agriculture. We work on a calendar year, so you would be dealing with calendar '82. I believe the Minister of Agriculture has it, but beyond that, I'm sorry, I don't know.

**MR. CHAIRMAN:** — I'm going to complain with respect to everyone who comes forward. The complaint is not directed at you in this case. It's directed at your minister about the failure to table those annual reports. I think I can say that we have not, in the past, I don't think, had probably, as this year, with so few annual reports having been tabled by the 1st of April. I haven't got more than a dozen annual reports in total, and the pile of annual reports which members get is a couple of feet high when it's complete.

**MR. KATZMAN:** — Mr. Chairman ... (inaudible) ... discussion on that one, I'm afraid. Here we go. The rules say: at the end of the term of the fiscal year, 90 days hence, plus 15 sitting days, is the tabling day. You are not 90 days from the end of the year, plus the 15 sitting days that you're complaining about, yet. So, let's get our figures correct. You're talking about 1982. This one is tabled, was tabled, last fall or some time. So don't mix and ... (inaudible) ... things.

**MR. CHAIRMAN:** — I'm not suggesting he's in breach of the rules of the Legislative Assembly. I am suggesting that in times past, by this period of time, we've normally had most of the annual reports. This year I've got very few of them.

**MR. KATZMAN:** — For your information, the only fellow who has ever tabled late, to this date, was the former minister of agriculture, Mr. MacMurchy, and when I brought it to the Speaker's attention in the House, he said there is no penalty or nothing we can do about it.

**MR. CHAIRMAN:** — I wasn't suggesting that I was going to complain to the Speaker. I was just issuing a complaint.

**MR. KATZMAN:** — Yes, but what for? Nobody's done it. The only time it's ever been broken — once — was MacMurchy. It's the only time in history that it's ever been broken.

**MR. CHAIRMAN:** — Ralph, I'm not arguing with you. All I am saying is that we have generally, by this time, had all the annual reports. This year ...

**MR. ENGEL:** — Have you got an annual report of the hog marketing commission, Ralph?

**MR. KATZMAN:** — There's one for last year. It's up in my ... (inaudible) ... He's '82. He's reporting '82.

**MR. ENGEL:** — Your year ending December 31, '82?

**MR. MORRIS:** — Yes, that's correct.

**MR. CHAIRMAN:** — I've got the '82. I don't have the '83.

**MR. KATZMAN:** — Well, '83 isn't due yet.

**MR. ENGEL:** — Why not?

**MR. KATZMAN:** — Because it's 90 days after the end of the year.

**MR. ENGEL:** — January, February, March. This is April 1.

**MR. KATZMAN:** — Plus 15 sitting days.

**MR. CHAIRMAN:** — Well, 15 sitting days has elapsed, in the sense that . . .

**MR. KATZMAN:** — No, it hasn't. Not since the 90 days.

**MR. CHAIRMAN:** — My understanding was . . .

**MR. KATZMAN:** — Read the tabling of documents legislation.

**MR. CHAIRMAN:** — My understanding was it was 15 days from the . . .

**MR. ENGEL:** — Can you tell me why we called the hog marketing commission if we haven't got their annual report?

**MR. KATZMAN:** — We do. We do. We have the 1982 report. If you didn't bring it, that's your fault.

**MR. CHAIRMAN:** — We have the annual report for the year under discussion. We've got the '82 year. We don't have this year's annual report, and we have normally had them. I will state my complaint, and then get on to the discussion with . . .

**MR. GLAUSER:** — You're making this thing more political every time you open your mouth, Ned. And don't accuse us of being partisan when you, every time you get into a discussion here, . . . We're getting nowhere in this committee. Let's do this fellow the service. We had him come in here, and let's get at it.

**MR. CHAIRMAN:** — I'm quite prepared to do that. I'm not going to continue the argument.

**MR. GLAUSER:** — . . . (inaudible) . . . walk out of this place.

**MR. CHAIRMAN:** — Well, that's your choice. Any time you wish to do that that's your choice. You've got a choice to stay as well. With respect to the witness we have here, do the members have any questions of the witness?

**MR. KATZMAN:** — Mr. Chairman, my question to the hog marketing is the \$36,000, the money, the basic \$36,000. Why did you charge it against the weekly pool so that those who shipped that week were affected, rather than charging a total operation of developments of your . . . because you are going after a new market, is what you were trying to do?

**MR. MORRIS:** — Okay. I could . . . Perhaps the best way to answer that is to explain a little background behind this particular project. This particular opportunity arose in early 1982 with the outbreak of foot and mouth disease in Denmark, and that cut off — Denmark had been the number one supplier to Japan, of frozen pork, and this caused great panic among the Japanese,

and so they came to Canada, fortunately, looking for product.

We undertook, perhaps, a more exotic kind of piece of business than is normal. We had these — it says hogs here — but it was frozen pork, slaughtered to our own account, and then the product was sold to a Japanese trader. This involved us carrying about a quarter of a million dollars in a receivable for about two weeks longer than normal.

Plus, in dealing with the Japanese, they like to be loved to death with a lot of phone calls and telexes, and we had an inspector for, I think, a month, and a bunch of additional expenses. So when we were paid for this product, there was (I wouldn't want my customer to hear this), but there was a profit in this particular venture. But there was additional costs involved, and so we charged \$800 a load (a load is 40,000 pounds of frozen pork), against the profit, or the return coming back for this project. And that's where the amount in question comes up. Now, the amount we kicked back into the pool was still more than we would have achieved had we just sold those hogs live to a domestic purchaser.

**MR. KATZMAN:** — You're telling us, even though you charged that particular week's pool \$36,000 against it, which was of unnatural charge, your revenue bearing, because of this sale, way exceeded what you would have by more than \$36,000. And, therefore, even though farmers paid the extra, they also got the benefit that week?

**MR. MORRIS:** — That's right. And I wouldn't want you to assume that that 36,000 was on one week's pool. This project was stretched over about six months, and we were shipping anywhere from two to six loads a week. So at \$800 a load, the charge per weekly pool was anywhere from 1,600 to 4,800.

**MR. YOUNG:** — This stuff's frozen, eh?

**MR. MORRIS:** — Frozen, yes.

**MR. KATZMAN:** — So what you're saying, Jim, if I read you correctly, over six months we sold X amount — well, 40,000 pounds times X amount of loads. Our additional cost for this whole project was \$36,000, but the net to the farmer, or the hog shipper, even though he paid this extra 36,000 over X amount of weeks, he still got more than when you pooled those . . . In other words, that group of hogs made the pool so much richer.

**MR. MORRIS:** — That's right. That is correct.

**MR. KATZMAN:** — Can you give us an idea how many points that made the pool?

**MR. MORRIS:** — It varied from week to week.

**MR. KATZMAN:** — 5 cents, 3 cents, 2 cents?

**MR. MORRIS:** — Probably on the best weeks it was about 25 cents per 100 pounds, so one-quarter of a cent a pound. And the reason it's that small is that a load of hogs involved . . . 40,000 is about 600, where our normal weekly sales were 12,000. So even though it's two bits a hundredweight for all the farmers, on the hogs we actually sold there was a reasonable amount of money.

**MR. KATZMAN:** — So what you're saying is: what the auditor had picked up is maybe your system should have been a little more fine-tuned not to have it come out this way. It should have showed as a little different.

**MR. MORRIS:** — Well, I think what the auditor picked up is that the legal authority for the hog marketing commission to exist comes from three instruments: one is The Natural Products

Marketing Act; second is a plan which is a more specific definition of the powers permitted; and third, our marketing orders, which are passed by the Natural Products Marketing Council.

In the plan, which is the second stage, if you will, there is a section (I can't remember the number but I could look it up) dealing with settlement. And there it clearly states that additional charges such as freight, such as you name it, on sales, are to be deducted before you decide how much you net back to producers.

But I think what the auditor was complaining about is that that was not restated or further stated in the marketing orders.

**MR. KATZMAN:** — So what are . . . you are, I assume, asking: this should now flag that you will now ask the natural products act people to allow that additional in yours, in case you get an overseas order again, or out-of-country order type of situation, other than the standard stuff.

**MR. MORRIS:** — To be candid with you, in my opinion it's unnecessary. But us and the auditor seem to differ on that point, so whose view prevails, I suppose, is up to you to decide.

**MR. KATZMAN:** — Well, the view that prevails is the view of this committee when you and the auditor don't agree.

**MR. MORRIS:** — I see. Okay. Well then, you can decide.

**MR. KATZMAN:** — I think that's the simplicity of the answer. And that's why you're here, because he disagrees — you people are disagreeing — and this committee is going to have to make the recommendation one way or the other.

**MR. CHAIRMAN:** — I am not sure that I understand your point of view, then, and I guess I should.

**MR. MORRIS:** — My point of view is that the plan — the hog marketing plan — which is the second level of specificity that specifies how we are to operate, I believe, clearly lays out that charges like this, like freight, like exchange, if there was any, are to be deducted off the proceeds of sales before the net is distributed to producers. And if it states that in the plan, I really don't see why it has to state that in the marketing orders as well, but . . .

**MR. CHAIRMAN:** — Did you respond to the letter from the Provincial Auditor?

**MR. MORRIS:** — Yes, I did.

**MR. CHAIRMAN:** — And you brought copies, am I correct, of your letter?

**MR. MORRIS:** — Pardon me?

**MR. CHAIRMAN:** — You brought copies of your letter.

**MR. MORRIS:** — Yes, I was asked to bring 15 copies.

**MR. CHAIRMAN:** — Perhaps you could distribute those. The discussion might be more meaningful if we had your letter.

**MR. KATZMAN:** — PAC No. 15?

**MR. MORRIS:** — Now in fairness to the letter, I did not go back and cite the plan and the orders in the letter. I just said that it would have been poor business practice to have done otherwise.

**MR. YOUNG:** — There's no other way you could have juggled this, eh?

**MR. MORRIS:** — Well, I could have simply absorbed those costs, I suppose, but back in '82, interest rates were about 20 per cent, and this was revenue foregone that we would have otherwise earned from our float — perhaps I could explain that term — and it seemed to be the prudent thing to do to attach the costs to the particular project in question.

**MR. CHAIRMAN:** — Your letter refers to the matter somewhat cursorily. It states the obvious. It didn't state the basis upon which you felt that that . . .

**MR. MORRIS:** — No.

**MR. KATZMAN:** — The procedure you used, to me, it very close to the procedure used by the ag development corporation, about charging back to a project.

**MR. MORRIS:** — I would presume so. I don't know much about . . .

**MR. KATZMAN:** — My comment is that I think we are on to a little bit of a policy decision here, which, of course, we can't rule on in this committee, versus an audit function, which we do rule on in this committee. A00 we say in the auditing 36,000 was not properly . . . By our system, the Provincial Auditor says it should have gone against your total year, basically not against the pool. You say no, the pool benefits because of it and, therefore, it should be in the pool . . . And the question is, it's a policy decision: the one plan says, yes, you do, but your weekly orders doesn't say it should. So we're hung up there. I don't know how we handle this.

**MR. ENGEL:** — I understand that your administrative costs come from the Department of Agriculture. Is there a subvote that allows you X amount of dollars to run your administration? How are you funded, your overall funding?

**MR. MORRIS:** — We are funded by a levy on every hog that we sell. In other words, our revenue comes from producers. We're self-supporting.

**MR. ENGEL:** — Okay now, if that levy you felt wouldn't cover this bigger, intensive project, on that campaign you had to sell some additional hogs, and so you wanted to charge an extra amount over and above the levy. This is basically what happened, eh?

**MR. MORRIS:** — Well, no, these were costs associated with a particular sale. It seemed to us to be prudent to take those costs off that particular sale, and reflect the residual back to our producers, and we do this routinely.

**MR. ENGEL:** — Now, a sale, let's say . . . Do you sell hogs to California?

**MR. MORRIS:** — Seattle.

**MR. ENGEL:** — Okay, now, when you sell hogs to Seattle, if you have a broker that handles the shipment going down, brokerage fees and all is charged against the load of hogs that goes down there, is it?

**MR. MORRIS:** — Yes. On live hogs, we don't use brokers, but perhaps freight's a better example.

**MR. ENGEL:** — Not really. I think there's a little difference between freight and marketing. You know, if think if you have an advertising cost, or a marketing expense as such, is quite different than my freight. Because I, as a hog producer, would sell my hogs and expect the levy to pay for the marketing costs, and then, because where my hogs come and where they're going from, I could pay the freight. But I'm not sure that the auditor hasn't identified it as a special cost, and I was wondering just how you deal with special costs that are related to a sale. And all producers

benefit from additional sales, I'm aware of that. I'm just trying to . . . I wonder how you can category that to be within the framework of a . . .

**MR. MORRIS:** — Okay. In the case of special sales, where there are special costs, we would charge them against the sale.

**MR. ENGEL:** — Can you give me an example?

**MR. MORRIS:** — Well, the most common one would be, as I said, when we're selling hogs to Seattle, we're trucking, of course, a lot longer than we normally do. So there is perhaps an extra \$1,000 or \$1,500 freight associated with that sale.

**MR. ENGEL:** — Which would also be the case to Japan, though?

**MR. MORRIS:** — Yes. But the price is such that we have to net back, or else we wouldn't do it. And so charging the additional costs against that sale is just, in my opinion, sound business. Because if you didn't net back as good as from some other alternative, why would you do it?

**MR. ENGEL:** — Well, I was just wondering why the auditor selected this particular one, and doesn't flag your other additional costs.

**MR. MORRIS:** — I suppose because it was unusual. I don't know, but I would guess because it was unusual.

**MR. ENGEL:** — What would the total sale have been? \$1 million?

**MR. MORRIS:** — About 3 million.

**MR. ENGEL:** — It was \$3 million worth of sales, and this is less than one-third of 1 per cent, like \$36,000 — .01 per cent — that you felt was a legitimate charge. Now, you didn't charge it against that sale, but you charged it against the pool.

**MR. MORRIS:** — I charged it against . . . Well, the money that I kicked back in the pool was less this 36,000.

**MR. ENGEL:** — Wait a minute. The money that you kicked back from the \$3 million sale was \$36,000 less because of this amount? So that that actual sale paid for the direct costs that are related there.

**MR. MORRIS:** — That's correct.

**MR. ENGEL:** — Well, that's fair in my book.

**MR. GLAUSER:** — I was looking at 264, and with your explanation that you gave at the beginning of what you were saying, and it says:

Although the regulations permit the commission to price its hogs on a pool basis pursuant to order 1778, the regulations do not appear to allow the charging of administration fees by the commission against the pool.

You seem to be saying that there is another criteria, in another area — if I recall what you said, in another area that does permit this.

**MR. MORRIS:** — Yes. What I'm saying is that order 1778 talks about price pooling, which is a policy decision, where we pay all producers for the week the same price, subject to grade. It does not go into in very much detail the kinds of costs that can be deducted in arriving at that

pool. However, if you go one step back, if you like, to the more generalized hog marketing plan, on settlement, that deals with settlement; it clearly points out the kinds of charges that can be deducted before you pay producers — the residual.

**MR. GLAUSER:** — Okay. Now, in your management letter rather . . . Like, I can agree with your statement on this being a business practice, but wouldn't it have helped your situation if you had referred to that particular document and added it in there? This would substantiate your case, it seems to me.

**A MEMBER:** — Yes, it would have. And I have to admit I wrote this letter; I was somewhat less than impressed when I wrote this letter.

**MR. KATZMAN:** — The trip on the airplane seems to have impressed you that we don't appreciate things.

**MR. WENDEL:** — I think all we can say is, if there's a set of regulations, we want you to follow them. And if you want to change the . . . (inaudible) . . . of those regulations . . .

**MR. KATZMAN:** — Mr. Chairman, I think we can settle this one pretty easy. I think in Mr. Morris's comments, and the comments now by the assistant auditor, what I think the hog commission should do is drop a line to — I'm not sure who it is — in the government, that says: would you please amend our regulation to cover what we think is under (b), or not amend it, so we know what the rule is. And send it to the regulations committee.

**MR. CHAIRMAN:** — I don't think Mr. Morris, though, would accept that comment if I understand you correctly. You believe that payment was authorized, the deduction was authorized?

**MR. MORRIS:** — I believe that we clearly had the power to do it, yes.

**MR. CHAIRMAN:** — What I would . . . A way to resolve this might be to ask you to respond in writing, setting out the basis upon which you believe the deduction was authorized, and then we could take it up with the Provincial Auditor. If that didn't clear it up, perhaps . . .

**MR. KATZMAN:** — We can take it to the regs on their behalf, by recommending the . . . (inaudible) . . .

**MR. CHAIRMAN:** — Yes. Perhaps get some advice on this one, but I think the first step . . .

**MR. ENGEL:** — Has the comptroller's office an opinion, from your point of view as far as what their rights are and . . .

**MR. BENSON:** — Yes. Essentially we are in agreement with the Provincial Auditor.

**MR. ENGEL:** — You are in agreement with the Provincial Auditor that the rights have been stretched a little?

**MR. CHAIRMAN:** — Well, since I gather you're not convinced, would you set out the basis of your . . . Would you set out the basis of the . . .

**MR. ENGEL:** — Of how you read the regulations, and on what grounds. I think . . .

**MR. CHAIRMAN:** — And, we'll take it from there, once we've had the benefit of your views. You might find the comments adverse in our annual report, but we would like to get your . . . I would like to get your views in writing, just so I understand it.

**MR. KATZMAN:** — Mr. Chairman, I think before we're done, just one comment, to thank Jim for coming to speak to the committee, and I think that we'll have to — the committee maybe have to recommend the reg, an additional reg or something to just solve what seems to be a hair-splitting . . . We're into hair-splitting. Does item 2 allow it, but item 3 doesn't? So, as the comptroller said, if he added it to his regs there'd be no problem. Jim doesn't think it needs to be in his regs but . . .

**MR. CHAIRMAN:** — . . . We will resolve it. We'll resolve it. Send us your letter, and we'll resolve it.

**MR. MORRIS:** — Do I address it to the chairman?

**MR. CHAIRMAN:** — Address it to the chairman, and we need — what's it? — 14 copies?

**MR. ENGEL:** — Address it to the Clerk.

**MR. CHAIRMAN:** — Address it to the Clerk or the chairman, it doesn't matter. 15 copies.

I had another question.

**MR. ENGEL:** — Do they have to make the copies. He sends the letter; we can copy it ourselves.

**MR. CHAIRMAN:** — Generally, we ask the department to make the copies.

**MR. WEIMAN:** — Mr. Morris, you based your judgment on which regulations?

**MR. MORRIS:** — On the hog marketing commission plan.

**MR. WEIMAN:** — And that's what you based your judgment on?

**MR. MORRIS:** — Yes.

**MR. WEIMAN:** — Mr. Lutz is basing his on . . .

**MR. MORRIS:** — On the marketing orders . . . (inaudible interjections) . . .

**MR. WEIMAN:** — Is there any that takes precedence over the other?

**A MEMBER:** — That's the argument?

**MR. WEIMAN:** — This is maybe what we're talking about. Clarifying. If his takes precedence over the other one, why are we splitting hairs here?

**MR. MORRIS:** — Well, my understanding is that, for an organization like ours to exist, we draw powers from the legislature and, as I said, we start with the act; then you go to the plan, which defines them further, and then the regs to define them still further. And my understanding of it is that the third order defines those things where additional definition is necessary. And it's silent on those things where it's not.

**MR. CHAIRMAN:** — This is an uncommon occurrence. Generally, when people come before the committee, they come with a contrite heart, saying, "Yes, we've sinned, and we're not going to do it again." It's unusual to have someone coming to the committee with a dispute with the Provincial Auditor still unsettled.

**MR. WEIMAN:** — But if it's one of interpretation, and we are empowered to determine this interpretation of which one is precedence . . .



**MR. CHAIRMAN:** — We don't, though. The Department of Finance will make those interpretations, actually. I think our role is simply to make a recommendation to the legislature and to the Department of Finance.

**MR. KATZMAN:** — The problem is, either he needs them in his regs or he doesn't.

**MR. CHAIRMAN:** — Okay. I have one other question. In the year in question, in approximate terms, what percentage of the hogs that you purchased were slaughtered in Saskatchewan?

**MR. MORRIS:** — 1982, if I remember correctly, about . . . I would guess about 85 per cent.

**MR. CHAIRMAN:** — Was there any appreciable difference in the revenue received from those slaughtered to farmers . . . from the revenue received from those slaughtered within the province and those slaughtered outside the province? . . . (inaudible) . . . any more or any less?

**MR. MORRIS:** — On some particular sales, the answer would be yes to both questions. In other words, if the hogs come forward we have to sell them.

**MR. CHAIRMAN:** — So on the average there wasn't any . . . Is that what you're saying, on the average there was no appreciable difference between the revenue received from hogs slaughtered outside the province, and the hogs slaughtered inside the province?

**MR. MORRIS:** — In 1982, my guess would be that we probably netted back less on the hogs we sold to the U.S. than the hogs that were slaughtered here. We probably netted back more on the hogs that we sold into the province of Alberta than the hogs that were slaughtered here. Nineteen eighty-three would be quite the reverse because there is now a wide spread between the Canadian and U.S. market, with us on the unfortunate end of it.

**MR. CHAIRMAN:** — So, in 1983 you made more on the hogs in the U.S.?

**MR. MORRIS:** — Yes.

**MR. CHAIRMAN:** — On live hogs going into the U.S.?

**MR. MORRIS:** — Yes.

**MR. KATZMAN:** — It's a tender system, every week. You put so many hogs up, and people bid on them, and the high tender within the system, and with your freight and everything else built into it, decides who gets the contract for that many hogs. So it's a process of bidding or tendering every week — or every day, sorry.

**MR. MORRIS:** — Yes.

**MR. YOUNG:** — What percentage of the hogs throughout this province are grown by Hutterites?

**MR. MORRIS:** — It's been some time since we've done that. About 20 per cent. That's a smaller percentage than either Manitoba or Alberta. But the Hutterite movement is growing, I'm sure, as many people know.

**MR. CHAIRMAN:** — Any other questions of this witness? I want to thank you very much for coming, and look forward to receiving your response.

**MR. KATZMAN:** — Just a question before Jim walks away. Should he be sending a copy to the minister as well as to us? I'm just asking because he may not know because he's not a

department of government.

**MR. CHAIRMAN:** — I think the answer to that is no. He just sends it to us and we will . . . You can send a carbon copy to the deputy of the Department of Agriculture if you like. That's up to you. I don't think it's up to us to see that you do or don't. Use your judgement on it.

Supply and Services never did show up. I will assume that was an innocent error, and as it turned out it was an academic problem anyway because we never would have got to them. So tomorrow morning it looks as if we'll be starting with Supply and Services at 7:45, and we are tentatively considering calling Revenue and Financial Services at 8:45. Does that accord with the . . .

**MR. ENGEL:** — Is that 7:45 time fixed by the Medes and the Persians that it can't be changed? Or can we make some adjustment there? I got to go home tonight to my riding. There's just no damn way I can be back here by 7:45.

**MR. KATZMAN:** — Well, I'm doing those two estimates on this side, and I have booked myself a 10:30 appointment, assuming that we will be out of here, that we're not moving ourselves tomorrow. Mr. Chairman, why don't we just . . . Let's go this way until tomorrow, and let's find out what crown corp has done today because they were discussing changing their hours today. I don't know what they came down with.

**MR. CHAIRMAN:** — The point that's raised by the member for Assiniboia-Gravelbourg is, I think, one that we should discuss. The hours are unusual, and we should have a go at it. Perhaps, if not tomorrow morning because he won't be here, maybe leave it till Thursday morning and plan on putting that on the agenda Thursday morning and thoroughly airing the question of the hours. The hours are unusual. We should, I think, discuss them. It is a little tiresome. It makes for a long day actually, that 7 . . .

**MR. KATZMAN:** — I'm not, Mr. Chairman, against moving, say, to 8 o'clock if we decide to do something like that. But personally, I wouldn't care if we moved to 7, but then that's my . . . Like, I will go the other way. But I do think that it's only fair that we get some time between the hours of blank and blank so we can actually phone departments and do things that you have to do on behalf of constituents.

**MR. CHAIRMAN:** — Last year we had, I think, the worst of all worlds, at 8:30 to 11:00. It sat squarely in the middle of my morning and broke it up. In my view, we should either go from 10:30 to 12:30 and then we'd have the first three hours open, or go from 7:30 to 9:30 and have the last three hours open. It doesn't matter, but last year . . .

**MR. KATZMAN:** — I prefer the last because that's when you can get hold of people in offices if you've got problems and deal with them.

**MR. CHAIRMAN:** — The hours, as I say, are a little weary. So it makes for a long day. Anyway, why don't we plan on raising that Thursday?

**MR. KATZMAN:** — Mr. Chairman, if I may, if we have another . . . We've got about 10 minutes.

**MR. CHAIRMAN:** — Yes, we do.

**MR. KATZMAN:** — Going through what little bit I've had time to, I am prepared to suggest, from what I can see, that we don't need Highways under column B. The reason I say that was a . . . Other than we need to write them a little letter. That's a letter problem. They were putting two machines in and didn't test the system before they did it. That's what the auditors brought out.

The teachers' superannuation — we definitely want them, because this is when they're coming

back from two years worth of answers now. Because they've just had their actuary report — am I correct? I think that is now in.

**MR. BENSON:** — I don't believe the report is done yet.

**MR. KATZMAN:** — Well, then there may be no sense in calling them.

**MR. CHAIRMAN:** — I don't think there's any point in calling them.

**MR. ENGEL:** — . . . (inaudible) . . . should call Highways and teachers' superannuation.

**MR. KATZMAN:** — Highways is strictly . . . The computer system wasn't in place. That's what they . . .

**MR. CHAIRMAN:** — There may be other questions to be asked of the Highways department.

**MR. KATZMAN:** — Oh, okay. Fair game. I was going on the items that we're talking about. There's, you know, there's . . . But we're waiting for the 2.2.4s, that same problem we've had for two years. But if they haven't got their . . .

**MR. WENDEL:** — 2.2.4 has nothing to do with the actuary's report. What we're saying is they had no records. That has nothing to do with the actuary's report.

**MR. KATZMAN:** — That's all part of that same mess.

**MR. CHAIRMAN:** — I haven't actually had a chance to . . . (inaudible) . . .

**MR. KATZMAN:** — It's all part of that same mess.

**MR. CHAIRMAN:** — Where is it in here? Or is this one of the letters we got back?

**MR. KATZMAN:** — It's one of your letters.

**MR. CHAIRMAN:** — Which one?

**MR. KATZMAN:** — No, it's not in these letters. That's . . .

**MR. CHAIRMAN:** — Or have we got Highways, I guess, eh?

**MR. KATZMAN:** — No. Highways . . . We listened to the Highways. Mr. Lutz spoke on that. That's why I'm going by what he said. There's a . . . Am I correct, comptroller? They were strictly the systems weren't back-up?

**MR. BENSON:** — It's essentially a breakdown in the system during the implementation of a new data processing system.

**A MEMBER:** — No back-up in place.

**MR. ENGEL:** — Yes, I think the same thing sounds like it's a teachers' superannuation thing, and if their report isn't in yet, we . . .

**MR. BENSON:** — We are monitoring the situation quite carefully.

**MR. KATZMAN:** — That's what I read yesterday. You guys are on top of both of these. So that's why it was assumed that there's no need to call them.

**MR. ENGEL:** — I agree . . . (inaudible) . . . teachers' superannuation one.

**MR. KATZMAN:** — Well, we agree on both of them. What are we doing? I'm just asking; I'm questioning . . .

**MR. CHAIRMAN:** — With respect to teachers' superannuation, is it agreed they need not be called, so we can strike them from the list?

**MR. BENSON:** — Mr. Chairman, if I could just clarify, are you still wanting to have a copy of the actuarial report upon its completion, though?

**A MEMBER:** — Yes.

**MR. BENSON:** — Okay. You might want to cite that in . . . (inaudible) . . .

**MR. KATZMAN:** — Yes, we want the actuary report. That's to find out if it worked or not. And Highways, the way I read it, I don't care either way. But this one is another one that you're totally on top of, the same as the teachers' superannuation.

**MR. BENSON:** — I wouldn't like to suggest that there's no risk there at all. That's a very high risk . . . (inaudible) . . .

**MR. ENGEL:** — Let's leave the Department of Highways open. I don't think we have to decide to strike that off the list yet.

**A MEMBER:** — Okay. But I'm just trying to build a list.

**MR. CHAIRMAN:** — . . . (inaudible) . . . bill that we strike superannuation. Is that agreed?

**A MEMBER:** — Agreed.

**MR. KATZMAN:** — Okay. Industry and Commerce — I don't remember that one. But Saskatchewan Economic Development Corporation; that's the unauthorized \$1 million where they took over mortgage. Now do you want to pull that in, or do you want to leave it out? I don't care. But if that's what we're . . . (inaudible) . . . in, that's just the letter to tell them they're not supposed to do this. So there's no sense in piling a bunch of staff out in the hall.

**MR. WENDEL:** — That was also a case of a difference of opinion. They felt that assuming the mortgage wasn't a borrowing . . . (inaudible) . . .

**MR. KATZMAN:** — That's right, and it is. It is a borrowing, because it's a debt against the treasury.

**MR. BENSON:** — That's the Western Development Museum, not in Sedco.

**MR. WENDEL:** — I believe Sedco's responsible, not . . .

**MR. KATZMAN:** — Yes. Sedco has the same as \$1 million . . . (inaudible) . . . And that way, the policy, as it's always been a debt on the government. So therefore it is. So that's a letter. Now I don't know if you want to call them in for other reasons — fair game.

**MR. CHAIRMAN:** — I'm thinking about it. I would have assumed that had they agreed with the Provincial Auditor, there were other means almost as simple to accomplish the same thing. So it's not as if it's one of the great sins of our time, because they could have done the same thing in a different fashion. So the breach, in a sense, was somewhat technical.

**MR. WENDEL:** — They were required to go to cabinet for an order in council to approve the borrowing.

**MR. KATZMAN:** — And if they would have got an order in council, it would have been the end of it.

**MR. WENDEL:** — Right. Now their interpretations was: we don't need that; mortgages are not borrowers. Now as a point in principle, I think we're talking about mortgages . . . (inaudible) . . . or borrowings. And we have to say, well, let's get that defined and that's . . .

**MR. KATZMAN:** — Actually, that's a question for the Department of Finance, not . . . (inaudible) . . . Sedco . . . (inaudible interjections) . . .

**MR. CHAIRMAN:** — I'm not so sure we should waive the thing. I'm not so sure there isn't an issue there.

**MR. ENGEL:** — Well, I think the point is made that maybe we should be calling crown management forward.

**MR. BENSON:** — I think the point I was trying to raise, Mr. Chairman, is that Sedco reports to the crown management board. I don't know what is dealt with in crown management or the Crown Corporations Committee, but . . .

**MR. KATZMAN:** — That maybe should be sent upstairs to the Crown Corporations Committee. Tell your guys about it.

**MR. CHAIRMAN:** — Except that I'm not sure they will raise an issue of this sort. There's . . .

**MR. ENGEL:** — Without the expertise of the auditor and . . . (inaudible) . . . And I think it's quite a different role of this committee as that one.

**MR. KATZMAN:** — I don't care. I'm flexible.

**MR. CHAIRMAN:** — I don't think they're going to take long. But the more I think of it, the more I'm in favour of calling them.

**MR. KATZMAN:** — Well, the question is, we're trying to pre-warn these guys, and that's why I'm asking. That's why I'm going through this list.

**MR. CHAIRMAN:** — I think there is an issue of whether or not they have to go to cabinet. That's an important issue. My experience in cabinet, that has serious consequences if . . . (inaudible) . . .

**MR. KATZMAN:** — Do you want to call them?

**MR. CHAIRMAN:** — Then the political arm loses control.

**MR. KATZMAN:** — Do you want to call them, is that what you're saying?

**MR. CHAIRMAN:** — I think so.

**MR. GLAUSER:** — Has there been a letter? Have they answered to the management letter on that?

**MR. WENDEL:** — I believe they have. I think I have that list . . . (inaudible) . . .

**MR. GLAUSER:** — Are they finally admitting that yes, they do, it is borrowing. Or are they

disputing you?

**MR. WENDEL:** — Well I think in the end . . . (inaudible interjections) . . . Will you just hang on a minute? I'll just get the reply.

**MR. KATZMAN:** — Now all I want to do is make sure we can tell the departments ahead of time so we don't get that crazy mess they got upstairs by the departments not being ready.

**MR. WENDEL:** — Here's what they've said to us:

Management believes then, and still believes, that the intent of the act on outside borrowing does not preclude such an assumption of mortgage.

And their act says you have to get the Lieutenant Governor through cabinet to authorize any borrowers. And they're saying no, that isn't the intent of the act. You don't have to go to the Lieutenant Governor to get this authorized.

However, they said it doesn't matter anyway, because we paid it off.

**MR. ENGEL:** — Repeat that last sentence. It was what, Mr. Wendel?

**MR. WENDEL:** — The mortgage in question has since been paid off because it was financially sound to do so. So really what they're saying is: well, we don't believe it; however, really, we're not going to go get an order in council now if we've paid it off.

**MR. CHAIRMAN:** — Is the matter resolved for the future? Or is that our responsibility? Perhaps it isn't our responsibility. I don't know. Perhaps . . . (inaudible) . . .

**MR. WENDEL:** — The only reason we've reported it, even though it's been paid off, is we believe mortgages or borrowers as intended by all these acts, when we say you can only borrow so many dollars — when the . . . (inaudible) . . . says you can only borrow so many dollars — they don't mean just bond issues, they mean mortgages, or whatever means you decide to borrow by. That's all I'm pointing out here. It's that issue that we're dealing with.

**MR. KATZMAN:** — What do you want to do with it, Ned? I don't care. Make your choice.

**MR. CHAIRMAN:** — How do the rest of you feel? Do the rest of you want to let this thing pass? I don't feel strongly about it. I would have called them, but don't feel strongly about it.

**MR. GLAUSER:** — I think they will have gotten the message, and I don't think they would repeat that.

**A MEMBER:** — I'm not sure.

**MR. ENGEL:** — That's the problem: I'm not sure. I don't know if we should be calling . . .

**MR. KATZMAN:** — A letter can cover that. We don't need to call them. A letter can cover that; that's what I'm saying. We're doing that with one other . . . (inaudible) . . .

**MR. ENGEL:** — Let's flag that issue and decide how we want to handle it once we get down the road a piece.

**MR. KATZMAN:** — Question about should we write them a letter saying you shouldn't do or should do.

**A MEMBER:** — Yes.

**MR. KATZMAN:** — Okay, fair game. So they don't need to get ready to be called. The Clerk doesn't have to notify them that they're going to be called. That's my concern, so that these departments start getting their stuff ready.

**MR. CHAIRMAN:** — It probably isn't necessary to call them. What do you think?

**MR. ENGEL:** — We have Industry and Commerce at the top of the list there. If, somehow, we could get to the crown management board, you know, asking questions on how you're dealing with your relationship with Sedco and with relationships to potash corporation, crown investments corporation. I mean, there's such a broad scope that we might be able to get everything we want with that board.

**MR. CHAIRMAN:** — That's a fair point, because we've got the . . . (inaudible) . . . corporation down here. That's a fair point. We have crown investments corporation, which is now . . .

**MR. KATZMAN:** — Potash was a 13 million devaluation. We got a note on that today.

**MR. WENDEL:** — You had asked me a question. I didn't have the statements with me when you asked the question.

**MR. GLAUSER:** — What was the dollar effect on the Potash Corporation of Saskatchewan . . . (inaudible) . . . ?

**MR. CHAIRMAN:** — This is the calendar year — their fiscal year is the calendar year?

**A MEMBER:** — December 31, 1982.

**MR. KATZMAN:** — That's being brought up in Crown Corps right now. They're doing Potash, I believe, now. They're doing this year, I think, unless they finished . . .

**MR. CHAIRMAN:** — I don't feel strongly about calling . . . (inaudible) . . . We're scratching Potash . . .

**MR. KATZMAN:** — We're scratching Potash . . . (inaudible) . . . Industry and Commerce.

**A MEMBER:** — Hold it. I haven't agreed to that.

**MR. CHAIRMAN:** — Are we going to scratch Economic Development?

**MR. KATZMAN:** — I think we can just do a letter either way.

**MR. GLAUSER:** — Or that could be directly through the report that we compile.

**MR. CHAIRMAN:** — It seems unnecessary to haggle over the point.

**MR. BENSON:** — . . . (inaudible) . . . with the Provincial Auditor.

**MR. CHAIRMAN:** — Let's just flag it and include it in our provincial report . . . (inaudible) . . . thing now.

**MR. KATZMAN:** — Okay. Industry and Commerce seems to be we have no formal policy for collections of loans, and have they done something about that, Mr. Comptroller?

**MR. BENSON:** — I'm sorry, with respect to whom? Industry and Commerce?

**MR. KATZMAN:** — For 2.1.6, Industry and Commerce.

**MR. BENSON:** — We're advised from the department, yes, they have taken initiatives . . .

**MR. KATZMAN:** — They've cleared the problem?

**MR. BENSON:** — Are we in a position, really, to comment on . . . ?

**MR. CROOK:** — Yes. We've reviewed their policies and procedures and . . . (inaudible) . . . this is quite some time ago, as a matter of fact. We know they have them, but we haven't been around to see whether or not they've been fully implemented.

**MR. KATZMAN:** — But they now have them where they didn't have them before.

**MR. CROOK:** — Yes.

**MR. GLAUSER:** — Is their liability on line?

**MR. CROOK:** — I'm sorry. I didn't understand the question.

**MR. GLAUSER:** — Well, is it computerized? Is their liability computerized?

**MR. CROOK:** — Gee, I really can't comment on that. I'm not sure.

**MR. GLAUSER:** — What was the real problem then?

**MR. CROOK:** — The problem, if I remember it correctly, was that there was an absence of procedures and policies that would ensure that they would follow up if conditional loans or advances were made to folks, that they would follow up to make sure that conditions had been met and so on.

**MR. CHAIRMAN:** — We are sort of out of time, and I would like to see . . .

**MR. KATZMAN:** — Mr. Chairman, let's take . . . (inaudible) . . . know what we're doing on the B list.

**MR. CHAIRMAN:** — I would like to see their response before I make a decision on . . .

**MR. KATZMAN:** — Industry and Commerce. Okay, and what about crown corps?

**MR. CHAIRMAN:** — The same, I'd like to see their response.

**MR. KATZMAN:** — Okay. So those we're going to ask for a response and then make a decision, and we'll do item C next day then? So we now can flag . . . We're going to tell everybody in A to get ready.

**MR. CHAIRMAN:** — I think we're going to do item C after we get the synopsis from . . . (inaudible) . . .

**MR. KATZMAN:** — Yes, fair game. Fair game. Fair game. But we call item A and start telling those people to get ready. Item B, the only two possibles are Industry And Commerce and Crown Investments, and a letter in our report on Sedco.

**MR. ENGEL:** — You've ruled out Department of Highways.

**MR. CHAIRMAN:** — No, that was still . . . (inaudible) . . .



**MR. KATZMAN:** — That's a question mark.

**MR. ENGEL:** — Yes, I think Highways; I think we should leave that list open. I don't think we should get so excited that it's chopping it too short . . . (inaudible) . . .

**MR. KATZMAN:** — Well, then, no. I just want to . . . We want to notify the departments to get ready.

**MR. ENGEL:** — Well, I don't think we have to notify the Department of Highways yet, because we're more than two weeks down the road, and I think . . . Keep the list open.

**MR. CHAIRMAN:** — We have chopped . . .

**MR. ENGEL:** — All we've chopped in my list is teachers' superannuation, Saskatchewan Economic Development Corporation, which I wouldn't even mind having left that one open, and the potash corporation, but . . .

**MR. KATZMAN:** — We've got three left, possible — Crown Investments, possible Highways, and possible Commerce. Okay? And then we're going to discuss C list another day.

**MR. CHAIRMAN:** — I think after we get . . . (inaudible) . . .

**MR. KATZMAN:** — And just one question, Ned. C list, as far as you're concerned, I have some to add, only has Executive Council, Labour, and Advanced Education.

**MR. CHAIRMAN:** — Leave the other three . . . (inaudible) . . .

**MR. KATZMAN:** — So don't . . . So we're down to that.

**MR. CHAIRMAN:** — The Clerk raises the issue of whether . . . Do we think Revenue, Supply, and Services . . . Do we think Government Services, and Revenue, Supply, and Services is going to consume all of tomorrow?

I suspect it will. Do you want to have Social Services on a 15-minute stand-by, out of abundant caution?

**MR. KATZMAN:** — Yes.

**MR. CHAIRMAN:** — Well, then, I think just leave it as it is. If we get . . . Because there's nothing in computer utility corporation. And if we got started into Social Services, we might want to leave Saskatchewan Housing Corporation around for Thursday. So I think just leave it as it is. Except the Social Services should be on standby.

**MR. KATZMAN:** — Fifteen-minute standby.

**MR. CHAIRMAN:** — For 8:30 or later. We don't want them . . . They don't need to be on 15-minute standby at 8 o'clock.

**MR. KATZMAN:** — No, probably be 9 o'clock.

**MR. CHAIRMAN:** — Yes. That's right. Fifteen-minute standby after 9 o'clock.

**MR. KATZMAN:** — And the nice thing about tomorrow, if we have to go . . . Oh no, tomorrow we can't. Normally we could go an extra 5, 10 minutes if we have to.

**MR. WEIMAN:** — Tomorrow, 7:30.

**MR. KATZMAN:** — 7:30.

**MR. CHAIRMAN:** — 7:30, Duane. You'll love it when you get used to it, I'll tell you.

We also had filed a document from the House of Commons. What sort of wisdom was contained in this . . .

**MR. JAMES:** — It was a report, I think, that's been requested for previously and, as it says, if the House of Commons is the first reporter there, Standing Committee on Public Accounts. And I think it will provide background information that you may wish to incorporate into your final report. But certainly information, none the less, that you will want to explore.

**MR. CHAIRMAN:** — All right. I guess I'll have a look at it.

Okay, I guess we are adjourned then, are we?

**A MEMBER:** — Agreed.

The committee adjourned at 12:05 p.m.