

STANDING COMMITTEE ON PUBLIC ACCOUNTS
April 26, 1984

Public Hearing: Executive Council

MR. CHAIRMAN: — . . . to the committee this morning, Mr. Gren Smith-Windsor, cabinet secretary and acting deputy minister to the Premier; Elizabeth Crosthwaite, clerk of the Executive Council; Brian Leibel, acting director of administration; Barry Halbwachs, executive director of administration. I guess someone there has just left. I want to welcome you to the committee. I want to thank you for coming and assisting us with our work.

We tell everyone that the proceedings before the committee are privileged, for whatever that may mean. I'm in the process of finding that out. At one point in time, we thought that meant that it could not be the subject of any criminal or civil action. I hold to that view, but it's not universal. At any rate, it is privileged, but it's also taken down verbatim and available for use elsewhere.

Perhaps Mr. Smith-Windsor, you might want to introduce your official whose name I don't have.

MR. SMITH-WINDSOR: — I'd like to introduce Miss Lynn Schellenberg who is an administrative officer in our administration branch. We also have other officials standing by in the event that it's necessary, Mr. Chairman . . . (inaudible) . . .

MR. CHAIRMAN: — I want to begin with the question of severance pay. I totalled up the severance payments in the various . . . I'm working out of volume 2 of *Public Accounts*, if you have it, ladies and gentlemen, page 139. I totalled up severance payments in there and got \$216,542. Let me just ask you an initial question: are these severance payments done through the mechanism of an order in council?

MR. SMITH-WINDSOR: — Within the department of Executive Council, yes, all of the terminations, all of the severance payments made through Executive Council, were processed by order in council.

MR. CHAIRMAN: — This is a question you may or may not know the answer to: is that also true throughout the rest of the government?

MR. SMITH-WINDSOR: — I'm not . . .

MR. CHAIRMAN: — You don't know.

MR. SMITH-WINDSOR: — . . . cognizant of what the rest of the government does.

MR. CHAIRMAN: — Okay. That's fair. Can you give us the names of the individuals, then, and the amount of severance given by each since it was done by OC?

MR. SMITH-WINDSOR: — I beg your pardon, sir.

MR. CHAIRMAN: — The names of the individuals, and the amount of severance each received. You may want to provide that in writing. It may be a list that you don't have with you.

MR. HALBWACHS: — Mr. Chairman, we'll get the information provided to the committee.

MR. CHAIRMAN: — Okay. Would you do that?

MR. KATZMAN: — That last question. I have some concern about. When you say, "severance pay," what are you saying?

MR. CHAIRMAN: — Well, I am . . .

MR. KATZMAN: — Because it's all listed. It's all listed, as you just indicated.

MR. CHAIRMAN: — But I want a breakdown.

MR. KATZMAN: — Breakdown of what?

MR. CHAIRMAN: — Of who got what. I think this department's in a different position than the others, I'm not sure . . .

MR. KATZMAN: — Well, I want to make sure that we are very explicit in what we are asking for.

MR. CHAIRMAN: — Why don't you . . . I thought I was understood by the members, by the witnesses. What is it that you don't understand?

MR. KATZMAN: — You said in page 139 you found a document, and you added it up to be so much money.

MR. CHAIRMAN: — No, I referred the . . . I said I was working out of the *Public Accounts*, starting on page 139. I added up the severance pay out of the various subheadings, and my figure came to \$216,532.51.

MR. KATZMAN: — Okay, did you also look at book no. 3, which has them listed by individual names? And did you look on page 143 and 142 which, once again, has individual names? So what more are you asking for? You're asking for a break-out that I think is not, has been the House has said you can't have.

MR. GLAUSER: — This, I think, Mr. Chairman, we agreed upon, that we will deal with the total sum. And I don't see this department being any different than any other department that we've had in here. And we settled on the fact that, okay, there's X number of dollars went into severance pay and we agreed to let it go at that.

MR. CHAIRMAN: — I think it is different in that I think the answer to my question earlier was no. I don't think other departments do do it universally through orders in council. This department, I think . . . If I'm wrong, I invite any of the witnesses to correct me. But it's my understanding that Supply and Services, the severance isn't dealt with. Am I right or wrong? Would you gentlemen know? Does anyone at the table know?

MR. SMITH-WINDSOR: — I'm not conversant with . . . (inaudible) . . . order in council.

MR. CHAIRMAN: — I don't think it is . . . (inaudible) . . . order in council. This department's different in that all of their severance took place through order in council. Those are public documents. If we had the staff, I suppose we could do it ourselves. But we don't. And I'm simply asking these witnesses . . . (inaudible) . . .

MR. KATZMAN: — Flo Wilkie. Flo Wilkie. Page 146. There is a number there — salaries, services, travel, and all the rest of it.

MR. CHAIRMAN: — Right.

MR. KATZMAN: — There is a total for Flo Wilkie.

MR. CHAIRMAN: — But that is the total of salary, services . . . I don't . . .

MR. KATZMAN: — Page 143.

MR. CHAIRMAN: — Okay. But that's the total of salaries, services, gratuities, travel, sustenance, and vehicle expenses. What I'm asking for is the severance pay.

MR. KATZMAN: — Well, Mr. Chairman, I suggest that you have no right to ask for that.

MR. CHAIRMAN: — I suggest it's public information.

MR. KATZMAN: — Just let me finish.

MR. CHAIRMAN: — All right, I'll let you finish.

MR. KATZMAN: — We're going to have a good long day in here.

You have the total. I go back to the motion in the House made, I guess, almost a year ago, plus the motion made here, that because of concerns of certain areas . . . And this may be no area; there may be nobody here affected, but we have to treat them all the same.

The break-out's not supposed to be done, and that's why you've got to say: I pick Flo Wilkie intentionally. That here's a lady that got paid X amount of dollars. I assume there's her some months pay in there, and I assume there's her severance pay, and whatever holiday pay, and those other things. That's the number.

I don't know if Flo Wilkie made an agreement with the government or didn't make an agreement with the government, saying the numbers aren't to be released — the exact formula, or whatever. I don't care. But by going to doing her and her and her and him, him, who didn't make that agreement, you start to indicate who did make the agreement and that is supposed to be why we're not breaking them down. I'm going to go back to our first meeting where we agreed to that.

MR. CHAIRMAN: — The opposition caucus never agreed to it. There was a motion passed.

MR. KATZMAN: — It was voted on and passed.

MR. CHAIRMAN: — But this department is different in that this was done before the council vote on public documents. No agreement with Flo Wilkie or Bob Weese or John Sinclair or — I'm not sure all these people were terminated so I better quit tossing names — but no agreement with them that any severance pay they got will be kept confidential would make sense, that the severance . . .

MR. KATZMAN: — No, but the total amount is here. Your document is public. Go do your homework.

MR. CHAIRMAN: — I don't have the time or the staff to do it.

MR. KATZMAN: — Ah, now that's maybe the interesting comment. When I was in opposition I had to have the time and the staff. But now that you're in opposition, you don't have the time and the staff. A different set of rules, Ned.

MR. CHAIRMAN: — I don't believe there is a different set of rules. I don't believe this information was ever denied to you people. I don't think it was ever . . .

MR. KATZMAN: — I had to go pull it. I had to go to Flo Wilkie's office and go through those things one day a week that I was allowed in there and thumb through them individually and pick out I wanted to take photocopies of. So don't give me the harassment you ain't got the money; that's your fault, not mine.

MR. CHAIRMAN: — If it's public information, why not have the staff provide it as I think they could easily do.

MR. KATZMAN: — Well I'm just not concerned if I do or not. I just have a concern that we seem to be breaking the rules that have agreed to every other group here except this one. And you're admitting that this one here, you intend to treat different. And I'm saying, no way, everybody is treated the same.

MR. CHAIRMAN: — I'm saying that's illogical. The other people who were severed, I don't think they were all done through order in council. I might be wrong, but I don't think they were. But I know this department's different. It's all done through order in council. It's all public information. If you want to know what severance was paid, let's find someone whom we know was severed — Foley, he's a good one . . . (inaudible) . . . is another one. That I could get. Why deny the committee the information which is already public?

MR. GLAUSER: — Well I think this goes back to our original argument that we're making here in that, what is the purpose and what is fundamental to the operation of this committee, and it is value for money.

MR. KATZMAN: — For money spent proper.

MR. GLAUSER: — And money spent properly. Now what do we determine here? Are you determining that that severance pay to John Doe was spent properly? That doesn't enter into this because, as you say, it is public. Anybody can pick up this book on the street and find it and see what's there. So what are you digging? You know, what's your digging going to be worth to you when it is all public there now?

MR. CHAIRMAN: — I will then know what was paid for severance pay. I will then be able to make a judgment, as will the public, as to whether or not those payments were excessive, too niggardly. More appropriate, you can't argue with a straight face that this committee is not entitled to a breakdown of figures that are set out in this document which are already public knowledge.

MR. KATZMAN: — Why don't you ask the other comment? Were all of them treated identical?

MR. CHAIRMAN: — Because they're not all the same.

MR. GLAUSER: — I think, as I say, I go back to our original discussions and arguments that took place in here when this first started with the severance pay for all of the departments, and it was agreed that the total was appropriate. We looked at the total. And I just do not follow your thinking whereby you're saying this is something different.

MR. CHAIRMAN: — Well, the others . . . I don't think the others were done all through orders in council. And I see your argument in respect to others, that there may be some degree of confidentiality which should be preserved with respect to people from other departments. No such argument can be made in this case because it's all order in council. And they're all public documents.

MR. KATZMAN: — If an order in council went through, it showed the amount of money, the total. That same total now shows here in payment. And are you saying that the comptroller and the auditor haven't reported it? . . . (inaudible interjection) . . . You're not saying that? You're saying everything here is true and you accept that. Flo Wilkie got \$43,849.73. Now in that is included the time that she still worked for the government, I assume. I assume in that is included her — when she was let go — the agreement to which she was paid.

MR. CHAIRMAN: — But the order in council will have only the amount of severance. The

order in council won't have a salary . . . (inaudible) . . .

MR. KATZMAN: — The order in council will not . . . That's right. So you can take from that order in council, which you have staff provided for by the Legislative Assembly to do the work, paid for by the taxpayers of the province and supplied to you year-round by the taxpayers, plus researchers, because you have eight members. That gives you one full-time head researcher, plus one additional researcher. Oh, sorry, seven-eighths of one researcher because Mr. Blakeney is not considered a member. He gets a special grant.

So you could take that order in council, subtract it to \$43,000, and know what she had for wages. You then know exactly what . . . I had to do that, Ned, and I'm just going to suggest it's time you guys didn't ask the government to do your work that you get grants for.

MR. CHAIRMAN: — If it is readily . . . Oh, we do that all the time.

MR. KATZMAN: — We was refused when we were opposition.

MR. CHAIRMAN: — If this information is . . . Apart from however you may have been treated, I can't relate to that because I wasn't on this committee then, but apart from that, why would you refuse the information?

MR. KATZMAN: — We're saying we're staying with the same practice as we agreed to all through this committee. You want to change the rules all of a sudden.

MR. CHAIRMAN: — It was never the subject of any agreement. It was the subject of a vote.

MR. KATZMAN: — And the vote was passed and that's it. The vote's made the decision.

MR. CHAIRMAN: — One of the reasons that was passed . . .

MR. KATZMAN: — The judge decided to hang you but, after you're dead, you still want to argue the case.

MR. CHAIRMAN: — One of the reasons that was passed was because of the perceived degree of confidentiality with respect to severance given to other people. That consideration doesn't apply here. Well, to get to the barrel of the buckwheat, I am going to continue with the question unless there's a motion. I'm going to rule that that . . .

MR. KATZMAN: — You're out of order, Mr. Chairman, and you should know it.

MR. CHAIRMAN: — No, I am not.

MR. KATZMAN: — Because the motion originally passed unfortunately . . . You know, what you're saying is, why don't you do the courteous thing here and if you're going to do it, it's pretty tough to call you to order as chairman.

MR. CHAIRMAN: — No.

MR. KATZMAN: — You're wanting to force a vote again.

MR. CHAIRMAN: — That's right.

MR. KATZMAN: — Fair game. If that's what you want to do, say it, and let's get the vote over. We'll follow the same rules that we have always done. If that's what you're forcing, let's get it over with. Let's not waste an hour of time arguing about it, because that's what you want to do. Treat these people the same as we treated everybody else.

MR. CHAIRMAN: — Before I was interrupted, that was exactly what I was going to say, was that if you want this line of questioning discontinued, you're going to have to pass a motion and put it on the record.

MR. KATZMAN: — I move this . . . (inaudible) . . . be treated the same as all others.

MR. CHAIRMAN: — All right. All those in favour? Okay. How many people did the severance payments go to? How many people were involved? How many people were severed?

MR. SMITH-WINDSOR: — 25 individuals severed.

MR. KATZMAN: — In total under the year under review? In the total under the year under review, 25 or more?

MR. SMITH-WINDSOR: — 25 in the year under review.

MR. KATZMAN: — By the new government and old government totally?

MR. SMITH-WINDSOR: — There was a total of 25 terminations in the Department of Executive Council in the fiscal year 1982-83, passed by both the Blakeney administration and by the Devine administration.

MR. CHAIRMAN: — With respect to these terminations, was there a formula which was universally followed? Let me ask you a preliminary question. Was there a formula which you used in determining what you thought the appropriate settlement to be? It may not have been universally followed, in all cases. There might have been some . . .

MR. KATZMAN: — We have a problem here. We're into a policy question.

MR. CHAIRMAN: — No. I was just asking for a fact. I'm not asking . . .

MR. KATZMAN: — What I would suggest, if you phrased your question — and this may not be the exact words you'd use — something along, "Was there a policy, and everybody was treated following that policy?" That's really what you're asking.

MR. CHAIRMAN: — Okay. I thank the member from Rosthern for his assistance in considering to help me word my question. Was there any policy which was . . . Was there a policy with respect to a formula?

MR. SMITH-WINDSOR: — It is my understanding that there was.

MR. CHAIRMAN: — What was the formula?

MR. SMITH-WINDSOR: — To the best of my knowledge, it was two and one half month's severance pay, or two and one half month's salary per individual.

MR. CHAIRMAN: — Without regard to the length of time that individual had served, is that what you're saying?

MR. SMITH-WINDSOR: — To the best of my knowledge, that's the case, yes.

MR. CHAIRMAN: — Okay.

MR. KATZMAN: — Well, maybe if I could just ask an additional question on here. Following all the laws of the land, I assume was what you're saying. Following the laws of the land or were the

laws not followed?

MR. CHAIRMAN: — I don't follow your question.

MR. KATZMAN: — Well, the law of the land says you get so many days for every year of service type of thing.

MR. MORIN: — . . . (inaudible) . . . The only law there is The Labour Standards Act . . . (inaudible) . . .

A MEMBER: — That's what I was asking. Fair game.

MR. SMITH-WINDSOR: — I stand corrected, if I may. The formula applied is two and a half months at current rates of pay, plus your order in council provisions which are standard providing for one week per year of service up to a certain maximum. And I'm sorry, Mr. Chairman, I forget what that maximum is at the moment now.

MR. CHAIRMAN: — Well why don't you supply us then with that formula? You can respond in writing, if you like.

MR. SMITH-WINDSOR: — It's a standard provision order in council appointments which is available in The Public Service Act.

MR. CHAIRMAN: — I see, it's in The Public Service Act? Oh, I see. So you give them two and a half months, plus one week of service, to the maximum provided in The Public Service Act. Is that the situation?

MR. SMITH-WINDSOR: — Yes, according to the conditions established in the orders in council and The Public Service Act which provide the basis.

MR. GLAUSER: — Mr. Chairman, if I may inject there. I think that statement pretty well substantiates the motion that has been made because of the tie-in with The Public Service Act.

MR. CHAIRMAN: — I don't think it does, but I'm not anxious to get into the argument again. I do not understand why you wouldn't have provided the information in this department. But I'll just say I'm not . . . I don't want to waste a lot of time on it.

In the year under review, how many people were under contract in the Executive Council?

MR. KATZMAN: — Is that not tabled in the House?

MR. CHAIRMAN: — No, in fact, the Premier undertook to provide all this information and never did as of this date . . . (inaudible interjection) . . . No, it's one of the four or five items which are still outstanding . . . (inaudible) . . .

MR. SMITH-WINDSOR: — The information was provided to the opposition during, or following, estimates by Executive Council.

MR. CHAIRMAN: — That's right. The questions which I'm asking you now, the answers were provided. The one which wasn't was the form of a contract. The Premier undertook to the Leader of the Opposition to provide the form of contract. And the assumption was you just fill in the blanks.

MR. SMITH-WINDSOR: — In another forum that answer is being provided forthwith — immediately.

MR. CHAIRMAN: — How's that?

MR. SMITH-WINDSOR: — That answer is ready to go anytime.

MR. KATZMAN: — I think what he's saying is that he believes he has to put it to the House first before he can bring it here. Is that what you're saying?

MR. SMITH-WINDSOR: — I beg your pardon?

MR. KATZMAN: — Because it was promised in the House, you have to take it to the House first? . . . (inaudible interjection) . . . Oh, I see. That's what I thought was the rule.

MR. CHAIRMAN: — Okay. I'm not sure why it took a year to provide the form. But that's not a question for this . . . At any rate, you had how many people on contract?

MR. SMITH-WINDSOR: — 31.

MR. KATZMAN: — 31 contract. I assume some are very short, some are of more length.

MR. SMITH-WINDSOR: — They're various lengths of time — some as short as a day or a week; others, as long as six months, perhaps even longer.

MR. CHAIRMAN: — Do you have any of indefinite length?

MR. SMITH-WINDSOR: — I don't know that that is a question that pertains to the year under review. We had some that were ongoing at the conclusion of the fiscal year. But with respect to the future years, I don't know that I'm at liberty to answer that in this forum.

MR. CHAIRMAN: — I don't understand your answer, sorry, Mr. Smith-Windsor.

MR. KATZMAN: — Let me ask it a different way, Mr. Smith-Windsor. What you're saying is: at March 31st there were still some people left on contracts.

MR. SMITH-WINDSOR: — That's correct.

MR. CHAIRMAN: — Did you have any contracts which had no term but simply carried on until either side, either of the parties to the contract, gave notice of intention of terminating?

MR. SMITH-WINDSOR: — I would have to research that.

MR. CHAIRMAN: — Okay. That's fine.

With respect to any which might have been of indefinite duration, the secondary question is: why one would enter into a contract as distinct from hiring them through the public service or through an order in council — through the normal mechanisms?

MR. SMITH-WINDSOR: — Would you repeat your question, sir?

MR. CHAIRMAN: — With respect to any which might have been of indefinite duration, a second question then would be why the mechanism of a contract was used rather than hiring them through the normal mechanism of the public service commission or an order in council.

MR. GLAUSER: — Mr. Chairman, I consider that question totally irrelevant to this committee. It would be a policy decision. It has nothing to do with value for money. I think the question is totally irrelevant.

MR. CHAIRMAN: — I don't agree.

MR. GLAUSER: — Well I didn't expect you to, but I want to raise my objection to the line of questioning.

MR. CHAIRMAN: — Well I think the issue of use of a contract as distinct from the normal mechanisms raises the issue of whether or not the services were provided as cheaply through a contract as they were . . .

MR. GLAUSER: — That's not in the purview of this committee.

MR. CHAIRMAN: — Of course it is. Of course it is. If you spend \$100,000 to obtain the services of an individual through a contract which you might have got for \$75,000 if you hired them through the Public Service Commission. I would think that's a relevant subject for discussion before the committee.

MR. GLAUSER: — I really don't follow that line of questioning at all, because if a decision is made to do something for a sum of money on a short-term basis and you're out of it, and you're not paying out the fringe benefits, then this becomes a policy decision that the government makes and so it just doesn't fit.

MR. CHAIRMAN: — Well the example which has become notorious is that of Mr. Leier. If he had been hired as a Crown solicitor, if he had been hired as a Crown solicitor, I don't think the services would have cost what they cost. I don't think he would have been paid as much as he was if he had been hired as a Crown solicitor. The issue of whether or not you are getting a person's services as cheaply through a contractor as you might through the regular companies, I think, is clearly a subject for discussion. If there is some good and valid reason why they contract was used, that's what I want to hear.

MR. KATZMAN: — Ned, I have to get in on this . . . (inaudible) . . .

MR. PETERSEN: — Well go ahead. Don't resist Ralph.

MR. CHAIRMAN: — No, don't resist, Ralph.

MR. KATZMAN: — You know, as an MLA you are probably paid 50 cents an hour. As a lawyer you are probably paid over \$100 an hour.

MR. CHAIRMAN: — . . . (inaudible) . . . lie.

MR. KATZMAN: — What I'm saying to you is: he who pays the piper usually decides what he wants to pay him; or the piper chooses what he wants. What I'm saying is a lawyer . . . when I come into your law firm you are going to charge me X amount of dollars, and I would think if I can get you as a lawyer in your firm for a full day, for what . . . the one contract you're arguing about, that will be reasonable. But as an MLA I'd probably get you for nothing because that's part of your service. Now what I'm saying is let's compare the two professions within themselves, because that's one is paid by the public . . . (inaudible) . . . serve; the other one you charge services for.

MR. CHAIRMAN: — I'd be more than happy to do that if you want. I'd be more than happy to have these witnesses provide us with comparisons between what you would pay, take an example . . .

MR. KATZMAN: — That's not what I'm saying. What I am saying is that the . . . (inaudible) . . . that what I pay in a law firm's office, and because he has other, you know, costs as well which you pass on through your billing. What an MLA does is another issue.

MR. PETERSEN: — Mr. Chairman, if I can butt in on Mr. Katzman, the parameters of this committee are to decide whether we have received value for dollar, not how the decision was made.

MR. CHAIRMAN: — I'm not asking . . .

MR. PETERSEN: — And you are asking that in your question, and I think it is irrelevant, and I tend to agree with Mr. Glauser.

MR. CHAIRMAN: — Well I am . . . all right. Let me then, rephrase the question differently. With respect to any of indefinite duration, are you prepared to provide me with — I'm not sure you are, I'm not sure you should be — I was going to say, are you prepared to provide me with all of the details of the contract. I'm not sure you should be. The only area where we had any problem was with salaries.

MR. KATZMAN: — No, it's because you decided to go on a whole new fishing boat, which we've set rules on before.

MR. CHAIRMAN: — I'm not fishing. The issue . . . let's be blunt about it. The issue of Mr. Leier's salary isn't the best kept secret. It's notorious.

MR. KATZMAN: — Well he . . . that the Premier tabled it in the House. What are you talking about? It's not a secret.

MR. CHAIRMAN: — But the suspicion which I entertained — I will be candid about it — is that the contracts of service are richer than what people would get if they were hired through the public service. And I want to know: is there any reason why they're using contract . . . (inaudible) . . .

MR. PETERSEN: — Mr. Chairman, that's a value judgement. That is not . . .

MR. CHAIRMAN: — If everybody can make such judgements, whether or the government's getting value for money, that's our mandate.

MR. PETERSEN: — That's your personal judgement.

MR. CHAIRMAN: — No, that's our mandate. Read the mandate.

MR. KATZMAN: — We're not into value; we're into properly spent money . . . (inaudible) . . .

MR. PETERSEN: — If it was properly spent, it's relevant here.

MR. CHAIRMAN: — Well all right, why didn't you hire the . . . granted, granted. But the issue of why contracts of service are normally entered into: because you don't want the person's services indefinitely.

MR. KATZMAN: — Mr. Chairman, let's nail this thing down. Mr. Smith-Windsor has indicated there was one or two that were on at the end of that year.

MR. CHAIRMAN: — No, he hasn't said how many there is. He said . . . (inaudible) . . .

MR. KATZMAN: — Well, whatever. There was some that lasted till the end of the year.

MR. CHAIRMAN: — Well, I'm not . . . (inaudible) . . .

MR. KATZMAN: — Let's not get into this year. Let's not get into the next year, and let's deal with the year under review, and let's try your questions however you want to try it. But, you see, you wandered into the next year again is what . . . (inaudible) . . . gone forever type of thing. So what you're saying is, he asked you a question. There was some of them still working at March 31.

MR. CHAIRMAN: — No, that wasn't my question. My question was whether or not — and I think it was understood by the witnesses — my question was: was there any contracts which did not contain within the wording of the contract a definite term, but which were of indefinite duration, that is, until one side or the other gave notice? If there is such contracts, that's what I want to know. Is there any of indefinite duration?

MR. KATZMAN: — That's a fair question.

MR. SMITH-WINDSOR: — Is there any of indefinite duration? And then you said, Mr. Chairman, without a provision to say, "may be terminated at the initiation of either." Does that mean that you consider that to be without term or with term?

MR. CHAIRMAN: — No. What I'm asking for is contracts of services which did not contain a term stated in the agreement, but was simply carried on under some wording or other, until one side or the other, one party or other to the contract, gave notice of intention to terminate the contract.

MR. SMITH-WINDSOR: — I would have to research that to be sure that there was no exception to a standard contractual provision, which had a clause such as you have mentioned, to be terminated at the initiation of either party at any time.

MR. CHAIRMAN: — Okay. What . . . I gather though that contracts of indefinite duration will have the standard form, or do you know that for sure?

MR. SMITH-WINDSOR: — I don't know that for sure.

MR. CHAIRMAN: — Okay. Do you guys consider it out of order to ask a second question?

MR. KATZMAN: — What's the second question?

MR. CHAIRMAN: — Why would a contract of indefinite duration be entered into rather than hiring through the public service?

MR. KATZMAN: — You can't ask past March 31, 1983.

MR. CHAIRMAN: — No, wasn't asking for anything past March 31, 1983. I just want to know why you'd enter into a contract of indefinite duration.

MR. MORIN: — Well if you're asking for an opinion, I think it's premature at least to ask that question until you know if, in fact, any were.

MR. CHAIRMAN: — Oh, agreed. The question is: if there were any of indefinite duration, why were they . . . (inaudible) . . . rather than hired through the Public Service Commission. I would consider it a perfectly valid question, whether or not you're getting value for your money. You guys make that decision.

MR. GLAUSER: — That's policy, and we don't determine policy here.

MR. CHAIRMAN: — But we have the right to belabour the point. We have the right to ask whether or not the normal mechanisms have been bypassed, which is what I think is happening.

I think when you have contracts of indefinite duration, you're bypassing the normal safeguards set up in The Public Service Act on the one hand, and the order in council mechanism on the other, which has its own safeguard in that the information all becomes public.

MR. GLAUSER: — Okay, what if these positions are short-term, and you don't want to . . . (inaudible) . . . to the . . . you know, and this is what you're saying.

MR. CHAIRMAN: — No, I don't want to hear about the short-term ones. Anybody in which there's a contract, I want the definite term. I haven't asked for that information. I'm asking for information about the contracts of indefinite duration.

MR. GLAUSER: — Well then, you're going beyond the year under review . . .

MR. CHAIRMAN: — No, I'm not. The contract was signed in the year under review. You can tell by looking at the face of the contract that it was signed in the year under review, whether or not it's of a definite duration. You don't have to wait until the contract is eventually terminated, as they all will be at some time or other, and by the death of the individual if nothing else.

MR. GLAUSER: — Well then, it would only be some time in the future that you could really determine then whether that was a good deal. You can't determine that at this point.

MR. CHAIRMAN: — Cal, I can't believe you're . . . (inaudible) . . .

MR. GLAUSER: — You're not listening.

MR. CHAIRMAN: — You can tell by looking at the contracts whether or not it is of a definite duration.

MR. GLAUSER: — All right. Well, you've asked the question: are there any such? And Mr. Smith-Windsor said he would have to . . . And then at that time maybe you could pursue that . . .

MR. CHAIRMAN: — Well, the difficulty with that scenario is, I don't expect this committee's going to be sitting when he gets the answer back to me. Nor do I think it is fair then to ask them to come back to answer the subsidiary questions. Why not simply allow the question to go forward? If there are any of indefinite duration, what was the reason for entering into those contracts? That strikes me as being a perfectly valid question.

MR. PETERSEN: — You're outside the parameters of this committee again. You're getting into a policy question.

MR. CHAIRMAN: — I believe, I am asking a question which relates to whether or not the public is getting value for its money.

MR. WEIMAN: — Mr. Chairman, from what I have been hearing this morning, it sounds to me as if you're contradicting yourself from past meetings that we've had. We've gone through this whole gamut before, arguing about contracts and arguing about confidentiality, etc., also arguing about what is really, truly perceived as value for money. And I just want to refer you to the verbatim report of April 4 of this year, when we did get into that discussion earlier, where you are quoted as saying, page 126:

It is my view that we have a responsibility to inquire into the costs of a policy. (And that we grant you, and the costs are there before you.) Don't discuss the merits of that policy . . .

There are your own words, Mr. Chairman. And I find that this is the realm that we're getting into now. You're talking about the merits of these contracts; why some were short; why some were

long; would it have been cheaper to have them under salary rather than contract?

MR. CHAIRMAN: — Don't you think that's a valid question?

MR. WEIMAN: — No, Mr. Chairman. You're contradicting your own earlier statement of April 4.

MR. CHAIRMAN: — Don't you think that's a valid question — the one you just asked? Would it have been cheaper to have done it under a different system? Don't you think that's a valid question?

MR. WEIMAN: — Not from statements that you made earlier that said we should not even begin that realm of discussing the merits of a policy.

MR. CHAIRMAN: — I was dealing with a different issue. I ask you: don't you think that's a valid question? Would it not have been cheaper to have hired, for example . . .

MR. WEIMAN: — That's not the issue. The issue is you yourself even determined that we would not get into the merits of the policy at all. We're looking at value, how much it cost. It's right here in the blue book in front of you. We're not talking whether it should have been a longer or a shorter contract, whether it would have been better to be a salaried person or not.

MR. CHAIRMAN: — I'm not getting into the merits of the policy. All I want to know is what the policy is. I think that I'm entitled to know what the policy is. Why were these contracts, if they were contracts of a definite . . . (inaudible) . . .

MR. WEIMAN: — I would suspect that if you're asking that kind of question in a roundabout way — what is the policy? — and said, well, the policy is to find value for money, and if we determine, or whoever it is that determines that it's cheaper to go that route than another route, it's cut and dried. As soon as you go in a little deeper — why did you choose it this way, or why did you choose that person, or why did you make it a longer contract or a shorter contract? — then you're talking about the merits of that policy.

MR. CHAIRMAN: — I just wondered what the policy is. That's all I'm asking. I've never known this committee to refuse to state what the policy is, as distinct from discussing whether or not it should have been. You may form your judgement. I may form mine. That's all I want to know.

MR. KATZMAN: — Well he basically told you there was some available, some there till March 31. You've asked him — would he tell you if there was some with no date on it? — and he said he's going to get that information. From there you seem to ask another question which I think Mr. Weiman has hit on as a policy area. Let's stop the first question, and let's keep on moving.

MR. CHAIRMAN: — Do I understand that listening . . . Again I'm going to give you the same process. If you don't want the question to go forward, then I invite you to move a motion. My ruling is that that question's a valid question. Do you guys want . . .

MR. WEIMAN: — Well all I suggested, Mr. Chairman, is you're contradicting yourself in past meetings that we've had here, and that doesn't seem to be exactly a responsible attitude.

MR. CHAIRMAN: — I am suggesting I'm not. Why don't you . . . I'm going to ask the question again, unless someone moves a motion that the question should not be brought. The question is: what was the policy with respect to entering into contracts in a definite duration? Why were they entered into?

MR. PETERSEN: — Well you're asking two questions there, not one question: what was the policy, and then why?

MR. CHAIRMAN: — No, no. I'm asking what was . . . Well I think it's the same. I think that the question . . . No, I think that's one question. What was the policy with respect to entering into contracts in a definite service? In effect, i.e., why was that done, rather than hiring through the public service commission?

MR. PETERSEN: — Well, obviously the policy was to enter into contracts whether they were of limited duration or of an indefinite duration, and the gentlemen has offered to provide you with that information, but you qualify your question by then saying, why, which gets us into the area of back into policy which contradicts statements that you've made earlier this month, and then you are forcing this committee to make a motion if we don't want to follow with your line of questioning, because you as chairman have suddenly ruled that it is valid. It's a flip-flop.

MR. CHAIRMAN: — No, it isn't.

MR. PETERSEN: — Yes, it is.

MR. CHAIRMAN: — You people are taking those words out of context. I'm going to put . . . (inaudible) . . .

MR. KATZMAN: — Let me ask . . . I'm not going to put a motion on you this time. I'm going to basically put it to you this way. If I remember Mr. Barnhart's letter to us at the original starting, we have three ways to deal with this. You, in my opinion, are out of line — that's my opinion. Your opinion is you're not. I guess it's a matter of where you sit at this table that changes your opinions. I think the other question is that you are asking a policy decision, and my understanding of policy is the deputy minister is not to answer on policy, or speak on policy. I guess deputy minister is not the right term in this case.

MR. CHAIRMAN: — I think it is the right term.

MR. KATZMAN: — Is it? Okay. The deputy minister is not to speak on policy. That is the point of the Premier, that he is the deputy to, to speak on that, and that question is properly put in the House, not here.

MR. CHAIRMAN: — I will phrase it as I phrased it in the quotation which Mr. Weiman read. It's not the role of the deputy minister to discuss the merits of a policy; it is the role of the deputy minister to tell us what the policy is. That's all I'm asking.

If there are no contracts of indefinite duration, then the question obviously becomes irrelevant. If there are contracts of indefinite duration, then I want to know under what policy did they enter into contracts of indefinite duration, as distinct from hiring people through the Public Service Commission. And he ends there. I'm not going to ask him to take the next step and say, well now, why would you enter into such an expensive policy? I'm not going to ask him for the merits of it. I just want to know what the policy was.

A MEMBER: — Well, you did the first time. You've now changed your mind.

MR. CHAIRMAN: — No, I wasn't going to ask him to discuss the merits of it. I just want to know — and that was my initial question — why would you enter into contracts of indefinite duration? There may be good and valid reasons. Maybe it was done under the former administration. I don't know. I just am asking the question, why would you do it? I am asking him to state the policy. I am not asking him to discuss the merits of it.

MR. WEIMAN: — It's going to be the type of question that you, begging that kind of question, if I can give you an analogy . . .

MR. KATZMAN: — When did you stop beating your wife, Ned? It's the same question.

MR. CHAIRMAN: — There may be a good explanation. You guys shouldn't assume that everything is wrong. There may be a good explanation for this.

MR. WEIMAN: — It's begging that further question of why, though. I'll give you an analogy, say, of street safety. Okay? You're asking the policy of city hall, saying what is your policy regarding Albert and Broad, you know. We want to put in a set of lights. You're going one step further, and saying, why are you putting in those set of lights? Then you're going even a step further, saying, well, why didn't you put in a stop sign instead of the set of lights, when you should be asking, how much did it cost for those lights; did you get value for money for those lights, as opposed, say . . . You know, you're asking why lights instead of stop signs, and going on and on and on, and why not safety patrols? You're going fishing, and begging those wide questions all the way down the line.

MR. CHAIRMAN: — I'm not. I am, to use your example — I think we're wasting time here, but to use your example — it would be a valid question of . . . I don't think Highways put in lights, but let's assume Highways put in lights. It would be a valid question of Highways, under what circumstances do you install lights on street corners? And they'll tell you, if the traffic count is over 5,000 a day (or some such figure) we install traffic lights. Okay. That's why they would install a traffic light at a street corner. The next question is, I think 5,000 is too low or too high. That would be getting into the merits of the policy. But the policy itself would be, under what considerations do you install street lights? The answer would be, when so many people go past the intersection. I want to know under what circumstances they enter into contracts of indefinite duration, as distinct from hiring people through the Public Service Commission.

MR. PETERSEN: — Then you're into policy, because you're asking under what circumstances, you are not asking dollar value.

MR. CHAIRMAN: — I'm asking him to state the policy. I'm not asking him to discuss the merits of it.

MR. GLAUSER: — What questions do you want to ask now? I'm completely lost with all this gibberish going on here.

MR. CHAIRMAN: — Well, certainly none of it from the Chair. Now, you have to be fair. Under what circumstances would you enter into a contract of indefinite duration?

MR. GLAUSER: — I think the only way that he would be able to answer that question would be to say: well, that's a policy decision, and I think it's only right that my minister answer that. Ask your question.

MR. CHAIRMAN: — All right. Under what circumstances would you enter into a contract of indefinite duration? It's impossible for the man to answer because he doesn't know if there are any. I think all he can do is take it under advisement and get back to us . . . (inaudible interjection) . . . I was invited by some government members to put the question to you. Having done so, it strikes me . . .

MR. WEIMAN: — You were invited by some committee members. We went through that once before.

MR. CHAIRMAN: — I was invited by some committee members to put the question to you. Having done so, I think it is impossible for you to answer, because it's hypothetical. At this point in time you don't know if there are any.

MR. KATZMAN: — I think that's where we said we were half-an-hour ago.

MR. CHAIRMAN: — I think we are at this position. I think I am allowed to ask the question: were there any contracts of indefinite duration? That's number one. Number two: If so, under what circumstances does the government enter into contracts of indefinite duration . . . (inaudible) . . . ?

MR. SMITH-WINDSOR: — And the second question depends upon the answer to the first, which I have undertaken to provide.

MR. CHAIRMAN: — Indeed.

I think from previous discussions you will know that you provide 15 copies of your answer to the Clerk, who distributes it the committee.

Travel expenses to cabinet ministers. What does that include? Can you tell me? I notice that they vary greatly, and I'm wondering what that . . . (inaudible) . . . For instance, the travel expenses paid to Jim Garner was \$30,757.37. It was only \$12,000 to Grant Devine. I'm wondering what those . . . What does that figure include? He didn't get cheques, I assume, for \$30,000.

MR. KATZMAN: — Let me ask the first question. Then if you want to ask your question, go ahead. The policy, after the switch of government, for reporting of these things has been the same as it's always been. It's the same system that's always existed.

MR. SMITH-WINDSOR: — To the best of my knowledge, there's been no change in policy.

MR. CHAIRMAN: — I'm sure there hasn't been; I'm sure there hasn't been.

MR. KATZMAN: — So whatever we see here is basically the same as was before, except a different name, and subject to what he . . . the trips.

Second comment, Mr. Chairman. Are these not the identical questions that are being handled in the House?

MR. CHAIRMAN: — That doesn't prevent them from being asked here. No . . . (inaudible) . . . You're dealing with a different year here.

MR. KATZMAN: — Am I correct . . . (inaudible) . . . affecting travel?

MR. CHAIRMAN: — I think, in fairness to the ministers, we were asking at that point in time for — and what we got was — out-of-province trips. This is the total travel expenses paid. And I'm not suggesting Jim Garner spent \$30,000 on out-of-province trips. I'm just wondering what would have gone into making up that figure? I don't believe that Jim Garner travelled three times as much as the Premier. I'm trying to get a handle on how that figure is made up.

MR. GLAUSER: — Well in that figure there would also be the distance of his constituency from . . . is this not included in the . . .

MR. CHAIRMAN: — I'm wondering about that. That's what I'm trying to find out. What is included in that figure of travelling expenses?

A MEMBER: — I beg your pardon?

MR. CHAIRMAN: — What is included in the figure — the travelling expenses paid to ministers under the Executive Council?

MR. SMITH-WINDSOR: — Both in-province and out-of-province travel by ministers on aircraft.

MR. CHAIRMAN: — Ah! So it includes the aircraft.

MR. KATZMAN: — Just hold it! I just think I spotted something else here too, if I read this correct. Anybody that was elected on the second time would have an intentional bulge in his numbers of anywhere up to — and Mr. Glauser's comment was correct — will have an additional bulge up to as high as whatever he was allowed as a private MLA for travel.

MR. CHAIRMAN: — I would have thought that would have under Legislative Assembly. First of all, am I not correct that cabinet ministers don't get the travel expenses that ordinary MLAs get? They don't get that.

MR. KATZMAN: — They lose that.

MR. GLAUSER: — He would have some carry-over here . . .

MR. KATZMAN: — In the spring of '82, till he was sworn into cabinet. And remember, his year is different. MLA is January till December 31st, and this book is March 31st, and you'll get some cross-over.

MR. CHAIRMAN: — Is that accurate? I would have thought what would have been paid to them as an MLA would have appeared in the Legislative Assembly subvote.

MR. KATZMAN: — That's what I'm checking. This is what I was wondering.

MR. SMITH-WINDSOR: — It's my understanding that the payments for MLAs' travel is separate from anything paid by Executive Council.

MR. CHAIRMAN: — Would this figure include the expense for the automobile?

MR. SMITH-WINDSOR: — It does not incorporate that expense.

MR. CHAIRMAN: — That includes air fare, it includes travel on the executive aircraft within the province, and out-of-province travel, and per diems.

MR. LEIBEL: — Yes, the per diems are included.

MR. CHAIRMAN: — Anything else?

MR. LEIBEL: — Hotel accommodation out of province.

MR. CHAIRMAN: — Out of province. All out-of-province and in-province hotel accommodations, if there were any, in fact. With using the aircraft there rarely is any, but . . .

MR. KATZMAN: — Mr. Chairman, if I may, I'm going to cheat a little. On page 142, I can use myself, and I don't mind because I know that — fair game. The money indicated here would indicate the trips both by air and by car that I was required to travel as a Legislative Secretary. So this \$1,700 would cover my trip to Ottawa to speak to the senate on behalf of the government as well as the out-of-province trip that I took to speak on behalf of the government somewhere else. I'm using my own because I know the facts. Page 142, Ned.

MR. CHAIRMAN: — I wasn't able to find the name of Katzman there. Oh, yes, I see. I see.

MR. KATZMAN: — Okay. So you know, using that I don't mind using that because I personally know them. So that would explain, and plus the mileage when required to drive somewhere. That's about right — knowing what my T-4 said. That's everything. That included my Ottawa and plus other things that where I was sent.

MR. CHAIRMAN: — Do legislative secretaries use the executive aircraft?

MR. KATZMAN: — Do we? We are only allowed to use it if we are taking the place of the minister, the same as under your rules.

MR. CHAIRMAN: — Okay. All right. So I gather we have got, so far as you can recall off the top of your heads, we've got the items which will go in to make up ministerial travel, in-province air flights, out-of-province air flights, and hotel, and meal, and per diems, anywhere.

Are you able to tell me there are three individuals whose name caught my attention. One, I was going to ask what services these people provided and in what area they worked. I was going to ask about Jack Harrington, and then I realized that he works in the electoral office, at least he used to. Does he? Let me ask the question: what services did Jack Harrington provide?

MR. SMITH-WINDSOR: — Provides advisory services to Executive Council.

MR. CHAIRMAN: — I see. He does not, I gather, work in the electoral office. Are you able to be more specific than that.

MR. SMITH-WINDSOR: — I'm unable to be more specific than that.

MR. CHAIRMAN: — Okay. He doesn't advise on any particular area of government.

MR. SMITH-WINDSOR: — The nature of the advice that he provides is not my domain.

MR. CHAIRMAN: — What services does Scotty Livingstone provide?

MR. SMITH-WINDSOR: — During the year in review, Mr. Livingstone provided services to the transition team.

MR. CHAIRMAN: — Worked as a staff to the transition team.

MR. SMITH-WINDSOR: — Yes.

MR. CHAIRMAN: — And David Black?

MR. SMITH-WINDSOR: — Mr. Black worked during the year in question for the transition team.

MR. CHAIRMAN: — How many staff worked for the transition team?

MR. SMITH-WINDSOR: — I beg your pardon?

MR. CHAIRMAN: — How many staff worked for the transition team?

MR. SMITH-WINDSOR: — There were no staff engaged by the transition team on a permanent basis. In fact, your earlier question, Mr. Chairman, pertaining to contracts, of the 31 contracts the vast majority of those were entered into by the transition team for the purposes of transition.

MR. CHAIRMAN: — I see. Okay. This is getting out of the year under review, and if members object I won't pursue it. Is the transition team still ongoing? Is it still a functioning . . .

MR. SMITH-WINDSOR: — No.

MR. CHAIRMAN: — Okay. Are these individuals . . . and again I'm out of the year under review.

Are these individuals still under . . . are still providing services to the government, do you know? Black, Livingstone, and Harrington.

MR. GLAUSER: — That question more certainly is out of the year under review, and certainly he doesn't need to answer it.

MR. CHAIRMAN: — I recognize it is.

MR. CHAIRMAN: — What services were provided by McLean Femes Ltd., \$50,000?

MR. SMITH-WINDSOR: — Provided consultation services respecting communications and marketing.

MR. CHAIRMAN: — Communications in the sense an advertising firm would provide communications? That sort of . . . (inaudible) . . . Or how do you mean, communications?

MR. SMITH-WINDSOR: — Yes.

MR. CHAIRMAN: — Okay. Did they have any staff located in Saskatchewan, or were these services provided — I gather it's an Ontario firm — were they provided out of an office in Ontario?

MR. SMITH-WINDSOR: — The domicile of their head office I can't answer to. I'm not to . . .

MR. CHAIRMAN: — Was there any staff located in the province in the employment of these people when the service was provided?

MR. SMITH-WINDSOR: — There were when they provided services to Executive Council.

MR. CHAIRMAN: — I didn't hear you, I'm sorry.

MR. SMITH-WINDSOR: — Services were provided within the province of Saskatchewan.

MR. CHAIRMAN: — This wasn't the firm that did . . . This firm didn't produce films or anything of this sort. This wasn't the fuss that arose over the production of a film by an outside firm?

MR. SMITH-WINDSOR: — I do not believe this is the firm involved in that issue.

MR. CHAIRMAN: — Dome Advertising was paid \$40,206.65. I gather that Dome Advertising, in fact, acts as a clearing house through which advertising goes to other firms. Is that accurate? Or do they only provide services directly?

MR. SMITH-WINDSOR: — They're an agent of record, sir.

MR. CHAIRMAN: — Pardon me?

MR. SMITH-WINDSOR: — They're an agent of record, yes.

MR. CHAIRMAN: — What does that term mean?

MR. SMITH-WINDSOR: — That same as Struthers was.

MR. CHAIRMAN: — Again, I'm not sure what that means. What does that mean?

MR. SMITH-WINDSOR: — Well it means that they provide advisory services in a variety of areas pertaining to government advertising, in particular, in relation to Executive Council, but

also in other areas of government.

MR. CHAIRMAN: — So this \$40,206.00 would have been for consulting services, as distinct from any commissions on advertising as placed directly by the government?

MR. SMITH-WINDSOR: — No. I don't believe that that's accurate. I believe it would also include the cost of actual placements.

MR. CHAIRMAN: — Okay. There was \$568,161.97 for contractual services under the transition team, or expenses associated with the change in government. Can you tell me . . .

MR. KATZMAN: — What was that number, Ned?

MR. CHAIRMAN: — \$568,161.97.

MR. KATZMAN: — Half a million.

MR. CHAIRMAN: — Half a million . . . (inaudible interjection) . . . I got it out of here yesterday, I'm not sure I can find the thing today.

MR. KATZMAN: — You're pulling names as well.

MR. CHAIRMAN: — No, I wasn't actually going to ask for names this time.

MR. KATZMAN: — No. But that's what you've done. You've pulled a bunch of names and added the numbers together, by the looks of it.

MR. CHAIRMAN: — You've yet to be using a figure without being able to substantiate it in here. I will ask the question in a different way because I'm not sure I can find it now. Or did I get it out of the other book. I don't think I would have.

MR. PETERSEN: — It must have come from somewhere. You wouldn't pick it out of thin air, would you?

MR. CHAIRMAN: — No, I wouldn't do that. You know me better than that. Well, all right. Let me ask the question in a different way. What was the cost of contractual services for — I know I say it because I've copied down the category. Oh, yes, to provide for expenses . . . (inaudible) . . . change of government. Right you are.

The figure, that's right; there's where it is. What . . . that is the 31 contracts, is it? That's, you said, the vast bulk of the 31 contracts were associated with the transition team.

MR. SMITH-WINDSOR: — That's correct.

MR. CHAIRMAN: — And that is that figure. Is that right?

MR. SMITH-WINDSOR: — To the best of my understanding, yes.

MR. CHAIRMAN: — Okay. And it wouldn't include anything else, would it? Or do you know that for sure?

MR. SMITH-WINDSOR: — Well, to the best of my knowledge, it doesn't include anything but contractual services, and the other costs of transitions are appropriately charged against the accounts as listed on page 141.

MR. CHAIRMAN: — Okay. I think those were virtually all the questions I have, actually.

Thank you very much for coming gentlemen. We look forward to receiving your answers. And we will . . . as I say, thank you for coming. Is this an appropriate time to have a break?

Public Hearing: Department of Tourism and Small Business

MR. CHAIRMAN: — Okay. I want to welcome to our committee Dave Folstad, deputy minister, Tourism and Small Business; Ken McNabb, assistant deputy minister, Tourism and Small Business; Roy Hynd, director, program management, Tourism and Small Business; Bryce Baron, director, investment development, Economic Development and Trade; Harvey Murchison, director of administration; Austin Selby, manager of financial management unit.

MR. KATZMAN: — Is there anybody back running the department?

MR. CHAIRMAN: — The people who always do — the junior staff. We want to welcome members of the committee. We want to welcome the witnesses to the committee. We want to thank you for coming and being of assistance to us.

MR. KATZMAN: — Mr. Chairman, this is one of those departments that is now in two or three different areas?

MR. CHAIRMAN: — Yes, I think it is.

MR. KATZMAN: — So it will be a little difficult in some areas maybe to get answers, but I think if we stay to what the book's talking about, we might get answers, solve the problem, and we'll not delve in a whole bunch of other garbage.

MR. CHAIRMAN: — I'm just wondering who has the lead-off here? The Clerk has a line, but it's not very informative.

MR. KATZMAN: — I think there was just the one issue that we wanted to . . . (inaudible) . . .

MR. CHAIRMAN: — All right. Why don't we deal with the issues then, and . . . First of all, on page . . .

MR. KATZMAN: — Has the Clerk phoned the other group?

MR. GLAUSER: — That's what I wanted to, is phone them.

MR. CHAIRMAN: — On page 9 of the annual report, the Provincial Auditor had a comment that his representatives were not able to examine a formal policy for the collection of loans, or formal policies which are in compliance with your . . . (inaudible) . . .

Would you gentlemen comment on that. Is . . . Do you agree with the comment? If so, have you been able to take any steps in resolving the problem?

MR. FOLSTAD: — Yes, the . . . It was a valid comment at the time. At the same time the policy was being finalized, in fact was put into effect, just shortly after the audit, and I think that the policy is attached to a reply that we've given the committee.

MR. CHAIRMAN: — Anyone have any other comments on this letter?

MR. KATZMAN: — Well, basically what we're asking is — you know, we've got a control of all the cost-sharing agreements — blah, blah . . .

MR. CHAIRMAN: — That's the second item. The second item, then, appears on page 18, of the

... And the comment is to the effect that there are failures, I gather, to reconcile the collection of costs under these ARDA programs. And the staff weren't aware of whether or not any steps had been taken to remedy that problem.

MR. KATZMAN: — It's a good thing this committee isn't on television, Ned, with you biting your cheese.

MR. CHAIRMAN: — I wouldn't do that if we were on television.

MR. FOLSTAD: — Again, yes, that was being put into effect at about the same time the changes to the automated system, and I think it's all been taken care of subsequently — very quickly.

MR. KATZMAN: — I'd love that answer one more time, just to make sure I heard what I thought I heard, before I challenge it.

MR. FOLSTAD: — At the time of the review, that we were in the process of changing the system that I think was done very quickly after the time of the audits, and I think that its process is satisfactorily in place, subsequent to the audit.

MR. KATZMAN: — Mr. Folstad, what you are telling me is we now have in a computer or in something, a system that tabulates all the cost-shared agreements and the costs of same and so forth, with a formula or a method to pull them out, to make sure we are getting our equal amount ... sorry ... our share of payment from the federal government or who else it is, equal to the portion they have promised to deliver. Is that what you're telling me?

MR. FOLSTAD: — Yes, we do. It's not all in computer, because of cost. It's partly still a manual system, and partly recorded periodic month ends and at other dates when we file claims.

MR. KATZMAN: — You are now ... I know it's a tough question, because I assume it's split between two different departments. Which department now has that?

MR. FOLSTAD: — Tourism and Small Business. If you like, we can go through with the detailed process is. I don't think it's particularly time-worthy to do that, but ...

MR. KATZMAN: — No, my concern is we have indications that it's not totally, 100 per cent proof yet. You're seeming to give me the opinion it is. And my question would be: would I be correct in saying you've just about got the system in, but you may not have got it all up to date and everything?

MR. FOLSTAD: — I think it's up to date. The comment about 100 per cent proof — I was an auditor myself for several years, and I don't think there are many systems that are 100 per cent. But I believe that we have a very good system for monitoring it at this point.

MR. GLAUSER: — I was just wondering if the comptroller, if you people have been involved in this at all, and what your assessment is?

MR. BENSON: — Well, Mr. Glauser, I think our assessment right now is that we don't have one. We haven't been in to look at what's in operation at the present time.

MR. KATZMAN: — That's what I gathered. I gathered there was a breakdown here somewhere.

MR. BENSON: — Well, I think what my recollection of what's transpired here is original criticisms of the Provincial Auditor stem back a few years, and then the department put in an automated system. And I think the criticism in the year under review is that the system wasn't being reconciled on a timely basis. And we were just told that now that is being done. And our

response is that we don't know that it is, or it isn't. We haven't been in to verify it. Does that clarify it?

MR. FOLSTAD: — There were a number of claims that we inherited, as well, from Social Services, that were outstanding for some time, that have been in claims now, and are up to date.

MR. KATZMAN: — Okay. Who is keeping these . . . And I guess it's the comptroller again. Who now keeps this total record of what joint programs we have existing, not the cost accounting and so forth, just who . . . Is it still intergovernmental has a record of what joint programs we have where somebody else wouldn't be paying our costs?

MR. BENSON: — This one is specifically Special ARDA. The comments about . . . relative to industry and commerce.

MR. KATZMAN: — Your only . . . Special ARDA that you're talking about here.

A MEMBER: — That's right. That's right.

MR. KATZMAN: — And do you register your Special ARDA stuff with another department who keeps a master list of all the agreements the government is into?

MR. FOLSTAD: — Yes, the comptroller's office. The claims go through the comptroller's office.

MR. KATZMAN: — Your office now keeps the book?

MR. BENSON: — Perhaps if I could just give some background to it. Each department went into provincial agreements or negotiated through IGA (Intergovernmental Affairs.) A department usually is made responsible for administering the agreement. And it could be a various number of departments. IGA are involved in the negotiating process because it's an interprovincial affair. The responsible department is involved usually in the negotiations. Budget bureau and ourselves are involved from just a global standpoint. They are concerned about the total revenue coming into the province. And as a result of criticisms in the past from the Provincial Auditor, we've set up a monitoring system just to make sure that progress is being made on each one of those agreements. So that's how it all fits together.

MR. GLAUSER: — I think that's where last year we were into this with Mr. Kraus. It seemed to me at the time that he was saying that these were all being pulled together in your department. And that has been done?

MR. BENSON: — Effected during the last year, and we're just evaluating how effective that was. But we're planning on doing it again for the next year.

MR. KATZMAN: — You're doing the ARDA programs. That's solved. You've now got them either by hand or by claim. Your department now has the master list of everything that's out there, and checked, closely checked back to the department if they think that something may have been missed, or something, after a certain amount of time.

MR. BENSON: — Well, we flag the due dates of the claims, and if the claims become late, we deal directly with each department that is late in filing.

MR. KATZMAN: — And I assume that Special ARDA has got some old claims around, and the majority of claims are now down to the point where at least we either disagree on how much they owe or not, but at least they are now listed and earmarked to tag to be handled.

MR. MURCHISON: — Yes, yes.

MR. KATZMAN: — Well, that's half the battle.

MR. MURCHISON: — Yes, we have a complete record of all claims and what stage of the process they are at.

MR. KATZMAN: — That's it, Mr. Chairman.

MR. CHAIRMAN: — I don't think the other people are here.

A MEMBER: — I'm going to get two breaks.

MR. CHAIRMAN: — I was going to ask a question just before we did since we weren't holding anyone else up.

A MEMBER: — Here they are.

MR. CHAIRMAN: — Since it's on the tip, since I've got it half, I'm going to ask it anyway: during the year under review were there any Buy Saskatchewan promotional programs?

MR. FOLSTAD: — Not specifically promotional programs for Buy Saskatchewan.

MR. CHAIRMAN: — If I may get out of the year under review with respect to those, and if the members object I won't pursue it. There have been such programs. I wonder if you've ever done any analysis to determine the effectiveness of such programs. They may be popular with producers of Saskatchewan goods, but I often wonder how effective they are. I've never heard anyone in my lifetime say, "Gee, I think I'll buy this one because it's made in Saskatchewan." I just wonder if you've ever done any analysis to determine the effectiveness of those promotional programs.

MR. FOLSTAD: — Well, we're doing that analysis right now, and of course our promotion — that is fairly new. We haven't tabulated the results of the analysis at this point. The only thing that I could say is that we are getting a lot of enthusiasm from affected businesses throughout the province so far.

MR. CHAIRMAN: — I'm sure you are.

MR. KATZMAN: — Ned, I can't resist this since we've opened the book. I would think that the new direction, seeing as we're now out of the year under review and you can refuse to answer, are fair game. I think we are also promoting outside of the province, Use Saskatchewan, more than we have in the past, too, either by joint agreement with the industries, or whatever. So that may be a little different to market . . . to read, because we're promoting in, say, Minneapolis, "Come to Saskatchewan for fishing," which we haven't done before. That's the government.

MR. CHAIRMAN: — Tourism would be an exception to that. Tourism, I think, would be an exception to that. I think Tourism would make sense to — promote to come to Saskatchewan to enjoy the fresh air, and fishing, and wide-open landscape with no buildings to obscure your point of view, to coin a phrase.

It isn't kidding. Take it out of context of this administration, . . . (inaudible) . . . Minister of Agriculture had this Eat Saskatchewan Program, and I really wondered about the effectiveness of it. I'm being unkind to the program. That wasn't the motto, but it was "Eat Saskatchewan Products," and I really wondered about the effectiveness of the program. You people have then done the same thing — you people, I mean. The government has now done the same thing with respect to not agricultural products, but industrial products, and, as I say, I really would be interested in seeing the analysis of the effectiveness of it if you're able to share it with the committee.

MR. PETERSEN: — Certainly.

A MEMBER: — We'll do that next year, will we?

MR. FOLSTAD: — Part of that is straight promotion which, perhaps, you can judge in a qualitative sort of sense. But in addition, the major part of that program was to address slippage that doesn't have to occur and to open the doors of opportunity to the business people that are here. We found through that program there's just a lot of opportunities that Saskatchewan business people weren't recognising.

MR. CHAIRMAN: — How do you mean, slippage? What do you mean by that?

MR. FOLSTAD: — Particular products that were being bought outside that may even be cheaper and better inside the province.

MR. CHAIRMAN: — So the program may be more effective in its effect on selling to the retailers, as distinct from selling to the public. Is that what you're saying?

MR. FOLSTAD: — No. I'm saying to the most effective in providing new economic initiative to those existing suppliers that we have in the province, where there's things that they can produce.

MR. CHAIRMAN: — Oh, I see what you're saying. Okay.

MR. KATZMAN: — But the buyer's guide for farm implements, do you put that out or does Agriculture?

MR. FOLSTAD: — Economic Development and Trade.

MR. KATZMAN: — Okay. And what it does, is every farmer gets a copy of this thing, and it reminds them, hey, you don't have to buy a rock picker from Timbucfour because we have five manufactures in Saskatchewan. And you know, it sort of twigs you to remember Saskatchewan makes this, this, this, and this model.

MR. GLAUSER: — I think that probably a good example of this is firm in Saskatoon that I know of that is now manufacturing a particular gear for the potash industry that, prior to them going into this production, cost \$7,000 to bring in from Chicago, and is now costing \$3,500 to make in Saskatoon.

MR. CHAIRMAN: — That makes . . . This is good sense. When we used to go on these little road shows as a cabinet, what business people would tell us is that what they wanted was assistance in analysing a market and meeting the need. They didn't ever ask us, as far as I can ever recall, to do an advertising program to promote their products in Chicago. What they wanted was consultative advice, how to beat the market in Chicago, what the market was, and so on and so forth. That strikes me as the more productive view.

MR. FOLSTAD: — On the trade side, Economic Development and Trade, of course, is addressing that.

MR. CHAIRMAN: — Yes. I know you do.

MR. KATZMAN: — Thank you, gentlemen.

MR. CHAIRMAN: — Yes. I think we've wound it up. Thanks very much for coming. I don't think there's any other things that you'd want to have to provide. So that's the end of it.

Public Hearing: Crown Management Board

MR. CHAIRMAN: — I want to welcome to the committee Colin Hindle, president; Garnet Wells, senior vice-president of finance; Greg Mrazek, director of accounting services; Harvey McEwen, manager of the administration division.

Gentlemen, we want to welcome you. We want to thank you for coming. We tell everyone that the proceedings before the committee are privileged, in the sense that we heretofore have believed that nothing said here can be used in a civil or criminal action.

MR. GLAUSER: — We'd hate to see you go to jail.

MR. CHAIRMAN: — Yes. We are in the process of putting that to the acid test in another form. Nevertheless, what is said is taken down verbatim and is readily available for use elsewhere.

We don't really want to upstage the role of the Crown Corporations Committee. We don't intend to get into the length and breadth of the operation of Crown corporations in Saskatchewan. Our concern is a more narrowly focused one, and it was raised by the Provincial Auditor in his report.

Basically, I think, there were two questions which the Provincial Auditor raised in his report and which we want to raise with you people. One is the issue about the separate financial report for the entity known as the Crown Management Board, or CIC as it was known in the year under review. The second issue is the issue of tabling annual reports for wholly-owned subsidiaries of Crown corporations, which is not now done. So I'll leave the issue with you. I'm sure the Clerk has appraised you of the issue. I'll leave the issue with you and ask you to respond.

MR. HINDLE: — Okay. Well, thank you very much, Mr. Chairman. May I say that we're pleased to be here this morning, and my understanding of the focus of the committee's deliberations are as you've said, Mr. Chairman, and that the broader treatment of the situation of the Crown corporations is dealt with in the Crown Corporations Committee.

Well I'm happy to say that very recently, up to 10 days ago, we were there at Crown Corporations Committee, and that committee has accepted the two annual reports for 1981 and 1982 which had been outstanding for some time. So we're moving ahead there as well.

The first question that you raise concerning the publication, or the tabling of unconsolidated reports for the Crown Investments Corporation, itself a legal entity, the relevant concerns that have been raised by the Provincial Auditor as set out in the management letter, copies of which you have. And I guess there are a number of observations that one can make concerning this.

MR. KATZMAN: — Mr. Chairman, if I may before you go into it, could you split them when you make your remarks? There are two points here. I think one point is the point of the CIC itself, without all its things, plus the second point being the wholly-owned company. There's two issues there.

MR. CHAIRMAN: — Let's deal first of all . . .

MR. HINDLE: — I address myself to the first, which is to say, CIC legal, as we call it in our parlance, the CIC corporation per se, itself.

And the Provincial Auditor has raised the issue as to whether or not separate financial statements for CIC itself be prepared and tabled. And I was just going to — just to go over a number of points that relate to that.

I think that the motivation for the Provincial Auditor's concern was a situation where the Crown

Investments Corporation found itself in a negative retained earnings position, and was making dividend payments, and if you look at the management letter of the Provincial Auditor you can see that it has been true for the Crown Investments Corporation from 1978, again in 1979, again in 1980. 1981 was the first time in which the Crown Investments Corporation was in a — since 1978 — was in a positive retained earnings position of \$233,000. And in those earlier years, and in 1982, we were in a negative retained earnings position.

And so that the concern, as I understand it, really stems from that problem, that we were in a negative retained earnings position, and we were making dividend payments. And that's a concern that I must tell you that we share. I'm happy to say that a number of things have happened to correct that situation, and I'll relate those to you now.

I should also point out that the . . . (inaudible) . . . provincial, this is not the first time that this has been drawn to the attention of the crown investments corporation. The Provincial Auditor, in a similar report in 1979, made the same kind of case that he makes now.

Now the things that I'd like to relate to you that I think bear on this are that the Provincial Auditor has, in his letter, suggested to the crown investments corporation that we institute means or measures, policies, to ensure that there will never be a situation where dividends are paid by a part II corporation (that's part II under The Crown Corporations Act), which includes the crown investments corporation.

MR. CHAIRMAN: — Would you just define a part II corporation? I'm not sure I understand that term.

MR. HINDLE: — That's a corporation which has its own legislation.

MR. CHAIRMAN: — Okay.

MR. KATZMAN: — Potash. Sask Tel.

MR. HINDLE: — I beg your pardon?

MR. KATZMAN: — Potash. Sask Tel.

MR. HINDLE: — Yes, those are examples of corporation, and the crown investments corporation.

That they would not pay dividends that would leave them in a negative retained earnings position. And I'm happy to say that in December of last year an order in council was passed which, in fact, has instituted that policy for all part II corporations.

The second thing I think that's important is that, while we're not talking about the year 1983, but I think it's very material, that at the end of 1983 the crown investments corporation was in a positive retained earnings position of about \$2.5 million. The exact figure, I think, is 2.632 million. So . . .

MR. KATZMAN: — Just out of curiosity, and maybe . . . Have you filed the annual report?

MR. HINDLE: — We do not file an unconsolidated . . . This is the issue — we do not file an unconsolidated report for CIC. What I'm telling you that that is a case for the crown investments corporation, that we are at the end of 1983 in a positive, retained earnings position, to the extent of \$2.632 million.

That, of course, is consistent with our desire to address the fundamentals of this problem, and we have the broader policy which I just spoke about a moment ago. So that we see, basically,

this issue as having been addressed. Now that's sort of the root — the root, I understand it, of the auditor's concern.

As far as publishing the unconsolidated reports, is you have that problem addressed, as I believe we have, the publication of consolidated reports is consistent with the legislation, and it's fully consistent with generally accepted accounting principles and practices. And I think our position is that, provided we carry on in the line that I've indicated to you, that there is no necessity at this time to publish unconsolidated reports.

MR. CHAIRMAN: — This document which we have now received — it's your 1982 annual report — is the consolidated report of all Crown corporations, which means these figures are the total earnings of all Crown corporations, the total assets of all Crown corporations.

MR. HINDLE: — Mr. Chairman, in the CIC group.

MR. CHAIRMAN: — In the CIC group.

MR. HINDLE: — Yes.

MR. CHAIRMAN: — What Crown corporations are outside the CIC group?

MR. HINDLE: — The grain car corporation, Sask Housing, FarmStart.

MR. KATZMAN: — That, Mr. Chairman, if I may, on page 6 of the report.

MR. HINDLE: — And Sask Media . . . (inaudible) . . .

MR. KATZMAN: — Page 6 of the report.

MR. CHAIRMAN: — Okay. How would then . . .

MR. KATZMAN: — It shows all the corporations that are recovered.

MR. CHAIRMAN: — I see that, thanks. How would one determine from these statements . . . And I'm not perhaps . . . (inaudible) . . . as I should be. How would one determine from these statements whether CIC had \$2 million surplus, or a \$2 million deficit, or \$50 million deficit or whatever. How would one determine that from these statements?

MR. HINDLE: — They would not . . . that would not be directly observable from those statements, Mr. Chairman.

MR. KATZMAN: — Could you not . . . I don't agree with you. Maybe I don't understand here. If I went through the resource, the utilities, and the financial and service individual reporting documents, subtracted numbers and added numbers, I would get some kind of idea where you were. It wouldn't be exact, but I would have some kind of idea.

MR. HINDLE: — When I say directly observable, what I mean is that the number, the deficit, the retained earning situation of CIC is not a number which is shown in this report per se.

MR. CHAIRMAN: — Isn't that information, though, I'm really getting beyond the issue of . . . I may be getting into policy here, but does CIC have any assets. What I was going to say is, isn't that something which legislation should have? And I think that is policy, so let's leave it. Does CIC have any assets apart from retained earnings?

MR. HINDLE: — Yes.

MR. KATZMAN: — All the companies.

MR. CHAIRMAN: — All the companies. But, all right. So, yes, okay. What this gives you is the assets of all the companies, but does the entity have any assets apart from its ownership of the . . . apart from its equity position in the other companies?

MR. HINDLE: — We have assets which consist of retained earnings, which consist of advances and loans that have been made by the Crown Investments Corporation.

MR. CHAIRMAN: — Would there be any particular difficulty in providing the separate financial statements for CIC, any particular expense . . . (inaudible) . . .

MR. KATZMAN: — Well you and I argued this earlier, but . . .

MR. CHAIRMAN: — Why would you do it?

MR. KATZMAN: — I don't think it's . . . it's a mother company, and you don't have to do with the mother. The mother company shows all her subsidiaries within, all her children within, and comes out with a backhand statement.

MR. CHAIRMAN: — Well I think whether or not, I think that . . . as I say, I'm not sure this is not the crux of the issue. It seems to me that that is information which will be of use to members of the Legislative Assembly, the financial position of CIC simpliciter, or as distinct from the plans for . . . (inaudible) . . .

MR. KATZMAN: — But you can, you can if you follow, in my opinion, and tell me if I'm wrong. I'm no accountant. I understood good, old, Jewish bookkeeper, which means you keep a couple of different things working.

MR. CHAIRMAN: — I gather . . . (inaudible) . . . I'm told from the gentiles that . . . (inaudible) . . . I am told from the staff that that is not a process which ordinary laymen could comment on . . . (inaudible) . . .

MR. KATZMAN: — Let me make my statement first, and let's get him to comment. My comment is if I went back, say, 10 years or whatever and followed these through with the Crowns involved, followed them all, watched the . . . (inaudible) . . . I could probably, with a good bit of education, have a good clue where they lie, if, . . . but I would have to follow the long pattern of maybe 10 years of something, to run it together. I couldn't do it on a one-year blurb. But I could get a pretty good thumbnail sketch if they were in a positive or a negative position over a long haul, not a short haul, but on the long haul, by taking all these companies, taking their annual report of this corporation, their annual report, running it through the years, processing back, looking for the dividends, looking for their borrowings on through — their borrowing procedures — I could come up with the numbers.

MR. CHAIRMAN: — I'll ask the Provincial Auditor's staff.

MR. WENDEL: — I don't think you could because you're missing some critical information.

MR. HINDLE: — May I just, Mr. Chairman, add to that. I agree. I think that, again, one has to return to the question of whether or not the practice conforms to the generally accepted accounting principles. It does. The real question, I think, for the legislature, and for persons interested in the performance of the Crown sector, is to look at the performance of the Crown sector overall, and individual companies.

The Crown Investments Corporation is in the nature of a financial intermediary, if you like, between the government and the Crown sector. And I think adequate information is available

when you look at the individual reports of power corporation . . . (inaudible) . . . Saskatchewan Telephones, potash and so on, together with the consolidation to equip members of the legislature to understand what is the performance overall of the Crown sector. And that is really what is the most important.

MR. CHAIRMAN: — Yes, but I do not believe that the same principles which apply to the private sector automatically apply to the public sector. The public sector is, by nature, subject to a different kind of scrutiny, and normally a much more intense scrutiny than anyone in the private sector . . . (inaudible) . . . It strikes me that it is information which would be of use and of assistance to the members of the legislature to know the position of the CIC itself, whether or not dividends were paid out. The example's a good one — whether or not dividends were paid out . . . (inaudible) . . .

MR. HINDLE: — You will know from other sources, Mr. Chairman, whether or not the CIC pays a dividend to the government. That information will be available to you.

MR. CHAIRMAN: — But we don't have the financial basis. We don't have the financial background to the payment. That's what we lack. You're right. We would know that . . . (inaudible) . . .

MR. KATZMAN: — Ned, in 1978, when the former government set this up, it was set up exactly to do what it's doing. Now that's their political decision — fair game! — policy decision at the time. These gentlemen don't speak for policy, and I'm tempted to give them a slight discussion on you on this one. But what I'm saying to you, Mr. Chairman . . .

MR. CHAIRMAN: — We are getting beyond . . . (inaudible) . . .

MR. KATZMAN: — No, but 1978, as is indicated, this was set up — set up, I think, '78. Is '78 correct?

A MEMBER: — Yes.

MR. KATZMAN: — When it was set up, and if I remember Cowley correctly making the comments because he was the chairman, I believe. I believe the intent, when we as opposition tried to break out the number and cross numbers, he was saying that this is the whole government company, and it will decide if it takes the profit of SGI or Sedco or STC and uses it to assist the development of . . . (inaudible) . . . And that's their choice, where they want to put the money, or if they want to send it in to the government treasury.

The truth of the matter — and you and I both know it — it was a nice way to declare a dividend without having to prove that the money was there and it wasn't just borrowing money. This could borrow money. Throw it to the government . . .

MR. CHAIRMAN: — It's exactly what the . . . (inaudible) . . .

MR. KATZMAN: — That's right. And that's what you guys set it up for.

MR. CHAIRMAN: — The mere fact . . . I know that what the former government did was, in most cases, letter perfect, but it was capable of making a mistake, and there are perhaps improvements to be made on what the former government did.

MR. KATZMAN: — Yes, but Ned, what I'm trying to say to you, the name of the game on this one was so that you didn't have to declare a deficit when you guys did your budget for the last five years, and it was strictly to get this thing . . . (inaudible) . . . people who didn't have the money and had to borrow the money to give it to the general fund so that you didn't have to show that you had a deficit. So you cooked the books. But that's legitimately cooking. As a good

Jewish businessman says, use every advantage you can.

MR. CHAIRMAN: — Kosher, the books were kosher.

MR. KATZMAN: — The books were kosher, that's right. They passed the kosher test. Okay. That's what you did. You did a good job of it. Now that you're in opposition you say, oh, we don't want you guys to be able to do it, but was sure great while we did it.

Now the auditor is doing as he always has done, and said . . . or the Comptroller, yes. Auditor is saying that we don't think it's right, and therefore we're going to flag it again, and hopefully that this new committee will not be as protective and concerned about political ramifications as the last one (I added those words to his thoughts), and we'll come up front.

MR. CHAIRMAN: — Surely, the staff of the Provincial Auditor . . . (inaudible) . . .

MR. GLAUSER: — Let's go back a little bit further here. Let's go back to when this committee got started here two years ago, and things were opened up in this committee. You know, you would have us do everything in two to three years to correct all those errors that you made back then.

MR. CHAIRMAN: — I'm just trying to inspire you to greater heights.

MR. GLAUSER: — . . . And there's no way we can do it in two or three years when you had 11 to make them all.

MR. KATZMAN: — And to bury things.

MR. HINDLE: — Mr. Chairman, just to recall, because I think it's relevant to the discussion that's been going on . . . There has been, as I said earlier, this order in council which represents, I think, a significant reform. It was not there before and is there now. And I just go back to the letter of the Provincial Auditor, and he speaks of:

Because of the magnitude of CIC's deficit as at December 31, 1982, I now consider the disclosure of CIC's financial affairs on a legal entity basis to be essential because of . . .

That is not the case any longer, and we have in place an order in council that would prevent it in the future.

MR. CHAIRMAN: — But the opposite might also be true. It may be that there are retained surpluses there which the government is of the view that should be retained for a rainier day, which other members of the House might feel should be spent here and now, on now prying problem.

I have consistently . . . Let me finish. Before you people come roaring out of the corridors, like enraged bulls, let me say here, and let me say on this issue, as I have said on other issues, that the mere fact that the former government did it should not be the be-all and the end-all of the discussions. Surely there may be room for some improvement. Without admitting any of the evils which the member for Rosthern related actually took place, the potential for it may have been there. And members of the Legislative Assembly should have that information.

I wonder if you gentlemen have any excuse, other than what I view the somewhat lame one, that the former government did it and, therefore, what's sauce for the goose should be sauce for the . . . (inaudible) . . .

MR. GLAUSER: — I can assure you right now, Mr. Chairman, that this will not be one of the items we flag to send in to the House when we write our report.

MR. CHAIRMAN: — You're giving me that assurance.

MR. GLAUSER: — You may as well know that now, because the steps that have been taken there on the order in council puts it up front and, I think, that's a significant move at this time.

MR. KATZMAN: — I would disagree with the member from Mayfair.

MR. GLAUSER: — You go outside.

MR. KATZMAN: — I think we will be flagging them for complimenting them for coming up front and being clean . . . (inaudible interjections) . . .

MR. CHAIRMAN: — You may hear the sound of one hand clapping for the opposition. Well, I think we have absorbed enough of your time with respect to that item. You've given us your view of it. Could you give us your view, then, of the issue of filing annual reports for wholly owned subsidiaries. Some of them I appreciate there would have to be some guide-lines. Someone, before you came in, mentioned the fact that the telephone company . . . Under some definitions of subsidiary, perhaps the rural telephone companies might be viewed to be subsidiaries of Sask Tel, and you obviously wouldn't want an annual report from every rural telephone company that had been absorbed.

There may be some subsidiaries whose activities do not merit the expense of putting out an annual report. But, without getting bogged down in such peripheral issues, what about the broad issue of filing annual reports?

MR. KATZMAN: — Ned, before you . . . May I just add to that. The comment I made earlier on Sask Tel was very simple. Over the years, originally Saskatchewan was base network of privately owned telephone companies, and both as economics and other things have changed, they have voted as a board of a private telephone company to give it to Sask Tel. Now there is about 60 or so many that are still running independent, own their own lines and rent key space, I guess is the word or whatever. And they don't table to the House, because they're not responsible to the House.

But as Sask Tel has taken over the other ones, they have incorporated them into their major statement, their mother statement, and they become wholly owned companies . . . sorry, not wholly owned. They just take them straight in, deficits, pay off the expense and the assets and away we go. That was the comment I was making earlier, Ned. What I'm saying is, that's a little different, I think, than your PAPCO may be and your whatever else.

MR. CHAIRMAN: — The brewing company in Biggar, whatever you've got later on.

MR. HINDLE: — Okay. Well, Mr. Chairman, I think that the argument, which is a compelling argument, that I raised in connection with the publication of the disaggregated or unconsolidated statements for CIC, in that their practice of consolidation conforms to generally accepted accounting principles, again applies in this case. That is simply the fact.

The second point that I think is material here is that in some of the cases of subsidiary companies in which we hold an interest, they are single-product companies. They are business corporations which operate under competitive conditions, and in those cases the publication of separate accounts represents a kind of disadvantage of making information available to their competitors, which will help their competitors, but not help the company.

The third point . . .

MR. CHAIRMAN: — Are you suggesting that the information in an annual report . . .

MR. HINDLE: — Surely. And in the case of many corporations in this country, privately held corporations, this kind of data is not made available, obviously, and one of the compelling reasons for not making it available is that it represents intelligence in the hands of competitors.

MR. CHAIRMAN: — Okay. I'll let you finish. I'm sorry.

MR. HINDLE: — And the third point that I'd like to raise is that in some instances there are minority shareholders. We are not the only shareholder. Prairie Malt is an example where we hold 92 per cent, but there's a significant 8 per cent held by private interests. And the interests of those private shareholders has to be taken into account. They don't necessarily want this kind of information made available.

MR. CHAIRMAN: — I don't think the committee was getting beyond the issue of wholly owned subsidiaries. I may have used the example of Prairie Malt, but if I did so, I did it in error. We weren't, I think, at this point in time addressing the question of subsidiaries which are not wholly owned.

MR. HINDLE: — You're talking about PAPCO and the Crown Investments Corporation Industrial Interests Incorporated. Are those just the two?

A MEMBER: — Three.

MR. CHAIRMAN: — What three are they?

MR. HINDLE: — The two that we own directly are PAPCO and CICIII — triple I as we call it — Crown Investments Corporation Industrial Interests Incorporated, through which we hold our interest in Prairie Malt, in Ipsco, Cablecom, SED Systems, and so on. Of course our holdings in many of those cases, as I explained of Prairie Malt, for example, we hold 92 per cent; we don't hold 100 per cent of the company — through CICIII.

MR. CHAIRMAN: — May I ask you another question, then? You may not be able to answer it. How many other companies did you hold the majority interests but which were not wholly owned?

MR. HINDLE: — Well, we hold a majority interest in Prairie Malt. We hold a majority interest in . . . Well, we hold 100 per cent of PAPCO, Cablecom, and that's it, yes.

I should add, Mr. Chairman, at one point we did, in the case of SED Systems, have a majority interest. We no longer have a majority; we've sold. Our share has been diluted.

MR. CHAIRMAN: — Are annual reports, in fact, prepared for those companies?

MR. HINDLE: — No. The answer is no. There are annual financial statements that are prepared, but annual reports are not prepared for any of those companies.

MR. KATZMAN: — On that point, if you were — going back to my heritage, I guess — if you were to table a financial report on PAPCO or P.A. Pulp, which you own totally, and I was in competition to you, I've got just enough documentation and I understand the industry. I can pretty well break out your costs and what you're paying for this and what you're paying for this, because I'm competing against you and I know your margins, and I will know enough to be able to get you or be able to one-upmanship or know when to back away from you, as a competitor.

And what you're telling me is for those reasons those documents are guarded very carefully. And if that is the case, God bless you, because that's the only way we're going to be competitive.

MR. CHAIRMAN: — Except in the case of PAPCO, I'm sure all the other competitors are publicly traded companies.

MR. HINDLE: — Well, PAPCO is an interesting case, Mr. Chairman. Many of its competitors are publicly traded companies but PAPCO, of course, is an unintegrated producer in the sense that it is a market pulp manufacturer, does not have the competitive advantages of vertical integration that many other of its competitive firms do have.

It's true, what's been said — reiterate what I said earlier — that providing more intelligence of this sort to competitors is a distinct advantage to those competitors.

MR. CHAIRMAN: — I had always understood, perhaps wrongly, that the production of annual reports was not a function of generally accepted accounting principles so much as a function of the rules of the stock exchange. If a company is traded on any stock exchange, annual reports must be provided. If it's traded on the Toronto Stock Exchange, you must provide quarterly reports.

MR. HINDLE: — But PAPCO's a private company in the sense that it's owned by us and it's not traded anywhere.

MR. CHAIRMAN: — Well, it's a private company in the sense that it's not publicly traded. It's a public company in the sense that it's owned ultimately by the public of Saskatchewan.

MR. HINDLE: — Indeed. I meant private in the sense that you've said.

MR. CHAIRMAN: — Only in the sense that there's not . . . Am I not correct in saying that the rules, that the pertinent rules with respect to annual reports are, in fact, the rules of the stock exchange and not accounting rules?

MR. HINDLE: — No, that's not my understanding, Mr. Chairman. But in the case of a company like PAPCO, which is in the sense that we own it 100 per cent, not traded on any stock exchange, the reporting of that — the results of that company on a consolidated basis with the other holdings of the Crown Investments Corporation, come perfectly consistent with generally accepted accounting principles. In fact, it is those principles which dictate the nature of the reporting and not some hypothetical relationship to the stock exchange, since the stocks aren't traded.

MR. CHAIRMAN: — Agreed. Whether or not the report was public or private is a function of whether or not it's publicly traded or privately held.

MR. KATZMAN: — You're wrong, Ned. CIC industrial . . .

MR. CHAIRMAN: — I'm dealing solely with the private sector. I'm not . . .

MR. KATZMAN: — No, no. The problem is the way it's bulked together. If you'd suggested that CIC should have a second grouping of the wholly owned ones, you may be getting closer to what you say. But then you have the protection and some problem of giving away your information.

But you definitely — other than Prairie Malt which is totally owned, if they had a second section — you know it was just one line in this report for P.A. Pulp, for one line in P.A. Pulp, that would be different from one where we own percentages because you've got to protect your other partner.

MR. CHAIRMAN: — Well the percentage ones are different. I agree.

MR. KATZMAN: — That's right. So the only one you're talking about now is — to clear it — is we we can only talk about P.A. Pulp, is what I was trying to get to, to the concept you're wanting to talk about.

MR. HINDLE: — If we were a private sector holding company and we held PAPCO 100 per cent, there would be no reason for us to publish separate annual reports for PAPCO.

MR. CHAIRMAN: — Agreed. But what I'm suggesting to you is that the analogy is not perfect — to suggest that something which is owned by CIC is in the same position as something which is owned by George Weston Limited.

MR. KATZMAN: — Except, Ned, prior to 1978, if you look at Crown Investments Corporation of Saskatchewan, most of these were available prior to '78. And what happened is they got rolled into CIC. I think that became a holding company. If I — and this is just a guesstimate in my own opinion — is Sask Power and Sask Tel and SaskComp and Sask Water Supply did not exist prior, and the government was going to start them tomorrow, I would almost bet, under the former government, that they would never produce an individual annual report. They would have come in under this thing.

But because history and the other ones have done an annual report, they have continued. The truth is, all these corporations, if they wanted, could stop printing tomorrow, by the arguments that are going back and forth the table. But out of courtesy, and out of continued functioning, they have continued to supply those, and because in most cases they're not a competitive company where it hurts to put out the information.

MR. CHAIRMAN: — I think it's also a . . . (inaudible) . . . those annual reports.

MR. KATZMAN: — I think you could blow that apart and call them all in CIC.

MR. CHAIRMAN: — I don't think you could. Anyway, that's neither here nor there.

Let me ask you another question not raised by the Provincial Auditor's report. Companies which trade on the Toronto Stock Exchange must provide quarterly reports. Every quarter they must provide a financial statement. Would there be anything to prevent CIC and the Crown corporations from providing quarterly interim reports? Every other publicly traded company that trades with . . . (inaudible) . . . I disagree quite frankly with the . . . Let me just respond to the comment made by the member from Saskatoon Fairview. You must provide quarterly financial statements for your internal use. It's not a question of the cost of . . . (inaudible) . . . It's a question of whether or not it's in the public interest to make it public.

MR. HINDLE: — Well, again, you're talking about the preparation of quarterly consolidated. We're not back onto the question of the unconsolidated versus consolidated. That's a separate issue.

MR. CHAIRMAN: — We're getting into a broader issue of not just a quarterly report . . . No, I'm not sure that we would want to provide a quarterly report for CIC. I was thinking of the broader issue . . .

MR. HINDLE: — Of our corporations providing quarterly reports.

MR. CHAIRMAN: — . . . of the corporations providing quarterly reports.

MR. GLAUSER: — Mr. Chairman, I would like to interject here, if I may, in that I believe that this is really getting out of the purview of the committee. And I think that would be more a question before the minister, as opposed to being a question of . . .

MR. CHAIRMAN: — I think it probably is. Let me just ask the question which I think is pertinent here, that is: do you . . . do the Crown corporations prepare, for internal purposes, quarterly financial statements which they then make available to CIC?

MR. HINDLE: — In fact, we receive internal data which is of that nature, yes.

MR. KATZMAN: — Gentlemen, I'd like to . . .

MR. CHAIRMAN: — Yes, I think that's probably it, unless you wanted some other issues.

MR. KATZMAN: — Mr. Chairman, we go Wednesday with who? Starting with . . .

MR. CHAIRMAN: — We've got Finance and Highways left.

The meeting adjourned at 11:40 a.m.