

STANDING COMMITTEE ON PUBLIC ACCOUNTS
May 2, 1984

Public Hearing: Department of Finance

MR. CHAIRMAN: — I want to welcome you gentlemen of the Department of Finance. And Mr. Costello, if you would mind introducing your people.

MR. COSTELLO: — Shall do. Good morning. Don Rowlett, associate deputy of finance, taxation and economic policy; Morley Meiklejohn, assistant deputy minister, investment and financial services; Lawrie McFarlane, associate deputy for treasury board division; and Keith Mackrill, director of administration.

MR. CHAIRMAN: — Thank you very much. And I think most of you have been here before, and you know how the committee functions in that everything you say in here is privileged, and according to what may or may not have happened in the past, you cannot be held responsible outside for things that go on in here.

I think that we would like to start off with the page . . . Oh, first of all, with the virements. And you know what the auditor's remarks were. You've no doubt replied to that management letter. Perhaps you would like to make some comment on just what takes place in those virements.

MR. COSTELLO: — Sure, Mr. Chairman. Virements are basically authorizations by the Minister of Finance to transfer funds from one subvote to the other within a department, within an overall vote. And they greatly differ from a special warrant, which the auditor mentions and compares to in the audit report.

Special warrant is an executive order on council which increases the overall spending limit for a vote, and thereby for the entire government. So that whereas a virement is a transfer of authority from one subvote within a vote, or within a department, the transfer of that authority from one subvote to another, which does not increase the overall spending authority for the government or for a department, a special warrant is something quite different, in that it does.

And for that reason, I think, we see there being justification for a difference in treatment between a special warrant and a virement. A special warrant, its legal treatment, is that it is an order in council passed by the cabinet which, as I say, increases the overall spending authority for the government, which subsequently goes back to the legislature through supplementary estimates annually tabled by the Minister of Finance at budget time.

With respect to virements, it doesn't have that treatment, because it is a different sort of instrument. But there is full disclosure. Virements are now, as of I guess the last two years, reported annually in the *Public Accounts* so that there is full disclosure and the government, through the *Public Accounts*, reveals the full impact of virements for each fiscal year.

Leaving aside the legalities of it, I think a comment about the purpose of a virement or, from our point of view, I guess the importance of the virement instrument. The virements are an important budget management tool in that they permit the government to, as the year unfolds, transfer money from one subvote to the other, which really what that means is to respond to the changing needs of the citizens at large who may exert different sorts of demands on one program versus another, differing from what was originally thought to be the case when the estimates were put together. So it provides some administrative flexibility which, I should add, of course, is totally legal in that the legislature has delegated that administrative flexibility through the finance act to the Minister of Finance to make those payments. So it does provide the government with the ability, and departments with the ability, to respond to changes in demands on their budgets.

And the important thing is, really, that it forces the managers to meet expenditure needs without coming back to the cabinet, to the government, to the legislature for more money. Rather it

forces them, when they are confronted with expenditure requirements over and above what were put in the estimates, to finance those added requirements by internal reallocations.

So, in a management sense, it's an important tool in that it permits the government to, in essence, force its managers to live within their budget — a budget that, if you didn't have virements, would be too rigid, because then managers would be stuck having to finance each component of a program out of a particular subvote without the ability to transfer the money, leaving them . . . The only recourse for them would be to go to the legislature and to cabinet and ask for more money, which would increase the bottom line, for sure, of expenditures and, of course, therefore the deficit which is something we all want to not do.

MR. CHAIRMAN: — Okay, you . . .

MR. KATZMAN: — Perfectly acceptable explanation.

MR. CHAIRMAN: — Anybody else? Any comments?

You know, you say that this is covered in the legislation in the finance act — this proviso of virements. If that is covered in the finance act, then it would seem to me that the auditing department would follow the finance act, as well, and I think that this has been mentioned in prior years. When was that incorporated into the finance act? How long ago is it that that was done?

MR. COSTELLO: — Well, virements are nothing new in Saskatchewan or, indeed, across Canada. Before 1983, virements were authorized annually by the legislature in The Appropriations Act so that, when the budget or The Appropriations Act finally received the approval of the legislature, contained in The Appropriations Act annually was a clause that allowed the Minister of Finance to vire money within the approved budget.

In 1983 — and I must say at the suggestion of the Provincial Auditor to do this, as I recall — it was thought that we would put that authority on a stronger footing by incorporating it right into the finance act so that it wouldn't be an annual, almost afterthought in The Appropriations Act, but laid out in The Finance Act for more of a permanent measure, if you like.

MR. MEAGHER: — Mr. Chairman, may I? In the case of warrants, after the warrant is issued and the department get the moneys, do they then have to go for legislative authority the next year to authorize that?

MR. COSTELLO: — Well speaking to the question of money, if more money is required in a program that there is, let's say, in a department where there is not sufficient authority, a special warrant is then passed. Then that special warrant then has to go to the legislature in the form of supplementary estimates, to be approved by the legislature after the fact, obviously.

It's assumed in all of that that they already have the authority to spend the money on the particular activity, but rather they're just short of money. If they don't have the authority to spend the money on a particular program, that's a different question and they may need legislative authority to carry out the activity — leaving aside how they are going to pay for it. But as far as the money goes: yes, that special warrant is then submitted to the legislature in the form of supplementary estimates.

MR. CHAIRMAN: — Okay. I would like to turn then to page 35 of the auditor's report. He was talking about the disclosure, the accounting policies, and as they relate to — oh, the carrying value of the loan of the Saskatchewan Grain Car, Saskatchewan Heritage Fund reserves, revenue cut-off policy . . . Perhaps you could take each of those and give us a brief explanation.

MR. COSTELLO: — Yes, sure, Mr. Chairman. On the grain car corporation, I believe . . . Well, I

don't want to attempt to put the auditor's case, but I'll just give you my brief comments about the issue.

On the grain car corporation, I think, we have responded to the auditor that we feel that the Heritage Fund, which made the original advance to the grain car corporation in the form of a loan back four or five years ago, that that loan on the books of the Heritage Fund is a legitimate asset to be counted as part of the Heritage Fund assets; that it is our accounting policy (and here, perhaps, the people from the comptroller's office would want to comment), but that the accounting policy of the government does say that the Heritage Fund can make loans to Crown corporations and they won't form assets of the Heritage Fund, and I believe that's the point in question.

In my reply to the auditor, I think I indicated that we also recognize that there is a policy that if the liability, at some future date, is deemed to be greatly in excess of the realizable value of the asset then obviously we will have to look at whether a write-down is called for. And that is certainly an accounting policy. For the moment the grain cars are there, and they are an asset of the grain car corporation. They have been financed by a loan from the Heritage Fund, and for the moment I think we are comfortable in saying that that should remain as an asset of the Heritage Fund for the time being.

Just aside, I suppose . . . In Alberta, for example, assets of the heritage fund include things like roads, hospitals, and schools that are built, much like our provincial development expenditures. They are counted as assets in the overall balance sheet of the heritage fund in Alberta, and I think one would have to say that's certainly going a step further than counting an investment, as was the original intention of the grain cars for the grain car corporation.

I don't know whether Gary Benson wants to make an accounting comment on that, or should I just proceed through the four issues and . . .

MR. CHAIRMAN: — I think, if you would, please. And then we'll . . .

MR. COSTELLO: — The Heritage Fund reserve question is . . . I believe the Department of Finance takes the point of the auditor, that there is no legislative authority for these reserves. These reserves are the environmental protection reserve and the energy security reserve established in the Heritage Fund, again about four years ago. There is no legislative authority for these, and I think it's a judgement call whether legislative authority is actually needed. I think our feeling was, and still is, that it is not.

Really, what these reserves are are segregation of equity within the Heritage Fund. It's not an expenditure. It's not something that should have been appropriated. Rather, it was the government of the day earmarking assets or equity of the Heritage Fund and, basically, labelling it: we want to call this a reserve that, at some future date, will be used for the purposes of energy security or environmental protection — with the understanding, clearly, that at some point in time in the future, when that money was to be actually spent for energy, security, or whatever, then it would have to go to the legislature and be appropriated.

And it's our feeling that, I suppose, this is a question of the construction of the financial statements and that normally is governed by the treasury board, who, say, prepare statements in such-and-such a way. And in this case, the, I believe, the 1980 budget announced that there would be these reserves and clearly we prepared the statements on that basis.

Having said all that, we recognize that it is a judgement call, and I think we're prepared, the next time The Heritage Fund Act is open for some other purpose, to include, if the government so wishes, the continuation or the authority to continue these reserves. As I say, it's not spending money, it's merely a question of earmarking of assets that are there and putting a name on them. And so it's not something that we think necessarily requires legislation.

The revenue cut-off, number three — in the department's response to the Provincial Auditor, we indicated that there had been a fair bit of confusion about the interpretation of this clause. I'll briefly try to explain it.

What the difference of opinion has been on this question is that we're on a cash basis of accounting, and we always leave the books of the province open for 30 days after the end of the fiscal year. Where revenues come into the province on, let's say, the 15th of April, that pertain to the year just past, everybody agrees that the cutoff policy permits us to take those revenues of April 15 and move them back to the year just ended, and the same applies to expenditures.

The question came up: well, what if revenues from five years ago come in on April 15? Do you put them back to the year just ended? We know you can't put them back five years; the books are long closed. Do you put them back to the year that's just ended, or do you let them go into the fiscal year that you're actually in, which is the new year as of April 1?

In the past, we have interpreted our policy to be that the revenues that come in that might be five years old we put into the new fiscal year. We don't move them back because it's only revenues from the year just ended that we would move back. The auditor had the different view that those revenues should be put back, regardless as to whether they were one year old or 10 years old, if I understand your position on that. There was a fair bit of confusion and, in my response to the auditor, I think we indicated that we would be willing to clarify the interpretation of that policy, such that it would be in accordance with how the auditor views it. And we will, I suppose, be looking at that over the coming months.

Equalization adjustments, point number four. Our view on that one has been that we're on a cash basis of accounting, and frequently at year end moneys are owing to the provincial government from the federal government for various programs, and equally likely we owe the federal government money on programs. And what this is, of course, is that programs are on a fiscal year basis and where we are paid income tax or establish programs financing federal-provincial cost-sharing money based on estimates, and these estimates frequently prove to be inaccurate, one way or the other, and adjustments and re-estimates are made frequently.

So that when you take a snapshot of the fiscal situation or of the account, I guess, of the province vis-a-vis the federal government on March 31, at any point in time, we'll owe them money on one program; they'll owe money to us on another program. And it's our policy to treat funds as they come in and if at the end of the fiscal year the snapshot shows that we owe them \$10 million, I think the auditor is suggesting that we would show that as a loan on our balance sheet rather than what we do now which is merely footnote and say, as of this date (let us say that the federal government owes us \$10 million), we will merely footnote the fact that our estimate of the re-estimates show that as of that date they owe us \$10 million, rather than attempt to incorporate them into the statement which would be more along the line of an accrual basis of accounting where we try to determine who owes what.

So we feel that based on our modified cash basis of accounting, and because these numbers are jumping all over the place and are not reliable on any particular day, and you don't have the money until you get the money, that we would, I suppose, want to continue pursuing the policy of counting cash as it comes in and not showing anything other than a footnote entry as to who owes what on the end of the fiscal year based on somebody's estimate of the current status of the various payments.

MR. CHAIRMAN: — Thank you, Mr. Costello for that very good information. I think there's going to continue to be probably some disagreements with the auditing department, from what you've said, except for the number two there, where you are looking at some future date, should the heritage act be re-opened.

I have nothing more, unless the comptroller wishes to comment on the point that Mr. Costello made.

MR. BENSON: — I think, Mr. Chairman, that Mr. Costello has explained the point adequately, unless the members have questions.

MR. CHAIRMAN: — Okay, you've been at it hot and heavy.

Public Hearing; Department of Highways

MR. CHAIRMAN: — Gentlemen, I want to thank you for your attendance this morning. We appreciate your assistance in dealing with public accounts. We warn all, and tell all members, that what is said before the committee is privileged in the sense that it can't be the subject of any criminal or civil action outside the committee. On the other hand, it is taken down verbatim, and is readily available for use elsewhere.

I want to welcome Jack Sutherland, deputy minister; Myron Herasymuik, director of operations division; Al Schwartz, director of support services division; Paul Fitzel, director of the financial services; and there's more faces than I've got names here. Who didn't I introduce? I read off four names and there's six gentlemen sitting there.

MR. SCHWARTZ: — They are people with data for us if we need it. Al Massier, our director of management services; and Ivan Millard the budget control officer.

MR. CHAIRMAN: — I'm sorry, I didn't read far enough. The names are here. I'm sorry, I didn't read them off the memo.

On page 11 and 12 of the Provincial Auditor's report, they report some difficulties experienced in implementing a new computer system. I think the pertinent sentence was, the gravamen of their complaint, is contained in the following sentence:

The processing of data under the new system was not designed with appropriate internal accounting controls or development of the necessary computer programs with resultant deficiencies in the production of accurate and complete information for the 1982-83 fiscal year.

I would appreciate your comments, gentlemen. Do you think that a fair comment, and if not, why not? If so, what has then been done to remedy the problem?

And I'll leave it to your deputy minister to answer himself or ask some official to do so.

MR. SUTHERLAND: — I'll make a few comments on that. I don't want to get into specifics. My staff here can handle that. I'll just give you a little background.

I guess we could say that we've had a fair bit of experience over the years in implementing systems. However, we did have some problems with this system, and we're the first to admit that.

Usually we develop and design our systems in-house. But this is a . . . We were looking for a system that really was not available anywhere in Canada. In fact, we set up a committee and we went around to quite a few provinces in Canada and maybe six states in the United States, to see if there was a system available that would give us the information we wanted on the operation of our shops, the inventory in the stores, and then just the management of equipment that we have. And, of course, we still have a lot of equipment. We still have nearly 3,000 pieces of equipment in the department.

So we did a study and we found a system that we thought would meet our needs. And we thought it would be cheaper to adopt this system than to try and put something together from scratch. Now we did . . . Of course it's a new system, so we weren't as familiar with it as if we had adopted it ourselves.

We, as I said before, were confident that it is a good system. And quite a few of our people weren't totally familiar with it when it was put in. No major discrepancies or inaccuracies have resulted. The necessary controls are in place and the system operation is now being fully documented.

That was another problem, we didn't have no proper documentation of the various procedures, but that is under way. And we do agree with the Provincial Auditor, that there should have been a period of dual operation of the old and the new systems until our people were more familiar with the programs and the documents.

I guess, another thing that's, I guess, exacerbated the whole situation was that we did have an opportunity to get this system at quite a reduced price, if we made our decision within a fairly short time frame after we kind of got the whole system presented to us. So we did move on it and maybe it wasn't the right decision.

But anyhow, we're confident now that the essential records of the Highways revolving fund are being maintained, and we have some documentation and, you know, a few things to tidy up. But I think that's really the bottom line. We did have some problems. We think we got the problems resolved. We're confident that we have them resolved, and we think we have the people that can handle the system.

MR. CHAIRMAN: — I take it that, in your view, most problems are behind you now. I take it that that's what you think by the last statement, the problems are behind you now and . . .

MR. SUTHERLAND: — We still have some problems, but we think we can handle them. You know, like there is some still documentation to be done on the inventory. We're still working that out. Because there were some problems there, and Paul could probably speak more further to that. But we have confidence in the system.

MR. CHAIRMAN: — Any questions on this? I have some other questions on other areas of your department. I was going to leave this for the moment. If other members want to get in on the subject. If not, I'll go on to the other questions.

MR. MARTENS: — I have one question. When you started the other system and went into it, did you have the same sorts of problems involved in putting that system into place as relates to this one? This is probably a normal thing is what I'm getting at. Where a system involving . . .

MR. SUTHERLAND: — Well, not in our case, no. We did it in-house. You know, we have a lot of systems in place, but if you do it in-house, people are more familiar than if you bring something in. And, as I say, we implemented it a little too quickly. But, no, we don't have this problem with our other systems, no.

MR. CHAIRMAN: — I gather that's . . . With respect to the year under review, and work done on highways, what percentage of the work was done by employees of the Department of Highways, and what percentage of the work was done by private contractors?

And I know that it may vary with one or the other. Maybe with respect to snow removal, all of it with respect to highway construction, perhaps a lesser portion of it. I'll let you answer the question in any manner you see fit. But I'm just curious as to how much you did do yourself, how much you did . . .

MR. SUTHERLAND: — Yes, well, with regard to the works branch, or that branch that did the grading and oiling work, we did — that branch did — I would say, probably 10 to 15 per cent of the construction type work. That now, of course, would probably be reduced to, I would say, maybe 5 per cent. In the maintenance area, of course, there's no big change. The only change is in the sealing. We have seal crews that are located throughout the province. Prior to '82 we did all of that seal-coating work with our own crews. Now we're doing about one-third of that work with our crews.

Any other work related to maintenance, there has been absolutely no change. We still blade the roads and fill the pot-holes and blade the snow with our own crews and, of course, all the gravel that is used for the maintenance operation is tendered. It was always tendered. We never did any of that work with government crews.

And as I mentioned, we still have close to 3,000 units of equipment around the province maintaining the road system and, of course, still have equipment in our works branch although it is smaller now.

MR. CHAIRMAN: — Did you do any analysis to determine the profit of doing it through your own crews and the cost of doing it through contractors?

MR. SUTHERLAND: — Yes.

MR. CHAIRMAN: — What were the results of that analysis?

MR. SUTHERLAND: — Well, basically, looking at the overall cost of taking into account the sealing work, and then I guess there was some mixing, asphalt — mixing of asphalt too — and oil treatment, the difference is approximately 25 per cent. In other words, there's a 25 per cent saving, or a 25 per cent lower cost, doing it by the contract method when you take into account the indirect costs on both sides.

In other words, we have costs to seal a mile of highway with department crews, and then there are costs that come in through the tender process. However, our costs — or you can call them in-house costs if you want to call it — do not have a lot of indirect costs that of course are, that you have to add in order to be comparable to the private sector costs. And when those . . . You know, when you're comparing apples and apples, that 25 per cent figure is a pretty close figure.

MR. CHAIRMAN: — Do you know why it costs less to do it through the private contractors? Did your analysis tell you that?

MR. SUTHERLAND: — Well, yes, there's quite a few reasons. One thing are the labour rates, and then the rates that are paid for equipment operators, labourers. Contractors now can probably hire a labourer for, I don't know, \$7 an hour maybe, or something in there. Our rates are over \$10 an hour. And I'm sure you know that situation. That is probably one of the . . .

And then there are other things with the union agreement that make it more inflexible to operate, and sort of, work when the weather conditions are good, sort of thing, and not work when the conditions are wet. If there's a period that's, you know, a rainy period where you can't do anything, the contractor or the guys go home, eh. But you don't have the flexibility. So those are some of the key areas.

MR. CHAIRMAN: — The key differences are labour costs?

MR. SUTHERLAND: — I would say the labour costs and some of the other clauses in the union contract that . . .

MR. CHAIRMAN: — Require you to pay while it's raining, etc.

MR. SUTHERLAND: — You know, we don't have the flexibility.

MR. CHAIRMAN: — Okay.

MR. KATZMAN: — Mr. Chairman, if you have the flexibility of the labour standards, which basically contractors don't pay overtime on highway crews when they're building roads . . . For example, do we pay overtime and all the rest of it?

MR. SUTHERLAND: — Oh yes, we have to pay overtime after so many — 40 hours, yes.

MR. KATZMAN: — They don't . . . (inaudible) . . . That's right.

MR. SUTHERLAND: — No, they don't pay after 40 hours. They may pay overtime, but not after 40.

MR. CHAIRMAN: — With respect to contracts let, were there any contracts let which were not given to the lowest bidder in the year under review?

May I make a general comment? The Department of Government Services, now Supply and Services (goes through a metamorphosis, it seems, every couple of years), has a practice which I think is an excellent one.

With respect to construction tenders for buildings (this doesn't apply to the purchasing agency), but with respect to construction contracts, they list in their annual report all of the contracts, the people who bid on them, the bid that was accepted and the amount, and whether or not it was the lowest bid, and if it wasn't the lowest bid, the reason why it wasn't the lowest bid.

I think that's an excellent practice, and I want to recommend that to you gentlemen. How many contracts a year do you let? Before I get off on a tangent here: how many contracts a year do you let?

MR. SUTHERLAND: — 80 contracts, roughly.

MR. CHAIRMAN: — It seems to be easily manageable. It would fill four or five pages. The contracts let by Government Services, rather, Supply and Services, is in the neighbourhood, I would think, of around 50 or so.

I just recommend the practice to you. It's an excellent practice that gives members of the Legislative Assembly pertinent information with respect to the letting of highway contracts. And if you'd had it, the questions with I'm going to pursue would have been unnecessary because it's in the annual report.

With respect to the contracts let, were there any which were not given to the low bidder?

MR. SUTHERLAND: — What year? We're talking about . . .

MR. CHAIRMAN: — '82-83.

MR. SUTHERLAND: — . . . '82-83. Yes. I think there . . . About two of them? We don't . . . Do you have that information here?

A MEMBER: — No, I don't.

MR. SUTHERLAND: — I think there was two, not more than three . . .

MR. CHAIRMAN: — I gather this is a little difficult to recall. You don't have the information with you.

Could you give us the following information? Could you give us what I just described with respect to those contracts? Indeed, I wonder why we wouldn't get from you what Government Services provided in their annual report — a list of all the contracts let, the people who bid on it . . .

MR. KATZMAN: — Just if I could interrupt . . . Take a look at . . . (inaudible) . . . where that would show up in the book.

MR. CHAIRMAN: — I've looked it through and I don't think it did. Now if it did, I . . .

MR. KATZMAN: — It shows the pay-out. It won't show which contract, but it will show it under the pay-out, I believe. Am I correct, gentlemen? It will show who got paid under Highways, and the amounts.

MR. CHAIRMAN: — I don't think it does, Ralph. It is not set up like Supply and Services.

MR. SUTHERLAND: — No, it won't give it, Ralph, in comparison by contracts. Of course this information is given out publicly after every tender. I guess you realize that. And I believe there was — and you fellows can correct me — was there not a question in the House asking about this? I don't know. Isn't there a question? . . . (inaudible interjection) . . . No, but for '83? Oh, there wasn't, eh?

Actually there was only . . . We could save a lot of paper by just giving you the ones that weren't low. But we could . . . No problem.

MR. CHAIRMAN: — I think I'd like to get them all in the fashion set out in the annual report by Supply and Services. I'm going from memory here . . .

MR. KATZMAN: — Mr. Chairman, if I may . . . Page 236, 237, 235 . . . It seems to indicate the highway, the contractor, and the amount of money paid. On Highway No. 4 (I'm using 235), Highway No. 4 — \$2,702,609.20. It shows so many miles from the international boarder, north to the junction of the highway at Val Marie — it shows how much. And it seems to continue breaking it down there. Is that not the same thing?

MR. SUTHERLAND: — No, that's just the expenditure, Ralph, on that particular controlled section, or that particular section of highway. That will show you the contract. Whoever was awarded that job on that section is there, naturally, but it doesn't give the information — it doesn't show the low bidder, the second bidder. I don't know — how many bidders do they show in their annual report? Do they list everyone who . . . ?

MR. CHAIRMAN: — I think they do. I think they list all the bidders that put in bids.

MR. KATZMAN: — My concern is . . . Maybe I'm . . . (inaudible) . . . I don't mind you asking for the ones that didn't go below, but these, I assume, are all below, and it shows how much they got. And unless you're just looking to see how much difference there is between bidders . . .

MR. CHAIRMAN: — No, I don't think we get that. I don't think it's appropriate for them to give us bids other than the ones . . . At least Government Services . . . All I was wanting was what Government Services give us, and I really think it should be in your annual report.

MR. KATZMAN: — Give us the low bidder . . .

MR. CHAIRMAN: — The low bidder, and the amount, and the names of the other bidders. And

that's it.

MR. KATZMAN: — They don't give us the price.

MR. CHAIRMAN: — No. And they don't think it's appropriate, and I forget their reasons, but I remember arguing with them.

MR. KATZMAN: — We have the winning bidder and what the price was, here, if I read these pages right.

MR. SUTHERLAND: — If I could just interject, Mr. Shillington. See, we do make the information public on the actual . . . the bid price, too, other than the low bidder.

MR. CHAIRMAN: — All right. Why don't you . . . ?

MR. SUTHERLAND: — That's then . . . When the minister announces the . . . (inaudible) . . .

MR. CHAIRMAN: — Okay. Perhaps Government Services have a different system, then. If you make it public, why don't you give us the difference in bids then? Why don't you give us the information that's public after the tenders are opened?

MR. SUTHERLAND: — Whatever is made public, we can give you that.

MR. CHAIRMAN: — I'd appreciate that. I know it's a bit of work, but it is information that would give assistance to us, and . . . (inaudible interjection) . . . No, not quite now, because he's been . . . The department has been more forthcoming than Government Services. Perhaps there's a reason why Government Services are not. But they're prepared to give us a list of all the contracts, the bids that were received, the names of the bidders and the amount they bid, and indicate which of those was accepted, and if it wasn't the low bid, why not. Now I gather that's a miniscule problem, because there's only two or three, according to your assistant. That would be very useful if you would do that. It would save . . . (inaudible interjection) . . . Pardon me? Yes, I should have said you provide 15 copies to the Clerk, who in turn distributes it to members of the committee.

MR. MEAGHER: — Is it correct to assume, then, that these figures, these bids, these figures in the blue book here, do not necessarily reflect the low bid, but the winning bid?

MR. SUTHERLAND: — That's correct. And as I say, in 1982, out of 80 or 90 contracts, I think there was only two that weren't awarded to the low bidder.

MR. KATZMAN: — That's my problem with this whole episode, Ned, is that I can't understand why . . . We've got the low bidder and what we paid them, so all we're really asking now is when . . . I'm not arguing here. I'm just making sure I understand what you're doing. All you asking for are the times that maybe three here that weren't the bidder, plus what you want you're asking now as well as because they make it public for all the second, third, fourth, fifth, and what the bid is.

MR. MEAGHER: — Well, to follow along just for a moment, if I may, Mr. Chairman's line of questioning here, in regard to the studies that were conducted for costs, costs of constructions . . . Were the earth-moving or new construction aspects of road building involved in the study as well? Also, you mentioned labour costs as a major contributing factor. What about efficiency — straight efficiency? Was that taken into consideration in the study as well?

MR. SUTHERLAND: — Well, I guess that's reflected in the costs, you know. That's where, you know, the cost per yard, eh. You know, our cost versus private. You know, that shows up in the . . . The bottom line is the cost. And we have some very efficient crews, but they're not working

under the same rules as the people in the private sector. It's that simple.

MR. CHAIRMAN: — A question asked by the member from Prince Albert (and maybe I just assumed the answer to his question, and perhaps I shouldn't have), is, take a hypothetical 10-man crew working for a private contractor who work 100 hours; take a hypothetical 10-man crew who works for the department who work for 100 hours; never mind the cost per hour or your labour costs; will those two crews build the same amount of road? Will the private people get more roads built because they're more productive, or will the public people get more roads built because they're more productive? I think that's the question he asked. I assumed the answer to it, but perhaps I shouldn't have.

MR. SUTHERLAND: — Well that's a rather difficult question, sir. I mean, you know, we have some . . . You know, I can rate the grading contractors in the private sector, and anybody that's been in the contracting business (and I know some of you fellows have), you know some of them are damned good and some of them aren't so good.

MR. MEAGHER: — Well if you're able to rate the various contractors, it shouldn't be all so difficult to rate the highway crews, as well, comparable to contractors. I'm just wondering if there is some kind of criteria that you would use to make those kinds of judgements.

MR. SUTHERLAND: — You know, that's pretty difficult. As I say, the real criteria, the real bottom line, is the cost per cubic metre. You know, I think our crews were, I think, were pretty efficient. But you know you can't compare apples and oranges and come up with comparable prices.

MR. CHAIRMAN: — Let me ask the question in a somewhat rhetorical way. I gather you have no evidence in the happenings which I stated, never mind the labour costs. You have no evidence that crews working in the private sector are more productive per hour than crews working in the public sector. The difference in cost is the labour; is the cost per hour of the person working.

MR. SUTHERLAND: — Well, of course, if you can work longer hours without getting overtime, sort of thing, that all comes out in the bottom figure, doesn't it?

MR. CHAIRMAN: — The difference is the cost per hour, not the productivity per hour: that's what you're saying.

MR. SUTHERLAND: — Well, you know, we've never done a study and then counted the number of loads of earth, or, you know, the volume of earth per hour that the government crew moves, and a private, because there are so many variables. Again, you're in different parts of the province; the productivity is going to vary with weather, with the area of the province you're working in, the type of material you're working on, and, of course, that's why we come up with these costs. We have taken more than one project to compare.

MR. GLAUSER: — I think there are other elements that make up this 25 per cent. And I think this might be a little misleading by relating it all to labour costs, if I'm making a proper assumption here. And I think you have to . . . In that 25 per cent, there's got to be depreciation on equipment and things like this that form part of that. That's just using one example. So I just wouldn't want to leave here with anybody having the idea that this is all — that that 25 per cent is all labour cost.

MR. SUTHERLAND: — No, no, you're correct. But, you know, depreciation on equipment is taken into account on both sides, eh? Because our equipment rental rates that we charge to the project do have depreciation in them.

But there are a whole bunch of other factors that we had to consider. You take, for example, the

provincial government doesn't pay federal tax on fuel; the contractor does. What about interest on investment? A contractor has to consider that. We don't. You know, what about the income tax that the private contractor has to pay? What about all the other costs? You know, there's about . . . I think we come up with a dozen different items that you have to look at. Legal fees are another. We have legal costs. We go to a lawyer in the AG's department. He has to hire them. There's the costs, like the overhead, the rental on office space. Part of my salary, I suppose, a very small part of it, but it should be charged to . . . So we came up as best we could with all these various factors in order to, you know, make this comparison.

MR. GLAUSER: — I just chose the wrong ones for argument . . .

MR. SUTHERLAND: — No, well, that's right, we just talked about what you're . . .

MR. WEIMAN: — When you asked the question about productivity, it sort of worries me a little bit because it almost denigrates the working capability of one crew versus another crew. It almost begs the question: is one lazier than the other; is one a better worker than the other? And I don't like that kind of questioning.

But I do believe the cost of a project automatically reflects productivity, because if you're talking in terms of just building one kilometre of road and that one kilometre can be done cheaper and still have the same quality road as another kilometre, that automatically reflects productivity with all the variables that we've already discussed this morning. So it's a type of question I get a little worried about, because it starts to reflect on the capabilities of the workers — one crew versus another crew.

MR. MEAGHER: — That's basically the concern I have too, as well as that we're sort of leaving an impression here that the labour costs were a major contributing factor to the difference in cost. I want to suggest that if you added all of the overhead to a particular project, it becomes an accounting procedure, as opposed to a measure of efficiency on the part of the individual working person. If someone is working very hard and doing a good job, but burdened with a lot of overhead expenses, his costs are going to be higher. So I think that . . . I'm surprised that the efficiency of the private sector is not mentioned in your response, because that is where they are more efficient. It's simply because they do not burden themselves with the costs the government has. They are more efficient in that respect, and that has to be a contributing factor, and I'm surprised that it isn't taken into account by your studies.

MR. SUTHERLAND: — Well I think when we're talking about efficiency, I think the question was, you know, to the people out there just working on the road. He's not worrying about all the other overhead and all the other things that maybe one side has, and the other one doesn't have. And, you know, I feel that our crews were pretty efficient, you know. You know, the 25 per cent figure doesn't indicate that department people were sitting around and not doing anything 25 per cent of the time.

MR. WEIMAN: — That's the impression I wanted to clear up. I think for the record it would be a fair statement to say that — public crews versus private crews — both offer quality workmanship, and leave it at that.

MR. SUTHERLAND: — Yes, I would agree with that. Yes.

MR. MEAGHER: — . . . (inaudible) . . . in your opinion, could you summarize for us why private contractors are able to deliver the cubic metre of dirt, or whatever it is, at 25 per cent less than the government? Why?

MR. SUTHERLAND: — Well I mentioned it initially. I think it's still the basic reason is still the difference in labour costs, and also some of the other, some of the other clauses in the union agreement that mitigate against an efficient operation. In other words, a crew goes out on

lay-off, and the weather gets good. They come back in, and it rains again for three days. They've been on their break. They come back in. You can't send them out again for another four days because they just came in, sort of thing. The contractor can tailor his operations a bit to fit the weather, eh? He'll work 12 or 14 hours when that weather is good, and then he'll give them the time off when it's raining. So those kinds of things . . .

MR. CHAIRMAN: — There is, obviously, an element of major philosophical difference here between the member from Prince Albert and I, and I don't think we're going to resolve it with the assistance of these witnesses, as able as they are. I think we would disagree on the efficiencies of public and private operations.

MR. KATZMAN: — . . . (inaudible) . . .

MR. CHAIRMAN: — The member from Morse had a question.

MR. MARTENS: — I just want to make a comment. A lot of times when contractors bid on certain sections of road construction they will, at times, adjust their contract bid to vary according to some of the things that they have to do with. For example, they may not have a lot of work. They may undercut the bid just to get the work. They will forego some of their profits, or all of their profits, in order to have work for their crew in between. So you have the contract price being adjusted lower to meet that sort of thing. And so that lots of times that's a plus factor for the Department of Highways. And we found that out in municipal business, that was the same way. There would be times when certain contractors didn't have work — we'd get a real good price on the yard of dirt moved. And the next time everybody was so busy that it would cost a little bit more.

MR. CHAIRMAN: — I suspect that's right Harold. It is one of the . . . one of the . . . (inaudible) . . . right now is, like everybody else, these people are hungry . . . (inaudible) . . .

MR. SUTHERLAND: — You know, that's a good point. I could have dwelled on that for a minute, but the price . . . The contract unit prices for moving dirt in the last . . . between '84 and '82 have not gone up at all. In fact, some jobs are lower. So I mean the competition is very, very keen.

We got some contractors coming in from other provinces too, that make it more keen, so . . .

MR. ENGEL: — I have a question, if I could. I'm sorry, I missed the first part. I was up fighting about the grain cars. But, how long of a period do you think that the average contractor can sustain working for less than he was getting back in '82, with the price increases that are in place now? How long do you think we can sustain that and still have some viable contractors in the province? Is that a problem?

MR. SUTHERLAND: — Yes. I think, probably it is. I guess I should maybe qualify that statement I made. I guess I was talking . . . It seems that the competition in the grading is . . . The prices have remained pretty well stable over the last two years. On the paving, the prices have gone up a bit. But overall, the prices you know, have remained, not substantially, higher over the last two years.

And to answer your question: I don't know. You know, they're just not putting anything in there on the bid for, you know, depreciation, or in replacement of that equipment. I think one thing that's helping them is that most of this equipment has been paid for. You don't see any contractors buying new equipment eh? And well, you couldn't afford these half-million dollar units. But they've depreciated that equipment. They're repairing what they have. And, of course, then they're not putting anything aside for replacement. So, you know, it's going to catch up with you in five years' time, I suppose.

MR. ENGEL: — When you lay out your work for any given year, do you look at how many

people are working, and how many contractors are looking for jobs, as to when you bid a job? Do you try and regulate that to keep the stream running nice and full so that it doesn't fluctuate? Is there some effort put into that?

MR. SUTHERLAND: — Oh, yes, we put a lot of effort into that. We tender pretty well on a 12-month basis now. And . . .

MR. ENGEL: — How many road builders are there in the province that are bidding on contracts that you know that . . . How many viable units are there around about, at this time?

MR. SUTHERLAND: — About 50 contractors, total. There might be a dozen in the grading. There might be 25 in the paving, or the gravel crushing and sealing, and then the rest in the paving — so about 50.

MR. ENGEL: — Earth moving is about 15?

MR. SUTHERLAND: — About a dozen contractors, basically.

MR. ENGEL: — This doesn't include the guys that just build grid roads?

MR. SUTHERLAND: — No. No, that's right. And there's not many grid road contractors come into the highway . . .

MR. ENGEL: — . . . (inaudible) . . . move back and forth?

MR. SUTHERLAND: — No, it's quite a different type of construction. There's no compaction. I think you're familiar with that. It's quite a bit higher quality construction. They don't move back and forth too much.

MR. ENGEL: — Of the 12 that are in the grading, I think they're hurting the worst. Do you feel that there's sufficient work this year that they can survive a reasonably good year if they don't buy new equipment and all? There's sufficient work in this system this coming year? . . . Sorry, I'm not under the year under review. I'm just trying to get a feel for what's happening.

MR. SUTHERLAND: — I think we can keep them fairly busy. Of course, you know, the tendering system, there's always . . . you get a bit lucky sometimes, too, in that it gets spread around, you know. You know how it is. Maybe if one contractor happens to get maybe three contracts, and there's only so many contracts, it makes a big difference. But it seems to be getting spread around, so that everybody right now has got work. I notice in the paper we're tendering a lot of work. And I think we can keep them busy — not as busy as they would like, of course, but it doesn't look too bad.

MR. ENGEL: — Is that one of the reasons for backing off . . . Do you have three or four crews that you dismantled that used to do work themselves, that used to bid . . . (inaudible) . . .?

MR. SUTHERLAND: — In grading?

MR. ENGEL: — Yes.

MR. SUTHERLAND: — Well we used to have; prior to '82 we had three crews. And then of course, when DNS was amalgamated with Highways, then we inherited two more. So we actually had five crews there which was a fair . . . Well you can see, we only have 12 in the private sector, and we had five. We're down to one crew this year. We had two last year, so we have one grading crew.

MR. ENGEL: — Is there certain kinds of work that — when you had three in the South, for

example, are there certain tenders that these three would be successful on? Is there a special kind of work they usually did, or did you have them bid against the private sector? How did you determine when they'd do a job, or when they wouldn't?

MR. SUTHERLAND: — No, we didn't have them bid against the private sector. But we had one crew there that was working in the North for quite a while, as you probably know. You know, we did a lot of work up Green Lake, Beauval, Buffalo Narrows, up in there. We had a crew in there and we just left them there for quite a few years. But then we had other crews in the South.

MR. ENGEL: — Is that initially because you couldn't get a private crew to go into specific types of work?

MR. SUTHERLAND: — No. Part of it was the equipment that we had — and it had been purchased quite a few years ago — was more suitable to working in the North than in the sandy areas. They were smaller double TS-14 type units, which aren't too efficient down south when you are looking at the roads down here. But then we have other jobs. Some other factors are, you know, you might have a job you want to get in and get started on. You don't have the engineering all done, and you don't have to take time to put together a tender package and, you know, go through the tender process.

MR. ENGEL: — But you feel that the work that your own crew was doing, and comparing that to work you tender, could you draw a decent comparison saying that this is what it cost us when our own crew did it, and this is what it would cost when a contractor did it. Was there a fair assessment that you felt you had conducted?

MR. SUTHERLAND: — Oh yes. We just went through all that before you came in.

MR. ENGEL: — You did that before I got here.

MR. KATZMAN: — Mr. Shillington left the . . . (inaudible) . . . questioning.

MR. ENGEL: — I'm sorry, but repeat. I could read that tomorrow, but I just felt, I really felt that because your own crew wasn't bidding, that you'd put him into the kind of jobs where you would get a high tender, normally. So they were competing by doing work where there either was exceptional bad stretch with alkali and stuff in it, or in another case, where there'd be more rocks, and you knew that taking care of the rock situation would throw your bid tender away up, and you'd put your own crew in. I think, I think if you really study that there mightn't have been a fair comparison there — especially with the yardage moved in the North. I know for sure that that wouldn't compare with the yardage we do down South when you get into some real good dry conditions, and they can really whop it in.

MR. SUTHERLAND: — Oh yes. Well, that's right, and in, you know, the comparisons you have to look at jobs in the certain area of the province, and compare them with, you know, you got to . . .

MR. ENGEL: — If I were still in construction, I'd say you did the best thing in the world, because the minute you put those contractors out of the way, and you wait long enough at these low prices to squeeze out the guys that bid cheap once in a while, you know, you'd get them out of the way, and then two years down the road, or a year and a half down the road, when you've got things to yourself, by golly, the sky's the limit because your contractor bids on what he can get and not what it costs him to do the work, and I'm glad there's no pressure, because that . . .

MR. KATZMAN: — That's exactly the reverse of what happened in Saskatoon.

MR. ENGEL: — That's not what happens, Ralph.

MR. CHAIRMAN: — . . . (inaudible interjections) . . . Order, Ralph. Ralph, I'll . . . (inaudible) . . . the list.

MR. ENGEL: — But I'm sure Mr. Sutherland agrees that that could happen, because you get the contractors out of the way that run a medium, small-sized operation that don't have a heck of a lot of overhead, don't have their own engineers on, and don't have an expensive office operation. Once those guys that can bid cheap and do it are gone, and they aren't making their payments on their equipment, then you have five earth movers left and enough work for 10. They'll get their price, and the taxpayers are going to be hosed, and you haven't got any equipment to finish your work. I think that was a little bit of a mistake. If you advised your minister to do that I feel bad, but I'm sure it was the other way around. I've made my point, Mr. Chairman, I . . . (inaudible) . . .

MR. CHAIRMAN: — I think it's a good thing because . . .

MR. ENGEL: — I don't want to set these guys up or anything. You've got some good . . .

MR. KATZMAN: — . . . (inaudible) . . . You're on the record now saying that.

MR. ENGEL: — Yes, that's good.

MR. MEAGHER: — The press will know about that.

MR. CHAIRMAN: — I think you were about to be called anyway because you are out of the year under review. I saw a hand up there. I think it was . . . (inaudible) . . .

MR. WEIMAN: — I just want to state on here, since this does go on the record, that some of the questioning is inappropriate, in my opinion. We're asking the department officials to give opinion or comments on private contractors, which has nothing to do with the purview of their department. We're talking about their department and what they do, as opposed to what the previous member is asking about, in their opinion, how does a contractor do this; how does a contractor do that; how many contractors are viable, etc. And I don't believe that's in the purview of your department, so I think those questions are inappropriate.

If I may continue, please. That's no more different than having the Department of Education in here, and rather than asking questions about how their department functions, we ask questions about whether Ginn, a book publishing company, is viable or not; are they going to be able to produce as many books last year as they did this year?

That's totally inappropriate to ask those types of questions. And this is what we were hearing previously when you were asking questions about private contractors, you know, how many are viable; how many are there in Saskatchewan that are still left; are they going to be able to survive next year? That has nothing to do with the purview of the Highways department. And I don't think it's fair or appropriate for them to even opine or to comment on that.

MR. CHAIRMAN: — That wasn't what I understood the hon. member to be asking. I understood him to be asking whether or not there was a risk of developing a situation which was not fully competitive in the industry. I think that is legitimate.

MR. WEIMAN: — But he asks questions . . . (inaudible interjection) . . . I still have the floor. He asks questions whether some of the dealings in awarding the contracts, or whether they are held off for a year or whatever, is to shake up the private contracting industry to try to squeeze out the weak ones and make more viable the strong ones. That has nothing to do with their department. It makes them sound as if they're controlling the industry. And they're not controlling the industry. They are responsible for the department only. They're not responsible for what the private sector does.

MR. CHAIRMAN: — I'm not sure this is a productive discussion.

MR. ENGEL: — Mr. Chairman, there's a little difference between what the Department of Highways does, and what the Department of Education does. And I'd like to suggest to the minister the only place a contractor can get work in Saskatchewan would be in the private sector to dig the old lagoon for a potash mine, or for the towns, or whatever, or move dirt for the Department of Highways, or dig a couple of farm dug-outs. That's it. And I don't think there's very many highway contractors digging dug-outs. I'd like to put that on the record. There may be some highway contractors making lagoons.

And basically here you have \$100 million worth of dirt to move. And there's not that much; I wish there were, eh. But about how much dirt would have been moved in the year under review? Close to 100 million?

MR. CHAIRMAN: — Order. I don't want to carry on the discussion between the member from Saskatoon Fairview and the member from Assiniboia-Gravelbourg. I stated my views. And I don't think the questions were out of order, but I'm not sure it's a productive argument.

Before you get into the next question, I think the member for The Battlefords has the floor, and then the member from Prince Albert.

MR. MORIN: — If you are going to rule us out of order, I'll waive, because I was going to comment on the inappropriateness of some of the questions and some of the scenarios that were built three or four years down the road.

MR. MEAGHER: — Same point, I just wanted to carry on with the iniquity of discussion with the officials.

MR. ENGEL: — I would like to tell these gentlemen that . . . (inaudible interjections) . . . Mr. Chairman, the point I want to make is that these people have a serious responsibility. I was in construction when Ross Thatcher formed government, and the point I'm making is that it depends on how you lay out the work, and who gets the contracts, whether the contracts survive or not. I think these people have a responsibility . . .

MR. CHAIRMAN: — Point of order raised.

MR. MORIN: — This is really a discussion for the House, not for Public Accounts. If we're going to get into the philosophy of who should be building highways, I believe that it's just totally inappropriate.

MR. CHAIRMAN: — Well, I'm partially, but not completely, with you. I think if the member is going to ask whether or not . . . What was done under the year under review, and I think that may be a problem with your line of questioning . . . But I think if the member is going to ask whether or not things are done under the year under review might lead to a risk of higher costs per unit, I think that's in order. It's within the order of this committee to . . . (inaudible interjection) . . .

MR. MORIN: — Mr. Chairman, it's pure speculation.

MR. CHAIRMAN: — Let me finish. Questions with respect to the effectiveness and economy with which roads are built are, I think, clearly in order, if that's what the member is asking and if it arises out of the year under review, which I think may be a problem with the member's questioning . . .

MR. ENGEL: — Not really.

MR. MORIN: — I agree with you if the comments are confined to the year under review, but

not if we're getting into the speculation of what may happen in the market somewhere down the road, because heaven only knows what may happen down the road.

MR. CHAIRMAN: — I think the member must confine himself to the year under review. I think you can't get onto any equipment sales which may or may not be taking place at a later time.

MR. ENGEL: — If a decision was made with their eyes wide open to take these five construction crews in the year under review out of service and back that equipment out of the way, and that was an intentional decision, I am wondering what's going to happen, because that does affect, that does affect the process that's happening.

The stands we take today . . . If I sell half of my land today and buy twice as much equipment, the reverse is going to happen. If I sell all my equipment, then I depend on my neighbours to do my farming, and I think somewhere down the line that's going to affect whether I'm a farmer, down the road or not.

I think the point I'm trying to raise with the department officials is that by moving out in the year under review, by moving the equipment aside . . .

MR. KATZMAN: — You're back into policy again.

MR. ENGEL: — I'm not. I'm saying that a decision that these people make . . .

MR. CHAIRMAN: — Order, order, order! Were there any crews taken out in the year under review? The might . . . (inaudible) . . .

MR. SUTHERLAND: — I was just going to make that clarification. We're talking about grading crews. There were two taken out of circulation in the year under review.

MR. ENGEL: — And then that equipment sat, 'till now. That hasn't been used . . . (inaudible) . . .

MR. CHAIRMAN: — Just a minute, Allen. There are a number of points of order here. I'll take them . . . (inaudible interjection) . . . I think that's fair. The member from Morse has been trying to raise one for some time.

MR. MARTENS: — The point of order that I would like to raise is that the discussion should . . . That point should be raised with the roadbuilders' association, as to whether they are, in effect, losing or gaining. And that's not a discussion for this committee. The questions that you can talk to these people about are specific to the feeling of accounting for their dollars spent.

MR. CHAIRMAN: — If the member's asking — I'll just recognize the witness in a moment — the member's asking whether or not actions taken in the year under review are likely to lead to higher costs of road construction, I think that's legitimate. He's not entitled to ask about . . . (inaudible interjections) . . . No, it isn't. No, it's not.

Are there other comments on this point of order, because I want to rule against it. I'm going to rule . . . All right.

MR. MORIN: — I think that your comment about the appropriateness of that . . . I'd like to say this about your comment: if we're sitting here a year from now, and the member says, "Your costs have done this. Did that have anything to do with what happened?" then they may be appropriate. For him to sit here and say, "If we do this; if I sell all my equipment and trust my neighbours to put in my crop for me, that will affect my farming operation . . ." It may or it may not. You may have very benevolent neighbours, and you will never know for sure the impact of that until after the fact, after it has happened.

And if the member were not grinning from ear to ear, like a Cheshire cat, and knowing that he is somewhat out of line on this, I would have some more sympathy for him. But I believe we have to stick to the year under review; to facts, not to speculation; and I believe that it's incumbent on you to hold this discussion to that, Mr. Chairman.

MR. CHAIRMAN: — Any other comments on this, before I make a ruling to try and sort the thing out?

MR. KATZMAN: — Well, Mr. Chairman, I go back all through the hearings of the Public Accounts, item by item by item. We have made a decision prior, and I think we stick by that same decision we made prior: we stay to the year under review, we talk about the financial sheet, and those type of things. Anything that is policy of any department, or so forth, goes upstairs into the House, and I think that what we're now doing is changing the basic rules we have worked under in this committee all year.

On the very last committee that we're into, we've attempted what's happened twice before. Of all the blue book stuff we've going through, it's happened in three departments — two before, and this one here. We come back to the same argument I laid out in those two other cases. We have made our decision in this committee, and let us continue to follow it, so this committee functions and doesn't get into political hypocrisy and everything else that can happen. Let the political things take place in the House. This we deal with the facts here of the blue book, and we don't go into policies. That's for upstairs.

MR. MEAGHER: — You made the observation a moment ago, and quite properly, that we had a philosophical difference . . .

MR. CHAIRMAN: — You and I?

MR. MEAGHER: — You and I. And I think that was a good observation, and it needn't be bandied about here indefinitely. The point was made by the member, and his views and his conjectures doesn't add anything to the discussion, so . . .

MR. CHAIRMAN: — I've got all the comments. I think the following line of questions would be in order.

Well, let's hear the witness first . . .

MR. MARTENS: — Mr. Chairman, I don't believe you can put the words in his mouth and tell him what he's got to ask. Let him deal with that.

A MEMBER: — Rule on the point of order.

MR. MARTENS: — That's right.

MR. CHAIRMAN: — I'm trying to do that. I want to hear from the witness who's been trying to . . .

MR. SUTHERLAND: — I just want to clarify something. We're getting mixed up. We're back into '82-83, and we're getting into '84-85. What I said before was in error: that we did not reduce any equipment from our fleet in 1982. We inherited DNS in January, 1983. So the two units that I . . . The two grading crews that I said we reduced, that was two in '83-84; two more this year. We had five as of January 1, '83, when we took over DNS. We eliminated two in '83-84; we've eliminated two more this year.

So to talk about the year in question here, there was actually no changes in sealing crews or grading crews or oiling crews. The changes took place last year, and then further changes,

reductions, this year. So just to clarify that.

MR. CHAIRMAN: — I misunderstood.

MR. ENGEL: — Thank you for the information, anyhow.

MR. CHAIRMAN: — It reminds me of some lawyers in court who will quickly say something that they know is out of order, and get it out, and the damage is done, and then of course it's stricken from the record, which is a pointless exercise.

MR. KATZMAN: — Some people do that in the House . . . (inaudible) . . . point of privilege.

MR. CHAIRMAN: — Well, in fairness to the member from Assiniboia-Gravelbourg, what you just said was not what . . . You did apparently . . . Your mistake was innocent, but you did apparently indicate a moment ago that there had been some reduction in the year under review, so . . .

MR. SUTHERLAND: — Yes, I did indicate, initially there was two . . .

MR. KATZMAN: — I don't think he said a year. That's the point.

MR. CHAIRMAN: — No, I think he did, actually.

MR. SUTHERLAND: — Yes, I did say there was two crews and . . . We're getting . . . It's hard to keep the years straight, here.

MR. CHAIRMAN: — We want to be fair; always fair. The epitome of fairness, this Chair. Right, Paul?

MR. KATZMAN: — We were all done until Mr. Engel came in, so I guess we're basically done now, are we?

MR. CHAIRMAN: — I don't have any more questions.

A MEMBER: — The year under review is too far away.

MR. ENGEL: — It's the present that counts.

MR. KATZMAN: — That's like the gentlemen that . . . (inaudible) . . .

MR. CHAIRMAN: — I want to thank you very much, gentlemen, for your attendance. You have some undertakings which we'd like to receive as soon as you can. I recognize there's a bit of work involved in the one. Please get it to us as soon as you can.

We'll look forward to seeing you in another year, if your activities are such that it comes to the attention of the Provincial Auditor.

A MEMBER: — Thank you.

MR. CHAIRMAN: — Thank you very much.

I would like to . . . No, I'm not going to want to move into camera. I would like to move, I think . . . Moved by the chairman, seconded by the vice-chairman, that we ask the Clerk to convey to Mr. Lutz our wishes for a speedy recovery and our thanks. I don't think he anticipated being away anywhere near this long. He will not return at least until next year, because this will be the last . . .

Now, with respect to the final report, the only other item of business, unless I'm mistaken, is the writing of our interim report . . . (inaudible interjection) . . . Pardon me? On the P.E.I. trip. Oh, that's right, the P.E.I. trip. That's to be done, I think, off camera, though.

In fact, I wonder if we're not finished with the formal portion. I wonder if we couldn't go in camera. We have to deal with the writing of the report, I guess. That's the one thing we should . . .

MR. KATZMAN: — Before we go off camera, I have a couple of comments that I'd like, before we go into camera. I think that other than the . . . Maybe it's proper out of in camera. I think that basically we're all done all the departments we want to call.

MR. CHAIRMAN: — I think that's right.

MR. KATZMAN: — The only thing that would stop us from writing a final report at this time would be the waiting for documentation to come from different departments.

I would hope that within the next week or two the Clerk could, say, start tomorrow, getting to all these departments that still haven't tabled documents, asking them to please speed up their replies. How many departments do we have? About three or four, and we're waiting for replies on them?

MR. JAMES: — That's about all. And then of course the . . .

MR. KATZMAN: — The ones today.

MR. JAMES: — Yes.

MR. KATZMAN: — I would assume, Mr. Shillington — and I may be wrong — that in about a week to a week and a half, we would have all these documents back to us, and we might be able to write a final report rather than giving an interim plus a final.

MR. CHAIRMAN: — I was thinking about that when I was walking down to the committee — whether there or not there was any purpose in writing an interim report this year.

MR. KATZMAN: — Well there may be a purpose in formulating a report, not calling it interim or final at this point, and as soon as we get the documents . . . If we get the documents soon enough, we call it the final, and then we can start to put something together.

MR. CHAIRMAN: — It may not be a bad suggestion, actually.

MR. ENGEL: — It will depend how . . . (inaudible) . . .

MR. CHAIRMAN: — That may not be all that bad a suggestion, actually. As I was walking down here, I could see no point in writing an interim report unless something arises in the information that's given to us. If we decide we want to meet during the summer to deal with some item, we can, whether we write a final report or an interim report. That isn't the purpose of the meeting. And I couldn't see any point this year in writing an interim report, unless there's something that comes up in that material that I'm not expecting.

MR. KATZMAN: — That, I agree with you.

MR. CHAIRMAN: — I guess the question to the Clerk is: how soon you can have . . . Based on the items which have been flagged, how soon you can have a draft report ready for us to consider?

MR. JAMES: — Well if I'm able to get all of the outstanding documentation, I suspect probably within a week to two weeks.

MR. CHAIRMAN: — Do members want to just adjourn, *sine die*, until we have this material, and then come back and consider report? Do you want to sit down tomorrow and go over the items, the flagged items, and cast some in and out?

MR. KATZMAN: — My comment would be for you two gentlemen to start going through all the stuff that has been flagged and getting a tentative report ready, and then call the committee.

MR. GLAUSER: — What I would suggest then, in that regard, is that the Clerk provide us with a list of those flagged items, and then we can start basing our report on that.

MR. CHAIRMAN: — I adjourn, *sine die*, then. All right, it's agreed then that the . . .

MR. ENGEL: — If the list looks too long, and there's some things you think we should knock off of the flagged items, maybe we could have a short little meeting . . .

MR. KATZMAN: — Or some things we want added.

MR. ENGEL: — . . . right around the table at the House or whatever just to . . .

MR. CHAIRMAN: — I assume that the following is the process (correct me if I'm wrong, gentlemen): that we ask the Clerk for a list of flagged items; that if the vice-chairman and I agree upon the list of flagged items it is on our responsibility to take it to our caucus, if we think there's anything we need to discuss. But if we can agree upon the list of flagged items, then we ask the Clerk to prepare a draft report. If we cannot agree upon anything, or we think that our caucuses will want to meet in committee to discuss something, we'll meet again. But if he and I can agree upon the list of flagged items, then we just send it off to the Clerk to write the report. And we then adjourn, *sine die*, awaiting the call of the Chair.

The committee adjourned, *sine die*, at 10:20 a.m.