

May 15, 1986

Public Hearing: Department of Finance (continued)

Mr. Chairman: — Gentlemen, you have undoubtedly had brought to your attention, I guess last week if not before, but undoubtedly before that, comments of the Provincial Auditor that the financial statements . . . I'm trying to find the page in the book. Recommendation by the Provincial Auditor that:

. . . the Government of Saskatchewan include in the Public Accounts a summary general purpose financial statement, as proposed by the CICA (Canadian Institute of Chartered Accountants) . . .

I want to begin by asking, if I might, the Provincial Auditor: what information would be given to us in such general purpose financial statements that isn't available to us now, or if the answer to that is nothing, how would the information be organized differently?

Mr. Lutz: — Mr. Chairman, presently elsewhere in my report I advise you that certain financial statements and annual reports are not tabled in the House at all. If what I'm proposing here were to come to pass, the information contained in those entities would be made available to you. The balance of the paragraph merely states that all of the information you're presently getting in numerous forms at differing times would, in fact, be presented in one document.

Mr. Chairman: — I see. Okay.

Mr. Katzman: — With that comment, Mr. Lutz, are you suggesting because all Crowns and government year end and schools, so forth and so on, all have different financial years, the soonest you could publish something like this would be — instead of one year, that is the normal end of the year, 90 days, 15 sitting days — would at least probably be another year after that to get everything together? Because otherwise you couldn't say the year ending March 31st, that government's was X, because you don't have some of them, because if their year end is January 1st, December 31st of a Crown, you don't have that information yet.

Mr. Lutz: — Mr. Katzman, I don't think the lack of coterminous years would necessarily affect the timing on how you would put these statements together. If you put these statements together, you would not necessarily have to have identical year ends.

Mr. Katzman: — No, no. I agree with you. But you may find that if you're reporting on the position of the government, December and of March 31, 1985, you wouldn't be able to report it for two years rather than one, as we do now with your report, because it would take you that long to consolidate all those other things across the . . .

Mr. Lutz: — I think I would have difficulty rationalizing why it should take more than the length of time it takes now, with what we do now.

Mr. Katzman: — Okay. I won't argue it. I'm just trying to understand how you would get an up to date . . . You will

never be up to date then. You will always be . . . Some report will show nine months late; some will show right up to date.

Mr. Lutz: — Mr. Katzman, certain jurisdictions have already done this, and I believe that their annual financial statements, however they compiled them, however they put them together, were no further behind than ours have been, or will be, or are.

Mr. Katzman: — But won't it short circuit? Sometimes do we have misinterpretation? I'm not considering each of the annual reports or each of the department reports. I'm talking about the consolidated report where you have it all in one list.

Mr. Lutz: — So am I.

Mr. Katzman: — Okay. Fair game.

We discussed, and for the benefit of those people that are appearing as witnesses here, when we discussed this last time, and I believe that it was your department that I asked the questions, just so we're all on the same bearing, we discussed if you're showing this report, that under CICA (Canadian Institute of Chartered Accounts), my understanding is that all buildings . . . and I kept using the Plains Hospital, I believe it was, or Pasqua Hospital. Which one was it? Plains?

Mr. Lutz: — It doesn't matter; we own them both.

Mr. Katzman: — Okay. We would show that on our sheet always, if we were doing what the CIC (Crown investments corporation) seems to show on one side, as well as the debt on the other side, or the promised money into it.

Mr. Lutz: — Mr. Katzman, to me that would seem reasonable that if you own an asset you would include the asset. However, I have to point out that if these statements ever get compiled or assembled or however you want to describe them, I don't think you're asking the right person what would be in them, because I don't prepare them; I audit them. I think you have to go to the Finance people, the people who put this stuff together, and ask them what would be in those statements. I have merely pointed out here that summary financial statements would include more information for the members in one place than they're presently receiving.

Mr. Katzman: — No argument, but I'm saying you recommended CICA's suggestion, and I read that to say that you would include everything as we both . . . And I use the hospitals as a good example, just so I'm reading CICA right?

Mr. Lutz: — Yes.

Mr. Katzman: — Okay.

Mr. Chairman: — This is I think the second or third meeting the witnesses have been here from the Department of Finance and have not yet had a chance to strut their stuff, had no chance to shine, so we better give

you that this morning, gentlemen.

Let me then ask you, open with a general question: why don't we adopt . . . why haven't we adopted the recommendations of the CICA as I gather some of the jurisdictions have?

Mr. Glauser: — Mr. Chairman, excuse me. Could I just interject here. And I think we might set the stage for this with a statement perhaps that auditors audit, and accountants set standards. And going from that premise, then perhaps we can get on the track that we're . . .

Mr. Chairman: — Well, I amend that: auditors audit, management set standards. In this case, the Legislative Assembly of Saskatchewan is the management.

Mr. Glauser: — Well, okay. What I'm saying is that, okay, through treasury board as a vehicle for instance.

Mr. Chairman: — Well I'm not sure that I do. Ultimately I think it's the Legislative Assembly. Well perhaps in a highly artificial sense a large measure of that function is delegated to treasury board. But ultimately it's the Legislative Assembly of Saskatchewan, I think, that sets the standards. The treasury board simply has powers delegated to it by the Legislative Assembly.

Mr. Katzman: — Why not say that we consult them for their recommendations, and usually follow them, as history shows.

Mr. Chairman: — That's perhaps a reasonable . . . Gentlemen.

Mr. Heron: — Yes, Mr. Chairman, thank you. It's a complex issue. Just being new on the scene in the last few months, this is quite new to me. But I have a . . .

Mr. Chairman: — Could I interrupt you. I'm sorry, I owe you an apology.

Mr. Heron: — David Heron is my name — deputy minister.

Mr. Chairman: — Yes. I thought we had introduced everybody last week, but you were not here were you?

David Heron, the deputy minister of the Department of Finance. I'll tell you, as I tell everyone, that what goes on before the committee is privileged in the sense it can't be the subject of a libel action in either civil or criminal court, however that might occur. It is, however, taken down verbatim and is readily available for use elsewhere. So with that I welcome you to the committee. I've welcomed both the other two witnesses before. Sorry. Go ahead.

Mr. Heron: — And the CICA has been wrestling with this problem for a number of years now, as you know. Mr. Lutz is aware, and Mr. Kraus. And I gather that there's three provinces in Canada at this point in time, B.C., Alberta, and P.E.I., that are taking a trial run at issuing a summary of financial statements. Now the CICA at this point in time to the best of my knowledge hasn't put out a draft — okay? — in fact . . . (inaudible) . . . draft. They've

had people working on this problem. It's been in separate committees, but there is no draft put out at this point in time by the CICA, and what they usually do is they put out these drafts for, you know, public opinion. And then, now the same type of situation has gone on with the federal government, as well.

Now what we propose here in terms of the Department of Finance . . .

Mr. Chairman: — I'm sorry. Could I interrupt you, Mr. Heron. How do you mean, the same situation exists with the federal government?

Mr. Heron: — Well in terms of, you know, looking at this huge issue — whether or not the statements should on a cash basis or on a modified cash basis or on an accrual basis; whether or not that all government entities should be combined, including agencies, Crown corporations. And it's a very complex issue. Now I'm not saying that this province, you know, shouldn't look at it, because I think they should, and I think, in my view, it's got to be done quite carefully. And for the information of the committee, we have just hired for a year a consultant from the University of Regina to work on this problem, and hopefully within a year or so we'll have research done in terms of this problem, plus other accounting problems.

Mr. Chairman: — May I inquire the name of the . . .

Mr. Heron: — Wayne Hopkins, who is professor of accounting, and he's coming to the Department of Finance the 1st of June on a leave of absence.

Mr. Chairman: — I'm sorry, I can't hear you.

Mr. Heron: — Wayne Hopkins.

Mr. Chairman: — And he's coming the first of when?

Mr. Heron: — June, on a leave of absence from the University of Regina. And this is one of the things he'll be spending full time on.

Mr. Chairman: — When do you expect the report to be complete?

Mr. Heron: — I'm not quite sure — okay? The first stage will be in fact, you know, research and maybe working with Mr. Kraus and with Mr. Lutz.

Mr. Chairman: — What information . . . I still don't have a clear idea of how the summaries being put forward by the CICA differ from what we have. I still don't have a clear idea of the difference, I must say. Perhaps you could help me in that regard.

Mr. Heron: — Well the way that I understand it is that B.C. and Alberta and P.E.I. have a summary of financial statements, which is really a consolidated entity of all the agencies, Crown corporations, in the one balance sheet and one, you know, statement of revenue and expenditures. But then you get into some complex issues, as whether or not it should be on a cash basis or modified cash basis or an accrual basis of accounting.

Mr. Chairman: — Presumably the companies are on an accrual basis.

Mr. Heron: — That's right, yes.

Mr. Chairman: — And departments work on a cash . . . governments heretofore worked on a cash basis?

Mr. Heron: — Well the Consolidated Fund is really on a cash basis.

Mr. Katzman: — What was that last comment?

Mr. Heron: — The Consolidated Fund is accounted for on a cash basis, I guess is the term, whereby you write off your capital. You don't, you know, record your capital on your balance sheet.

Mr. Chairman: — The statements provide . . . What information is set out in the combined statements, then?

Mr. Heron: — What, in terms of the summary statements?

Mr. Chairman: — Yes, in the summary statements.

Mr. Heron: — Well it would include all the assets — okay? — all the various entities that are combined, for example, Crown corporations, hospitals, agencies, and what have you.

Mr. Chairman: — But not their revenues or expenditures?

Mr. Heron: — And the revenue, expense, as I understand, as well. Is that correct, Mr. Lutz? I haven't seen a copy of B.C. so . . .

Mr. Lutz: — Mr. Heron, if it would be helpful, I have several copies of the recent effort that Mr. Ken Dye, the general accounting office in the United States, and the Comptroller General of Canada did together. I can get you one of those. There's been this fourth one come out. It is a prototype thing, but he has done a consolidation for Canada.

And we would be quite happy to . . . Have you an extra one of those? Not here, okay. There will be one over this afternoon, probably, and it does, in fact, show all the transactions of all the entities under the purview of cabinet, which I think is what we're talking about here.

Now I would go further and say that if the conscious decision is taken to prepare one of these statements, the other matters which you have raised — and they're very serious, whether it's accrual or cash, whether it's this or that — I believe once the decision is taken to do this, the other matters will fall into place through a series of negotiations, rationalization, whatever. The big problem is to get it started. I believe that is the biggest problem.

Mr. Heron: — No, I agree. And, you know, it's going to be a complex thing, but I think we've got to keep onside with what is going on in this area, and I think we should carry on.

Mr. Lutz: — Oh, yes. We will get you the copy of the material that Ken Dye just put out about two weeks ago.

Mr. Heron: — Thank you.

Mr. Chairman: — Just sort of a light note. It isn't only the members of the committee which were confused by the new arrangements. That witness is trying to elbow the chairman out of his position here.

Mr. Weiman: — It seems to me that when the table was arranged the other way we had more room.

Mr. Chairman: — Anyway, gentlemen . . . What is the . . . I asked you before, Mr. Heron, when you expected the report to be received. I don't remember your answer.

Mr. Heron: — Well at this point in time, what we propose to do is to do, in effect, research papers, okay? And then from those research papers, and you know, depending on what comes down from the CICA, which, you know, we hope will be within the year, then maybe we can get something put together. But I guess the first step is to at least start working on the problem and doing all the research.

Mr. Chairman: — What precisely is the mandate of this consultant?

Mr. Heron: — It is really to look into some of the, you know, accounting issues, such as combined statements, and to get on and try to get ourselves up to speed as to where the federal government is and some of the other governments and how it affects the statements of the province. That's really what the mandate is.

Mr. Chairman: — Is his mandate to study the benefits or to try and resolve some of the problems?

Mr. Heron: — Try to resolve some of the problems that Mr. Lutz is referring to and to make sure that we are in step with the other governments in Canada.

Mr. Chairman: — Apart from the three which already are using that, have you been in touch with other governments?

Mr. Heron: — I'm not aware at this point in time, but this will be one of his mandates, of course, to see what the other provincial governments are doing as well.

Mr. Katzman: — Mr. Chairman, if I may interrupt for a second. Do we understand that B.C., Alberta, and P.E.I. are on the system, or attempting to be on the system, Mr. Lutz? Are they on the system, or are they just putting it together now?

Mr. Lutz: — They published statements last year. B.C., Alberta . . . I think maybe two years now. They've been working on this for three, four years, and I believe the last two years they've published these different format financial statements endeavouring to put everything in.

Mr. Katzman: — But I assume the change was drastic from the first one to the second one — more additions and so forth?

Mr. Lutz: — There's a lot of work, Mr. Katzman. I'm not

sure it was drastic. I can't speak for them. The Auditor General for Alberta is the general chairman of the public sector accounting and auditing committee, which is the committee looking at these things, and I never heard from him any utterance to the effect that it was drastic. I think it was a lot of work. Al O'Brien, who I believe is the DM of finance in Alberta . . . is that right?

Mr. Heron: — That's right.

Mr. Lutz: — Thank you. He is on our committee. He was rather proud of it. I haven't heard from the Auditor General of B.C. that it was trauma. They just somehow spent some years working this material into a presentable set of financial statements, and Mr. Rogers put his auditor's report on his; Mrs. Morrison put her auditor's report on that one; and Tim Kaptein put his auditor's report on the one for P.E.I. And it took them a while, I'm sure, but they did it.

All I can say is it can be done. And I have given you a copy of the stuff Mr. Ken Dye put out, and Mr. Ken Dye had the help of the Comptroller General of Canada in compiling his.

Mr. Katzman: — What I think the deputy minister has indicated is that they are on top of this issue from . . . They brought somebody in, and they're going to put the documents and so forth together. I think I heard him say that he would ask the co-operation of Mr. Kraus and Mr. Lutz in doing what they're doing with this researcher, if I heard him correctly, which is a good step forward from what we were aware of a couple of days ago, or a couple of weeks ago.

It seems . . . I assume it's treasury board that's doing it.

Mr. Heron: — That's right. It's under treasury board.

Mr. Katzman: — But I assume treasury board is doing it. The Department of Finance, of course, is involved there as well. And my concern is: we can spend the next half hour or hour talking about it. I'm just not sure where we're going right now or if we should stop and say, hold it; it seems that something is happening; and accept that now — unless we want some more input into some of these things that should be looked at.

Mr. Lutz: — Mr. Chairman, I think they have made a splendid choice in a researcher to look at this material. I think he's a tremendous person. I don't prepare these statements; I only audit them. I have to report that I don't think the statements that were put out were adequate to inform the members of all things. I've done my job. I quit there. I'm not the one that's promoting this discussion. We've dealt with this item in my report a week ago. I'm finished with it until next year.

Mr. Katzman: — I agree, but what I'm saying, Mr. Chairman, and Mr. Lutz, is with that in mind you have brought up the issue. Normally when an issue is brought up, a department comes before us and tells us what they're doing, and usually it takes a year or two until we see a clean piece of paper, or something, again.

It seems like that we have an undertaking by treasury

board or Finance, or whatever you want to call it, to start to address this problem you are indicating there, and to deal with both you and Mr. Kraus, which is the normal way everybody else deals with things as well, until they get the problem resolved.

Mr. Lutz: — I'm not sure I heard Mr. Heron say he would be utilizing the resources in my office, but if he did, in fact, suggest that that would be helpful, we would be most happy to assist whomever in this regard, Mr. Heron. Certainly we'll give you whatever help we can, and our views. Especially our views.

Mr. Katzman: — Mr. Chairman, it's a good thing you didn't hear Mr. Weiman's comments.

Mr. Chairman: — I would feel better if I had some kind of a notion as to when you think this chap is going to come back with his report . . . (inaudible) . . . deadline.

Mr. Heron: — The fellow is on a year's contract, so hopefully will have his work done by the end of May of 1987.

Mr. Katzman: — Mr. Chairman, it would be a year from now. You wouldn't have to be concerned because you will be sitting as a private citizen again.

Mr. Chairman: — But I would still maintain my interests in the Public Accounts Committee and its work, whether as a private citizen or otherwise . . . (inaudible interjection) . . . That's right. Okay. I guess perhaps we'd . . . Unless there are some other questions, I'm prepared to leave this, I guess, for another year, in the hope that members of the committee next year, whoever that may be, will be able to take this matter up with Department of Finance again, and hopefully by the spring of '87 the matter will be coming to some conclusion.

Mr. Weiman: — Paul, could you make a note to take it up the next time? I think you're going to be the only one here.

Mr. Katzman: — Mr. Chairman, I would suggest that the spring of '87 would probably be wrong timing; it's going to be '88. If you do your dating . . . the report we assume is a year from now, '87 June, and I assume there will be consultation all the way through. But the final document would not see its way into our hands probably until the following year, which is normal. With all other problems we've ever dealt with, that's about the normal.

Mr. Chairman: — Except that if the committee wishes to discuss it with the witnesses, that would have to be done next year. By, 1988 the decision presumably will have been made.

Mr. Katzman: — You could discuss how it's going, that's correct. We've done that in the past, too.

Mr. Engel: — I was just wondering about the time frame and the role of this consultant. Is he actually going to get involved in taking documents from various agencies and Crowns, and so on, and literally fitting that into a summary statement, or is he just going to do a study and report to you how it should be done?

Mr. Heron: — That's right. It's just, in fact, you know, a format as to what, you know, how the, in fact, you know, format should be looked at, and what agencies should be combined and what Crowns should be combined.

Mr. Engel: — I appreciated the comments of Mr. Lutz that he had real confidence in who you selected. I don't know the gentleman; what is his field of expertise?

Mr. Heron: — Doctor of accounting; I think he has a Ph.D. in accounting, and he's a CA as well.

Mr. Katzman: — Is he the dean of the University of Regina?

Mr. Heron: — No, he's not the dean, but he's on the faculty.

Mr. Chairman: — What age would he be?

Mr. Heron: — He's in his 30s, I would think.

A Member: — That's really important, his age.

Mr. Chairman: — Just curious. I was just trying to get a profile of the person.

Mr. Kraus: — Yes, we worked with Dr. Hopkins ourselves, and he's very knowledgeable. As they say, he's a doctor of accounting.

Mr. Chairman: — Dr. Hopkins, as in Hopkins University.

Mr. Kraus: — I believe it's spelled that way, yes.

Mr. Chairman: — Okay.

Mr. Engel: — Well that does extend it one year longer. I was thinking if he is second to a department, it's different than a consultant. You know if he were actually involved in doing it by year one, you'd actually have the numbers flow in that this is a summary sheet from here, and this is . . . you know, it's a different role.

Mr. Heron: — Yes, well, it's just the policy because there has to be so much research done it.

Mr. Katzman: — I think the key, Mr. Engel, is you first have to know . . . There's two systems being used now, and he's got to research how to tie the two systems together and what goes in it and so forth. And from what I've heard both last week and this week, it only makes sense that you've got to decide on a format first. I think he's going to be recommending, and by the sounds of it it's going to be a rather tedious job.

Mr. Glauser: — It isn't only what goes in, it's how you bring it in.

Mr. Chairman: — Yes, that's right.

Mr. Glauser: — You know, are you going to bring it in at book value? Are you going to bring it in at an appraised value? Are you going to bring it in at cost? And those are the decisions that have to be . . .

Mr. Chairman: — You're describing it more accurately. It's not what goes in, it's how you bring it in.

Mr. Glauser: — Yes.

Mr. Chairman: — I get the impression, listening to you gentlemen, that while no decision has been made, this gentleman is working towards . . . He is trying to resolve some of the problems which you see inherent within these statements. If he does, while the decisions are always that of treasury board and not the Department of Finance, your expectation might be that these statements might well be included in a subsequent set of public accounts. Is that it? I gather . . .

Mr. Heron: — That's fine. It may be '88-89, but I think that's the goal.

Mr. Chairman: — Given the way you've described his role, there seems to be an assumption underlying this discussion and his work, that these statements would be useful and should be a part of our accounts if the problem is going to be resolved. I don't want to put words into your mouth . . .

Mr. Heron: — No, I think it's, in fact, you know, a very important issue for the province, and it should be looked at carefully over a period of time so we keep pace in terms of what the other provinces are doing, and keep pace with the federal government as well.

Mr. Chairman: — What is the federal government doing right now?

Mr. Heron: — Maybe Mr. Lutz can answer that.

Mr. Chairman: — Mr. Lutz had to go for a medical check-up.

Mr. Kraus: — I believe I could say that their entity has had a few agencies added to it, or a few funds added to it that weren't included before, but it's not unfair to say it's not a lot different than our combined fund where we've got the Heritage Fund and the Consolidated Fund. It might have a few more things, but they haven't made that step that B.C. and Alberta, and I guess now P.E.I., have taken.

Mr. Chairman: — Is any work being done at the federal level?

Mr. Kraus: — As I understand it, they are studying it, as are all the governments. Now I took the time to phone one of the CICA last week after our discussion on Thursday, and they pointed out to me that that Ken Dye's study, for example, tended to err a little bit on the side of including more agencies in than not, because they hadn't spent as much time dealing with those criteria that we talked about a lot last week as to what's in and what's out. And that's what this researcher is going to have to deal with. What are the criteria? I mean, these are models and they're ideas, but to come to grips with the specifics will take a little bit of time. And all the governments, in fact, are aware of this and probably doing much the same thing that we're doing.

Mr. Chairman: — With various degrees of energy all

working on it.

Mr. Kraus: — Yes, that's correct.

Mr. Chairman: — Okay. Any other questions on this subject?

The Clerk was asking what we are agreeing to. I suppose we just receive the report of the witnesses, and recommend, I suppose, if I may put it that way, to the next committee that the matter be taken up in 1987, and that the Department of Finance be asked for a report from this. I put it in that fashion so that the matter will again be brought to the attention of a new committee, which is going to have a lot of new members. If there are no electoral defeats, there's still going to be mostly new members on the committee.

Mr. Katzman: — Mr. Chairman, I'm going to disagree with you, not because . . . more because of your wording than what your intent is. I would think that we should be saying in our comment that a note should be left with the Clerk to the next committee rather than putting it in the report, because I don't like the idea of tying down a time, that we're saying we're going to bring them back even if they're right in the crucial deciding what's happening. And I don't like putting a time on it as much as I'm more in favour of saying, yes, you may want to talk about it.

But if you remember the issue we had several years ago with the computer utility, and we basically had to turn the mikes off and discuss that one, and not being allowed to use the information publicly because of sensitivity . . . I think this one for the same reason may be happening. I may be all wrong.

Mr. Weiman: — Well in a sense, for my understanding, one of the roles of the auditor in a sense is being a watch dog. And I'm convinced, as well he should, that he will be looking at this matter and including it in next year's report, which becomes flagged at any rate. So I can't see any purpose in throwing that in.

Mr. Chairman: — That thought occurred to me too, that the Provincial Auditor's going to raise it anyway.

Mr. Weiman: — Yes, of course he is. And any conscientious committee is going to bring them in, bring the reports forward.

Mr. Chairman: — And hopefully there will be some continuity. Okay. Well we can . . .

Mr. Katzman: — Mr. Chairman, may I ask that your comments be struck, then, on the motion?

Mr. Chairman: — Well I don't think I made a motion. I was attempting to summarize what I thought was the consensus of the meeting. I gather then, in light of that, we'll simply receive the comments of the Department of Finance on this issue. Now, then there is a rather . . .

Mr. Engel: — Just before we leave that issue entirely, I was just looking at the minutes from last day, and we're talking about you and the vice chairman agreeing to listening to some representatives from CICA. Is there

room in summarizing this discussion to have Dr. Hopkins and some people from the CICA both outline, in summary form or something like this, the direction they propose to take and what it's going to do, or don't we need to pursue that any further with the CICA?

Mr. Weiman: — My understanding was that was contingent upon the report we heard this morning. And we've resolved that part now, so there's no need for the first part.

Mr. Engel: — Well it might be . . . I'm not sure if Dr. Hopkins' role in the CICA has been the one of . . .

Mr. Heron: — . . . (inaudible) . . . after we've done our work up. You know, maybe a year from now it may be useful to get Dr. Hopkins and the CICA to come in to brief the committee, after . . .

Mr. Chairman: — It might be premature to do it now.

Mr. Engel: — I was wondering: you know, if I'm going to get involved in a study to come up with some kind of a recommendation . . . He might be a member of that group and just as keenly interested as the CICA at it. And yet it would be nice to have those instructions or that direction as far as directing what the study and the process is going to take. It would save a lot of time ahead of time. But it's up to you, Mr. Chairman, what you think.

Mr. Chairman: — Yes, it strikes me it might be a bit premature to call him right now. I'm not sure what he would know except that there are some problems that he's got to resolve. The discussion might be more useful next year, perhaps early next year, before he has finalized his report, but after he's digested all of the problems, I suppose, and perhaps thinks he has some solutions. He might then want to walk them by us to see how they would meet our needs a year from now.

Since you and I are both going to be on his committee, Paul, we'll keep that in mind, won't we.

Mr. Engel: — You've been reading the horoscope yesterday.

A Member: — . . . four-year horoscope . . . (inaudible) . . .

Mr. Weiman: — just for a moment off the record: your horoscope, Allen, says, get a shovel, because you're in deep shit.

Mr. Chairman: — That was not off the record.

A Member: — That's good. I'd like to have the record on that.

Mr. Weiman: — I still stand by the record too.

Mr. Engel: — . . . (inaudible) . . . government members, Mr. Chairman.

Mr. Katzman: — Don't start that, Allen . . .

A Member: — We will.

Mr. Chairman: — We do try to keep profanity at a minimum, Mr. Weiman.

The next item, 27(3).

Mr. Katzman: — Interesting. Mr. Chairman gets his side comments on and other members are not allowed. And in the House, when the Speaker chastises you guys for doing it, you don't like it; but here you think you can get away with it.

Mr. Chairman: — Well here we don't have a light system, though. I want to warn members of that, that here we don't have a light system. All mikes are live and the transcript picks up everything that's said. This is not the Legislative Assembly.

Mr. Katzman: — Mr. Chairman, you should put a plug in your ear when you're in the House and listen to what comes over the plugs, not what *Hansard* reports, because I would tell you that I am one who sits in the House with an ear plug, and I hear all the comments of you and Mr. Koskie through Mr. Engel's mike whenever you speak from your seat.

Mr. Chairman: — I'm not the Speaker of the House. If I were the Speaker of the House that place would be run differently or I wouldn't be Speaker, I'll tell you that. I am chairman of the committee and the language should be kept to a level befitting that of elected representatives.

Mr. Weiman: — It was biologically speaking.

Mr. Chairman: — I don't want to make an issue out of the subject. 27(3) . . . (inaudible interjection) . . . We're going to miss you Paul. You might have made a great contribution.

Now the next item is 27(3)(a) which suggests that departmental officials do not satisfy themselves that investments are within the guide-lines established, but rely upon brokers to do that for them. Could I have your comments on that, gentlemen?

Mr. Meiklejohn: — Well, Mr. Chairman, we have noted the Provincial Auditor's comments. I think there's no question in our mind but what we do check the legality of all investments and that our people are aware of the legality of all investments. We've never had a problem with the purchase of unpermitted assets. In fact, I'm not sure that I can recall one or not. At one point in time there used to be some problems in terms of . . . It was complicated because various funds in the province had different legislation with regard to what constituted a legal investment. Over the years we have tried to bring about a consistency in the legislation with regard to what constitutes a legal investment and, for the most part, I think we have done that now so that there isn't differences between one fund and another fund.

We employ professional investment people who are well schooled in investments. They know what the legislation requires and indeed they operate in the same way as all other pension funds in Canada and other types of funds, and the legislation is very similar throughout Canada. Also the professional people that we deal with in the

market, meaning the institutional groups of major investment dealers and banks, are also aware of the legislation that exists. They are aware that they can only sell and offer to pension funds certain investments that qualify under the various legislations in Canada.

And as I said before, it's not a question that we don't perform a systematic check. Our people are always checking on investments and probably they'll hear whether an investment qualifies or doesn't qualify in the market much quicker than doing an analysis every day in terms of whether it meets certain criteria. We have at our disposal all of the information and reports and financial statements and so on, for any company or for any other entity that we require, or we can access it very quickly from the market.

So while I recognize what the Provincial Auditor is saying, I think the risk in the way in which we're handling it at this point in time is very low. And in fact even if it were to occur from time to time, even it were to happen that we purchased an investment from time to time that did not qualify under legislation, we then have to look at what the risk of that is. And our first criterion in any investment is: is it a good investment in the first place? Whether it qualifies or doesn't qualify, the first thing we look at is whether it's a good investment. So even if we purchased it, we could sell it out; we could dispose of it; and there would not necessarily be any loss.

I think one of our biggest problems is just buying a good investment of a legal investment, that's legal. If we have a risk, we have more risk there than we have buying an unpermitted asset that then turns out to be a poor investment as well.

Mr. Chairman: — Sorry, I missed that. I didn't understand that last comment, Mr. Meiklejohn.

Mr. Meiklejohn: — I said that in the investment business the risk is in the investment itself and that even in the so called legal or permitted investments there is all kinds of risk with regard to whether it turns out to be a good investment or not. And I think we focus on that, as well, of course.

Mr. Chairman: — At what point in time, if ever, are the investments checked to determine whether . . . by the government, Department of Finance to determine if they do fall within the guide-lines?

Mr. Meiklejohn: — Well, I think it's an ongoing thing. You can't check it every day. There are different tests for different types of investments. We don't have to check every day that the Government of Canada securities are a legal investment. We know they are. The same with the province of Saskatchewan; the same with all chartered banks, and down the list.

There are certain criteria such as earnings records and things like this, and we have all of those things, and the market keeps us up to date on all of those things at any point in time. And our people who are . . . For instance, our equity trader — you don't have to tell him what the earnings record is of just about any company in Canada that's listed on the Toronto Stock Exchange and that we

might be interested in. He knows what the earnings record is.

Mr. Chairman: — Who does the brokerage for the government?

Mr. Meiklejohn: — Well, all . . .

Mr. Chairman: — All the firms have a piece of it.

Mr. Meiklejohn: — Yes.

Mr. Chairman: — Okay. Do you publish a list of the investments made in the pension . . . Is there any reason why that should remain confidential? I'm just interested in seeing a list of them.

Mr. Meiklejohn: — Well, it's the pension funds themselves, you know, where the report is prepared. I think it's available in the reports, by category maybe, maybe not . . .

Mr. Wendel: — Some of them do appear in the various pension funds.

Mr. Engel: — The legislative criteria that's used to determine which investment is eligible or not: how specific is that?

Mr. Meiklejohn: — Well, in many cases it's not very specific. It's broad categories and it has a fair amount of leeway. You know, the legislation that we operate under for pension funds is basically The Pension Benefits Act of Saskatchewan, which is identical to the Pension Standards Act of Canada. And indeed most of the provinces, and by agreement, have piggybacked on the federal legislation just for consistency purposes throughout Canada. And there are other Acts that we have used and which are similar to some of the provisions in The Pension Benefits Act and the British and Canadian insurance Act of Canada, which is federal legislation as well, which is also used as standard legislation for investments in Canada.

And everybody understands that. And indeed when new securities come out, you will find in prospectuses and so on that there will be a legal opinion that says that this particular security qualifies under the British and Canadian insurance Act or the Pension Standards Act of Canada, or under certain trust Acts of various provinces. And it will refer also to specific . . . But it's always that kind of legislation. It's standard legislation in Canada, for the most part, and therefore the legal profession is continually making opinions on that and everybody understands what it means.

Mr. Engel: — If a specific company is able to sell shares, say, in B.C. to the B.C. pension plan, because they're listed there, that, to your brokerage firm or to your agent or whoever works for you . . . sees that that company is used as a place of investment, then other provinces and the Dominion would then possibly invest in that too if their earning record looks . . . it meets your criteria. is that how you determine which ones you'd invest in or is there . . .

Mr. Meiklejohn: — Well of course, in addition to the legislation that we operate under, we have specific investment guide-lines that obviously narrow the scope.

Mr. Engel: — How big a fund are we talking about? How much money are you investing annually, approximately? What's a ballpark number there?

Mr. Meiklejohn: — How much are we investing?

Mr. Engel: — What's the cumulative total in a . . .

Mr. Chairman: — What's the combined assets of the pensions fund in Canada?

Mr. Meiklejohn: — If we take the pension funds themselves, I think at this point in time there's somewhere between 2 and \$3 billion. If we take, for instance, our short-term investment portfolio, that is the surplus funds in all of the agencies of government at any point in time — and we perform this service for most agencies where we invest this money on an ongoing basis as they request it — we have at any given point in time somewhere between 0.8 and 1.1 billion outstanding in surplus funds invested at any point in time for 90 accounts in the government.

Now that goes on at a rate of, say, you know . . . And so in a year we would do \$30 billion worth of short-term investments, on a roll over and so on. We would do in any given day somewhere between 40 and \$100 million in 50 transactions.

Mr. Engel: — And your earning record would be at about what per cent last year?

Mr. Meiklejohn: — Oh, it varies depending on the particular fund and . . .

Mr. Engel: — You've never averaged it out or determined

Mr. Meiklejohn: — Well we can't because we're dealing with about 13 or 14 pension funds, we're dealing with several insurance funds, we're dealing with all of these as I mentioned — 90 different agencies in government in terms of short-term clients.

Mr. Engel: — Does the Department of Finance do the investments for like, SGI?

Mr. Meiklejohn: — Yes.

Mr. Engel: — You handle those as well, from the insurance fund as well?

Mr. Meiklejohn: — Yes.

Mr. Engel: — I'm concerned with this general statement under (3) that:

. . . resulted in a more than relatively low risk that errors or fraud in amounts that would be material in relation to the Department may occur and not be detected within a timely period . . .

It's on page 25. Do you have a person, or you do that

yourself? Is there someone in the department that would specify to the brokerage firms what amount of money is . . . Is that all channelled through one fund, the money that's being invested? He's concerned . . . The auditor shows somewhere along the line that there's room there or there's place there where there's potential for some fraud.

A Member: — There's room for error but not fraud.

Mr. Engel: — That scares me a little bit in how that is handled. You're talking massive amounts of money there.

Mr. Meiklejohn: — We follow the systems, the internal control systems, that are in place, of course. They have been established in some respects by the comptroller of the province. We have to follow the rules and regulations that have been established by the treasury board and by the comptroller's office, the various manuals and so on. I'm not just sure exactly whether they're saying there's a total failure in the internal control systems or whether there's just a possibility that we would buy a purchase, an unpermitted investment, or not. We have never had any problems that I'm aware of. We've never . . .

Mr. Chairman: — I think to be fair, Mr. Meiklejohn, I don't think he's saying it's an ongoing problem that you're continuing to buy moose pasture with the pension funds. I think what's he's saying is, there is a risk of a purchase of an unauthorized investment, and it was his duty as Provincial Auditor to report that that system poses what in his view is an unacceptable risk.

Sorry. I've got a bit of a speaking list here. Mr. Kraus, did you want to get in on this?

Mr. Kraus: — Well I just wanted to say that we've talked to Mr. Meiklejohn about the process, and we thought that we should spend some time reviewing the process they follow. We would be probably checking around to confirm some things Mr. Meiklejohn is saying about industry practice and so on, because the position he is taking is that they follow the industry practice and that the risk is low. We've agreed that we'd be going in, in the not so distant future from now, take a look at that and see, in fact, whether that's correct or not. And if it is, we would support it.

Mr. Katzman: — Supplementary, Mr. Kraus. You're saying that at this time, in your opinion from your side, you have not determined if it is low or if it is high.

Mr. Kraus: — Well we haven't looked at it — no, we haven't formed that opinion. But I must say that on listening and understanding what Mr. Meiklejohn is saying, it sounds like a reasonable approach before we, in fact, review it. But we will review it objectively.

Mr. Katzman: — So supplementary again, if I can, on the same question. What I read here is to say that Mr. Lutz is saying the possibility is there; it hasn't happened, but we would like to make sure it can't happen, and so now you are going to check what they say and sort of be the referee.

Mr. Kraus: — Well we will make our recommendations, make an assessment. And I would say that I don't believe

you can ever have a risk-free situation. So you always have to accept risk.

Mr. Engel: — When you're investing that amount of money. So, I asked for the total.

Mr. Glauser: — Risk is one thing, but fraud is another thing. And that's a pretty broad statement there, and I'm having difficulty in my own mind deciding. He should be able to support that with an example of how that could take place. I'm at a loss to know how that fraud could take place.

Mr. Hunt: — Mr. Chairman, and Mr. Glauser, if I may respond. I believe the introduction in sub paragraph 3 is common to the introduction we're using throughout the report and could be error or fraud. The difference between those two is whether there's some intention or whether it's unintentional. Now in this instance I believe we're talking about, in all likelihood, an unintentional situation, simply by virtue of there not being a systematic check in place.

The reason we say that it's greater than the low risk is because virtually one instance could cause what would be considered a material error. Now a \$1 million instance in that 20 or \$30 billion turnover might not seem material, relative to their overall operation. But with respect to the fiduciary responsibilities relative to the 90 Crown agencies and what not, we're considered greater than low risk from the material there in that sense.

Mr. Meiklejohn: — Mr. Chairman, I just make one point here. When you talk about risk — and I think I referred to this earlier — the fact that we bought an unpermitted investment does not result in a loss. If you're talking about fraud, and somebody steals a million dollars, then yes, you've got a loss of \$1 million. But if I buy an unpermitted asset, for one reason or another — by mistake and so on — that does not necessarily result in a loss.

Mr. Chairman: — Mr. Young has been very patient here.

Mr. Young: — Well just to follow Mr. Meiklejohn. It doesn't result in the loss, it results in an illegality, that's what it results in. Like, I'm sure what the auditor is getting at here is not trying to second guess whether or not something is a good investment at all. That's not his job. And accordingly, that is irrelevant as to whether or not there may or may not be a loss as a result of the type of investment — is what the focus is on — is whether or not it's legal or not.

And it would seem to me, from looking at the top of page 26 of his report, that what he seems to want to satisfy himself is a systematic check. And I guess that's what he thinks would make him feel right about you people performing your duty to ride herd over the types of investments and insuring, as best you can, that they will be according to what is legal. And in order to make that assurance clear in his mind, he wants a systematic check as opposed to just a check check. I don't think there's anything too wrong with that.

Mr. Benson: — It seems to me what the auditor is saying is that there may be more than a relatively low risk of an

illegal investment being made, and not that there would be loss or fraud. Is that . . . I'm sure that's fair to say that.

Mr. Hunt: — That's correct. If I may go further and perhaps more in the purview of a lawyer but I think we have made another comment relative to the SaskPen investments and the breach of trust, and so on. And I suppose if a loss ever did occur, and the investment was illegal, it would be looked at in a different light than if a loss occurred and it was done legally, in terms of any recourse. And so in that sense there may be some difference.

Mr. Young: — Because what happened here years ago is that the legislators, in their infinite wisdom, decided not to give you the discretion that you probably feel is best. And I know the situation, when you have files and the official guardian for infants is involved, she can't even get bank interest on the investments for these poor kids obviously not because of anything wrong with her investment ability, but because her hands are tied so tightly behind her back that she comes out with about 5 or 6 per cent on the money, and it drives people crazy who are involved with it.

There's something that I think maybe should be loosened up because of the times, but so long as that is the law now, and until it gets around to getting changed, I guess that you've got to stick with what is legal. And apparently, to make the auditor happy, you've got to get systematic in your checking to see that they are legal. Those are the words he used here, and I think that's what you folks have to fixate on in order to, as Duane Weiman says, keep the auditor happy.

Mr. Meiklejohn: — Mr. Chairman, I'm not sure whether that's our mandate or not, but . . .

Mr. Young: — Well, it's ours to see that you do, I guess -- the committee's.

Mr. Meiklejohn: — If I say to you that I think we have a systematic check, then I think we have adequate controls on it, you know, which I believe we have. That's one thing. There is no doubt that we could spend more money, we could hire more people, and we could do a more systematic check than we're doing today for our investments. There's no question about it. We can hire five more people, and we can put one right behind every investment manager that we've got and check him on every thing he does. There's no question about that.

So we can do a more systematic check. Whether it warrants a more systematic check, you know, I suppose we can debate about what the risk is. But I believe we do a systematic check. I believe that the people that are involved do know what they're doing.

You talk about, well, if we make one slip. Well, all of the pension funds in Canada are the same way, and I'm sure lots of them have made a slip — inadvertently bought an asset that's not permitted by legislation. And there was no intent involved, but they made a mistake. Some little person out there, for one reason or another, didn't know it was an unpermitted asset. I don't think they'd put him in jail the first time, you know, and there's probably not any

loss. And just as soon as it's found out, I'm sure they'd get rid of it and get themselves back onside.

But to suggest that of the \$100 billion in trustee assets in Canada at this point in time, and the number of transactions that are involved there, to suggest that they don't buy an unpermitted asset once in a while, I think, is just . . . you know, it just doesn't work.

I make another point with regard — and you've raised this — about well, is the legislation suitable for what we're doing here, or should it be enlarged, or whatever. This debate is going on in Canada today, and you've seen it with regard to the financial institutions. You've seen the federal government talking about new pension fund legislation and people advocating the "prudent man" rule with regard to the investment of funds.

The prudent man rule says that there's really no statutory requirements or criteria for investing money. All there is is what they call a prudent man rule: that is, a professional would take all prudent measures to ensure that the investment he bought was a good investment. And if he didn't comply with that, then he could be held responsible, or liable, or whatever.

Now lots of the investment managers would just love to have that rule — would just love to have that rule. We've looked at it and we say, well yes, that uncomplicates our life, you know, with regard to buying an uncommitted asset at any point in time.

But the legislation has worked pretty good over the years. You know, we haven't had many problems with pension funds making bad investments. There hasn't been some, you know, some real problems with regard to pension bonds and trustee funds under this kind of legislation. So it hasn't worked too bad.

But we always have this problem; pension fund managers always have this problem, that for one reason or another they could buy an unpermitted asset. And we talked to pension fund managers all over Canada. We belong to the pension fund investment association of Canada, which is all of this big investment fund. And we all have the same problem.

We try to . . . All our professions, presumably, are well informed, know exactly what the criteria is. But to suggest that it couldn't happen is just, you know, is not being realistic. It can happen.

Now we do, I think I mentioned, we do a hundred transactions a day. Now how much time we . . . And, you know, these transactions are in the money market. We do them at 9 o'clock in the morning or at 7:30 in the morning; they have to be settled by 12 o'clock noon. Now what systematic check should we do?

Mr. Young: — You just told me you had a systematic check.

Mr. Meiklejohn: — Well I'm saying we have a systematic check because these people know their securities; the industry knows their securities; they know the criteria of the legislation, etc., etc.

Mr. Young: — That is your systematic check, is that the people, wherever . . . He says some . . . their investment in Canada's major investment dealers. That's who your systematic check is?

Mr. Meiklejohn: — No, our people. Our people, as well as those people. it's the market and our people. We're dealing in basically the same securities every day. You know, we don't . . . When we add a new security or get involved with a new security . . .

Mr. Young: — I guess maybe he means the provincial audit as follows: a Boeing 747 pilot knows how to land one. Right? There's no disputing that. He knows his stuff. But he does a systematic check when it comes down. Touch down, da-da, da-da, da-da.

Mr. Meiklejohn: — But do you do a systematic check on the pilot before he takes off every day to see if he's qualified?

Mr. Young: — But on every investment he makes, when the rubber meets the pavement he does a systematic check.

Mr. Meiklejohn: — I'd be more worried about whether he's qualified at any point in time to do a systematic check.

Mr. Chairman: — But to follow up Mr. Young's . . . If I could interrupt, Mr. Young. His example, I think, is a good one. it's assumed that the pilot's qualified. He does, however, have a written list with him which he goes through.

Mr. Young: — On every investment.

Mr. Chairman: — That's right. On every step. In fact, the co-pilot reads it off to him when he checks it. His example is a good one, I think.

For my part I'm getting out of order here, and I'll be quiet because I am. I was going to make a recommendation for resolving this matter, but I'll leave it there. I've got some people on the speaker's list. Mr. Young had the floor when I interrupted him. Mr. Engel, then.

Mr. Engel: — I just was wondering, when you have this person making that purchase, is your department, or that aspect of it . . . How sophisticated is that computerized system you're using, or is this done manually? You'd think if the computer were instructed properly and this runs up, he'd pop out and you'd have some check or some record there that would indicate it. Or you're not . . .

Mr. Meiklejohn: — We're not talking about a computerized system here. We're talking about, for instance . . .

Mr. Engel: — This is strictly manual?

Mr. Meiklejohn: — For instance, let's go through the transaction. One of my investment managers has X number of dollars to invest in the market. It happens to be our equity trader, and so he wants to buy a certain equity.

Mr. Engel: — Just as an example though: that would be one of the investment houses in town here, or in house staff?

Mr. Meiklejohn: — No, I'm talking about the man that works for me.

Mr. Engel: — That's an in-house staff?

Mr. Meiklejohn: — That's an in-house man.

Mr. Engel: — Okay.

Mr. Meiklejohn: — He's charged with the responsibility of managing a certain type of investment, and in our case this one particularly manages equities, Canada equities.

So at the time he purchases an equity, he makes a deal in the market to purchase that equity through a broker. He buys the equity. He puts through a ticket, purchasing the equity. He signs that ticket to say that he purchased it on such and such a date and that it was a legal investment. He signs that he did this transaction. We have approved lists of securities that he can buy, and so on. And presumably they're all . . . And he is also a person that he bought that equity because it had a good earnings record. He thought it was a good investment. But he knows what the tests are for that.

Mr. Engel: — So when that's followed through that is not then plugged into some computer so you have a record that that amount and that recording system is done manually?

Mr. Meiklejohn: — Oh, eventually it goes into a, you know, the transaction itself goes into a system.

Mr. Engel: — Well I'm just wondering. I'm trying to determine in my own mind where the more than relative low risk of error comes into, I'm just wondering, in between those transactions.

Mr. Meiklejohn: — Well I think the Provincial Auditor and I think Mr. Hunt will refer you . . . We're talking about a specific instance here, a specific part of the system, that is whether we have control over the purchase of permitted assets, not whether we have control over any other part of the system. We're talking about whether we have control over that part of the system . . .

Mr. Engel: — Where the person decides which asset he's going to buy.

Mr. Meiklejohn: — Whether it's a permitted asset or not, whether he knows whether he's buying a permitted asset or not. Whether he knows at the time he purchased it whether it's a permitted asset or not and what should he do to determine that it is a permitted asset.

Mr. Benson: — I could maybe make a comment on it from a control perspective, the Provincial Auditor often raises these issues and we look at them. I think in this particular case when we look at it, our reaction would be how many unpermitted investments are being made, if there are any. That's the first step because it's a sequential thing. If there were a lot of unpermitted investments being

made, then the risk of loss to the province might be a lot different. And I think that's really what's at issue here. What Mr. Meiklejohn is saying, is that in his opinion there is not a very high risk of unpermitted investments being made, and I think that's a question of fact, and we would look at it as we do at all the other control weaknesses that are identified by the Provincial Auditor.

Mr. Katzman: — I'm not trying to explain it, but I will try to do something because of my involvement, and Mr. Glauser probably knows it better than I do. For an example, when you said approved list, I look after a fund that's somebody else's money, and therefore I am only allowed by the legislation of the province as a guardian of somebody else's money to invest in things like treasury bills and so forth. I assume you have a list, that kind of thing that you tell your guy that these are normal — all you want. And the decision he is making is if he's taking 60 to 90 days or whatever, that's the kind of decision . . . Those are pretty responsible investments right off the top.

For an example, a GMAC which is General Motors Acceptance Corporation always pays more than a treasury bill from the Government of Canada because there is a slight bit of risk, but most pension plans, I think, and most trust accounts allow a GMAC. They also allow a banker's note where certain things don't, and so I think there's a long list of things that are automatically acceptable.

For example, when I deal with my broker every week, I find out what is changed, what has gone up, and I keep a list on what every investment I'm looking at, be it GMAC, be it treasury bills, and then I make the decision. I look at the 30, 60, 90 day, and decide what I'm going to do — if I'm going to take the 30, 60, or 90.

Now investing \$200,000 that I've been playing with for the last year — \$100,000 I'm covered by law, and one that I'm allowed to play a lot with — it has made a difference of 30 per cent more accrued to that fund, the two funds that I play with. I have a trust fund for a brother who's mentally incompetent, and I'm only allowed to do certain things with that. But my own funds I'm allowed to do as I darn well please. And I have made 30 per cent more with my funds than I make with his funds because of the law. I'm assuming they have the law to work with, and I'm not allowed to gamble like I am allowed to gamble. Would I be correct on that?

Mr. Meiklejohn: — Well, I think it's important to understand that the legislation governing investments is quite wide, and there all kinds of legal investments that just would not qualify or meet our standards for a legitimate investment. You know, there's just all kinds, and we just would not buy them.

So it would be legal to buy them, but if I went under the prudent man rule, I'd be in trouble. You know, it would not be a prudent investment. And we do go under the prudent man rule; that goes without saying. But we would not buy that, even though it's a legal investment, we would not buy that investment. There's thousands of those. Every day we see those.

Mr. Katzman: — I think that's key. As a little investor, and

I'm just talking from my own experience now, we keep a list of where everything is gone in the last six months, the last year, and what it does. And I'm assuming that that's part of what your people have to do is watch the record of every company and where it's gone.

Mr. Meiklejohn: — We've got more . . . All we have to do is . . . We can give you 100 weeks, 100 months, 100 days, 100 hours of every stock on the New York Stock Exchange or the Toronto Stock Exchange. I could give you . . .

Mr. Katzman: — That's part of your check to make sure that it's the right kind of investment.

Mr. Meiklejohn: — Sure it is . . . (inaudible interjection) . . .

Mr. Katzman: — Well no, he has a legal check, but then he also checks to make sure it's a good investment, by the history.

Mr. Engel: — I imagine you're more concerned with the record.

A Member: — I beg your pardon.

Mr. Engel: — You're more concerned with your performance record than you are with . . . if it's legal to invest an account, I suppose.

Mr. Meiklejohn: — I don't know how you weigh these things. But in the first instance we want to be sure that we made a good investment. After all, this is what is going to pay a lot of people's pensions. So we're interested in a good investment.

Secondly, of course, it does have to meet the criteria of the legislation, but not everything that meets the criteria of the legislation is a good investment.

Mr. Weiman: — Well, just a couple of comments from what I've been hearing this morning. Number one, I look at it in a different way. First of all, the folks that are there, they're the professionals, otherwise they wouldn't be there.

Number two, they're not doing things in isolation. They do have assist teams. It almost sounds like there's just one person deciding on what to put the money into. You know, I believe that they do have assist teams. There are checks and balances through legislation and whatever, so there's checks and balances there.

And I think the bottom line comes down to investments that are made by these professionals who are assisted, who are watched over through checks and balances, the bottom line is, investments that are made are based on their best judgement. And there are times that sometimes best judgements can go awry. So I'm quite confident in what they're doing.

Mr. Young: — We are one of the checks and balances.

Mr. Weiman: — That's right. After that, it's based on best judgement. That's what they're paid to do, is use their best

judgement for our benefit.

Mr. Chairman: — I'm just going to make the suggestion that we receive the report on this. Mr. Kraus is going to be examining the system. Mr. Kraus's office is going to be examining the system to determine whether or not it does provide a reasonable guarantee that the investments are legal.

It would be my suggestion to the committee that we . . . I agree with Mr. Young as well. There are two issues here. One, is it a prudent investment? Two, is it a legal investment? Both have an important role to play.

Mr. Young: — Only one, Ned, whether it's legal. The other issue is not our business.

Mr. Chairman: — No, I know, but there are two considerations. The Finance officials have two considerations.

Mr. Young: — We have one.

Mr. Chairman: — And we have one. My suggestion would be that we receive the report, ask Mr. Kraus's office to report back to us when they have reviewed the matter — that may be another year — but leave the matter at that for the moment. It's been a good discussion.

Perhaps from my part I'm overly cautious, but I've got sceptic of the experts. And I'm not in any sense talking about the witnesses before us. I just think that elected people have to be a little more careful in light of the events of the last couple of years. The Bank of Canada got the Government of Canada into a deep hole with two banks.

And I think as elected people, we must assure ourselves and not say, well the experts are looking after it. The experts have been wrong; and in this field, when the experts are wrong, they can be very, very wrong.

Mr. Katzman: — Mr. Chairman, you should invest your own money sometimes and then you learn how to sweat.

Mr. Chairman: — I do. I was noting as you were making your claims to success that you have been investing basically on a rising market. Legal guarantees are intended to prevent disaster befalling us on a failing market. The legal guarantees really aren't expected to provide a great service on a rising market.

Mr. Glauser: — Yes, I think we will have one more item on that, almost in the same vein, and referring to what Mr. Meiklejohn has said about the prudent man rule, and that would cover off . . . we could get SaskPen covered off because it's in the same vein.

Mr. Chairman: — Okay, let's go on to SaskPen then. Is it agreed, gentlemen, with respect to this item we will receive the report, await the report from Mr. Kraus's office, and leave it at that for the moment?

Mr. Katzman: — Just a slight bit confused. We handled 3(a); I'm looking at 3(b). I agree that 3(a) is similar to SaskPen, but it seems we've handled 3(b). But basically,

that is when an agency makes a borrowing and they didn't tell the department, and we have been told by Mr. Kraus that they have all been written now and told they can't do that, so maybe the problem's cured and that's why we're not going to say anything.

Mr. Kraus: — . . . (inaudible) . . . be writing directly to the head office of chartered banks telling them as well that agencies aren't supposed to be establishing lines of credit unless there's been a prior approval by the Minister of Finance.

Mr. Chairman: — Well, I think that's true.

Mr. Kraus: — And we have, but there's another point here that this issue keeps coming up and up and coming up, and what is a Crown agency? And I think to be perfectly fair, the Provincial Auditor has under his legislation one definition of what he feels is a Crown agency. There may be some difference between that, and what would constitute a strictly legal definition of what a Crown agency is, and we've had lots of problems with that, so we've talked about this.

There are certain things that we think that the Minister of Finance should have control over, and there's no question about that. So we have proposed amending the legislation to give some discretion to the Lieutenant Governor in Council with regard to designating those agencies which the Minister of Finance feels should come under the purview of that kind of a section. So that would then define the agencies that should come under this provision, and that is to say that it would require Minister of Finance approval before any borrowing was authorized.

Mr. Katzman: — Am I to . . .

Mr. Engel: — Can you give an example of . . .

Mr. Chairman: — I'm sorry. Mr. Katzman is next.

Mr. Engel: — It's just on that exact . . . (inaudible) . . . Which agency mightn't be considered a Crown agency and which one would?

Mr. Meiklejohn: — Which might not?

Mr. Engel: — Yes.

Mr. Meiklejohn: — I'm not sure that I can give any at this point in time. No, because we have not come to any decision on what we would include or not include in that kind of a scenario.

Mr. Katzman: — Let me ask the question slightly differently then. Once this list comes down, those in the industry who loan money will know we are responsible for this list if you give them a loan, but it must be priorly approved. If they're not on that list, if they give them a loan, that bank or people are on their own hook because we are not guaranteeing. That's what the list will sort of say when it's all done.

Mr. Meiklejohn: — Yes, I think there's some onus on the lender to be sure that the people who he's lending money

to have the authority to borrow money, and if they don't, that's his problem as far as I'm concerned.

Mr. Glauser: — That really isn't going to change anything from the way it's been happening anyway.

Mr. Katzman: — Except they are responsible as far as the auditor is concerned. That's the whole argument.

Mr. Meiklejohn: — We won't have the problem in terms of the . . . You know, the Provincial Auditor has his views and others have their views and it just simplifies . . . Everybody knows what the rules are.

Mr. Katzman: — That's right.

Mr. Chairman: — Anything else on this before we go on to SaskPen, then?

Mr. Katzman: — No, I'm just suggesting when you're ready to go to SaskPen.

Mr. Chairman: — Oh, okay. The issue of SaskPen is not a new one. The essential comment of the Provincial Auditor is that through the mechanism of SaskPen, investments have been made which could not be made directly and the interposition of a company doesn't make them any safer; it just makes them legal. I think that's his comment in a nutshell.

Last year our comments . . . The recommendation of the committee was that the Provincial Auditor's comments be complied with. I think that's a rough summary.

Gentlemen, perhaps you can bring me up to date on what's being done with this. Did you want to hear? I made a point of looking it up. I made a point of looking it up just a second ago. Action:

The Committee recommends adopting the proposals of the Provincial Auditor with respect to SaskPen Properties Ltd.

A Member: — What is his proposal?

Mr. Chairman: — All right. What is his proposal? Twenty-seven last year's?

Mr. Wendel: — Page 27 of this year's report. Fourth paragraph, item 4, page 27.

Mr. Chairman: — Is that the same as his recommendation last year?

Mr. Katzman: — Same as before:

"The Committee recommends adopting the proposals of the Provincial Auditor with respect to SaskPen Properties Ltd." As the legislation has not been amended to date, my concerns with respect to this investment and all other real estate made through similar investment vehicles, such as Pension Fund Realty, continue.

Mr. Chairman: — I gather you people are of the view that that the Provincial Auditor's wrong, are you? Or what's

the situation with respect to this?

Mr. Meiklejohn: — Well, how shall we express this? What the Provincial Auditor says is true. It also is irrelevant. We did not invest under that section of the Act. I do not know what . . . if we purchased under a section that says that we can invest directly in particular properties, it would not have been permitted. We did not invest under that section. We did not consider investing under that; it was never in our mind to invest under that section. We invested under other sections of the legislation.

We determined, our legal counsel determined, other pension funds in Canada and other legal counsel in Canada determined, that securities issued by an entity like SaskPen are legal investments for pension funds. I have seen nothing that indicates otherwise. I do not have any evidence to suggest otherwise.

We went back again last year, after the committee made its report — I think we made this point last year — we went back as a result of the committee's recommendation last year and reviewed a number of things. We went to our legal counsel again. We went to the legal counsel for Pension Fund Realty which we believe to be a similar entity. We talked to other people in Canada about this. And as a result of that, we still think that, you know . . . and there are a number of other good administrative reasons for setting up an entity like SaskPen. That was the way to go, as far as we were concerned.

Mr. Chairman: — Sorry, can I interrupt you? What were those other reasons?

Mr. Meiklejohn: — Administrative . . .

Mr. Chairman: — I, for my part, I'm not stricken with this as a wise investment, so I'd appreciate your expanding on that.

Mr. Meiklejohn: — Well, you know, I can't . . .

Mr. Chairman: — But you just said there's a number of other reasons . . .

Mr. Meiklejohn: — We're involved with a number of pension funds. I think, as I said earlier, we're involved with 14 pension funds. Now if you're going to get involved in a piece of property — and no one pension fund wants to get involved or take the whole thing. In other words, you want to parcel it out to a number of pension funds. It gets very complicated if you have to register on the title the name of every pension fund. You have to be a participant in a joint venture. If there is a joint venture involved as well, you then have a further complication in terms of the administration.

So pension funds in Canada have always recognized this problem. This goes back . . . I can remember going to meetings back in the early '70s and pension funds sitting around the table and saying, how the heck are we going to assist in investing in real estate and other types of mortgages and so on in Canada with doing it this way? It's too complicated; we've got to find a better way to do it.

Pension Fund Realty was the first one in Canada that was developed to look after that kind of problem, to facilitate the investment by pension funds in real estate. And they did it because legally it was less complicated, it was easy to manage and administer, and so on.

So if you ask me why we did it, that's why we did it. And it's attested . . . I guess we say it's tested. It's being going for 10 years or 12 years and it's been subject to the pension standards Act of Canada. It's been subject to the regulatory authorities, that is to say those regulatory authorities that govern private pension funds in Canada. That's not necessarily applicable to public pension funds, but it's certainly applicable to private pension funds.

And there are several others — Edgecombe. I think there's about six or seven. We are not involved in any others, but there are six or seven other similar vehicles in Canada where pension funds are investing money in real estate, or real estate related investments. And this is the way that they've done it.

Mr. Chairman: — Do I take it, Mr. Meiklejohn, that you can't invest in real estate directly?

Mr. Meiklejohn: — Yes, there's several . . . there's three or four different ways we can do it under the legislation. I can name . . . we can do it under the section that the Provincial Auditor made there; there's different criteria for that. We can set up a real estate company; we can do that. We can do it under the basket clause of the legislation, which means that we can invest in anything, you know. And we have lots of room in the basket clause because we seldom ever use it, or we use it for very small amounts.

So we can do it that way, or . . . and this is the other way that we can do it. At least that's what we've determined.

Mr. Chairman: — He's clearly of a different view with respect to that.

Mr. Meiklejohn: — Well he hasn't said . . . I think he has stated his opinion about what we couldn't have done. And we agree. We couldn't have done it under that section. That's not surprising. We knew that right from day one. That's true.

Mr. Katzman: — Mr. Chairman, I think the key here is . . . a pension fund out of Ontario, I believe.

Mr. Meiklejohn: — Pension Fund Realty.

Mr. Katzman: — Out of Ontario?

Mr. Meiklejohn: — It's headquartered in Toronto, yes.

Mr. Katzman: — Okay. For years and years I understand we were investing our pension funds through these people into the exact kind of investment that SaskPen has now got into. And the difference is, we're not dealing with an Ontario company; we're dealing with a Saskatchewan identity and investing in Saskatchewan.

A Member: — Plus we're saving on the fees.

Mr. Katzman: — I think that's the simplicity of what I understand SaskPen versus Pension Realty Fund. And Pension Realty was not argued against prior, as far as I remember in my years in this committee, but SaskPen is. Now this business about under this rule or under this rule, I'm not aware of, and I'll leave that to the Kim Youngs of the world who understand the laws.

But my understanding is, if we can go through Pension Realty, which has been . . . Mr. Meiklejohn has . . . been legal up to . . . never been said is improper, then why are we saying that one set up in Saskatchewan is improper? And that's where the auditor and I disagree. Now if he says, well you can't do it under this law, but you can do it under this law, that's legalities; and I let members like Kim Young and the lawyers worry about those things. I just worry about the common sense. I can't argue law.

Mr. Chairman: — Mr. Young, and then Mr. Glauser.

Mr. Young: — This is your own company, SaskPen. The other one is a profit one. The other examples you . . .

Mr. Meiklejohn: — Well no, we own the other company too. We are a shareholder in the other, in Pension Fund Realty, as well.

Mr. Young: — I see.

Mr. Meiklejohn: — Oh yes, all the pensions. The Pension Fund Realty is owned by pension funds. It has to be, for income tax purposes.

Mr. Young: — I see. Okay. Some of those examples you gave . . . Presumably if you had these vehicles which — the one in particular that the auditor is taking objection to — then obviously you wouldn't be utilizing your basket clause on the more wildcatish type investments, and thus it would be empty because you had this vehicle. But presumably, if you didn't have this vehicle, then you would have your basket clause full of real estate type investments. So that's really . . .

Mr. Meiklejohn: — We have another option as well as a basket clause.

Mr. Young: — And the other option is what?

Mr. Meiklejohn: — We can use a real estate corporation as defined under the Act.

Mr. Baldwin: — There's a specific provision that provides that pension funds can promote real estate corporations to develop and hold real estate, which is separate and apart from what we've done here.

Mr. Young: — How is it? It's the same thing. They're both companies that have real estate. Why do you say, Danny, that it's different?

Mr. Baldwin: — Well . . .

Mr. Young: — It's different clauses, but it's the same . . .

Mr. Baldwin: — Its different clauses, but the difference between a real estate corporation and what we have here

is: a real estate corporation would be the formation by a group of pension funds to purchase a specific property. And once they purchase that property, it's a very difficult vehicle to use in other situations. This SaskPen type of vehicle can . . . it can be structured so that you can get different pension funds into every parcel you buy, whereas real estate . . . (inaudible interjection) . . . Well it could be one, or it could be 14, or it could be 22.

Mr. Chairman: — Well I've got a couple of more speakers here than the speaker's list. I will make a suggestion to the committee. I'm not completely comfortable about resolving this matter in the absence of the Provincial Auditor. I remember last year a lengthy discussion, and I think the committee concurred with the Provincial Auditor. Now we might not do so again, but I think we should have his views here to consider them.

I was going to suggest that we adjourn the discussion.

Mr. Glauser: — I don't wish to before I get my two bits worth in here.

Mr. Chairman: — Okay, let's get the 25 cents worth of the member from Mayfair, and then we'll go on, then . . .

Mr. Glauser: — I must have been absent when this recommendation was made because . . .

Mr. Chairman: — No, you were here. I remember you moved it.

Mr. Glauser: — Oh, I did? God . . . because I have . . . I'm under the same feeling today as I was at that time, when I argued that not only the same things were being done with the pension realty as are being done in SaskPen. The only difference here now is that, rather than the funds leaving the province, they are kept here in Saskatchewan. Is this not a case in point, too?

Mr. Meiklejohn: — Yes, the funds that we've invested in Pension Fund Realty are not necessarily invested in Saskatchewan. There are some of them, but most of them are not — most of them are not.

Mr. Glauser: — Right. So I certainly don't agree with that being out of step with . . . I'm out of step with that recommendation because that isn't the way I felt last year.

Mr. Chairman: — I remember it now; your needs were ignored.

Mr. Glauser: — I think you must have slipped this in when we weren't looking.

Mr. Katzman: — Mr. Chairman, I think that the feeling was that maybe they were going to pass legislation so there wouldn't be no arguments between the two. That was maybe what . . . rather than saying that who was right and who was wrong, there seemed to be a bit of a shade.

Mr. Glauser: — Yes, but the legislation is not a case here because they are operating under the Act.

Mr. Chairman: — I want to make the following suggestion, gentlemen, that we finalize this next week

and we use our remaining five minutes to strike the agenda. I don't think this . . . this isn't going to take us long, one way or the other, whether you are for it or against it. I think we should finalize this thing next week and spend the remaining five minutes getting two or three departments ready to go next week, getting some lead critics and thus end off the day.

I gather it's agreed by the fact that no one has jumped up on the table and come racing down towards me.

Mr. Katzman: — I won't be here next week, but you can work without me.

Mr. Chairman: — With difficulty. We'll feel the loss, but we'll soldier on. Okay, gentlemen . . . Thank you very much, gentlemen, see you next week at 9 o'clock.

Gentlemen, the one option open to us is to take these things in the order in which they appear, which is alphabetical actually, I see now . . . I guess not . . . Yes, it is in a convoluted fashion . . . No, it's not in any sense alphabetical. It's in the . . . (inaudible interjection) . . . That's right, it's in last week's.

The two at the top of the list are Advanced Education and Manpower, and secondly, Agriculture. Do you want to have Advanced Education and Manpower here and Agriculture in the bullpen, or are all the hayseeds going to be out putting in a crop next week or not? There's only one hayseed, I guess, here. Allen, are you going to be seeding next week? You're not?

Mr. Engel: — I'd rather not have Agriculture on next Thursday if we can help it.

Mr. Chairman: — Let's pick another one then. Health.

Mr. Weiman: — I hate to admit it but I was absent one meeting in two years; and I don't know whether this was taken up at the time, but in the past practices we've had the flagged issues, and then after the flagged issues did we not determine the priority?

Mr. Chairman: — That's what I'm trying to do now.

Mr. Weiman: — In that priority, to determine not who we are going to bring forward next week, but to determine which are the A priorities, B priorities, and which ones may be even dropped from this list.

Mr. Chairman: — That's what I was attempting to do now. I'm easy, if you people want to call some other departments first. I was just trying to make a suggestion that would work, and I suggested the first two departments listed. Now if somebody else wants to bring some other departments forward first, that's fine with me.

Mr. Katzman: — Mr. Chairman, I am prepared to recommend dropping a couple of these too.

Mr. Weiman: That's what I meant when I talked about making a priority list. Before we determine who we are going to bring next week, we'd better find out which of those are A concerns, B concerns, and down, and determine maybe there are . . .

Mr. Chairman: — May I make the following suggestion here?

Mr. Katzman: — Well I'm prepared to knock 2.11 off the list.

Mr. Engel: — Are you looking at page 102 or . . .

Mr. Katzman: — Page 100.

Mr. Engel: — Oh, you're back here. You see, they're all grouped on page 102.

Mr. Katzman: — No, that's the Department of Revenue and Finance.

Mr. Chairman: — I would make a different suggestion. That is that . . .

Mr. Katzman: — The Board of Internal Economy is working on that one, so that's where it should stay.

Mr. Chairman: — What was the . . .

Mr. Katzman: — That that would be sent to the Board of Internal Economy. That's where it should be — 2.11 should be sent there, because that's the proper place for that one.

Mr. Chairman: — It probably is, actually. Revenue and Financial Services. Allen?

Mr. Engel: — Agreed.

Mr. Chairman: — Agreed. All right. That's agreed then.

Mr. Engel: — That goes to the Board of Internal Economy.

Mr. Chairman: — I think moved by the member from Rosthern seconded by the member from Assiniboia-Gravelbourg:

That the issues raised by the Provincial Auditor with respect to the members of the Legislative Assembly Superannuation Fund be referred to the Board of Internal Economy for resolution.

Agreed. Everybody is agreed. Okay.

Mr. Katzman: — Now there was a couple more in here that were basically all problems and based on the financing end of it which also could be looked at being dropped, Mr. Chairman. Because once again, if a Department of Finance notifies all the investors — sorry, the banks and so forth — then the problem that is cited in some of these will not happen.

So that was our concern: that's why we called Finance first, because then some of these could be dropped. And I have to check my memory to see which ones they were.

Mr. Engel: — If my memory serves me, there was one area that the Department of Tourism and Small Business and Sask Forest Products would be brought in together.

Mr. Katzman: — Yes, that's correct.

Mr. Chairman: — One way to approach this gentlemen, it would be . . . If an election's called in 10 weeks, we're not going to finish it. But one way to approach this, just before I take Mr. Weiman's comments, is to start with the most important departments first. We always have a sense of when the legislature is coming to an end. If the legislature is coming to an end and we've dealt with the most important departments, we could probably report to the legislature, if only an interim report, and we won't then have to meet over the summer.

A Member: — That's right.

Mr. Chairman: — So I would suggest we start with what we view to be the most important departments and work our way down. And we'll see, as the session draws to an end, whether or not we have done enough work that we don't have to meet again during the summer. We are only meeting one . . . I remind everybody we're only meeting one day a week this year. This is unusual.

Mr. Katzman: — I think we're accomplishing just about as much.

Mr. Weiman: — Well that was my point, and rather than flipping through all these pages back and forth, let's start with 2.3, and let's right now itemize them. Are they A, B, C, and let's speak to them, and go right down the line. Then we'll know where we're coming from. Like, can we come to a common agreement that, you know, 2.3 is an A topic or B topic?

A Member: — That's the way we've done it.

Mr. Weiman: — That's the way we've done it always in the past. Let's get at it.

Mr. Chairman: — Okay.

Mr. Young: — That was the municipal pension business. They were fairly important.

A Member: — Those were triple A's.

Mr. Weiman: — So we could start at page 99 at 2.3 and go around the table and find out what our feelings are on the . . .

Mr. Katzman: — I'll put this as a B or a C, because Finance has handled most of these problems that we're talking about. That's why I'll put it down lower.

Mr. Chairman: — That's my concern with this process, because it's going to take us an eternity to determine whether it's an A or B or . . .

Mr. Weiman: — Well then if I may make another suggestion, because I do suspect that some of these items will be open to interpretation and a lot of dialogue back and forth, which could be lengthy. So therefore for next Thursday what I would propose is that we bring back Finance, finish them off; and immediately at the conclusion of Finance, we itemize, or we prioritize rather, the topics that we are going to continue with.

Mr. Katzman: — . . . (inaudible) . . . would be standing by, though. It's got to be a stand-by, though.

Mr. Chairman: — My suggestion, I gather, has no following in this committee. And that is: we pick the most important department and work to the least important department, and determine a week before the session adjourns whether or not we've got enough that they won't have to come back.

Mr. Katzman: — That's sure a heavy proposal.

Mr. Weiman: — We haven't determined which ones we consider to be the most important departments yet. That's why I say we should prioritize them.

Mr. Chairman: — I guess what I was suggesting, Duane, is that we don't do that. Because I think we're going to be an eternity trying to get agreement.

Mr. Katzman: — It worked before.

Mr. Chairman: — Okay. Well, all right. let's at least then . . . May I suggest that both caucuses sit down, and Cal and I to have the responsibility in conjunction with our colleagues, to prioritize these . . . so that we come with some sort of thought and agreement as to what's a priority.

Mr. Young: — You should have someone on the bullpen for next Thursday.

Mr. Engel: — . . . have somebody on stand-by, just off the list without being prioritized or not.

A Member: — Just this one time we'll pull one out of the hat.

Mr. Chairman: — Can we agree then on something that is going to be an A in any event? How about Tourism and Small Business and that crowd?

Mr. Engel: — And the forest products? Or bring the forest products in from out of town. And I think that we should have that schedule to start right at 9, when we're meeting at 8:30 or when . . .

Mr. Katzman: — I would have to suggest to you that I would agree more to the Department of Health than I would Tourism and Small Business, because of bringing them in from out of town.

Mr. Engel: — Because they're on stand-by.

Mr. Chairman: — May I suggest the following: Health . . .

Mr. Katzman: — That's all you need.

Mr. Chairman: — . . . Finance to be here.

Mr. Young: — Health is plenty.

Mr. Chairman: — And we probably won't get through Health.

Mr. Katzman: — That's right.

Mr. Chairman: — We might . . . If we want another department which is a dead ringer to come, it's Social Services, if we wanted to have them in the bullpen as well.

Mr. Young: — There's not much there to go on.

Mr. Chairman: — What?

Mr. Katzman: — There's not much on this list for Social Services this year.

Mr. Engel: According to the Ombudsman there is quite a list.

Mr. Young: — They run a pretty tight ship.

Mr. Katzman: — He's not on this list, though, Mr. Chairman. Oh, there he is. Annual declarations.

Mr. Chairman: — Is that agreed then? We'll deal with Finance, and I don't think that will take us long.

Mr. Weiman: — Okay, and Health in the bullpen.

Mr. Chairman: — Health on a 15 minute stand-by. And Social Services in the bullpen in case we . . .

Mr. Katzman: — No, no. Health on stand-by, I'd say, for starting about 45 minutes after we start.

Mr. Chairman: — All right.

Mr. Katzman: — And then the other guys on a half an hour call or something.

Mr. Engel: — Finance aren't coming until 9 o'clock?

Mr. Chairman: — Do you want to risk a disaster here and suggest that, after the caucuses make up your priorities, that the chairman and I get together and try and arrive at a single, agreed upon prioritization? We might utterly fail, but we might hasten the process.

Mr. Weiman: — We won't have to if we have Finance next Thursday, followed up immediately by Health. And we're not going to get through Health at any rate; and if we did, then we as a committee can determine the priority at that meeting.

Mr. Chairman: — Okay. I was just thinking we might be able to come with a list that would shorten the discussions. But if you'd rather not . . .

Mr. Glauser: — We'll probably do that too.

Mr. Engel: — That's a good idea.

Mr. Glauser: — And you fellows can do it and then we'll compare notes.

Mr. Engel: — But rather than do it at a meeting, you and the chairman get together sometime when the House is sitting or sometime and . . .

Mr. Chairman: — That was my suggestion, that you and I get together and try and agree upon a single list that we could recommend to the committee.

Mr. Katzman: — Well that may be possible but we're not hooked on to it, that's all.

Mr. Chairman: — No, it's only a recommendation.

Mr. Glauser: — We'll try that.

Mr. Chairman: — Okay 9 o'clock then, a week from today.

The committee adjourned at 11:10 a.m.