

May 22, 1986

Public Hearing: Department of Finance (continued)

Mr. Chairman: — As I recall our proceedings last week, gentlemen . . . Welcome back. I think everybody who is here today was here last week. I'm informed that Dan Baldwin is here, who wasn't here last week.

A Member: — No, he's not here.

Mr. Chairman: — I wondered; I couldn't see him. Dan Baldwin is not here. Okay. We had, as I recall it, dealt at some length with the recommendations of the Canadian Institute of Chartered Accountants with respect to summary statements. And had we disposed of that item, by a vote or otherwise?

Mr. Weiman: — Well as I understand it, we sort of put a delay on some of the further questions because we wanted to hear from Mr. Lutz, and then we were going to continue on. But in so far as those pension things, I think we had dealt with those.

Mr. Chairman: — Right. We're finished with Pen-west, whatever it's called . . .

Mr. Weiman: — SaskPen.

Mr. Chairman: — SaskPen. Mr. Lutz, I gather you came prepared to deal with this question, the questions that were raised last week. Or would you want them read to you again?

Mr. Lutz: — Would you like to maybe repeat the question briefly, Mr. Chairman, so we are aware of what is expected.

Mr. Chairman: — All right. I knew you were going to be nasty and ask me for that. Just turn the tape off for a second till we find the question.

Okay, go ahead.

Mr. Lutz: — From the outset I have maintained that these investments do not qualify as permitted investments. I have maintained that if the pension funds were not authorized to invest in this kind of a thing on their own behalf, then they don't accomplish much more by investing in bonds or shares or whatever paper of a corporation whose only asset represents the same items that, in my view, could not form investments. Now Mr. Meiklejohn and his people have got legal opinions which state, yes, they can. I have legal opinions which say, no, they can't. Perhaps it's time we had the differences in legal opinions settled. I have not expressed a legal opinion here, of course, but I am required to express opinions and I have done so. Maybe the day has arrived when we should take one of these, my opinion, and one of his opinions, to the judiciary and get the matter settled.

My other concern is if these — I'll use the term "investments" — don't turn out too well, I perceive that there will be a contingent liability which could become a real liability, which I believe the Finance would likely be required to pay since these are being administered by the Department of Finance. Now, perhaps if the members

wish the comments made in more legalese, I will have Mr. Neill, my solicitor, speak to this subject, but I don't know if the members wish to hear from my solicitor or not. It's at the wish of your committee.

Mr. Young: — We had a pretty good run-down by Mr. Baldwin yesterday, or not yesterday but last session, as to the areas in . . . If Mr. Neill's had a chance to read *Hansard* as to what Mr. Baldwin outlined to be the legal loopholes that he felt existed for the investment, notwithstanding the avenue or the vehicle that they're using now, he saw some other holes that would allow them to make these investments. They had a — oh, I forget just the term they called it, a certain amount they could make some cavalier investments in, a certain 20 per cent or some amount of money that they hadn't used up, and there was another section that he referred to as well that he said would allow them to go this property route.

Mr. Weiman: — . . . (inaudible) . . . You didn't use the report . . . (inaudible) . . .

A Member: — Three I think.

Mr. Weiman: — . . . in three reports.

Mr. Young: — The outline of them, they're in here, while he was here the other day.

Mr. Glauser: — Well Mr. Meiklejohn did also.

Mr. Young: — Baldwin got more specific than Meiklejohn to my recollection.

Mr. Chairman: — Perhaps it might like . . . (inaudible) . . . Sorry, Mr. Meiklejohn. I represent your . . . (inaudible) . . .

Mr. Meiklejohn: — Mr. Chairman, I was not aware that legal counsel were going to be present here this morning.

Mr. Chairman: — Which is a bit of a disadvantage.

Mr. Meiklejohn: — I beg your pardon?

Mr. Chairman: — That may put you at a bit of a disadvantage; I recognize that.

Mr. Meiklejohn: — Yes. Well when I noticed it, I have arranged to have legal counsel come, but they have not arrived yet. If there's going to be discussion on the legal aspects, then I would like to have my legal counsel present to deal with it. I should point out that Mr. Baldwin is not the legal counsel for SaskPen.

Mr. Chairman: — Perhaps we could go on to a different item than SaskPen and come back to it when the legal counsel arrives, who, I assume, will not be long . . . I assume he's just coming over from Justice across the creek. is that right, Mr. Meiklejohn?

Mr. Meiklejohn: — Yes, he's . . . No, not from Justice. This is our . . . We have outside legal counsel.

Mr. Chairman: — Okay. Okay.

Mr. Glauser: — Well you see, a year ago we went through this and Mr. Neill was here, and at that time there was not legal counsel for the Department of Finance either, so at that time we got just one side of the picture, and I think that, you know, it would be worth while to go on to something else because . . .

Mr. Chairman: — In fact, it seems counsel has just arrived. Hi!

Mr. Meiklejohn: — Mr. Chairman, I would introduce Mr. John Klebuc, legal counsel for SaskPen from the legal firm, MacPherson Leslie & Tyerman.

Mr. Chairman: — The issue before us Mr. Klebuc is . . . granted you've had very little opportunity to prepare for this. In the provincial . . . You're familiar with the role and the work of the committee are you, Mr. Klebuc?

Mr. Klebuc: — Generally. I've not had much experience with the role of the committee.

Mr. Chairman: — Right. We are reviewing the report of the Provincial Auditor, and it is our function, among other things, to make recommendations to the Legislative Assembly with respect to his report. One of the comments he makes in his report is that the investments, which in SaskPen, if made directly . . . I'm stating what he just finished saying . . . (inaudible) . . . What he said a moment ago just before you walked in, and perhaps I should ask him to repeat it; in fact, I think I'll do that.

Mr. Lutz, rather than paraphrasing it, I'll ask you to repeat your comments for the benefit of Mr. Klebuc.

Mr. Lutz: — Mr. Chairman, thank you. I will read from page 27 of my report, and I will read only one paragraph.

Since I am of the opinion that the pension funds would not be permitted to purchase these properties directly, and since this investment had been made in shares and bonds of a company whose only assets were the same properties which would not be permitted as a direct purchase by the pension funds, I recommended that if this type of investment was to be allowed, the statutory authorities for the investment of pension funds be amended to specifically permit such investment.

Mr. Klebuc: — Okay. I'm familiar with the question. The issue, Mr. Chairman, stands as to what authority is there to invest — for pension funds, Saskatchewan pension funds — to invest in the bonds or securities of a corporation where the security is real estate.

Now, number one, dealing with the first thing about whether the pension funds could buy the properties directly or not, I can't fully respond, but I know there are properties that the pension funds could not have bought directly.

Now going on: where does their authority come from? Their authority comes from . . . Let me introduce it on a different basis, too. The pension funds of Saskatchewan are governed by The Pension Benefits Act and the regulations thereunder. The regulations thereunder say, as of this moment — and for all practical purposes, they

were the same in 1983 — that to ascertain what is a permitted investment or a non-permitted investment, you refer to schedule III of the Pension Benefits Standards Act regulations. Now the Pension Benefits Standards Act is a federal statute, and it's supervised by the Superintendent of Insurance for Canada. Schedule III of the regulations to that Act set out on a subject-by-subject basis what pension funds governed by federal legislation can invest in. The province of Saskatchewan has adopted those regulations and has clearly become a signatory to those regulations.

So there is some uniformity across the country in the sense that Saskatchewan and Quebec and other provinces have adopted the federal standards, if I may use that term, as the guide for what funds can invest in. Now as of this moment, if you look at the Pension Benefits Standards Act regulations, section 1(j) says that a pension fund may invest in "the bonds, debentures or other evidence of indebtedness of a corporation that are fully secured by a mortgage, charge or hypothec to a trustee or to the pension plan upon . . ." real estate, and its plant, and other miscellaneous assets. So it has to be a trustee, and there has to be bonds issued.

The first question comes up under this section, across the country, is: what does "fully secured" mean? Now I have checked with the law firm of Blake Cassels, Smith Lyons Torance, Goodman & Goodman, and, to a lesser degree, with the firm of Lang Michener. The reason I've checked with these, because they are other law firms that have for many years looked after the legal requirements of pension funds, and on a routine basis I've been seeing all of these trust deeds cross my desk for registration in the province of Saskatchewan. Their position is that fully secured means that the value of the asset, which is mortgaged by way of a trust deed, is equal to the bonds. In other words, you have to have . . . You can mortgage to the extent of 100 per cent.

The purpose of this particular section was to accommodate pension funds going into more equity things, rather than taking the money, lending it out to the private sector, whoever it might be, and then somebody else making a larger profit.

Not being satisfied with the point of view of even the private sector, I have from time to time contacted the Superintendent of Insurance office. After all, this is the body that is in charge of administering these regulations throughout Canada in so far as they relate to pension funds governed by federal legislation.

My last conversation was with Mr. David Campbell, who is a specialist employed by the particular department in the interpretation of schedule III. He informs me, as I've been informed on two or three other occasions by other persons — I can't remember their names — but Mr. Campbell informed me that fully secured means that the asset is equal to the amount of the bonds or mortgages or other evidence of indebtedness issued. So you can lend up to 100 per cent. That's the way the federal government approaches it.

And then I said, well what about this other section, section 2(b), which says that if you're lending money to a

corporation, you can only lend to three-quarters of the value of the real estate? Mr. Campbell said this issue has come up several times. He gets inquiries. Their interpretation federally is that it's poor drafting, but the sections stand alone. And if you qualify under one section, that's quite all right. They're aware of this question.

I asked him whether they intended to amend it or do anything. He said he didn't know. He didn't have much pressure in that respect. He just said there were inquiries. He didn't tell me who, and I didn't inquire who made the inquiries.

So that the dilemma I'm faced with is the fact that here it appears to me that across Canada we're trying to come up with a standard for all pension funds, sort of modelled after the federal legislation in place and following that legislation. In my opinion, and in the opinion of Blake Cassels, the investments made by SaskPen by way of bonds in SaskPen which they wholly own is unquestionably a permitted investment.

Speaking as a solicitor, of course, you can redraft any legislation to try to make it clear or clearer. I have some reluctance in Saskatchewan sort of passing special legislation to take care of this concern that the Provincial Auditor has raised and I'm sure he thinks it's his duty to raise. But on the other hand, as a solicitor and as a member of the Canadian Bar Association, I see nothing in pursuing clarification of points in these regulations on a national basis. And, of course, if it were the wish of this committee, I'd be prepared to do that. I think it's my duty.

Mr. Chairman: — That's one option to resolve the problem. Perhaps, Mr. Lutz, Mr. Neill might want to respond. I don't know.

Mr. Lutz: — Thank you, Mr. Chairman. The solicitor from my office, Mr. G.J.K. Neill, would, I think, like to respond if he may, please.

Mr. Neill: — The opinions that have been expressed by MacPherson Leslie & Tyerman, Blake Cassels and . . . (inaudible) . . . the other firms — what's the name of the firm now, I can't remember, the Torrance firm — have all restricted that opinion on the legality of the investment to the investment in bonds. The position, as I understand, that has been taken is that the investment in shares is only a nominal investment and therefore can be disregarded. With all due respect, my view is that there would be no investment in bonds without investment in shares, or, as in the case of the Saskatchewan Government Telephones fund, they entered into a participation agreement which placed upon them certain obligations in common with the shareholders.

So there would be no investment in bonds without an investment in shares and/or the entering into of this participation agreement. The result of that is, in my view, that a legal opinion is required to the effect that at the time the investment was made in bonds/shares and the obligation was made to provide unsecured notes, that the total package was permitted by the relevant legislation, and to date I have seen no such opinion expressed by anyone.

Now the question of the . . . the question of fully secured is, in a sense, a side issue. Mr. Klebuc has indicated that he's talked to the officials in Ottawa and so on, and they say that each section should be looked at individually to see what is permitted under it. However, there's a well-known rule of construction that I'm sure you, Mr. Chairman, are aware of, and that is that you must read any section of the Act in the context of the whole Act. And you must look at the overall purpose of the Act, and you must then interpret the section in the light of the overall purpose of the Act.

And when you do that, it seems to me that it would be inconsistent . . . it would be an inconsistent interpretation to allow an investment in bonds to be termed fully secure within the meaning of that section and at the same time limit the same sort of investment by way of a real estate mortgage, a direct charge on the land, to 75 per cent of the value of the land.

So I question whether a court would interpret the Act the same way as it may be being interpreted administratively. But that is actually a side issue because it makes no difference, and it is not for me or the Provincial Auditor, I don't think — and I don't presume to be speaking for him on this — but it's not for me to question the advisability of the investments we're talking about here; whether they're good or bad investments is beside the point. The auditor's duty is simply to draw to the attention of the House those investments which may not be permitted by the law as it stands at the moment, and that's what he's doing.

Now in order to clear that up, the House could simply pass an amendment to the Act to make it quite clear that this kind of investment is permitted. And now with regard to what's happening in other jurisdictions and the universality offered across the country, I have no comment to make with respect to that, other than two blacks don't make a white, nor is the Provincial Auditor being asked to draw the attention of anybody to what is happening with Pension Fund Realty. So I think that's sort of an irrelevant side issue too.

Now if I may also, while I'm speaking, respond to some of the things that Mr. Baldwin apparently said last time around, and that is that there may be other provisions which allow an investment in real estate, either through a real estate corporation or under the so-called basket clause provisions. That may be, but the fact is that, if it's to be a real estate company investment, there are certain requirements contained in the legislation which haven't been met to permit that kind of investment. And this investment . . . The basket clause did not apply, at the time this investment was made, to some of the funds.

Mr. Chairman: — Mr. Weiman, you had your hand up some time ago.

Mr. Weiman: — Yes. It seems the more we get into this the more muddled it's starting to get. I just want to backtrack a tad for the reason that we're here again this week — because we were awfully close, in my opinion, to resolution last week.

They indicate that . . . The only reason, I suspect — and I

don't want to put motives or words into another member's mind — but when I do refer to verbatim page 176, I thought we had it clearly resolved or very close to it. In fact, the chairman had indicated that we thought we had it resolved. And I would just draw your attention to the chairman's last remarks on it and the particular reason why we're back here this week.

There were other members on the list that wanted to speak, but he states:

I will make a suggestion to the committee. I'm not completely comfortable about resolving this matter in the absence of the Provincial Auditor . . . 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 . . . to consider them.

And that was the reason that we delayed it and postponed it to this week, was to get the auditor's report. I don't see any reference here to legal opinion or whatever. I'm at a disadvantage; I think the members are at a disadvantage in determining . . . it's a game of Solomon. Like, whose child does it belong to? We have two different legal opinions.

But there is some commonality in that legal opinion, from what I've been hearing this morning. The legal opinion of Finance states that there are sections within the Act that allow for investments. Mr. Neill has indicated — and I think verbatim will show that out when it's printed — that he said that there are also sections in which it can be done, but he is more concerned with the whole. I hope I'm not putting words in your mouth, Mr. Neill.

Mr. Neill: — I don't think that's what I said. I said there are other sections under which the investment might be permitted, but there are requirements in the Act and under the legislation which haven't been followed to permit them under those other sections.

Mr. Weiman: — Okay. At any rate, what I guess I'm getting at is, for the past number of years obviously there must have been some legal aspect to it, otherwise it wouldn't have been functioning and continuing on in this manner over the years. I do have some very specific questions, though, that I want to ask.

Mr. Chairman: — Okay. May I just make a comment first. We can certainly ask all the questions we want, and we should be doing that. We did recommend last year that the report of the Provincial Auditor be adhered to in this matter. We perhaps did so without full awareness of all the facts, but that's what we did, gentlemen.

It seems to me there are a number of ways to resolve this. I'm not trying to truncate the discussion. There are a number of ways to resolve this.

Mr. Weiman: — Well before we come to the resolution, I would like to ask my specific questions, and maybe it becomes redundant.

Mr. Chairman: — Well just let me finish. We'll give you time to ask your questions, but I'm just trying to set the

framework for the discussion. It seems to me there are a number of ways to resolve this.

One course of action is to concur in the Provincial Auditor's report, which I suppose that means that the Department of Finance has to hustle out of the investments. That's going to be a tad awkward since they're rid of them, and I don't suppose there's any quick way out of them. I don't think they do that.

Second, is to not concur on the Provincial Auditor's report. The third option was one alluded to by, I think, by Mr. Klebuc, and that is to seek a judicial interpretation of the legislation. A fourth option is to amend the legislation. It's not a happy alternative.

The first, the second, and the fourth, at first blush seem to me to be not happy alternatives. To amend the legislation . . . I'm not sure the government has made a decision that they want to amend the legislation. Their assumption was that what they were doing came well within the existing legislation. If it does, then the matter is at an end, although opposition members and perhaps government members, perhaps some private members may have some disagreement with the policy involved in that decision.

I guess what I'm suggesting is there may be some merit in considering Mr. Klebuc's suggestion that a judicial interpretation of the legislation be sought. It may resolve the matter one way or the other; well it will resolve it one way or the other. Either we will need to do nothing further, or we'll need to recommend to the House that the practice either be discontinued or the legislation be changed, as the case may be.

So having pointed out those alternatives . . .

Mr. Weiman: — Well first of all I want to state that in so far as the concurrence with the auditor's report, unless I'm understanding it wrong, to concur with the auditor's report does not necessarily have to mean that a practice that has been going on is wrong. It can also mean that by concurring with the auditor's report that we've taken notice of his concerns. And I just want to clarify that.

Mr. Chairman: — It's more specific than that, Duane.

Mr. Weiman: — Well I'll go on with my questions, and maybe that will shed a little bit more light on it. First of all, some very specific questions, Mr. Meiklejohn.

The amount of investments that we're talking about relative to the whole, as I understand it, is very low. Am I right or wrong on that? In terms of real estate.

Mr. Meiklejohn: — Oh, in relative terms to the total funds managed for pension funds, yes, it's relatively low.

Mr. Weiman: — Relatively low. How long has SaskPen been involved in this type of activity?

Mr. Weiman: — SaskPen was formed in 1983.

Mr. Weiman: — It's been going on for three years then?

Mr. Meiklejohn: — Yes.

Mr. Weiman: — I would like to go back to Mr. Lutz's concern in the report. And I will read from page 28 where he says that, in my opinion — and I'm reading into this:

... in my opinion it's resulted in more that a relatively low risk that errors or fraud in amounts that would be material in relation to SaskPen Properties Ltd. may occur and not be detected within a timely period.

I would suggest that three years is a timely period. Has there been any identification of fraud, errors, risk in this timely period of three years? In other words, I guess what I'm asking is: have there been any losses or abuses that have been identified in the last three years with the investments that you've made?

Mr. Meiklejohn: — Not that I'm aware of. I think that's a standard introductory ...

Mr. Weiman: — I appreciate that, but it is a concern of the auditor. And I guess what I'm trying to say is that you've been going on at this now for three years, since 1983, and to date the investments that you have made have not only been secured in a profitable ... And without putting words into your mouth, there has been no indication of loss, fraud, or abuse in these last three years.

Mr. Meiklejohn: — Well I'm not aware of anything. It's still in the developmental stage, this real estate properties.

Mr. Weiman: — Is the auditor aware of any identifiable losses or frauds in the last three years that would raise this concern, because obviously even though this is the standard preamble, you did have a concern that it's more than a relatively low risk. Has the auditor identified any losses, frauds, or abuses in the last three years?

Mr. Lutz: — Mr. Chairman, the question presently being raised is really a separate issue from the issue that was raised on page 27. If there were identifiable or identified losses as such, I'm sure we would have reported them, Mr. Chairman, Mr. Weiman.

Mr. Weiman: — Okay. Then I guess what I'm coming back to is that you did have a concern, of course, and it probably was brought about by legal opinion in the way that it was functioning. We have had another expression of legal opinion by Finance. Both legal opinions, I think, are going to be going on back and forth for quite a while. This has come forward to us a few years in a row now. So I have no other alternative then, if I can't resolve the legal opinion, as a so-called watch-dog of the populace out there on this committee, then I have to find out whether there was fraud, loss, or abuse. And you had indicated within a timely period. Three years have gone by; I consider that a timely period.

If I do not see, or if there is not identified any loss, abuse, or fraud within that timely period, we as a committee, I think, have to resolve ourselves to the fact that there has been nothing that has transpired that was wrong, that should cause us concern. We cannot deal with that legal opinion right now, legal opinion as in how it functions, the mechanism of it. I don't think that's for us to discuss at

this point because we're not going to come to a resolution of it. But what we can discuss is whether, again, the populace is getting good value for their dollar and that investments that are made are done in a beneficial manner to this province.

Mr. Chairman: — Someone had a comment. I don't know if it was in response to this. If it is, I'll let you go now.

Mr. Weiman: — In other words, I suggest that we've heard it out and we're going to have to come to a decision.

Mr. Chairman: — I've got a speakers' list which just simply goes down the table.

Mr. Glauser: — Okay. I would like to go back to one of your comments there, and that's on the 75 per cent mortgage. And that of course has been in legislation ...

A Member: — It's in the Bank Act.

Mr. Glauser: — It's in the Bank Act. So we're looking at a situation here where there are 14 pension funds. It's been spread over; there's seven in this. What is the consideration, then, for it being spread over that many pension funds, the proportion of their risks in relation to the 75 per cent?

Okay. Let's take a look at the total. Let's take a look at the total of the investment. And then what is the relationship of those seven pension funds to their risk, to their total investment?

Mr. Meiklejohn: — Well the seven pension funds are participants, either as equity owners or as owners of the participating debentures of SaskPen. And the allocation of the investment or the purchase of the investment by each of the pension funds, you know, there's no particular formula or *pro rata* basis for doing that. That was just each pension fund was designated as X number of dollars to put into that investment.

Mr. Glauser: — Okay, fine. But what I'm getting at is, is it in excess of the 75 per cent? Accumulative, would it be in excess of the 75 per cent of the value of the property?

Mr. Meiklejohn: — Well perhaps I'll get Mr. Klebuc to explain just how that works.

Mr. Klebuc: — Well what you're referring to is where I, as a pension fund, lend you mortgage on your house. I can only lend the 75 per cent. If you applied that principle, unquestionably the investment would be more than 75 per cent. I would have lent you more than that 75.

However, if we set up where you had a corporation and you issued bonds and there was a trustee appointed under those bonds, and your house was worth \$100, I could buy \$100 worth of bonds, because under the legislation that would be secure. So they are two different things, completely divorced according to my interpretation, and what the Superintendent of Insurance and what is being applied across Canada.

Mr. Glauser: — Now, this is where the conflict is coming

in, and that is: this is the prudent man rule. How much emphasis is going to be placed on that as opposed to the auditor saying . . .

Mr. Klebuc: — I follow your question. Your question is, you're saying: what percentage of their assets are the pension funds putting in these things? Forget about the percentage of . . . But if they've got \$100, are they investing \$2 of it in this type of thing?

Mr. Glauser: — Exactly.

A Member: — In SaskPen it would be quite a bit less than 1 per cent.

Mr. Meiklejohn: — Well, in total, as it evolves here, it would probably be less than 1 per cent of the total assets.

Mr. Glauser: — This is where I'm coming from. You may have . . .

Mr. Meiklejohn: — There are certain provisions in the Act that allow you to go up to 7 per cent and things like this. But at this point in time we don't have very much money in real estate relative to the total amount of assets of the pension funds. And this is just the . . .

Mr. Glauser: — What I'm getting at is the exposure in the whole scheme, like in the total.

Mr. Meiklejohn: — Well at this point in time it's relatively low.

Mr. Young: — Well it's my point, Mr. Chairman . . . And I've got to take great difference with Mr. Weiman and Mr. Glauser. They both made reference to the percentage of the total funds being invested and what a small percentage that is in this real estate corporation. And in my opinion that's totally irrelevant. If they had \$5 in an illegal investment, then that's what we're worried about. We're not worried about the risk, the amount of exposure. I mean, they could put \$2 into a lotto ticket and it would be illegal. And certainly the percentage of their total investment would be some fraction of 1 per cent, but it would still be wrong.

I mean, it's our job to figure out whether it's legal or not — not if the risk is small, not if it's a good investment, all those sorts of things that seem to be in focus in the minds of other members of the committee.

I think that we've got to get back to looking at whether, as Mr. Neill pointed out, whether you're stuck with the 75 per cent clause — which is the same sort of rule that it finds itself under the Bank Act. Obviously, the powers to be, when they were drawing that legislation, didn't figure the bank should expose itself for any more than 75 per cent on a mortgage. And we've seen land values in Calgary, farm land in Saskatchewan, cut in half.

And certainly if anybody would have mortgaged my farm to even 75 per cent a couple of years ago, they'd have lost their shirt because it isn't worth . . . Today it isn't worth 75 per cent of its value even a couple of years ago. And obviously when the people drew the legislation, they perceived that land, real estate, would not go up for ever

and that it may stabilize; or it may, as it has done just lately, devalue considerably in certain types of real estate.

So we've got to figure out whether the 75 per cent clause is the clause that governs, or this other fully secure — the clause that mentions that — overrides the 75 per cent clause and lets these pension guys mortgage up to 100 per cent of the value of property, which in my opinion is certainly not fully secure. It's a heck of a lot less than fully secure.

If you mortgage anything to 100 per cent you're literally playing the market at that point. To be very safe you'd mortgage 10 per cent and you'd have to have 100 per cent or 90 per cent deflation before you started to suffer any exposure on it. I would think that it isn't for us to determine the interpretation of the Act — whether the two sections stand apart, as Mr. Klebuc says, or whether the two sections must be read in light of the whole Act, as Mr. Neill says.

Judges sometimes tend to interpret the use of the interpretation clause and interpreting statutes differently from one case to the next. Sometimes they'll say that the section stands alone, and the next case they'll say that they've got to be read together, and the next time they've got to be read in light of gosh knows what. So for us to guess as to whose interpretation of the Act, be it Klebuc's or Neill's, is correct, is just not our job — far from it . . . (inaudible interjection) . . .

No. We have a duty though to report, I think, to the legislature, that there's two diverse opinions, legal opinions, as to whether this is a proper investment, and certainly if the two sections stand alone, then it could be got away with. But if they're stuck with the 75 per cent clause, then the auditor is right on the money and the investments are illegal, and that the Department of Finance either has to start backing out of these or has to pressure the Executive Council to change the legislation to make it legal. Those are the only two routes open.

But as far as I can see, the auditor is probably going to be correct on this, and that it's certainly then our duty not to decide, play judge, between the two legal opinions but to have the proper body, the proper arm of government, the judiciary, decide this, or recommend that the law be changed to make that decision unnecessary. That's the only thing that we can do.

But we certainly have to do something. We can't do nothing about this, because we are the last judge on this. There's nobody else policing these guys except us right here in this room. I would think that if they're approaching 100 per cent exposure on mortgages, that is certainly something that I wouldn't imagine to have been envisioned by the accompanying legislation of the pension funds, because banks won't even go that far.

Mr. Chairman: — Mr. Klebuc, you had a comment a moment ago.

Mr. Klebuc: — Yes, I had a couple. Firstly, Mr. Young, in this case it's not a true loan in the sense that you're lending 100 per cent to yourself. It's like you taking money out of your own bank and investing it in your own

farm. I just wanted to respond in that way.

With respect to what Mr. Neill mentioned, there's two things. I'm not sure whether Mr. Neill is saying that if we started today and incorporated SaskPen, and bought the shares as a basket clause under section 4 of schedule III, and then bought the bonds, it would still be illegal; or whether he is saying because in 1983 there was an imperfect — or let's say for the purpose of argument, an inappropriate — basket clause that didn't work, and that the shares were purchased by the pension funds, that that tainted all the acquisitions to date. Because if he's saying the latter, what happened: there was some problem in the legislature getting its legislation in order in the regulations under The Pension Benefits Act, and so for the purpose of argument we said, well, you're right, the shares were inappropriately subscribed for by the pension funds.

Now I want everyone to understand that SaskPen Properties is really a conduit. The bonds that are issued are participating bonds; so all of the income generated by these properties, whatever it may be, flows through to the pension fund. And I could be the sole shareholder of SaskPen Properties Ltd., saving and excepting that if I were the shareholder, the income tax department says that I must file financial statements and reports and the rest of it. But if SaskPen is owned by three or more pension funds, then it's called a "pass-through corporation" and you don't have to file anything. So it's just an administrative expense involving quite a few dollars over a period of years.

So, anyway, given that these shares were inappropriately issued, in 1984 what we did is we had the pension funds surrender their shares back, and in 1984 there was a basket clause passed, and the pension funds then purchased the shares back. And I recall giving an opinion at that stage that the shares were then legal and that the bonds were legal.

Mr. Young: — Through the basket clause.

Mr. Klebuc: — The shares were legal through the basket clause. There was only a few dollars for the shares, \$1,000 or something. But as you say, whether it's \$1 or \$5 or \$500,000, as of this moment — and I think that's what you'd be particularly concerned about — as of this moment, there is no if's, no but's, no maybe's, that the pension funds can buy shares in SaskPen pursuant to section 4 of the pension benefits standards regulations. And my opinion is that if you issued another series of bonds today under section 1, it would be a legal investment, and that's talking in terms of a lawyer.

Now if I may just, with your permission, talk more as a citizen of Saskatchewan over the years. I have been angry over the years, and I know some of you others in this room have been disappointed in that the rest of the world interprets The Pension Benefits Act in such a way that the CN Tower and a lot of the major buildings are owned by pension funds. And we in Saskatchewan are raising our money and we're shipping it off to invest elsewhere, and here is a chance to use our own Saskatchewan money for our own Saskatchewan product, and using Saskatchewan lawyers and auditors rather than Toronto lawyers and auditors to make investments here.

And I think . . . I can't guide as to how you interpret it, but it seems to me that if you interpret the legislation within the ambit of what the Superintendent of Insurance is doing, surely if it's good enough for all of Canada, it should be good enough for us. And if you impose harsher restrictions, I'm sure the Department of Finance will shy away from this type of activity, and that means we'll be buying bonds in Trizec Corporation and they will own the real estate. So I personally find that difficult.

Secondly, to tighten up to what you suggest, Mr. Young, would be to emasculate the whole procedure. In other words, Saskatchewan pension funds would have one arm tied behind their back when it comes to dealing with other pension funds. So I honestly don't think anything is required at this stage. I know that in '83 we issued the shares and they were not appropriately issued. We corrected all of that, and I just hope that we can satisfy the Provincial Auditor and keep Saskatchewan money being invested in Saskatchewan product, rather than Ontario product.

Mr. Neill: — Thank you, Mr. Chairman. First of all, I want to say that I make no comment about the policy position because I don't think that's our function. With regard to the desirability of making this kind of investment or permitting it, the question is a purely technical one, and that is whether, at the time the investment was made, whether it was permitted by law. And secondly, Mr. Klebuc has raised the question of whether it would be permitted now because of the basket clause provisions.

Now I have not been asked formally to express an opinion on that particular question to date. So what I'm saying now is merely an expression of my reservations, and I'll tell you why. It becomes quite complex. But essentially, SaskPen Properties — there are three types of agreements. There's the trust deed and bond under which the bonds are issued; there's the bonds themselves; and there's a shareholders' agreement or a participation agreement which is entered into by those who do not hold shares. The participation agreement has the effect of making certain provisions of the shareholders' agreement appertain to those who are purchasing the bonds.

Under that agreement, among other things, they agree to stand behind all the obligations of SaskPen Properties. In other words, if SaskPen Properties incurs a debt, the shareholders, the pension funds or the participants, will pay that debt if it is not able to be paid elsewhere.

Now of course, sooner or later these properties will be developed and be generating revenue, or they will be disposed of and funds would be available to meet these liabilities. But in the meantime there can be cash shortages. And these agreements provide that the company can call on, and the shareholders or participants are obligated to provide, funds to meet these cash shortages. Now I have some concerns that by providing those funds, there is no statutory authority for that.

Secondly, we have a situation where the company itself can go to a lending institution, a bank, and borrow money. But because all the proceeds either by way of

revenue or eventual sale of the property are pledged to the bond holders, there is no fund out of which those can be repaid other than by reducing the amount the pension fund would otherwise receive. The result is that these really become obligations — in practical terms they become obligations of the pension funds themselves. So, in other words, this company has no beneficial interest — Mr. Klebuc's already said this — has no beneficial interest in its assets. It does hold title to some of the properties and so on, but it has no beneficial interest in them in that they're holding them on behalf of the bond holders. It has no liabilities for which the shareholders or participants are not liable.

In other words, it is there . . . And I've read what was said last week. And it is there as an administrative tool to permit the ease of registering titles and so you don't have half a dozen owners, you just have one — and that kind of problem. And that's a legitimate reason for having the corporation, and I don't question that. But the result is that this company is making investments really not on its own behalf at all but on behalf of the bond holders in real estate, because that's what the funds are doing through the company.

Now there are requirements in the Act as to limitations that have to be placed on real estate investments. And the position is that this company is not following those requirements, so they're making investments in real estate which the funds themselves could not make directly.

So when you see that, one wonders whether we've got . . . lawyers have an expression they call "piercing the corporate veil." And you wonder whether a court would sweep this thing aside and say that this corporation for all intents and purposes is a shell and doesn't provide any purpose. And they would say then, perhaps, that these investments are illegal.

Now that's my concern, and that is the concern I've expressed to the Provincial Auditor, and he has relayed it to this committee. Now I agree with Mr. Young. Now this has got nothing to do with the policy of the matter. And the question then becomes, why don't we urge our legislators, if we think that this is the kind of investment that should be made, to permit it?

Mr. Chairman: — Except for the . . . I'm going to put myself on the speakers' list here ahead of Mr. Glauser if I might. Mr. Glauser, with your gracious consent; thank you. With respect to Mr. Klebuc's comments that we seek to achieve a social end with the money — I agree it's not strictly relevant, but since it's been raised let me respond to that. This is not public money; this really is the employees' money. I'm not sure it's appropriate to be seeking other goals with other people's money. If we want to develop the Saskatchewan economy, I think there's other ways of doing it. But again, I'm not sure that's, strictly speaking, the question.

I agree with Mr. Young. There are really two questions. Is it a prudent investment? It's probably too early to know, although one can always make judgements on these, but it's perhaps too early. Is it a permitted investment? — is the second question and it's somewhat separate.

We are faced with the difficult task here of interpreting legislation that's difficult enough for Mr. Young and I; it's virtually impossible for the committee. But far more relevant, it is not the role of the committee. I really think that . . . Again I think that this question ought to be referred to a more appropriate authority, which would be a court of law, for an interpretation; and recommend to the Provincial Auditor that since he has raised the concern that it be taken there, and a judicial interpretation of the legislation be made. I'm not sure the government has made a conscious decision as a caucus of this legislature that they want to broaden the legislation to allow new and different kinds of investments. I'm not sure that conscious decision has been made.

I think what was done, without trying to interpret the government's will, is they thought this was within the existing framework. I'm not sure there was ever a conscious decision that they want to have a new framework for investments.

So I think we ought to first determine if it's within the existing legislative framework. If it isn't, then the government could then make a decision as to whether it wants to change the framework or change the investment. At the moment it strikes me that we're really treading on ground that is very difficult for us when we're trying to make a determination as who's right, Mr. Neill or Mr. Klebuc. That's almost an . . . Whether or not it's impossible, it's inappropriate for us to be doing that.

Mr. Glauser: — Well, I've got considerable difficulty with this and I'd like to go back to Pension Realty. Here we have a situation where Pension Realty . . . Funds have been funnelled through that organization for ages gone by here. So these, in effect, these pension funds that have come out of Saskatchewan, Alberta, wherever — and you talk about the liability — I would then pose the question that: how does Pension Realty meet its obligations under the scenario that you, Mr. Neill, laid out where there is a shortage of inflow of cash? How have they met their obligations that would be any different than how we would have to meet the obligations under SaskPen?

And Mr. Klebuc, you may want . . .

Mr. Klebuc: — I can respond. SaskPen has copied the documentation of Pension Fund Realty word for word, I could say. We've made some changes to qualify it for Saskatchewan. But what they do is, firstly, if an investment were bad, they could drop it just like anyone and the pension funds would not be liable — okay? — because the company is the one responsible. Secondly, in the odd case that I'm aware of where they've had a shortfall for a period of time, under the Act, the pension benefit standards regulations, the funds can advance money by unsecured notes to limited amounts. I think it's 2 per cent of their assets that they can put forward by way of unsecured loans. So that's how they do it and they've been doing it nationally.

Mr. Glauser: — Sure.

Mr. Chairman: — I'm going to make a motion, gentlemen, with respect to this, to be defeated or

otherwise, and that is that we recommend to the Legislative Assembly that the government seek the judicial interpretation of this matter.

Mr. Glauser: — Mr. Chairman, you know, when I see lawyers coming at a situation, and then when you involve a third level, I fail to understand how that can be dealt with in the courts. You know, lawyers write legislation.

Mr. Chairman: — That's actually not true, Cal. Most legislation is not written by lawyers; it's written by public servants.

Mr. Glauser: — And who do they . . . I sit in legislative review and, I tell you, they're all lawyers sitting around that table.

Mr. Chairman: — It just seems like it, Cal.

Mr. Glauser: — Well, maybe some are qualified and maybe some aren't.

Mr. Chairman: — And the obnoxious ones you remember. Remember, Cal, come the revolution, the first ones.

Mr. Glauser: — Well, you can make your motion but I certainly wouldn't agree with it anyway.

Mr. Chairman: — Well, to try and resolve the matter, we'll do that.

Mr. Young: — The only other alternative is not to concur with the auditor.

Mr. Weiman: — I disagree with that.

Mr. Young: — So there's no other . . . What in the dickens other motions could you make?

Mr. Chairman: — Well, that's my problem: is that we either have to concur or demur from the report of the auditor. Given the nature of the question, that's a very difficult thing for us to do. Or recommend the legislation be changed to make it crystal clear, as Mr. Klebuc admitted was an option but, I agree with him, not a highly desirable one.

Mr. Lutz: — Mr. Chairman, may I ask a question, perhaps? What dollar magnitude are we talking about as having been invested through this medium up till now, please? What's the dollar investment?

Mr. Petursson: — In SaskPen?

Mr. Lutz: — Pension Fund Realty and SaskPen.

Mr. Petursson: — I'm guessing, but an estimate would be in total about 50 to \$60 million.

Mr. Lutz: — 50 to 60 million. What then has been the dollar return on that investment, say, today, up to now, since '83?

Mr. Petursson: — Well, are you talking . . . When you mention return, Mr. Lutz, are you referring to annual cash

return or are you referring to appraisal surplus that could be unrealized at this point?

Mr. Lutz: — If I invested 50 million in Canada bonds, Saskatchewan bonds, any other kind of bonds, in a year at 10 per cent I would have a cash return of something which would go back into my pension fund and I'd reinvest it. How much has been your cash return on 50 or 60 million since?

Mr. Petursson: — Well, I've got to weight it for time, because SaskPen has been in existence for three years, whereas Pension Fund Realty, I believe, has been in existence with our funds for approximately 10 years. A greater proportion of the money is invested in Pension Fund Realty. I would estimate . . . And I don't have the figures. I'm hesitant to throw out a figure because it could be misinterpreted, but it's a reasonable . . .

Maybe I'll redirect the question to what our buying philosophy is. We concentrate on cash-on-cash returns when we acquire real property. Our cash-on-cash returns when we acquire real property, our cash-on-cash requirement today would be in the vicinity of 10 per cent. And that approach has been consistent throughout our buying history.

Mr. Chairman: — What do you mean by cash-on-cash requirements?

Mr. Petursson: — If we're buying an income-producing property and it's not a development property, but an income-producing property, Mr. Chairman, such as an office building that's up and leased in whatever today, we would, in our purchase endeavours, our offer would be generally premised upon a cash-on-cash return from the income generated by that real property to equal or approximate 10 per cent.

Mr. Chairman: — Define "cash-on-cash return?"

Mr. Petursson: — The income that the pension funds receive, divided by the dollar of their investment. If you invest \$100, you'd like to get \$10 in income.

Mr. Lutz: — On page 29 of my report, I refer to this participating thing as the amount of revenue earned and expenditure incurred. How much expenditure, then, have you incurred to date? What have been your pay-outs?

Mr. Petursson: — Our pay-outs — is that not consistent with the dollars invested?

Mr. Lutz: — I don't know yet. You haven't given me answers to either of these.

Mr. Meiklejohn: — We haven't got the figures with us here. I'm not sure what . . . We can certainly bring those figures if you would like.

Mr. Glauser: — Mr. Chairman, just on a point of order here. It would seem to me that the questioning that is going on now is somewhat removed from the concern that the auditor has raised, strictly on a legal point, as opposed to the amounts involved. So I don't understand

the line of questioning here.

Mr. Chairman: — I agree with that, Mr. Glauser, except that it appears to be the basis upon which you're saying this whole matter's okay, because it's a wise and prudent investment. I'm not saying you, but Mr. Weiman was saying that this investment's okay because it's wise and prudent; there have been no losses and no frauds.

I think the point I'm trying to make is that we simply don't have that information before us.

Mr. Glauser: — I don't think it's the auditor's purview to get into this line of questioning. That's my point, I think.

Mr. Chairman: — Oh, I disagree with that. I think the Provincial Auditor . . . Oh, I disagree with that, yes. The Provincial Auditor has that responsibility . . . has that right and always has, and always has had, got into these questions.

Mr. Young: — I'm kind of sided with Glauser on this one. What relevancy would it have if they were making 20 per cent on their money or 5 per cent? We're supposed to be fixating on whether or not it's legal or illegal: not the prudent man stuff; no nothing — who cares? That's not the point.

Mr. Chairman: — If that is the issue, then I submit that my resolution, gentlemen, is the sum total of all wisdom. Well that perhaps tacks a bit of modesty, that statement. No, no. Jack doesn't think so.

Mr. Young: — Mr. Chairman, why don't you . . .

Mr. Chairman: — Because I'm still writing it out. That's the only reason I haven't moved it. I've been interrupted here, trying to keep herd on a wild committee and write at the same time.

Mr. Chairman: — Because I'm still writing it out. That's the only reason I haven't moved it. I've been interrupted here, trying to keep herd on a wild committee and write at the same time.

I'll try this. Believe me, gentlemen, I'm open to any fine tuning of the wording of this. Remember, it's the thought that counts. Recommended, moved by the member from Regina Centre:

That the committee recommend the Government of Saskatchewan refer the question of the legality of the investment in the shares and bonds of SaskPen Properties Ltd. (SaskPen) be referred to a court of competent jurisdiction for interpretation.

Great, isn't it?

Mr. Weiman: — I would like to ask a question of clarification, Mr. Chairman. Do you have a seconder for that motion?

Mr. Chairman: — Don't need one.

Mr. Weiman: — Don't need one?

Mr. Chairman: — No.

Mr. Weiman: — All right.

Mr. Chairman: — If you don't like it, you've got to vote against it.

Mr. Young: — Except for me who's going to abstain. So there!

Mr. Chairman: — All right. if there's no further comments on it, then all those in favour? All those opposed? All those abstaining?

Negated

Mr. Chairman: — The motion was that the committee recommend the Government of Saskatchewan refer the question of the legality of the investment in the shares and bonds of SaskPen Properties Ltd. to a court of competent jurisdiction.

Okay gentlemen. Not having found favour, the question remains open, I guess. Since I'm obviously in a minority on this question, what . . .

Mr. Weiman: — I think what we have to do is resolve this in a way, Ned, that . . . It's almost like we're hearing two truths and we don't really want to choose which one is more truthful than the other. I think what we have to do is say that we have recognized the auditor's concerns and that quite literally because of difference in opinion regarding that, that we are almost forced to maintain the status quo.

In so far as the comments you made, of whether they were twofold, prudent or permitted, I still argue the fact what I'd argued earlier, that I do think that the investments are prudent. I don't think there's too much argument on that. As to whether they're permitted, because of difference of opinion we have to maintain the status quo, because we've already defeated that motion. We have to go on record as saying, yes we have recognized the auditor's report and we're going to have to leave it at that.

Mr. Chairman: — It's a diplomatic way of saying that you don't concur in the auditor's report, I think.

Mr. Weiman: — Pardon me?

Mr. Chairman: — And that's fine. That's an option open to the committee. I disagree with it. But I think that's a diplomatic way of saying you do not concur in the auditor's recommendation.

Mr. Weiman: — No, Ned. This is . . . I guess maybe we're just grasping at straws here, or nit-picking.

Mr. Chairman: — No, I don't think we are.

Mr. Weiman: — I do believe that we can look at an auditor's report and recognize his concern, but whether we can concur or not concur does not make it . . . I don't think we're here to say the auditor is right or wrong all the time. I've seen his concern. I've recognized his concern. This committee has recognized the concern. I am

confident that it is bound to come up again next year. I'm just saying that I don't think he is wrong and I don't think he is right. There is no wrongness or rightness to this issue.

Mr. Chairman: — If you don't think he's wrong and you don't think he's right, then, Mr. Weiman, you're failing to make a decision.

Mr. Weiman: — Well let's put it this way. I've read the book and I'm ready yet to give a book review. That doesn't mean the book was bad.

Mr. Glauser: — Okay. I have a question and I'd like to go back to the Pension Fund Realty, Mr. Meiklejohn. And if you could've convinced the investment committee of Pension Fund Realty that the properties in Regina were a good investment and they decided to do so, could they have done it?

Mr. Meiklejohn: — Well I don't think there's any question about that; I think they could have done it, yes.

Mr. Glauser: — Well I rest my case.

Mr. Young: — If we're getting off this topic, then I want to get right off of it, real good, and I want to ask the Department of Finance if they would report to the committee as to the amount of investment they have made in the two realty companies since '83 and the returns they have had to date from those investments, in dollar terms. And I'll be able to work out the percentage of return on your investment with my small calculator. If you could bring me those two, I'd sure like to know that. And it's off the topic. We're only suppose to be looking into the legality of the investment, not how well you're being a prudent man.

Mr. Chairman: — I may say that with respect — if I could just interrupt for a moment — with respect to the Provincial Auditor's report, the Provincial Auditor is limited to discussing the legality of it, if I can say that, but the committee is not so restricted. It is open to the committee to discuss the effectiveness, efficiency, and economy of investments, so we can, members . . .

Mr. Young: — This is a follow-up . . . The auditor kind of ran that one here about five minutes ago, and there were no numbers available, so I'll run it on behalf of the committee. I'd just like to know how this works out.

Mr. Meiklejohn: — I'd just point out that when you're talking about some of these things, they're long-term investments, and some of it's in the developmental stage. There is no cash flow.

Mr. Young: — Lots of potential but . . .

Mr. Meiklejohn: — There's absolutely no cash flow on some of it. And so you get . . . depending on how you're viewing it, but it's like, you know, you buy shares; sometimes there's dividends and sometimes there isn't.

Mr. Young: — Your fellow said he'd like to get 10 per cent. I want to see how well you're coming to his likes. That's what he said.

Mr. Klein: — Mr. Chairman, I've been away, for which I apologize. I've not being familiar at all with the discussion that's preceded my arrival. From the last few minutes, it's fair for me to assume that we're discussing some investments made by Finance in real estate. And having a long, personal history of real estate and listening to what Mr. Meiklejohn just said about no cash return, I don't find this unusual at all. And over the years . . . And I particularly was involved in commercial real estate.

I can understand that the figures at this point in time, today, may not necessarily relate to the investment, but at some future point in time it's conceivable that a doubling or a tripling of their investment funds could be made without any problem. And if that's the case, I'm interested in hearing what his observations are because right now you're certainly not going to be able to do that in view of the economy that the world has faced in the last couple of years. Certainly in the long term . . . You know, real estate has been a famous investment since Caesar, and no problems with it.

Mr. Young: — Just to jump in on this, Jack. Another member of Finance said they like to — for \$100 investment, they try to target \$10 a year. That was kind of the fix that they took as a position. I just want to see how this is worked out in light of their rule of thumb overall approach to investment, which is the 10 per cent. I just want to see if they got . . .

Mr. Klein: — Well, it's long term — \$110 over 10 years. That's a little bit easier to say than \$10 a year because that's when it might come to fruition.

Mr. Chairman: — I would like to . . . Sir, go ahead.

Mr. Petursson: — I just would like to respond to Mr. Young's comment. For clarification, my \$10 or \$100 example was on a completed income-producing property that the department or the pension funds were buying on behalf of the pension funds.

Mr. Klein: — At the end of time.

Mr. Petursson: — If you were buying a completed property today, we would look to earn 10 per cent or the \$10 on every \$100 that we invest.

Mr. Young: — I've really got to emphasize here that this is absolutely nothing to do with the auditor's report because we're here particularly about the legality of the investment, not how good of an investment it was.

Mr. Chairman: — I emphasize though, Mr. Young, nothing to do with the Provincial Auditor's report, but everything to do with the role and responsibility of the committee. The committee's mandate is much broader than the auditor's mandate.

I would like to see, Mr. Meiklejohn, financial statements. Since I don't have it crystal clear in my mind the difference between cash on cash, if that's what the phrase is, and a traditional profit. In other words, I want to know how you arrived at the 10 per cent, so I'd like to see a financial statement. I would like to see more than just the figures of how much you put in and what's coming back

into the exchequer. I'd like to know what . . .

Mr. Meiklejohn: — A financial statement of what? Of both companies?

Mr. Chairman: — Of both companies, yes, which sets out the profit and loss of the properties. I agree with Mr. Klein; three years is too soon to judge their income-producing ability. It may be, depending on the property you bought, but I would like to see the statement, not just the figures. I don't quite understand the difference between the traditional profit and the cash-on-cash flow, if that's the phrase that's being used, and I think a financial statement might tell me. Because I know what a traditional profit is but I don't know what cash-on-cash flow is.

Mr. Meiklejohn: — Well we do have the financial statements from Pension Fund Realty on a regular basis. The financial statements for SaskPen have not been finalized.

Mr. Chairman: — Why is that?

Mr. Meiklejohn: — Well, the Provincial Auditor has not finalized his audit at this point in time.

Mr. Chairman: — Which brings us to another topic. One of the next items . . . I don't know whether we think we can't resolve this matter this morning, gentlemen, whether you want to leave this with respect to what we do with respect to SaskPen.

Mr. Glauser: — I think we should get on to the next topic.

Mr. Chairman: — The next topic, then, is item number 5, which you touched upon. Gentlemen, 5(a) deals with the issue of the budgets not being . . . there's no minutes that the joint venture budgets were approved by the board. It may have been done. It may have been a matter of not having the minutes signed by the chairman or something, I don't know. I'll let you comment, Mr. Meiklejohn.

Mr. Meiklejohn: — Well, I think that's what we believe to be the case, that we may not have documented it well enough for the Provincial Auditor, or for general purposes maybe.

Mr. Chairman: — Say that again.

Mr. Meiklejohn: — I say we may not have documented it as well as we should have in terms of, did the board review the budgets or not. I think we believe the board did review the budgets but maybe we didn't document it as well as we should have.

Mr. Chairman: — But do you know whether or not the board reviewed and approved?

Mr. Meiklejohn: — Yes, we review all of the . . .

Mr. Chairman: — You sit on the board do you, Mr. Meiklejohn?

Mr. Meiklejohn: — Yes.

Mr. Chairman: — I see.

Mr. Meiklejohn: — In fact at this point in time it's basically officials of the Department of Finance that sit on the board and are the officials of the corporation, yes.

Mr. Chairman: — So this isn't documented then?

Mr. Meiklejohn: — I guess not.

Mr. Chairman: — Item 5(b) — I'm just going through these. It states:

There is no evidence that the Board and senior management have prepared written policies and procedures to communicate to employees the nature of the Corporation's internal control system . . . etc.

Could I have your comment on that, gentlemen?

Mr. Meiklejohn: — Well I think as he indicated before, this is a . . . You know, the company itself is a vehicle for investment in real estate. And the policies and the procedures that we use are really, are basically the policies and procedures that we use in the Department of Finance and is within the investment and financial services organization. We do not have a manual that, as has been suggested by the Provincial Auditor, we do not have a formal manual setting out various accounting procedures, etc., for the corporation, for the SaskPen.

Mr. Chairman: — Is that something that you're doing, or is it something that you don't think is necessary, or what?

Mr. Meiklejohn: — Well, I think there is some question in our minds whether it's necessary or not, but we may choose to do it.

Mr. Kraus: — We have agreed to do some work, as I said last meeting, with Mr. Meiklejohn's staff, and we would be reviewing some of these types of issues as well, and we would be advising them as to what would be appropriate for policy procedure in addition to what he would already have for his department.

Mr. Chairman: — Okay. Now item 5(c), if I understand this correctly, gets us into the issue of . . . we begin to get into the issue of there being no financial statements. What's going on here gentlemen? I guess that question should be directed to the . . .

I'm going to ask the Provincial Auditor first what's going on here because I'm not sure I quite understand it.

Mr. Wendel: — Yes, if I could. There were some delays in receiving the financial statements being a new corporation and deciding what the accounting principles should be, and with the result that we received these statements during our busy period. We got them from Finance during our busy period and we're just now finding the time to get back to them. So probably in the next few weeks we should be able to finalize our position.

Mr. Chairman: — I see. Okay, so the ball's in your court and not in Finance's.

Mr. Wendel: — Yes.

Mr. Chairman: — Okay.

Mr. Weiman: — What about the yearly ledgers versus monthly ledgers?

Mr. Chairman: — 5(d).

Mr. Polowyk: — Oh, yes, I can respond to that, and I think the Provincial Auditor will agree with me. We maintain a synoptic which involves about a page a month to cover all of SaskPen's transactions, and we do balance that synoptic monthly. What we do not do is formally post the balances to a general ledger which we simply don't maintain. And also we have not been providing formal recognition of a review of the synoptic, which is simply a signature by a person in charge of supervising the maintenance and the balancing of the records, and that is now being done.

But the records or the record keeping of SaskPen have been and are balanced on a monthly basis. A formal general ledger is not maintained.

Mr. Chairman: — Why not? I'm sorry, I don't . . .

Mr. Polowyk: — Simply because what that would involve would be taking the balance totals from the synoptic, from this one-page synoptic, and posting them to account and then balancing them again. I believe that the synoptic does in fact form a general ledger because it records all of the activities of SaskPen and is balanced monthly and is the source of the financial statements.

Mr. Chairman: — Mr. Lutz?

Mr. Lutz: — Mr. Heffernan, I believe, will respond to this one.

Mr. Heffernan: — I think we found at the time of the audit that since they didn't have a general ledger but instead had a synoptic, which is just a listing of transactions, that even ourselves we had difficulty in going from this book to the financial statements. A general ledger is just something that we wouldn't ordinarily expect to find in a Crown agency which is an accumulation of all transactions that occur during the year by assets, liabilities, and revenues and expenditures.

I've never seen a situation before where there wasn't a general ledger in a Crown agency. And I think we felt that if we didn't report such a thing that we would have difficulty in defending that a year or two down the road, should someone question why we hadn't reported that, given that this agency didn't have a general ledger. So that's why we reported it.

Mr. Klein: — Mr. Chairman, this is a very normal situation in the private sector, not unusual at all. And I'm just wondering if it really is that severe a problem to the Provincial Auditor. Because if it is, certainly it sounds like you could do a general ledger without any problem monthly, if it would serve a purpose.

But, you know, if we're here to hopefully help the

department save time and effort, if it is an unnecessary procedure . . . Like how often is it going to have to be referred to? And if you did want a general ledger brought up to date for some specific purpose, if the synoptics are balanced monthly, the general ledger could be brought up to date very rapidly, I'm sure, without any difficulty.

But to do it regularly, just for the sake of doing it, is an onerous task that cost to the government that may not be necessary, unless if the Provincial Auditor has some specific reason. And I'd like your . . .

Mr. Heffernan: — Yes. It's an important control vehicle. It's recognized as an important control vehicle to ensure that, for example, that all assets that are owned by the corporation are in fact being kept track of, that they are being recorded in the general ledger. Although we recognized that this was not a large entity when comparing it with a small business, we believe that since it's public money that a higher degree of control is necessary than for a small . . . your corner grocery store, or so on, where the manager is really risking his own assets and it's up to him what kinds of controls that he has.

In this case SaskPen is being run by the same officials who make the same types of investments for the Department of Finance, and we felt the control should be similar. I guess we took Mr. Neill's position, that we look through the corporate veil and said that since this organization is being run by the Department of Finance, that we'd expect similar controls. Also in terms of it being an onerous task, I think that the officials of Finance would admit that it would not be an onerous task to prepare a general ledger.

Mr. Lutz: — I think, Mr. Klein, it's a more onerous task trying to compile a set of financial statements from a journal or a synoptic or a day book on a twelve-month basis, than it is to keep a systematic general ledger of a few entries, so that when you finish with your financial statements, to audit the thing at the year end, it's easier and quicker to handle. And we expect no more from these people, and we would expect them to apply to other agencies that the government controls.

Mr. Klein: — Well obviously then the Provincial Auditor isn't quite sympathetic to your . . .

Mr. Polowyk: — Now my response was not meant to say that we were against a general ledger; rather that we didn't feel that the lack of a general ledger indicates a lack of control in this particular instance because of the low volume of transactions, and in fact the simplicity of the accounting records. But we are willing to maintain a general ledger and will do so, and in fact have started to do so on the trust side of the corporation which has more transactions, albeit mainly money market transactions.

Our comment is simply that the general ledger, or lack of the general ledger, did not evidence a serious or, in fact, any lack of control. But we are willing to and will maintain a general ledger.

Mr. Chairman: — Do I take it then, you're going to be doing so in the future? Is that what you're saying?

Mr. Polowyk: — Yes. Yes, we will be.

Mr. Chairman: — The SaskPen Properties, again, borrowed several millions of dollars in the form of bonds and mortgages. There is no evidence that such borrowings received the approval of the Minister of Finance. In the opinion of the Provincial Auditor, such approval is needed by virtue of sections 40 and 41 of The Department of Finance Act.

Mr. Meiklejohn: — Mr. Chairman, I think we talked last Thursday about — and this was mentioned earlier in the report — about . . . I guess it was in 3(b) about section 41 of The Department of Finance Act that says that the Minister of Finance shall approve borrowing by any Crown corporation or agent of the government. And we talked about that there was some confusion, or at least some problem in defining what an agent of the Crown is, and that we intend to amend that Act.

I think it has been our opinion up to this point in time that SaskPen was not an agent of the Crown, that it was not using the credit of the province, and so on. But nevertheless, we will be amending the Act. Whether SaskPen will be declared an agent of the Crown or not, I can't say at this point in time, under the proposed amendment to the Act.

Mr. Chairman: — Gentlemen, we're two minutes to 11. I want to raise some questions with respect to Pioneer Trust, which are not part of the Provincial Auditor's report. My suggestion is that we finish up the Provincial Auditor's report today and then we'll deal with my additional questions on Thursday. It also gives the department time to come with the officials they need to deal with it.

Mr. Weiman: — Would you restate that again. You said you have some questions on Pioneer Trust that have nothing to do with the Provincial Auditor's report.

Mr. Chairman: — But have everything to do with the public accounts for the Department of Health for the year in question.

Mr. Weiman: — I'm sorry; say that again.

Mr. Chairman: — . . . which were not raised in the Provincial Auditor's report, which have everything to do with the public accounts of the Department of Finance for the year under review.

Mr. Weiman: — Well then, why don't we just get right at it.

Mr. Chairman: — It's 11 o'clock and I've got to run. Our time for adjournment has come. I don't mind sitting here until 11, but today I can't stay over.

Mr. Young: — I'll have to differ with you again, Mr. Weiman, on, let's get right at it.

Mr. Weiman: — I'm going to have a tough time with you this morning. I don't think I'm going to be in agreement with anything like that. We've got a lot of work to do on the Provincial Auditor's report, and I don't think we can be wandering off into the true politics of Pioneer Trust,

which is what I imagine you're going to be up to if you go ahead on that.

Mr. Chairman: — No, there's not a bit of politics in this.

Mr. Young: — I agree . . . (inaudible) . . .

A Member: — . . . (inaudible) . . . some serious objection for myself.

Mr. Weiman: — No, the only reason I stated, let's get at it, because it is mentioned on page 32, (7). So it is part of the Provincial Auditor's report.

Mr. Chairman: — I won't repeat that. Mr. Kraus.

Mr. Kraus: — I wanted to mention, Mr. Chairman, although the government recognized the loss in the investment that they had in Pioneer Trust for the year ended March 31, 1985, the actual activity, the paying out of the depositors and so on, didn't really occur until the '85-86 fiscal year.

Mr. Chairman: — No, my questions have to do with the activities of the department in the year under review. And I'm not prepared to leave them till next year, because I know next year I'll be met with the argument that this is not the year under review. I want to question the department about their activities for the year under review. My suggestion, gentlemen, is we work our way through (6). We can leave (7) till next Thursday. We'll get on to (7) next Thursday and finish this off.

We can congratulate ourselves, gentlemen. We are considering the *Public Accounts* of the Department of Finance with the utmost thoroughness and sense of responsibility. We've had three meetings on this department. This has got to be some sort of a modern record.

Gentlemen, I'm sorry. I've forgotten . . . I'm sorry, Mr. Meiklejohn, I've forgotten what you said with respect to getting the authorization of the Minister of Finance in all of . . .

Mr. Meiklejohn: — I said it was our belief at this point in time, under existing legislation, that SaskPen is not an agent of the Crown and therefore does not require the approval of the Minister of Finance. At the same time there is a lot of confusion about what constitutes an agent of the Crown. And therefore we have proposed that an amendment be put through to section 41 of The Department of Finance Act that would then provide for the Lieutenant Governor to determine what agencies of the Crown would be subject to that kind of approval.

Mr. Chairman: — So it is your recommendation that the matter be clarified by legislation.

Mr. Meiklejohn: — I guess we've come to the conclusion that seems to be the only way. Otherwise we're going to be debating back and forth each year what is an agency of the Crown.

Mr. Chairman: — Now item 6(b) deals with the delay in receiving the financial statements. What was the

difficulty here, gentlemen, in getting the financial statements to the Provincial Auditor in a timely fashion?

Mr. Meiklejohn: — Well, I think this point was raised last year, and of course, as the members will know, SaskPen was started in June of 1983. It was fairly complicated; there were a lot of things going on. That is, the development of the properties down town were going on; it involved a joint venture agreement, three parties; there were some questions about some of the interpretations under the joint venture agreement. Until those were all settled, we weren't in a position to even deal with the financial statements. Those were cleared up for the most part last spring, in the spring of 1985.

Subsequent to the report of the Provincial Auditor last year, and subsequent to the meetings that we had last year, we employed the firm of Peat Marwick to come in and assist us in setting up the accounts and establishing the accounting policies and to do the first audit of the books of SaskPen for 1983, that is, for that partial year in 1983 — the year end being December 31st. That audit was completed, and we received the statements and the financial opinion in, I believe, it was November of 1985, which were then forwarded to the Provincial Auditor, I believe, some time in December.

Once the '83 are completed . . . I think the '84 are all completed, or at least in our mind, and the '85 as well, but it's a question that the audit remains as well for '84 and 1985.

Mr. Chairman: — In this regard, you're going to supply us with those financial statements?

Mr. Meiklejohn: — Once they've been audited, yes.

Mr. Chairman: — Once they've been audited. All right. We'll need . . . I should have told you we need 15 copies sent to the Clerk, and then he distributes them to the committee. Okay. Well, whatever the nature of the problem, I guess it's . . . hopefully it's behind us now.

Section 6(c), and it's the last item I propose to deal with.

A Member: — Which one are you on?

Mr. Chairman: — Page 31, 6(c): Section 5 of The Business Corporations Act, provides that only persons may incorporate a corporation. This Act defines "person" . . . Four of the six shareholders are registered improperly because they are not persons, but funds or accounts. May I have your comments on this, gentlemen.

Mr. Klebuc: — Perhaps I'd be . . . Firstly, the company was incorporated by myself, and I'd like to think that I'm a person. But Mr. Neill's point is that under the Act, The Business Corporations Act, you should be a shareholder . . . a shareholder should be a natural person or else a body corporate, and that these pension funds, which are really trusts of various kinds, don't really qualify.

I agree with them, and consequently we have changed to provide that the Minister of Finance is the registered shareholder of some shares for some of the pension funds, and that where there is a board established under the law

to hold shares, that the board would be the registered owner. So that problem has been clarified.

And also schedule 3 of The Pension Benefits Act says that you can hold shares in the name of the trust or the fund. But I think we've got it cleared up to the satisfaction of all concerned.

Mr. Klein: — The Provincial Auditor wins another one.

Mr. Chairman: — The Provincial Auditor wins another one, yes. I gather you concur with this, do you, Mr. Neill? Or . . .

Mr. Neill: — Well I don't know what's happened, but I assume what we've have been saying is correct.

Mr. Klebuc: — The Provincial Auditor gave a list of the names of the parties that should be the shareholders, and that's the ones we've transferred the shares to.

Mr. Young: — It seemed to me that you gave those shareholders to offices as opposed to natural persons or body corporate. The Minister of Finance is in office as such, not Gary Lane here.

Mr. Klebuc: — I think it's an office recognized by law. It's a trust recognized by law.

Mr. Neill: — In some of the legislation it actually provides that the trustee of the fund will be the Minister of Finance. So one has to assume that that's *ex officio* he's holding, it and it would not be to the individual but to the office. I don't think that's of great significance.

Mr. Klebuc: — It's one thing we agree on.

Mr. Chairman: — You agree on. Okay, gentlemen, turn the committee . . . No. Mr. Weiman.

Mr. Glauser: — I have a motion to make, which is this:

On the basis of the comptroller's statement regarding Pioneer Trust, this committee not consider the affairs of same.

Seconded by Mr. Weiman.

Mr. Chairman: — How in God's name do you justify that, gentlemen? Apart from the fact you don't want the information out.

Mr. Weiman: — Well I would say that we are under item . . . First of all, we haven't adjourned. We are under item 7.

Mr. Chairman: — We have not adjourned. I agree.

Mr. Weiman: — We are under 2.7. Sorry, 2.7 sub 7. And I . . . just to refresh the memory of the committee, I would invite Mr. Kraus to reiterate his statements earlier.

Mr. Chairman: — We could have *Hansard* repeat it if . . .

Mr. Glauser: — It's in *Hansard*.

Mr. Kraus: — What I was saying was that the actual

pay-outs to the unsecured depositors didn't occur until the 1985-86 year. Notwithstanding that, we did recognize the loss on the investment that the government had in Pioneer for the year ending March 31, '85. But as far as the pay-outs go and all of that activity, that was a 1985-86 activity.

Mr. Chairman: — But the loss occurred, as such, in 1984-85. So when the company went bankrupt, that's when the guarantee was given by the Department of Finance — a letter of guarantee by the Minister of Finance. But the damage was done, gentlemen, not in 1986; '85-86, we've spent a goodly portion of the session and a nice chunk of treasury trying to clean up the mess. But the mess, gentlemen, was made in '84-85.

Mr. Young: — The mess was made in '82 . . . whenever they were buying land in the swamps.

Mr. Chairman: — That may be part of it. That was a private mess. It became a public mess in November of 1985.

Mr. Glauser: — Mr. Chairman, the conclusion did not come till '85-86, so let's talk about the conclusion, not the events up to . . .

Mr. Chairman: — The questions I want to put to the members of the committee is: what investigation, what information did you have on hand before the Minister of Finance issued that letter in November of 1985? If the answer is none, that's virtually the end of my questioning.

Mr. Weiman: — I believe that that is a question that's most appropriately placed in the House during question period.

Mr. Young: — Absolutely. You have your forum; you have estimates; you have all sorts of things where you can do that, and not here in this committee.

Mr. Chairman: — It's also an appropriate question here.

Mr. Weiman: — How can they hypothetically tell you what was in the possession . . .

Mr. Chairman: — It's not hypothetical.

Mr. Weiman: — No? Yes, it is hypothetical, because how can they tell you what was in the minister's mind or in the minister's possession? I'm sure the minister does not share all his correspondence with the department. And that is the question that you ask.

Mr. Chairman: — No.

Mr. Weiman: — And that is a question that should be placed before the Assembly and not in this committee.

Mr. Chairman: — No. I want to know what information the Department of Finance had with respect to the financial affairs of Pioneer Trust before November 15 . . .

Mr. Young: — You have your estimates in the House . . .

Mr. Chairman: — . . . for November 15, 1985.

Mr. Weiman: — That's not what you stated earlier. You stated, regarding the letter the minister had in his possession.

Mr. Chairman: — All right, I'll rephrase it then. I want to know what financial information the department had with respect to the financial affairs of Pioneer Trust before that date.

Mr. Weiman: — I will state then, also, that this is a hypothetical situation.

Mr. Chairman: — It's not hypothetical.

Mr. Weiman: — Yes, it is a hypothetical situation. In terms of 2(7) sub (7), if I'm reading the auditor's words correctly, it says: "The most recent information from the liquidator . . ." I would like to know a date on that most recent information from the liquidator that he's alluding to in his report.

Mr. Chairman: — I'm sorry, I didn't get that last comment. Beyond the year under review . . . (inaudible) . . .

Mr. Weiman: — Well all of this is prefaced by his statement further on. The reason this concern was brought forward is, "The most recent information from the liquidator is that the Saskatchewan Heritage Fund etc., etc., etc. . . ." I want to know what date is this allusion to the most recent information. What date was that? What year?

Mr. Lutz: — Mr. Chairman, I do not have that with me. I will get that for you. I would . . .

Mr. Weiman: — Would you venture a guess that it wasn't in the year 1985?

Mr. Lutz: — I wouldn't think so, Mr. Weiman. Without I see a document, I wouldn't venture a guess on anything.

Mr. Weiman: — And the other thing that I would say, since it is still ongoing and a point of . . . To stand by what the member from Eastview and the member from Mayfair said, and what Mr. Kraus said, it is not a finished story yet. The actual pay-out is still going on. The liquidation is not complete. Therefore, even this 2.7 or the 1.2 million is all hypothetical. We don't know what the final figure is. That's why that thing is very important with the statement that the auditor made regarding the most recent information. I suspect and believe that this has nothing to do with the year under review of 1985.

And in so far as certain questions that you wish to ask, Mr. Chairman, I believe the forum — the appropriate forum — is estimates or the Legislative Assembly.

Mr. Chairman: — This is unadulterated crap, Mr. Weiman.

Mr. Glauser: — There's a motion for the . . .

Mr. Young: — I want to speak to this motion.

Mr. Chairman: — I'm not going to call the vote until we've had a discussion.

Mr. Young: — Okay, I want to get in on this discussion on the motion.

Mr. Chairman: — This is unadulterated crap. These questions are perfectly in order. I'm asking the department what information they had before the loss was incurred. The questions are perfectly in order, perfectly in keeping with the mandate of this committee. The government caucus simply doesn't want the information out before the election. And if you'll admit that, we'll adjourn and go.

Mr. Weiman: — No, I will not admit that. But I am stating that it is not whether you have the right to ask questions or not. What I am stating is whether it's appropriate that 2.7(7) is even in the auditor's report.

Mr. Chairman: — Well it's there.

Mr. Weiman: — No, but that's what I'm saying. That's why I have to have that information from Mr. Lutz regarding when he received this information that told him — the most recent information from the liquidator which prompted him to suggest that there's money missing, or there's money lost, and we have to find out why — or are we going to be able to recoup that.

Mr. Chairman: — If you want to adjourn the discussion until next Thursday to get the information from Mr. Lutz, I'm perfectly prepared to do that.

Mr. Weiman: — But no. We can't adjourn the discussion because you, yourself, have stated you have the right to enter into this discussion before we ask the question on the vote of the motion. A motion has been placed. You have the absolute right to discuss it right now before we go to question on the motion.

We have never laid over a motion, Ned, and you know very well we haven't. A motion has been placed, use your right to discuss that motion, and then we'll come to the question.

Mr. Chairman: — Motions have been laid over all the time. We've got one sitting on the agenda that's been there for weeks. The only reason you don't want to lay it over is because the media have left, and you don't want to make this decision in their absence.

Mr. Weiman: — Well, therefore the corollary to that is the only reason you want to continue it on is because the media have left. I mean it's one thing or the other.

Mr. Chairman: — Because the decision . . . Let me finish. I don't want to continue it on. I don't want to continue it on. I'm just saying the only reason that you don't want to continue it on is you think you may get less publicity if it's decided today.

Mr. Weiman: — I have no fear of that. You know very well the verbatim is public record. If the media wish to look at it, for whatever reason, or you want to send it out to any of your constituents, that's fair pool — it's there.

Mr. Young: — I want to end debate on this motion. This committee, in my opinion, primarily deals with those things brought forward in the auditor's report, albeit, Ned, and you say quite rightly, that you have the right to go gallivanting all over the areas of each department that we have brought before us. They get brought before us; we brought them here primarily to deal with the references to that committee in the auditor's report. That's why they're here. Now that they're here, you want to go into other areas that are not specifically commented on by the auditor.

Now mind you, you have that right, but you know, Ned, you know that the proper form for wandering all over the world on a particular department is in the legislature during the departmental estimates where you can go hest. The minister is there with his officials; that's the proper form. This form is primarily, I would say, 99 per cent of the time used for reviewing the comments and concerns of the auditor pertaining to the particular department in this case the Department of Finance, which is in front of us.

I'm convinced in my mind, Ned, that you want to do this for purely political mileage. You're making reference to the press being here, not being here. I think I understand why you want to do this, and accordingly I have no choice but to cut you off by agreeing to, and I'm going to be supporting, the motion of Mr. Glauser, in order not to let you get away with something which you should properly be doing, and I'm sure you know you should properly be doing in estimates in the full legislature.

Mr. Chairman: — How long have you sat in the committee, Mr. Young?

Mr. Young: — I've only been elected for four years, sir.

Mr. Chairman: — That's right. You were on here in 1982 and 1983 when we discussed the departments of the DNS in exhaustive detail. My guess is we had five or six meetings on the department of northern Saskatchewan. We wandered over every tin can, every broken axle up there, and those questions were in order, and I admit it. The only . . . And Mr. Young, the expenditures of the Department of Finance, and the background made for those expenditures, and the activities of the department in the year '84-85 are perfectly proper questions.

Mr. Young: — There were no expenditures made, according to Mr. Kraus, in the year under review. They all took place . . .

Mr. Chairman: — I want to know that. I want to know what information was available to the department . . . (inaudible) . . .

Mr. Young: — He has stated it; that's it.

Mr. Chairman: — No, he hasn't. He doesn't know. He does not know what information . . . (inaudible) . . .

Mr. Young: — The letter you're referring to was a Christmas letter. The Bob Andrew's letter was a Christmas letter, so obviously that was a . . . Nothing took place until

a year later, as far as expenditures go, if that's your concern. You've made a terrible mess for yourself just now because they are certainly not under the year under review, the expenditure end of it.

Mr. Chairman: — No, my concern is the activities of the department in the year under review and getting background information with respect to the financial help to Pioneer Trust before the guarantee was given. The question is perfectly in order, and those type of questions have been asked since this committee was first set up. They were certainly asked with respect to DNS by you and others, and we spent a great deal of time on it. Government members can sit there like cactuses, as silent as the hills if you like.

Mr. Weiman: — No, we're not being as silent as the hills. We're just giving you your option to discuss . . .

Mr. Chairman: — But the truth of the matter is that you are . . .

Mr. Young: — The truth of the matter is, you want this for political mileage, to beat a political drum, and that's not the primary concern of this committee, Ned. You know that.

Mr. Chairman: — Whether there's politics in it or not is for the public to decide.

Mr. Young: — Lots of it.

Mr. Glauser: — Well you were very concerned, Mr. Chairman, you were very concerned that the press wasn't here for this discussion.

Mr. Chairman: — No, I wasn't.

Mr. Glauser: — Yes, you were.

Mr. Chairman: — I made the . . . Mr. Weiman, at a point in time . . .

A Member: — Question. Let's vote on it.

Mr. Glauser: — That was your first focus.

Mr. Chairman: — Mr. Weiman . . . It was not. Mr. Weiman, at one point in time, says he wants some information from the Provincial Auditor which the Provincial Auditor said he didn't have. I suggested, if we wanted to wait till next Thursday, we could do that as well. You then decided you didn't want to. I made, I think, what is an obvious statement, that the reason why you don't want to wait is for reasons of damage containment, if I may so.

Mr. Klein: — Mr. Chairman, I'd like to get in on this discussion for just a moment. And there is no damage containment or anything. We want to wind up the Department of Finance, and to do that, we have to approve item 7, which the Provincial Auditor has reported.

Paragraph 1 simply is information, and information only. And you can read it for yourself. And it shows some

figures that are informative figures. Paragraph 2 begins with the words: "My representatives also observed . . ." indicating further information.

Further on in that paragraph it clearly indicates that a claim has been registered and the wording that "The most recent information . . ." shows approximate numbers only.

Even by the auditor's own admission it's all still in the mill. And as a result, I think to ask any questions on something that is approximate, and that is still occurring, and that is still taking place, is absolutely immaterial and has nothing to do with the question of approving item 7 and getting on with the job. And I just can't buy your reasoning at all. I don't know what the motion says because I wasn't paying attention. But let's hear the motion and vote on it.

Mr. Chairman: — "On the basis of the comptroller's statement regarding Pioneer Trust, this committee not consider the affairs of same." Signed, Mr. Glauser. Which somewhat, by the way, precludes any discussion of item 7 as well. I'm not sure that's what's intended, but that is what has been achieved.

Mr. Weiman: — If you wish to discuss item 7, which is your privilege, discuss item 7. And I'm sure that the member from Mayfair is willing to withhold his motion until item 7 has been discussed.

Mr. Glauser: — With all deference to my colleague from Fairview, that is not the intent of the motion, and I still stand with what I have moved.

Mr. Chairman: — The member from Mayfair doesn't want the matter discussed at all, period. That's the way your resolution reads.

Mr. Glauser: — That's . . . You're exactly correct because that just opens the door which is certainly not pertinent to the year under review, I still maintain, because this is still ongoing. It's just as my colleague, Mr. Klein, has said . . .

Mr. Chairman: — All of the affairs are ongoing. What's that got to do with it? So is SaskPen ongoing and will be. We discuss the expenditures of the department for the year under review and, gentlemen, before someone interrupts, the activities which lay behind those expenditures, so that we may determine whether the expenditures and the activities of the department are efficient, economical . . . (inaudible) . . .

Mr. Klein: — And now you're asking, with regard to item number 7, that the officials tell you precisely how much they're going to recover. They're not in a position to tell you that. The other ongoing things that we've discussed with CanPen are *fait accompli*; they're finished, the investments have been made, you're waiting for the return on this one. It's not that case at all; it's a matter of an investment that was made, and it's in the final position of being wrapped up.

Mr. Chairman: — I haven't any intention of asking them what it's going to cost them. I don't think they know that.

Mr. Glauser: — The other aspect is what we are talking about here, and is a very important part of it, which belongs in the House under estimates or through question period. That's where it belongs. That's the other side of the equation.

Mr. Chairman: — Well you had a different view when DNS was here. The member from Rosthern . . .

Mr. Young: — Are you sore over that, Ned?

Mr. Chairman: — No, I'm not sore over that. I'm just saying that there's two rules here. One set of rules when you have an interest of issue to you, which I felt you'd every right to explore, and you did explore . . . (inaudible) . . .

Mr. Young: — During the year under review.

Mr. Chairman: — And the questions I want to ask have to do with the activities of the department in the year under review.

Mr. Glauser: — Belong in this forum.

Mr. Chairman: — They do belong in this forum. This committee has a responsibility to discuss, not only the legality of the expenditures, the amount of the expenditures, but the efficiency and the economy with which those expenditures were made. We have; we always have.

You simply don't want it done in this forum because you think it's going to be politically embarrassing. I suspect that the answer . . .

A Member: — That's hogwash.

Mr. Glauser: — How many more times do you want that on the . . .

Mr. Chairman: — I'll tell you what my . . . (inaudible) . . .

Mr. Klein: — I didn't know that this was a political committee at all. I'm just a new member. I'm surprised at what the chairman is saying.

Mr. Chairman: — The committee is both political and non-political. If the questions are political, so be it. We have a responsibility under the resolution . . . (inaudible). . . to set up the committee to discuss and consider the expenditures of the department once *Public Accounts* have been prepared and the Provincial Auditor's report is in.

That's what I want to do, is discuss those expenditures. I would be prepared to leave the matter for another year, except that I know full well, in the unlikely event that the Conservative Party wins the election, if I then want, want to ask about any activities for the department for the year '84-85 as to what steps were taken to ensure that the letter of guarantee given to Pioneer Trust was given with some knowledge . . . I know I'll be met with the argument . . . (inaudible interjection) . . . Let me finish, Mr. Weiman. I didn't interrupt you.

I know full well I'll be met with the argument, it's not the year under review. You people simply don't want the issue discussed the year of an election. And that is a sad state.

Mr. Klein: — That's hogwash. You want to discuss a letter that was written by somebody that is not in this room, that the department may not be able to respond to. I think that's totally unfair. You've got other forums to ask the minister responsible who wrote the letter, everything behind it. And you can get that information in the legislature any day you want it. And to drag it out in this committee is facetious when that person isn't even here to defend himself or to explain the details of it.

Mr. Chairman: — Well, bring him as a witness. We spent three full weeks in the legislature trying to get the answer to that question: what information, financial information, did you have about Guarantee Trust before you gave the letter? We spent two full weeks dealing with that Bill . . . that question was asked morning . . . That question was asked every afternoon, every evening we sat, and the minister stonewalled; he stonewalled for two full weeks. The question was perfectly legitimate there, and it's perfectly legitimate here.

We're obviously wasting our time here. I will call the vote. I tell you, I am . . . I guess you people will take responsibility for it.

Agreed

The committee adjourned at 11:25 a.m.