

STANDING COMMITTEE ON PUBLIC ACCOUNTS
October 27, 1987

Public Hearing: Department of Finance (continued)

Mr. Chairman: — I'll call the meeting to order. We left off the other day last week with a couple of questions that the department was going to endeavour to try to provide information on. I think we had been discussing the \$4 million investment or reinvestment made in January of 1985, and I think you were going to try to find out whether it was a new investment or reinvestment. Can you elaborate on that now?

Mr. Jones: — Mr. Chairman, that was a continuation of an existing investment. Four million dollars came due in January of '85 and was essentially rolled over into a new deposit certificate. There was three of them. They total led \$4 million,

Mr. Chairman: — I think I asked you this the other day. When you roll over or renew, that means you could have cashed it in. So you had to make a decision to reinvest.

Mr. Jones: — That's correct. It could have matured, and we could have taken the money and invested it elsewhere in alternative investments.

Mr. Chairman: — Okay, can you tell me, was this done in the normal course of events, like the director of investment and his staff would have decided that, or was it done under the advice or the direction of Executive Council?

Mr. Jones: — The investment managers look at all the investments and make recommendations and decide to invest moneys or not to. In this case, direction from the Minister of Finance's office was that to the effect we were to maintain the \$4 million deposit with Pioneer Trust when it matured in January.

Mr. Chairman: — So the minister's office directed that it should be maintained as an investment.

Mr. Jones: — That's correct.

Mr. Chairman: — 1985, okay. That would have been Mr. Andrew at that time was the minister.

Mr. Jones: — That's correct.

Mr. Chairman: — Can you tell me from the records in the department, when did the Department of Finance first become aware that Pioneer Trust was in financial difficulty, serious financial difficulty?

Mr. Vicq: — The department became aware early in November of 1984. I'm not certain about the word serious, but we did become aware, at that time, of financial difficulty.

Mr. Chairman: — How did you become aware of it? Was it because of the report of the Department of Consumer and Corporate Affairs, or . . .

Mr. Vicq: — I think that we were informed as the other departments of government through Mr. Berntson and the Department of Consumer Affairs.

Mr. Chairman: — Was Mr. Berntson then the Minister of Consumer Affairs?

Mr. Vicq: — No, he was the Minister of Economic Development and Trade, I believe.

Mr. Chairman: — Can you capsulize what that report was saying at that time?

Mr. Vicq: — There wasn't a report. As I understand it, there were discussions among departments, and Mr. Meiklejohn was the principal discussant from the Department of Finance. And he became involved early in November, 1984.

And as I understand it, the things that were brought to the Department of Finance's attention were from the Bank of Montreal, having to do with two things: the credit of the Bank of Montreal, and the clearing privileges that the Bank of Montreal had given Pioneer Trust.

I understand that the Bank of Montreal was concerned that the short-term credit limit had been exceeded and were threatening — if I could use that word, and I'm not certain because I wasn't there — were threatening to pull the cheque-clearing privileges that Pioneer was using, which in a financial institution would have meant that in fact you could not be a financial institution.

Mr. Chairman: — True. It is reported that in July of 1983 there was a meeting between the Premier and one Mr. Will Klein, who was then the principal person with Pioneer Trust, and that that meeting was called because the Premier had a report from the Saskatchewan Department of Consumer and Commercial Affairs, through the federal Department of Insurance. This was in July in 1983.

Was there any report to the Department of Finance as a result of this meeting which took place to discuss the serious problems which Pioneer Trust was facing, which had been raised by the federal department, which is a regulatory body, and also the department of provincial consumer affairs?

Mr. Vicq: — To my knowledge at that time, no. The earliest that the Department of Finance became aware was early November, '84.

Mr. Jones: — If I could just add one point, Mr. Chairman.

Mr. Chairman: — Sure.

Mr. Jones: — I think the main issue as to why the Department of Finance became involved was a proposal by Pioneer Trust, or by Pioneer Management, for the government to provide financing assistance. And as I understand it, that proposal was made to the government in early November, and the Minister of Finance was involved in that and brought in his staff subsequent to that. So I think that is the main issue as to the involvement of the Department of Finance.

Mr. Chairman: — I don't question that. I just . . . I'm trying

to establish here that the department was involved in November because of this process, which I understand, but at the same time the government — and you can't respond to that, I know — the government knew in July, 1983.

And I wanted to make sure that, for the purposes of the record and the committee, that from 1983 of July until November of 1984 there appeared to have either been nothing happening — certainly that . . . you're telling me now the Department of Finance was not informed — or there were some things happening which have not seen the light of day.

But I don't want to make those accusations. I just find it strange that if there was a problem serious enough that the Department of Consumer and Commercial Affairs would have reported it to the Premier, because normally that's not the case, it would be to the minister in charge. If it was serious enough then, I find it strange that there was nothing to follow up. You can't respond to that because neither you or neither the Premier or the Minister of Consumer Affairs, and knowing the circumstances you should count your lucky stars.

Mr. Van Mulligen: — Just a follow-up on that. There's some evidence which suggests that a report from the Department of Consumer and Commercial Affairs, through the federal Department of Insurance, was in fact made available to the Premier in July of 1983. Would not that department, as a matter of course, advise your department, especially the investment branch?

Mr. Vicq: — As I understand it, it did not at that time.

Mr. Van Mulligen: — And it did not do so either in 1984, when again it's reported that almost every transaction which was undertaken by Pioneer Trust was questioned thoroughly by the Department of Insurance, that that kind of information would not have been reported to your department?

Mr. Vicq: — My information is that November, early 1984, was the first time that the department, through the bureaucracy, became involved.

Mr. Van Mulligen: — Just for my own information. Has there been any improvements in communication between departments?

Mr. Vicq: — I can't . . . If we take that one example as being the norm, yes.

Mr. Chairman: — I'm wondering . . . I'm somewhat concerned that here we have a major Saskatchewan financial institution which was in severe difficulty — that known in July of 1983, obviously, that's documented — and that cabinet ministers seemed to know, and yet the Department of Finance did not know, even though the Department of Finance invested money in this financial institution. Did, during this period of time, the department not watch the operations of some of these places in which it was putting money and monitor them so that it could find out whether their finances, financial investments were secure?

Mr. Jones: — Mr. Chairman, if I could just explain the process.

Mr. Chairman: — Please.

Mr. Jones: — The Department of Finance, and specifically the investment and financial services division, has guide-lines for its investments which the investment managers use and adhere to. These guide-lines are presented to the investment board for approval and the investment managers, as I indicated, use them in their day to day activities.

Secondly, investments made by the investment managers receive . . . the specific investments receive, after the fact, approval for the smaller, more routine investments.

The division does monitor the market, does do research. So the answer to your question is that we do try and keep on top of the market. And we do attempt to manage the money in accordance with the guide-lines, in accordance with the approvals of the Investment Board. That's our approach.

Mr. Chairman: — You indicated earlier that the \$4 million re-investment of existing investment in deposit certificates — in this case there was a direction from the office of the Minister of Finance. Would this normally be a matter that would be taken to the Investment Board — I think that's the correct title, isn't it?

Mr. Jones: — The Investment Board is a committee of cabinet.

Mr. Chairman: — That's right.

Mr. Jones: — It normally would not. There would be guide-lines that had been approved by the Investment Board. In this case, it was up to a limit of \$4 million for Pioneer Trust. There are guide-lines for other investments we make, such as in the Royal Bank or other companies.

After the investment was made, as I indicated, it would go back for specific approval from the Investment Board. And that has been the process for many years.

Mr. Chairman: — That's the normal process?

Mr. Jones: — That's the normal process.

Mr. Chairman: — Did this direction from the office of the Minister of Finance come based on the report provided by the investment services branch of the minister, or did the direction come before there was any report done?

Mr. Jones: — As I understand, the investment managers were hesitant about continuing the investment in that trust company from the narrow perspective — if I can use that expression — of the investment managers of an investment. They were of the view that the investments should be allowed to mature.

Mr. Chairman: — Thank you.

Mr. Rolfes: — Mr. Chairman, just a follow-up. Could you tell me: was that request by the Minister of Finance, did

that come in writing, or was that a verbal request?

Mr. Jones: — I understand that the request was made to the then assistant deputy minister in charge of the investment financial services division. There was a written memorandum provided to the investment managers. Unfortunately, we have been unable to locate that written direction from the assistant deputy minister to the investment managers.

Mr. Rolfes: — Do we know the contents of that memorandum, other than the request to roll over the \$4 million?

Mr. Jones: — As I understand it, as it was explained to me, the content of the memorandum was that direction was given to the investment managers to maintain deposits of \$4 million in Pioneer Trust.

Mr. Rolfes: — Is it not usual practice for the federal Department of Insurance to alert the provincial departments if there are any serious financial difficulties in a particular trust company or other institute, financial institution, that provincial governments may have invested in?

Mr. Jones: — Yes, and I believe that that communication would have been with the Department of Consumer and Commercial Affairs who had the responsibility for this area.

Mr. Rolfes: — All right. My second question then is: is it not also usual for one provincial department to alert another department of government that is directly involved in a situation like that? For example, the Department of Consumer and Commercial Affairs, should they not have, or would they not ordinarily alert the Department of Finance, saying, hey, look at, there's a serious problem here; we've been alerted by the federal Department of Insurance. You people should maybe be made aware of this.

Wouldn't that be the usual practice?

Mr. Vicq: — If I may take a little . . . at this, Mr. Rolfes, there's some difficulty with insider information and the investment people tend to, in what they call the investment area, put up a Chinese wall in order to protect themselves from this insider information. And that would be one of the difficulties that would have to be considered in the January 1985 reinvestment of that \$4 million.

You as, for example, if I could use . . . let's say that you're a shareholder of the Royal Bank, and we'll just use that as an example, and that you became aware as a member of the board of directors that the Royal Bank had some difficulty with some farm loans, and nobody else had that information except the directors. You would then be called an insider. And if you had disposed of your shares in the Royal Bank, assuming you had some, then you would have been acting on inside information.

Mr. Rolfes: — That's correct. Yes, I understand that, Mr. Vicq. But let me follow up just a little bit here. Here are two departments of the provincial government, the Department of Consumer and Commercial Affairs who

have been alerted by the federal Department of Insurance that there are some financial difficulties with Pioneer Trust — and they do not feel that it is necessary for them to alert the Department of Finance, who are making the investments for the people of this province, that there may be some difficulties? They wouldn't even discuss it with each other?

Mr. Vicq: — To the best of our knowledge, they did not do that until November 1984.

Mr. Rolfes: — A full year and a half after.

Mr. Vicq: — From June '83, if that's the date that Mr. Chairman . . .

Mr. Rolfes: — I find that really . . . you know, having been there before, I find that very difficult to believe that there wouldn't have been that communication between the two departments, particularly the Department of Consumer and Commercial Affairs, the deputies at least having a discussion, saying, hey, look at, the federal Department of Insurance is concerned about this. Are you aware?

I mean I know they . . . well, at least they used to; the deputies used to have their regular meetings where they met, and I would assume that that would be one of the items that the two would have discussed. Don't you find that rather strange?

Mr. Vicq: — As a response . . .

Mr. Neudorf: — Mr. Chairman, I think that question is unfair.

Mr. Rolfes: — Why is it unfair?

Mr. Neudorf: — Simply because asking him an opinion . . .

Mr. Rolfes: — Well all right, let me ask: do you think that it is strange that the deputies wouldn't discuss a matter like that?

Mr. Vicq: — If I had been a deputy minister in that time and the current deputy minister of Consumer and Commercial Affairs, because we know each other rather well, I expect, as my response to Mr. Van Mulligen was earlier, that the communication may have been different.

Mr. Rolfes: — Go ahead. I have another series of questions.

Mr. Chairman: — I think Mr. Neudorf wants to get in, but I'm on the same one. I think the record needs to show, because it is documented in other places, that the Department of Consumer and Corporate Affairs had a concern in July of 1983. It had enough concern that it submitted a report to the Premier, who as a result met with Mr. Will Klein in July of 1983. The Department, it has been established here this morning, of Consumer and Corporate Affairs did not report to the Department of Finance this difficulty that they had identified, confirmed by the federal department. They did not inform the Department of Finance until 1984; neither did the

Premier inform the Department of Finance until 1984, November.

There seems to me to be a very serious case of neglect here which maybe caused the problem to get worse than it might have become, and in the end cost Saskatchewan taxpayers \$28 million, or maybe less — no, it's less than that, but never mind, it was an amount of money.

I know that the Department of Finance, none of the people who were involved then, I think, are here, and that presents us with a difficulty, and I know it presents you with a difficulty. It's a pity that senior officials in the department seem to change so quickly now that you can't question one year, one official for the year before, because they are no longer there, but that's not our problem either. I guess it's our problem but not our responsibility. But I think it's important to note that that scenario of events was that.

Mr. Jones: — Mr. Chairman, again I would like to be clear. In going through the files that we have in Pioneer Trust, I can find no written communication between the two departments.

Mr. Chairman: — I agree.

Mr. Jones: — There may well have been verbal communication between deputies, between senior officials, between ministers. I just can't comment on that. All I can tell you is that in the files that I've looked through I have not seen any communication until November of 1984.

Mr. Chairman: — We take you at your word. We're not questioning that. It is strange there would not be such communication.

Mr. Jones: — There may have been. It's not in the files that are in the investment and financial services division.

Mr. Chairman: — Don't you . . . Well I shouldn't ask you for an opinion, but that too is strange. If there may have been, either the record keeping is extremely bad, or, if I may go this far, somebody pulled the file. If there was such communication, it really is not normal to have certain relevant communication on this kind of a thing get lost. Do you . . .

Mr. Jones: — Mr. Chairman, I just offered the facts as I know them.

Mr. Chairman: — I know that. I'm not accusing anyone here. You see, we're struggling with this as much as you are because we think we have . . . It's important to have the information, and yet we're finding it impossible to get it. Mr. Neudorf, you said you had some questions.

Mr. Neudorf: — Thank you, Mr. Chairman. I think we all recognize the fact that hindsight is perfect and that hindsight always has 20-20 vision. But what I would like to do is just ask a few questions so that I can get something straight in my mind and put this whole affair into its proper perspective, I suppose.

I have information here that Will Klein, who you know is

the former Canadian Pioneer Management president, who states that in September of 1984 he was having dialogue with the Department of Insurance, and that during these discussions the fact came out that, yes, Pioneer Trust was a company that seemed to be having some difficulties, but he also states that this was only one of a number of trust companies in western Canada that was experiencing difficulties.

So it just seems to me . . . Well first of all, perhaps a reaction to that statement: do you have any kind of knowledge along that line? Was Pioneer the only one that was perceived at that time as being under financial difficulties? This is Will Klein whom I'm paraphrasing here.

Mr. Jones: — I think that there were a number of financial institutions that were feeling the strain of the problems in the oil sector, and so forth, and the impact of that on investments. And there were rumours . . . I have no specific knowledge of individual cases, but there are cases that have been documented — institutions have gone under.

Mr. Neudorf: — I guess, Mr. Chairman, the point that I'm trying to make is simply that at the time Pioneer Trust, it would seem to me to be one of a number of potentially troubled companies. And in hindsight now, we can pick it up and say, well of course we should have known that Pioneer Trust was the one that was doomed. But at the time there were some other companies that were also experiencing those same kinds of symptoms.

But having said that, I would like to pursue this historical perspective just a little bit more. Could you, any of the officials indicate to me: at what point did the Government of Saskatchewan get involved with Pioneer Trust? I mean, a company that was ultimately doomed, it seems to me, is something that, if we want to take it all the way back, is why get involved with that company in the first place?

Mr. Jones: — Well in terms of getting involved, you mean the . . .

Mr. Neudorf: — Investing in the . . .

Mr. Jones: — Investments? We have gone back through the records. We have not put it down on hard copy, but we can certainly undertake to do that. But we have records of investments back, I believe, to 1978 in Pioneer Trust.

Mr. Neudorf: — 1978?

Mr. Jones: — Yes.

Mr. Neudorf: — That is kind of a revealing historical statement, it would seem to me — the length of time that we've been involved in Pioneer Trust. So the Saskatchewan government then continued on on the path set since 1978?

Mr. Rolfes: — Mr. Chairman, just a couple of questions. That's rather ironic. I'd like to just facetiously say, where did we become involved in Saskatchewan Power Corporation, you know, and it has some difficulties now.

And there's Mr. Neudorf saying, when did we get involved in SaskTel which is having some difficulty now. I mean, you know, the argument is so ludicrous that it's almost funny. But this is not a funny matter.

I want to follow up on Mr. Neudorf's question. Can someone tell me: was Pioneer Trust in any difficulties in 1978 or 1979 or 1980, 1981 or 1982? Could you tell me if there was any indication at all if Pioneer Trust up until April of 1982 was in any financial difficulties at all? Do you have any indication? If you have, can you table that with the committee?

Mr. Vicq: — We at the Department of Finance didn't have, but maybe the Department of Consumer and Commercial Affairs would have, Mr. Rolfes.

Mr. Rolfes: — But did you have any indication from the Department of Consumer Affairs that there was such indication?

Mr. Vicq: — Not to my knowledge.

Mr. Rolfes: — No, none whatsoever. That's what I thought.

Now, Mr. Chairman, I just want to follow up again on Mr. Neudorf's statement. And again using his statement, I think it's all the more important that the Department of Finance should have been involved. And he said that Pioneer Trust was one of many, using his term, one of many trust companies that had financial difficulties. If that is true, if that is true, then certainly it would have been incumbent upon the Department of Finance to be alert on the investments that they had in their trust companies. I don't think that is unreasonable if we follow up the logic of Mr. Neudorf.

If there were difficulties in various trust companies — and you indicated, sir, that from the information that you had, yes, that there were — why then wasn't the Department of Finance alert to their investments in Pioneer Trust and investigated very clearly to see whether or not Pioneer Trust was in serious financial difficulties if we follow up with what Mr. Neudorf indicated? Why then didn't the Department of Finance do its own investigation?

Mr. Jones: — Mr. Chairman, and Mr. Rolfes, two points I'd like to make. Firstly, and I mean this with all due respect, that the record of the investment managers in the Department of Finance, we feel, is a good one. In case of this specific investment, the instructions to the investment manager were to maintain the investment. That's the facts as we know them. Investment managers at that time were hesitant about continuing the investment in this particular trust company.

Mr. Chairman: — I think that's a very important statement because I can confirm, as one who has been the minister of Finance, that the credentials of the investment services branch in the Department of Finance were as good as any you would find anywhere, and this would have been confirmed by any of the investment financial people, either in North America or internationally, and I had the occasion to speak to many of them. They were adamant about that. That's not, I guess, what's at question here on

this particular investment.

You have confirmed, as you must, that the investment managers were concerned about reinvesting the \$4 million. I'm not surprised that they would be concerned. They were doing their job as they always have done. Even though the investment managers were concerned, there still was a directive from the Minister of Finance's office instructing them to invest the \$4 million in spite of that concern. So in other words, the minister's office did not follow the advice of the investment management branch, and therefore, once again, it confirms that the advice of the branch was a good one.

There was obviously impending problems greater than already existed. As a result of all this, the government apparently decided that they were going to make some guarantees to Pioneer Trust, and so on November 21 there was a letter from the Minister of Finance to Pioneer Trust, and you can correct me if I have my dates wrong, indicating that there would be guarantees to Pioneer Trust. Can you tell me whether that letter was prepared by the Department of Finance or whether it was prepared by the minister's office?

Mr. Jones: — To my understanding it was prepared . . . Let me put it this way, it was not prepared in the Department of Finance. I believe it was prepared in the Minister of Finance's office.

Mr. Chairman: — Okay. So . . .

Mr. Jones: — Although I can't be sure on that.

Mr. Chairman: — Right.

Mr. Jones: — I understand that that was the case.

Mr. Chairman: — So it seems that the letter was prepared in the office of the Minister of Finance, once again in spite of the advice that the department had been giving to the government about the problems. The letter was later withdrawn. Can you tell the committee on whose instructions was it withdrawn?

Mr. Vicq: — There were a number of things that happened between November 1 and, I believe, some time early in February, including the hiring of a person named Allan Wagar, who was a past president of Co-operative Trust and used to work, I believe, for the Co-operators in Regina. He, I think, was hired on January 24 of 1984, and made a report on February 1 . . . I'm sorry, it was January 24, 1985, and made a report . . .

Mr. Rolfes: — Too bad you had to make that correction.

Mr. Vicq: — . . . and made a report on February 1, 1985. I would expect, again going from the best information that we have available to us, that that formed the basis of the decision that was very shortly taken after that date.

Mr. Chairman: — So it would have been withdrawn on the advice of Mr. Wagar.

Mr. Vicq: — I don't think I would go as far as that, Mr. Chairman, but that certainly formed some of the

information that resulted in the decision that was taken.

Mr. Chairman: — And that decision would have been taken by whom?

Mr. Vicq: — I believe the decision was taken by a number of cabinet ministers, or the cabinet itself; I'm not certain.

Mr. Chairman: — Just connect it to this. The department designated in early November of 1984 a staff person to negotiate a government guarantee, the guarantee I've talked about previously. Who was this staff person?

Mr. Vicq: — Mr. Meiklejohn, the former assistant deputy minister.

Mr. Chairman: — That's all I have for now.

Mr. Rolfes: — Mr. Chairman, just a couple of questions here. Can you tell me, in the interim between 1984, November of 1984 and January of 1985, do you have the information as to who withdrew money from Pioneer Trust? The period between November 1984 and January 1985, who withdrew money from Pioneer Trust?

Mr. Kraus: — We wouldn't have access to that information. Those would be . . . If you're talking about records, you know, that's information that would be in the records of Pioneer Trust and the people that would be . . . were charged by the court with revealing that type of information would be the liquidators, Touche Ross & Co. So we would not have access to that information, although we may have looked at the records to some extent. During the pay-out period we certainly weren't doing any investigation to determine who'd taken money out or who hadn't taken any money out. That was definitely the liquidator's job.

Mr. Rolfes: — The Department of Finance was not concerned . . . the government was not concerned as to who had withdrawn money during that period of time, when first the department was alerted that there was financial difficulties, that we were not concerned as to who may have withdrawn money?

Mr. Kraus: — Well now I must say, I was not involved until the time of the pay-out, but after the point in time when the pay-out was determined, it was determined that a pay-out would be made; as I say, at that point the liquidator was fully responsible for that investigation. The investigation, the type that you're talking about — if you're talking about something that might have happened during that time period, I couldn't answer that.

Mr. Chairman: — Can I ask about the liquidator then?

Mr. Kraus: — The liquidator is Touche Ross & Co., the firm of chartered accountants.

Mr. Chairman: — Appointed in 1985.

Mr. Kraus: — Yes, they were, by the court.

Mr. Chairman: — On May 17, 1985, the Premier said in questioning that there is a process now going on to examine the books and examine the assets and examine

the procedure. He said some other things. And he said in about two weeks the interim report is expected from the liquidator. This was May 17, 1985.

In December 1 of 1985, eight months later, that report had still not been completed. I assume now that this report is completed?

Mr. Kraus: — I have not examined any report myself. Any reports that the liquidator makes they're making to the courts. And although they've made one report, at least, I'm not sure it was on the types of things that you're talking about or asking questions on, and I suspect at some point there will be a final report by the liquidator. But I'm not sure that any of the specific questions you're talking about have been addressed by them as yet.

Mr. Chairman: — This liquidator's report would not be made available to the government?

Mr. Kraus: — No, it would be made available . . . It would be delivered and . . . the report is made to the court and then, as I understand it, that's a public document and anybody can read it.

Mr. Chairman: — And you're saying you're not sure if it is totally complete yet?

Mr. Kraus: — Oh, I know it's not completed as yet. They have not completed the liquidation yet, and they have not made their final report. That's still to come.

Mr. Chairman: — Okay.

Mr. Rolfes: — Could you tell me, before the liquidator's report is made public, does anybody have access to some of this information as to who may have withdrawn money? Does anybody in Department of Finance know? Do you have access to it?

Mr. Vicq: — I have not had access to it. I would expect that only the employees of Touche Ross would have access to it.

Mr. Kraus: — Any work that we were doing, and we relied very heavily during the pay-out time on the people from CDIC (Canada Deposit Insurance Corporation) and the liquidators, we were mainly interested in verifying or making sure that the balances were correct that we were going to have to pay out. And we relied very heavily again — I have to repeat that — on the CDIC people, Canada Deposit Insurance Corporation people and the liquidator to help us verify that the records were correct. So we didn't spend a lot of time looking at the withdrawals or anything like that.

Mr. Rolfes: — All right. I just have one further question. As the one who has to make the payments, the pay-outs, don't you think . . . at least if I had had to make the pay-outs, I think I'd have been very interested to see who withdrew money during that period of time. You know, if millions of dollars were withdrawn, I'd like to have known, if I have to do the pay-out, as to who withdrew money during that period of time.

Mr. Kraus: — Well we were concerned as well, but then

we had . . . this was all very new to us. So we found out in discussions with Touche Ross and lawyers, and so on, that the whole process is really taken over by the court. And as I said, the liquidator's appointed by the court to settle the estate of Pioneer Trust, and they do a number of things including, as you know, dispose of the assets, and there's a number of activities they undertake to determine if any insider activities contributed to the collapse or whether anybody tried to get some unlawful preference. And there's a number of activities, audit procedures, that the liquidators do.

But really it wasn't within our jurisdiction. What we did was we wrote a letter to them. I wrote a letter to the liquidator and said, look, could you tell us what you're doing, because we want to know as well exactly what type of activities they undertake, what's their job, and, I guess, some of the concerns you're raising. And they came back and told us by memo exactly what they're doing and told us what their role was.

So we realized we have to rely on them and we are, I suppose, still waiting, the same as everyone else, to see what the report is.

Mr. Rolfes: — I can understand once the liquidator is appointed, but there is a period of time where, if I go back into some of the discussions with Mr. Will Klein, the government had decided to guarantee the loans. On what did they base those guarantees if they . . . Surely there must have been some investigation done before the government said that we will guarantee \$27.5 million.

Mr. Kraus: — I can't speak to that because I didn't get involved until late March or early April.

Mr. Rolfes: — Well maybe I should ask Department of Finance. Mr. Vicq, can you tell us, was the Department of Finance involved in investigating Pioneer Trust to see exactly what the financial situation of Pioneer Trust was before the government did make that commitment to guarantee . . . to make those \$27.5 million guarantees which was later withdrawn?

Mr. Vicq: — To the best of my knowledge, again, as I said, the Department of Finance became involved early in November 1984, and the letter indicating the guarantee was issued on November 21, 1984. In that time period Mr. Meiklejohn had access to the federal insurance regulator, the Department of Consumer and Corporate Affairs. And I'm also told that he did start or begin a detailed analysis of some of the portfolio investments assets that were held by Pioneer Trust.

Those were the three main focuses of his activity in the period of time that the department became aware until the letter was written on November 21.

Mr. Chairman: — You said he started the analysis. Was there a report on this analysis provided to the department before the guarantee of the 27 and a half million, or was it just in the process of taking place?

Mr. Vicq: — It was in the process of taking place. To the best of my knowledge, there was not a written report.

Mr. Chairman: — I see. So on November 21 the government gave a guarantee of preferred share offerings for the amount of 27 and a half million dollars before there was a thorough analysis of Pioneer Trust's financial situation which the department was doing at that time.

Mr. Vicq: — Before the analysis was complete.

Mr. Chairman: — That's right. That is shocking.

Mr. Rolfes: — I hope I'm not mistaken in this, but I think I wrote it down somewhere. Wasn't it November 21 when the department became aware?

Mr. Vicq: — I believe I said early November. November 21 was the date of the letter written by Mr. Andrew.

Mr. Rolfes: — Okay, so you became aware in early November, and it was on November 21 that the guarantee was made.

Mr. Vicq: — That the letter by Mr. Andrew was written.

Mr. Rolfes: — Yes. And that was long before. When was the analysis completed, or was it ever completed?

MR. Vicq: — To the best of my knowledge, I would say the analysis was completed by Mr. Wagar at the time that he reported to those persons on February 1 of 1985.

Mr. Rolfes: — That's about three or four months after the guarantee had been made, Do you recall or do the records show at all what the purpose of the analysis by Mr. Wagar was since the guarantee had already been made?

Mr. Vicq: — The purpose, as I understand the assignment that was made to Mr. Wagar, was to analyse the Pioneer Trust operations with or without an injection of around \$30 million of capital.

Mr. Rolfes: — And what was Mr. Wagar's final recommendation?

Mr. Vicq: — I don't know. I wasn't at that meeting.

Mr. Rolfes: — Nothing in writing?

Mr. Vicq: — Nothing to my knowledge in writing.

Mr. Rolfes: — So we don't know whether Mr. Wagar's recommendation had any bearing at all on the final withdrawal, or the withdrawal of the guarantee?

Mr. Vicq: — As I said to the Chairman earlier, Mr. Rolfes, I think, given the dates that there . . . the only thing that you could do is make an assumption that it was an input into the decision.

Mr. Rolfes: — Okay.

Mr. Chairman: — Just following this approval of the guarantee without appropriate analysis reports, the department approved some press releases. We are told by a report from Mr. Klein that on December 28 three press releases were approved by the Department of Finance,

one relating to the preferred share offering and two others relating to the year-end performance of the company. Can you tell us what those two others relating to the year-end performance of the company were all about?

Mr. Vicq: — I can't, but could I just make one comment with respect to — and we're reading from the same document, the *Leader-Post* analysis. My understanding is that these were press releases of Pioneer Trust or Pioneer Management, and the department did not approve of them. The department, however, was aware of them.

Mr. Chairman: — So you did not encourage these press releases not to be released?

Mr. Jones: — Press releases were provided to the Minister, and subsequently to the department for comment. The department suggested several changes to them, and in general felt that they were not appropriate, given the situation and given the seriousness of the situation.

Some changes were adopted to the press releases; some were not. I can't tell you which were and which weren't, but I can tell you that the department and the minister was concerned that these press releases were overly optimistic and they were not appropriate. The tone was not appropriate for what is essentially the government providing financial assistance to this trust company.

Mr. Chairman: — Thank you. You made reference earlier to Mr. Al Wagar who was assigned to examine Pioneer Trust. Can you tell me precisely when he was appointed and by whom?

Mr. Vicq: — Appointed January 24, 1985 by Mr. Berntson and Mr. Andrew.

Mr. Chairman: — On the recommendation of the department?

Mr. Vicq: — Not to my knowledge.

Mr. Chairman: — So this was once again another political decision.

Mr. Jones: — I want to be cautious here, but I believe that Mr. Meiklejohn was concerned that we should bring in some help to look at this problem. We did bring in outside legal counsel, and there were discussions about bringing in outside people with expertise in the trust business, although I do not believe that we were talking specifically about this individual. But I do believe that there was concern that we should bring in outside help to deal with this problem.

Mr. Chairman: — Yes, that's fair. But you're saying, to the best of your knowledge, this individual is not recommended among other recommendations from the department.

Mr. Jones: — That's my understanding.

Mr. Chairman: — That's what I wanted to know. What was his specific assignment?

Mr. Vicq: — If I could read from a piece of paper:

Determine the financial status of the corporation Pioneer Trust and its ability to continue with or without injection of capital of around \$30 million.

Mr. Chairman: — Since he was appointed by the two ministers, Berntson and Andrew, how was he paid? Department of Finance, or was he appointed under some auspices?

Mr. Vicq: — He was paid through the Department of Economic Development and Trade.

Mr. Chairman: — I see. So you wouldn't be able to tell us how much he was paid.

Mr. Vicq: — I could tell you that.

Mr. Chairman: — You could.

Mr. Vicq: — \$3,800.

Mr. Chairman: — Total?

Mr. Vicq: — And 50, I'm sorry — \$3,850.

Mr. Chairman: — That was his total fee?

Mr. Vicq: — Yes.

Mr. Chairman: — So he would then have reported directly to the ministers.

Mr. Vicq: — In my understanding, yes, Mr. Chairman.

Mr. Chairman: — And then was that report provided to the department?

Mr. Vicq: — I understand it was a verbal report.

Mr. Chairman: — And then the department was expected to act on this verbal report. And I'm not blaming the department; I'm just saying the department then would have had to have made some very substantial decisions based on a verbal report that was provided by whom the ministers or by Mr. Wagar?

Mr. Vicq: — I'm not certain whether the department made decisions or cabinet ministers made decisions. And there is some caution that we have to make as we look at policy, and again . . .

Mr. Chairman: — Let's just make this very clear because I suspect this issue will not go away. Mr. Wagar was appointed by Berntson and Andrew in 1985, January 24. He prepared a report on Pioneer Trust which was provided only to the ministers. The only knowledge of this report is that which was provided verbally to the department.

Mr. Vicq: — There was a meeting and it's reported in the *Leader-Post* articles, and I'm not certain whether Mr. Meiklejohn was in attendance at that meeting or not.

Mr. Jones: — If I may also add, Mr. Chairman, there were

other meetings going on, which Mr. Wagar I believe was a part of, that involved senior officials and ministers. So there were a number of meetings where he would contribute to the discussion.

Mr. Chairman: — Verbally?

Mr. Jones: — Verbally.

Mr. Chairman: — I am almost tempted to ask for an opinion, but I'm not supposed to. I find that more than just passing strange. I mean that is a classic case, a classic case of somebody trying to hide something, make sure that nothing is documented. Go ahead, spend \$27 million of the taxpayers' money, but dispense with the documentations because somehow it's not important. And the department has to respond to the minister, I'm sure. And I know that. So there's no way the department can do anything but do what it is instructed. Can you tell me this, then: when did the department first learn the substance of Mr. Wagar's findings?

Mr. Vicq: — To the best of our knowledge it would be around the February 1 time where the other cabinet ministers and bureaucrats became aware of the total substance.

Mr. Chairman: — So it was prior to February 4, when the letter of guarantee was withdrawn, I think . . . I'm sure. Was this letter then withdrawn on the advice of the department, that was once again it seems like all the other decisions were, simply a decision of some cabinet ministers?

Mr. Jones: — As I recall the process, I believe there were meetings going on that involved cabinet ministers, senior officials, or senior official of the Department of Finance, and other senior officials in the government. I believe that decisions or recommendations were made in those meetings and then taken forward to cabinet or to the appropriate place.

Mr. Rolfes: — I'd just like to go back a little bit. You said on the press releases of December 28 that it was the minister who felt that they were too optimistic. I think, Mr. Jones, that's what you had indicated, that it was the minister who felt that the tone of it was too optimistic.

Mr. Jones: — That is my recollection. Again, it's some time ago. I don't want to speak for the minister, Mr. Andrew at that time, but that certainly was the feeling of the department and, as I recall, of the minister as well, that he would . . . and certainly the department and the minister wanted it toned down a bit.

Mr. Rolfes: — Rather strange isn't it that yet a month before that same minister agreed to a guarantee of \$27.5 million?

Mr. Jones: — No sir, I don't think it's strange. I think that the government is providing assistance to this corporation that is a significant and serious matter. As I recall, the press releases, as originally written, were suggesting that the corporation had no problems at all, or the problems perhaps were minor. I do not ever recall that that was the approach taken by the minister of Finance at that time.

Mr. Rolfes: — Would those press releases be available to the committee?

Mr. Jones: — We can certainly try and find them. I've looked through the files, and again, I do not have the original ones, but . . .

Mr. Rolfes: — I find the whole thing rather strange. I really find it very amateurish, you know, for the minister to make a guarantee in November, press releases coming out in December, or being drafted in December, where the minister then says it's too optimistic, and then on January 24 hire Mr. Wagar to determine the — and I will quote Mr. Vicq on this — the financial status of Pioneer Trust. It all seems backwards that nobody seemed to know what the heck they were doing. They were being pressured somewhere, and yet no one thought it was worth while to — either the Department of Finance or an outside consultant coming in — to do an analysis of the trust company to see what the actual financial position of the company was before a commitment was made by the government to guarantee to make those guarantees of \$27.5 million. What was the rush? What was the rush in November to make those guarantees?

Mr. Vicq: — As I understand it, the rush was serious, that the Bank of Montreal was going to call the loan in and take away the cheque clearing privileges.

Mr. Rolfes: — And did the Bank of Montreal . . . ?

Mr. Vicq: — The Bank of Montreal apparently withdrew that threat after the guarantee was . . . (inaudible) . . .

Mr. Rolfes: — Could I ask one further question. After the guarantee was withdrawn, how long did the Bank of Montreal take before they withdrew?

Mr. Vicq: — Withdrew the . . . ?

Mr. Rolfes: — Their — what's the term you used?

Mr. Vicq: — I think I used the word threat.

Mr. Rolfes: — Yes, okay.

Mr. Vicq: — I believe it was rather quickly, within a week.

Mr. Rolfes: — Within a week.

Mr. Vicq: — There was some . . . As I understand it, and I have gone through the Committee of Finance proceedings last year on this same subject, on June 17 the minister again is giving his answer, and that's really where I'm getting my information from. I understood that there was some urgency to this November 21 indication, and the urgency came from the Bank of Montreal.

Mr. Rolfes: — Without any information or facts whatsoever the minister on his own . . .

Mr. Vicq: — No, I don't say any. He had some information from the early November — Mr. Meiklejohn — until November 21, and that information came from

the federal regulators, Department of Consumer and Corporate Affairs, and some analysis of the portfolio assets held by Pioneer Trust.

Mr. Jones: — And certainly at November 21, Pioneer Trust, their licence was still in place; their federal licence was still in place.

Mr. Rolfes: — And that was used on a monthly basis after that?

Mr. Jones: — That was being renewed on a monthly basis, yes, but it was in place. And I think that the . . . and again, you will have to discuss this with the minister at that time. The decision involved: how do we maintain the company, or, if we have any chance of maintaining this Saskatchewan company, how can we do that?

Mr. Chairman: — Mr. Neudorf — and after you've finished, I will recommend we take our usual break.

Mr. Neudorf: — I would just like to react to Mr. Rolfes' line of questioning by taking this into a different perspective, I guess. Getting back to the period of time when Mr. Andrew did make this guarantee, as was indicated by the officials, the guarantee was not made with no information. There was some information. It was not a complete . . . it was not a total picture, but surely to goodness it is understood by all politicians and by all reasoning, thinking men that you cannot at times wait until you have a totality of information available to make a decision.

Sometimes a decision has to be made, and the decision has to be made because at this point if this guarantee was not made it looked as if the situation would be doomed with Pioneer Trust. And then after more information was, as it came out, then it became apparent what decision would have to be made. But just to simply say, in hindsight, that it should not have been made — if you bring it back to the proper perspective, a decision has to be made on the current status. And I think that is what Mr. Andrew did, and from a political perspective it was the thing to do.

Mr. Rolfes: — Mr. Chairman, just to follow up on this one. It's rather strange that Mr. Neudorf always helps me out in my questioning, line of questioning.

The *Leader-Post* . . . (inaudible interjection) . . . Now we appreciate that, we wish the minister would give us as much co-operation as you gave us, are giving us today. I just want to say to the hon. member that it was not . . . It was July 1983 that Mr. Will Klein had a meeting with the Premier of this province, indicating that there were some financial difficulties — that's a year and a half before the Minister of Finance made that guarantee.

Now I want to simply say to the member opposite, in that year and a half I think Mr. Al Wagar was around, at the particular time, why was he not hired at that time, then, to investigate Pioneer Trust and find out what the financial position of Pioneer Trust was? Why did they wait until after the Minister of Finance guarantees that . . . makes the guarantee of 27.5 million to Pioneer Trust and then after that hiring Mr. Al Wagar. As I say, the whole thing is

backwards.

If the Premier was being made aware by Mr. Klein that they were having financial difficulties, why did the Premier then . . . It's his responsibility as the first minister, it's his responsibility to see to it that an investigation is done at Pioneer Trust before he commits the province to about \$30 million and then after that hire someone to investigate the financial position of Pioneer Trust doesn't make sense.

Mr. Chairman: — Can I interrupt this debate so we can all refill our coffee cups?

Shall we continue then. I think . . . Well, I will not suppose anything, I'll just let it go.

Mr. Rolfes, you had a question.

Mr. Rolfes: — Yes, Mr. Vicq, just a couple of questions. Did you . . . I'm not so certain, you may have answered this one before, but did you ever receive a copy of the report that was submitted by the federal Department of Insurance through Consumer and Commercial Affairs? And if you did, can you make a copy available to the committee?

Mr. Vicq: — The answer is: I'm not aware that we did, but I'll turn the question over . . .

Mr. Jones: — Which report, I'm sorry?

Mr. Rolfes: — The report that was submitted to Consumer and Commercial Affairs in July, or prior to July of 1983 from the Department of Insurance?

Mr. Jones: — There's no record of that in the files of the investment and financial services division.

Mr. Rolfes: — So you haven't received any or seen any?

Mr. Vicq: — No, and that gets back to my earlier . . . of the department first becoming aware, November, early 1984, and to my knowledge we didn't receive it after that either.

Mr. Rolfes: — Well I just thought maybe since that time somebody may have been curious about the thing and wanted to read it, and you may have received it. All right.

Secondly, were any reports from the Department of Finance submitted to the federal Department of Insurance?

Mr. Jones: — To my understanding, there was no written reports. There was a number of meetings involving Mr. Meiklejohn, the assistant deputy minister of Finance and the federal Department of Insurance.

Mr. Rolfes: — But there's nothing in writing.

Mr. Jones: — Nothing in writing.

Mr. Rolfes: — The last question I have on this. Is it possible . . . my understanding is there was an agreement made between Ottawa and Saskatchewan in regards to

the final pay-out. Could we have a copy of that agreement?

Mr. Kraus: — The agreement between . . .

Mr. Rolfes: — Saskatchewan and Ottawa in regards to the final pay-out. I may not have the . . .

Mr. Kraus: — There were a couple of agreements. One in particular was put together because of the way in which the annuities had to be handled. It was rather complicated. Is that perhaps what you're referring to?

Mr. Rolfes: — No, my understanding was that there was an agreement struck between the government of Ottawa and the Government of Saskatchewan or various departments. Maybe it wasn't as to the final pay-out as to what was to be paid out.

Mr. Kraus: — There may have been something like that as to who was paying how much on each particular item.

Mr. Rolfes: — Yes, that's . . .

Mr. Kraus: — It's possible. I'll undertake to look for that. I seem to recall there was something like that, but I just can't recall specifically now.

Mr. Rolfes: — Well I wouldn't mind having that copy of that if there was one.

Mr. Chairman: — During the process in which it was determined that the government would pay out people who had lost their investments through the collapse of Pioneer Trust, was there any investigation on whether any directors or officers of Pioneer Trust or Canadian Pioneer management had made sure that some investments were withdrawn just prior to that? Did the department undertake to assure themselves that some of this had not happened or that there had not been financial arrangements for interest-free loans which may have weakened the financial position of the firm even further; officers knowing this would happen might do that kind of thing? Was there a deliberate attempt by the department to assure themselves that this had not taken place?

Mr. Kraus: — As I was saying earlier, we were concerned about those issues, and we wanted to make sure that someone was addressing them. And it became evident very early that that was what the liquidator was assigned to do by the court, and that they had fairly extensive powers to investigate insider activities. And they did write us a letter outlining in some detail exactly the types of procedures they were undertaking, and they were, I can assure you, fairly extensive.

And as I say, we are the same as anyone else. The liquidator is appointed by the court and is responsible to the court. And I know they have not yet tabled the final report with the court.

Mr. Chairman: — This is my final question. You did say earlier that we would be able to get any . . . the public would have access to that?

Mr. Kraus: — To the report, yes, and any interim report

they may have made to this point, you would be able to have access to that, yes.

Mr. Chairman: — Anybody else? Mr. Lyons.

Mr. Lyons: — Yes, just a couple of questions. One concerns the company itself and its position between November and February. Were there any substantial changes in the financial position of the company between that time which would cause the government to withdraw the guarantee?

Mr. Vicq: — My understanding, Mr. Lyons, is that there wasn't any substantial changes other than the information that became available to us.

Mr. Lyons: — Okay, but that information would relate to its position prior to November or . . . (inaudible) . . .

Mr. Vicq: — Then again it gets back to what Mr. Kraus is referring to as the "liquidator," and there may be some activity that will become public when the liquidator reports.

Mr. Lyons: — Okay, that answers that set of questions.

The second question is in regard to the process, and I know there's . . . they've gone on record saying that basically the decisions that were made were made by cabinet and cabinet members. But what concerns me is the lack of documentation. There is no paper trail to follow in this case, and I find it almost incredible, and it stretches the credibility of . . . to think that when you have a provincial department and a federal department meeting to discuss a serious situation like that, that there is no written report handed to . . . handed between the departments.

Were there agendas of meetings? Were there any kind of paper at all produced in this thing, or was it just department to department officials meeting over coffee, or how did this thing take place in terms of the bureaucratic functioning?

Mr. Jones: — Mr. Chairman, Mr. Lyons, if I can put perhaps the process in some context, some perspective. In terms of the Department of Finance involvement in this process, we became aware of a proposal from Pioneer Trust whereby government assistance would be provided to that company in early November. We began to analyse that.

At the same time, and previous to the department receiving the proposal, the company, Pioneer Trust, was in negotiation with the federal Department of Insurance with regard to its financial position, with regards to its licence. It was operating on a month-to-month licence. That was very restrictive. It was operating under certain terms that allowed it to pay lower interest rates than competitors, so it was under very restrictive terms.

It was therefore attempting to negotiate a favourable set of terms with the federal regulators. That process was going on. The company wanted government assistance to improve that. It wanted to inject capital into the company to strengthen the balance sheet so it could go to the

federal department and say, look, we are now in a stronger position. And that was going on prior to the Department of Finance's involvement.

When the department became involved, these issues were brought to our attention. We began to look at what information was provided by Pioneer Trust. It, in hindsight, turned out to be not a total picture, initially. We requested more information; more information was gradually provided to us.

I believe in mid-November the Department of Insurance was becoming concerned. The bankers for the trust company were becoming concerned. There were rumours that there were problems with Pioneer Trust and with other western financial institutions. The question at that time was, how do we stop a possible run on the trust company? One way was for the government to take a policy decision to provide a guarantee. At that time we did not have the full picture. We, as I said, continued to try and get more information.

The process, this particular process, is not a normal one. It's very abnormal. We don't deal with these every day. It had serious implications, not only for Saskatchewan business but for Saskatchewan residents and Saskatchewan taxpayers. And so it very much involved the attention and the time of a number of people in the department. There was no normal process for this. There were meetings called, not according to any rules of the game, if you like, or process or agenda, because decisions were being made in Ottawa; they were being made in Regina. There was no . . . A number of things were coming together very quickly. So in terms of trying to document all of these things, I'm certainly not surprised, looking back in the files, that things are not documented that way.

Mr. Lyons: — Well I am surprised because it doesn't take that long to generate a memo. Be that as it may, what has the department learned through the fiasco, through this whole thing? Has a set of guide-lines been generated by the department in terms of handling this type of major financial situation?

Mr. Jones: — Well I think in terms — there's two issues here — in terms of investment and the investment activities of the Department of Finance, I think that in hindsight that the guide-lines and the process have proven correct. They were the right ones. The investment managers were on top of the situation; did make appropriate recommendations. The government chose for policy reasons to take a different direction.

So in terms of investment decisions, I think that the process is a good one, and it has proven to be correct.

Mr. Lyons: — And you're saying, just to make it clear, that the department made one set of recommendations and the government followed a different course in its policy decisions.

Mr. Jones: — I'm talking specifically about the \$4 million investment that was made in Pioneer Trust. We rolled over \$4 million in January. I think from that perspective the process, the guide-lines, are correct, are working.

In terms of dealing with this abnormal situation, I'm not sure that I can really comment on this, other than, as I explained, many things came together very quickly. There were many people involved in this. And in terms of the Department of Finance, we certainly attempted to provide our minister with the best information and advice we could.

Mr. Lyons: — The reason I'm asking these questions is that it's no longer becoming an abnormal situation for western financial institutions to be going under, and it seems to me that the department itself has got to have a certain set of guide-lines and a certain set of responses in terms of dealing with . . . (inaudible) . . .

Mr. Rolfes: — Mr. Chairman, I have a few more questions I'd like to ask. Mr. Jones, you indicated that the department made certain recommendations, which recommendations were not followed by government because of the policy of the government. It's a policy decision. I can fully understand that.

Did the Department of Finance recommend to the government that they should guarantee the share issue?

Mr. Jones: — Not to my knowledge. I believe that it was a policy decision taken by the Minister of Finance. And again I don't want to speak for him, but he was confronted with dealing with a Saskatchewan company in trouble and trying to deal in the best interest, not only of the Saskatchewan company, Saskatchewan residents, but Saskatchewan taxpayers. And I don't . . . I'm not trying to pass judgement on that, but I'm trying to put that into context.

Mr. Rolfes: — Did the department make any recommendation to the minister or to the government in regards to the guarantee?

Mr. Jones: — To my knowledge there was no specific recommendation made. There may have been conversations between senior officials of the Department of Finance as to the implications of certain courses of action.

Mr. Rolfes: — Mr. Jones, what I'm trying to get at, as the minister who has to make a decision on this particular matter, on a large matter like this, the department usually would make a recommendation to the minister. And the minister can either follow it or ignore it. If he ignores it, it's at his peril. And obviously it was at his peril in this particular case.

But what I want to know, was there . . . there is no record that the Department of Finance made a recommendation for or against the guarantee?

Mr. Jones: — Mr. Chairman, and Mr. Rolfes, to my knowledge there was no specific recommendation made by officials of the Department of Finance for the government to provide a guarantee. There may have been discussion saying, Mr. Minister, if you do this, this could be the implications. Mr. Minister, if you do this, this is the course of action.

Again, I do not believe there was a specific

recommendation for the government by the officials of the Department of Finance to the Minister of Finance to provide a guarantee which was evidenced by the November 21, 1984 letter.

Mr. Rolfes: — In regards to the guarantee, how was it decided what the amount of that guarantee should be?

Mr. Jones: — The amount was initially to be set at an amount that would satisfy the federal regulators in terms of the capital needs of the trust company. So it was essentially a discussion that we had to deal with the federal Department of Insurance.

Mr. Rolfes: — From reports that I have read, it seems that Will Klein has indicated that he needed a guarantee of \$20 million. Mr. Berntson, I think, indicated that they should go to 27 or 30 million — I'm not sure just what the figure was. It was agreed to 27 million, and then at a December meeting in 1984, Department of Finance meeting, it was decided to increase it to 30 million. Why all the changes? I mean . . .

Mr. Jones: — Initially when the Department of Finance received the proposal in early November, it was a proposal made by Pioneer Trust and their personnel. It set forth a certain amount, I believe it was between 50 and \$20 million dollars for share issue, but I can't recall exactly. As we began discussions with the federal Department of Insurance, it was not clear that the Pioneer initial estimate was in fact the one that the federal Department of Insurance would live with.

Mr. Rolfes: — All right. Let me just leave that.

Mr. Jones: — And in fact they suggested it was going to be higher than that.

Mr. Rolfes: — If I were to summarize this whole thing, would I be correct in saying that most of the decisions in regards to Pioneer Trust were decisions made by elected officials, not by the department? They were made by the ministers rather than by the department, with or without the advice of the department?

Mr. Jones: — It's my understanding and my belief that the minister makes all decisions for the department.

Mr. Rolfes: — Yes, that is correct. The point that I wanted to make was, did he receive substantial advice from the department, and was that advice followed?

Mr. Jones: — In my view, he received advice from the department, and in my view, he followed some of that and some of it he did not. As to the degree, I really don't want to comment on that.

Mr. Lyons: — Is it correct to say that that advice that was produced for the Minister in the form of a memorandum or a policy option paper or whatever title you want to give to it, was there some type of paper presented to the minister which outlined the options and the preferred course of action?

Mr. Jones: — Some advice was written, some analysis was written. Much of it was in verbal form because the

events of this particular exercise were taking place in a changing environment and in a very short period of time.

Mr. Lyons: — Would you be able to produce the major memorandum prior to November 21? And by the major memorandum, I said that which outlines the course of action, that advice that is written for the Minister.

Mr. Vicq: — I'm not aware that there is any, Mr. Lyons. But it would be my opinion, without looking at it, that there might be policy options in that paper.

Mr. Lyons: — If you could provide that for us.

Mr. Vicq: — Not if they're policy options.

Mr. Chairman: — To the extent that you can.

Mr. Vicq: — To the extent that they're fact and not dealing with policies, if such a thing exists.

Mr. Chairman: — That's fair enough.

Mr. Neudorf: — I don't want to put words, Mr. Chairman, into the official's mouth, but to the extent that the minister deems fit and proper to release.

Mr. Vicq: — No, that's . . .

Mr. Neudorf: — No, sir, that is the premise under which this committee works and I will not back down on that stand.

Mr. Rolfes: — One further question. Has the department since that time found or discovered indestructible paper or material that cannot be destroyed? It seems there's so little of this left. That's the last comment I have to make.

Mr. Chairman: — Any other questions?

Mr. Van Mulligen: — One of the payees pursuant to The Pioneer Trust Company Depositors Assistance Act was the city of Regina, in the amount of \$957,000 and a bit. Do you have any information as to when the city might have deposited those funds with Pioneer? Would that information be available?

Mr. Kraus: — I do not have that information. I don't believe we would give it.

Mr. Vicq: — I don't think we could give it if we had it.

Mr. Van Mulligen: — One of the facts of investment on the part of municipalities is that those investments have to be made in accordance with a list of prescribed companies with which investments can be made. Is that list provided by the Department of Finance?

Mr. Vicq: — I think some relationship with the Investment Board list in some cases, but I'm not certain, Mr. Van Mulligen.

Mr. Jones: — In terms of what investments municipal governments can make?

Mr. Van Mulligen: — Yes, whether it's sinking fund or

investment managers. I know that in the case of the city of Regina, we were provided with a list on a regular basis whether it was annual or semi-annually, a list of companies with which investments short term or long term could be made.

Mr. Jones: — I would assume that the city of Regina, as other major investors, have their own internal guide-lines. I would assume that under legislation or under the Local Government Board they would have some guide-lines as well. As far as the Investment Board, that deals with government investments, not local municipalities.

Mr. Vicq: — I think what I was suggesting is that the Local Government Board has adopted the Investment Board criteria in some instances.

Mr. Van Mulligen: — They've adopted those criteria?

Mr. Vicq: — In some instances that I'm aware of.

Mr. Van Mulligen: — I see. I just wonder, if I recall correctly it seemed to me that Pioneer Trust was one of the companies on the list of companies of which investments could be made by the city of Regina. Has the Investment Board, have they adopted a more cautious approach towards investment, and especially short term? I know that some of the companies, some of the trust companies for short-term investments were highly desirable because of the rate they offered. By the same token we now find that there's a down side. I wonder if the Investment Board has taken any more of a cautious attitude or approach.

Mr. Jones: — I think the terms of our investment managers, we have certainly taken a more cautious approach. For example, we did not have any investments in Principal Trust. In terms of the Investment Board guide-lines and so forth, they're constantly under review. The Investment Board has not met for some time to discuss them, but certainly investment managers within the Department of Finance, I think it would be fair to characterize it, would probably have a more cautious approach than the Investment Board so that . . .

Mr. Van Mulligen: — I have no further questions.

Mr. Chairman: — Thank you. Are there any other questions on this? I have no further questions.

Mr. Rolfes: — I have one, and I know Mr. Neudorf is going to say it's totally out of order, but I know he'll allow it. How has Saskatchewan fared on the blood-bath yesterday in the Toronto Stock Exchange?

Mr. Vicq: — Very well.

Mr. Rolfes: — No, did we . . .

Mr. Chairman: — There's a wide cross-section of interest here, so please . . .

Mr. Rolfes: — How did we do? How did we fare?

Mr. Vicq: — I believe we fared very well. In total, our

\$3.5 billion is made up of 16 percent of equities. It seems to me, and I'll let Mr. Jones . . . last charts that I looked at, that effectively we are still better off than we were as of January 1 of this year.

Mr. Jones: — I think two points of interest here. First, that it's far too soon to really assess and understand what's happening and what has happened in terms of the impact on the economy and where we're going to go from here, whether it's going to be recession or perhaps even worse. Certainly a lot of people are talking about signalling out the U.S. budget and trade deficit as key variables to get under control to restore some confidence back to consumers, investors, and the economy as a whole. So it's too soon to figure that out.

In terms of more specific issues, our pension plans which are an obvious one, we had a relatively small, although a significant amount in equities at this time. It was 15 to 16 per cent. That is well below the national average for major pension funds of about 40 to 45 per cent.

And I think that the other point is that we were fortunate because of the good, if you'll allow me, the good investment managers we had, that we had in fact lowered our equity holdings by about 10 percent from 25 percent of total pension funds to 15 per cent beginning in the summer. So I don't want to over-emphasize that because in the market business you are careful not to brag about certain things when there are good times because we all know that there can be bad times very soon.

Mr. Neudorf: — Are you reassured?

Mr. Rolfes: — Yes, I'm reassured, and now if we could only get the ministers to take the investor's advice we'd be fine. Thank you very kindly. Thanks very much for that.

Mr. Kraus: — I'd like to correct a statement that I made at the last committee meeting.

A Member: — Oh, oh.

Mr. Chairman: — Is this something we can use?

Mr. Kraus: — Well, remember the issue of distribution of weekly and monthly financial statements? And I indicated that I send them directly to all treasury board ministers, some officials, and the Premier. And I had forgotten that going back to as late or early as June 1984, a decision was made that we wouldn't send them to the Premier's office. So since about June '84, these weekly, monthly financial statements have only gone to treasury board ministers and not to the Premier's office. I'm sorry if I caused any confusion or misled the committee.

Mr. Rolfes: — Based on that . . . sorry, Gerry . . .

Mr. Chairman: — I'm also sorry that the Premier didn't . . . in 1984 decided it wasn't important enough for him to know what the state of the economic situation of the province was. Quite frankly, I find that quite unacceptable and I'm not even going to ask who made the decision. I have my own assumptions and I think it's clear who made that decision.

We have no other departments standing by. I think we are finished with the Department of Finance and I thank the officials.

I would suggest to the committee that we have for next Thursday in the usual order, Justice and Consumer and Commercial Affairs although Agriculture comes in between. Some of what was in Consumer and Commercial Affairs is now in Justice so I think we should do them together or one behind the other because it will follow — for Thursday.

Mr. Neudorf: — Yes, Mr. Chairman, I'd just like to add a few comments in conclusion with the officials here. I have to admit that I have learned a lot over the last few days that we've had these meetings, from particularly Pioneer Trust. It's never really been that high as a personal priority and I've been listening with a great deal of attention and certainly, there were a lot of good questions that were being asked of the officials.

Mr. Rolfes, you did ask quite a number of good ones. I'll take most of the credit because of my prompting of those questions. But seriously I think we've had a very good exposé and you've done an impressive performance, and I just think that you've served our committee well.

Mr. Van Mulligen: — If I might, also in conclusion, I would say I think that the taxpayers of Saskatchewan would have been served even better if there had been a full scale public inquiry into this whole mess. Even though we may learn some more about the workings of Finance and the workings that govern this committee, the people of Saskatchewan still have unanswered questions about why this mess was allowed to occur, why the government acted in the way that it did, and only a public inquiry could have detailed fully the kinds of answers that I think people wanted.

People did not find out about the type of stewardship that was provided by the Department of Consumer and Commercial Affairs. Why it is that the Premier would know in one year that there were problems, but the matter was allowed to drag on for another year and a half, those are the kinds of answers that the public of Saskatchewan would like to know and have not been getting.

Mr. Neudorf: — I concur with you, Mr. Mulligen, and I would just simply say to you that we are getting into a debate. This is not the forum for debate. The debate forum is in the legislature and if you want to bring those questions up at that point you do so.

Mr. Van Mulligen: — Well I want to just tell you that that was, in fact, done. But we were told that, no, this is not the proper place, and in estimates we were told it's not the proper place, that . . . bring it to the Public Accounts Committee.

Mr. Chairman: — We are adjourned.

The committee adjourned at 9:55 a.m.