

STANDING COMMITTEE ON PUBLIC ACCOUNTS
February 3, 1988

Mr. Chairman: — We've a new analyst who's from the comptroller's office, Mr. McMillan, financial analyst. I assume it's the guy at the other end with the moustache. Right. Welcome.

Before we get into the agenda I thought it would be useful for members to get a little briefing from Gwenn on how to claim your expense vouchers and what's involved in what she's going to do for us.

A Member: — You mean we're going to get paid for this.

Mr. Chairman: — Well, some people have to come in a long way — all the way from New Brunswick.

So can you give us a little dissertation here?

Ms. Ronyk: — Sure. Yes, Mr. Chairman, I'll do that. Maybe what I'll do, so that you can just follow along, is hand out your forms and then you can fill them out tomorrow or whenever your last day is here at the committee.

A Member: — Do you fill one out for each day?

Ms. Ronyk: — No. You can just fill out one form for all three days.

Okay, members who serve on committees that meet between the sessions are eligible for a per diem allowance. This is a . . . the per diem is actually a salary payment, and that is \$109 for each day of the meeting, plus the legislation allows for members to claim the per diem for the time that they spend travelling.

So under the second heading, "per diem for travel time", some of you will have an entry there that tells you how many days per travel time you're entitled to claim for, and it depends on the distance that you are from Regina. If you are a Regina member, you're not allowed to claim anything. There's a formula that committees have followed. It has never been formalized anywhere but in the practice of committees, but the practice has been that for round trips under 322 kilometres, which is 200 miles — it was round at one time — no per diem is permitted for travel. For round trips over 200 miles but under 400 miles, one day's per diem is permitted; and for round trips over 400 miles, two days per diem is permitted for travel time. So your travel time may vary, depending on your distance.

In addition to that, you can claim your actual mileage, under your travel expenses, from your residence to Regina. This is different than your travel allowance that you get as a member because that is calculated from the largest centre in your constituency to Regina, so this one would be a little different distance.

And accommodation — the Act allows members to claim for reasonable expenses for accommodation when you're here on committee work. What has happened in most cases is that members either follow the public service guide-lines which are that your claim . . . you're allowed to claim up to \$15 a night without receipts, or you can submit your hotel receipt at any reasonable rate and we

will . . . (inaudible interjection) . . .

The last couple of years most committees have been passing a resolution to allow the members to claim \$25 a night without receipts, assuming that is . . . suggesting that that is something that is reasonable, which is what the Act requires. Or if you have a receipt, that's all you need to do is submit your receipt for hotels. And it doesn't matter what it is as long as it's reasonable. The royal suite might not be reasonable.

And for meals, again the Act just says "reasonable expenses," and committee members have generally claimed the public service rates, which are probably not that reasonable, but they are about \$21 a day.

Mr. Chairman: — So you claim the \$21 a day, or the actual? What's the standard?

Ms. Ronyk: — Usually for meals we just claim the \$21 a day as a per diem.

Mr. Muller: — Two days travel and three days, so I get five days' meals.

Ms. Ronyk: — Yes, yes.

Mr. Chairman: — Okay, I thought that might be helpful. Any questions?

Mr. Martens: — Mr. Chairman, are you going to leave it for \$15, or are you going to . . .

Mr. Chairman: — It doesn't matter. I leave it to the committee. I'm thinking most people will be claiming their actual hotel, which is . . . (inaudible) . . . If you're not, then we should look at the \$25, but \$50 is really not reasonable.

Mr. Muller: — \$25 is good enough with me. Then I don't have to bother with the receipts, and I know I don't get a room for 25 bucks.

Mr. Chairman: — Well, I will entertain a motion . . . (inaudible interjection) . . . Oh yes. What this is, is the maximum without receipts has been 15. By resolution it's been raised to 25, so if I have a motion to raise that 25, I'll entertain it.

Mr. Muller: — I'll make a motion to move to raise it to \$25 for accommodation without receipts.

Mr. Chairman: — I'll need a seconder. Mr. Martens. Agreed? I don't anticipate we'll want a long debate on that. Okay. I think that's a fair motion.

Mr. Rolfes: — Could I just ask one question. On the meals, are you saying that the day of travel one can claim the meals?

A Member: — Yes.

Mr. Chairman: — Okay, we've disposed of that. I will ask you to inform the rest of your members to pick up their vouchers. Or you'll send them if they're not . . .

Ms. Ronyk: — Yes, I'll hand them out tomorrow or whenever others come.

Mr. Rolfes: — I'd like to ask one further question on this. If we finish tomorrow, let's say at 4 o'clock and we stay over till Friday, what do we claim?

Mr. Chairman: — Claim all day tomorrow, and then you claim Friday as a travel day, don't you, Gwenn?

Ms. Ronyk: — You mean for accommodation?

Mr. Rolfes: — Yes. I mean, let's say we finish at 4 o'clock and we just feel that we don't want to drive tomorrow night.

Ms. Ronyk: — Normally, the accommodation claim is going to be for one night less than your number of days that you claim, but there's nothing that prevents you from claiming the same number of nights as you have days if that's actual.

Mr. Chairman: — Let's therefore get to the agenda. We're going to deal today with agricultural credit corporation, crop insurance, and Sask Power in the morning. I really, looking at that, unless members have some questions that I am not anticipating, don't think it will take us till noon, but that's fine, I'm sure, it some of us have got things that we do. I do. And then we've got supply and services in the afternoon. I don't want to phone and tell them to come in case we get done early, because I'm not sure we'll be done early, so we'll leave them at 2 o'clock if it's okay with the committee. That's when they're planning to come, and we'll leave it at that. Okay?

So, let's look at agricultural credit corporation. Mr. Lutz advises me that some of this stuff has happened so long ago, it's hard to make a complete dissertation. But he'll tell us if he's got nothing to say.

Mr. Lutz: — Mr. Chairman, I'm looking at the 1966 report . . .

A Member: — '66?

Mr. Lutz: — 1986, sorry. It's only 20 years old. On page 18 the problem with adequate security continues. There has been no change there that we know of. Eligibility for loans has not changed. On page 20 the corporation has, in fact, on item 4.14 developed a methodology which will at least permit the preparation of financial statements with an allowance for doubtful accounts. We then would come along and audit that to see if we thought it was adequate.

Mr. Rolfes: — Which number was that?

Mr. Lutz: — That was on page 20, 4.14, where we said the failure to develop an adequate methodology . . .

Mr. Rolfes: — Okay.

Mr. Lutz: — They have addressed that subject, and until we do the next audit, we're going to assume it's been corrected. On page 21, item 4.19, they have corrected

some of the problems we could see in the segregation of duties. Item 4.20 . . .

Mr. Rolfes: — Mr. Lutz, could I ask you for . . . maybe I should leave that for the committee. Were there any serious difficulties because there was not the segregation of duties, or should that probably be addressed to the officials?

Mr. Lutz: — I'm not aware of any problems *per se* . . .

Mr. Rolfes: — I'll address it to the officials then.

Mr. Lutz: — But we look at this thing in advance and say, if you put the controls in place now, we can avoid problems. That's our philosophy.

Mr. Rolfes: — Okay, good enough. I will be asking them.

Mr. Lutz: — Item 4.20 on page 21. The corporation established certain terms and conditions relative to these various loans, and one of them was, if the number of animals involved drops below what they had loaned money on, the whole thing becomes callable.

At the top of 22 we state that: management has indicated that it is not obliged to exercise all of the corporation's rights under the terms and conditions of the advance. Our problem with that is that if the corporation board made this policy declaration, we have a little problem with management deciding unilaterally that they don't have to follow it. That's really what this comment is all about.

4.24, the problem in 4.24 continues, and the problem in 4.29 continues.

Mr. Chairman, I think that's it.

Mr. Chairman: — Thank you. Anybody with questions of Mr. Lutz? Okay, none? Thank you, Willard.

Public Hearing: Agricultural Credit Corporation of Saskatchewan

(Machine malfunction — small portion missing)

Mr. Rolfes: — . . . '85-'86 was a very busy year for you people, and it was also a very busy year for the people of Saskatchewan in that we had an election in 1986, and I would assume that some of these programs were in anticipation of that election.

But be that as it may, the auditor has noted a number of shortcomings in your corporation, some which should, I think, concern us and concern the people of Saskatchewan. Certainly the programs which you were asked to administer had a dramatic effect on the province of Saskatchewan and still have today. I think we are seeing some of the repercussions of some of those programs today. But we are not here to discuss those programs as they affect us today, but only under the year under review.

The auditor notes again, as he has noted in many of the departments and the corporations, of the shortfall of policies in regards to adequate security and internal

controls. I notice that again here. We had it yesterday in the Department of Health, we had it in the Department of Agriculture, and in a number of other departments.

I guess a general question first is: have you rectified or have you done something to resolve the problem as illustrated by the auditor on pages 18, 19, 20, 21 in his report, which are concerned about internal security and eligibility for people or applicants for these programs? Could you address those for me first, and then I'll get into more specifics.

Mr. Ballagh: — In terms of the eligibility for loans, and I'll speak to the production loan program in terms of its eligibility and then perhaps refer to the cash advances after that, it that's okay.

Clients received their applications from the country elevator managers, and we had the country elevator manager sign a statement that the information that was put on the form with respect to acreage was as indicated or recorded in his Canadian Wheat Board permit book for that year. In addition to that, we obtained a tape from the Canadian Wheat Board and we matched that tape against producer applications as they were run. So we felt that we had an adequate control in terms of the acreage that the client would be farming in 1986.

The cash advance program basically was available to any farmer who had livestock, and it was obtained by him signing an affidavit swearing that he had those livestock on hand.

Mr. Rolfes: — Let me go to the production loan program. Am I right in saying that generally speaking, although I read in the regulations that you had to be an active farmer . . . Well first of all maybe I should ask you: what is your definition of an active farmer?

Mr. Ballagh: — The definition that we were using in the case of that particular program was someone who had a Canadian Wheat Board permit book in his name.

Mr. Rolfes: — So that's an active farmer. He may not do one hour of work on the farm, but as long as he has a Canadian Wheat Board permit he would be eligible.

Mr. Ballagh: — Yes. Basically those people who have the permit book in their name are paying the bills associated with production of that crop.

Mr. Rolfes: — I don't disagree with that. So an active farmer now, the definition of an active farmer is one who has a permit book?

Mr. Ballagh: — For that program, yes.

Mr. Rolfes: — Okay. What about the livestock cash advance program? Is it the same definition for an active

Mr. Ballagh: — Essentially, well, it was anybody that owned livestock, as far as that program was concerned.

Mr. Rolfes: — Doesn't necessarily have to own any land?

Mr. Ballagh: — That's right.

Mr. Rolfes: — As long as he has livestock?

Mr. Ballagh: — Yes.

Mr. Rolfes: — So it could be a business man owning livestock would be eligible?

Mr. Ballagh: — That's correct.

Mr. Rolfes: — A corporation owning livestock would be eligible?

Mr. Ballagh: — Correct, yes.

Mr. Rolfes: — All right. Now let me go back to the production loan program. What was the objective of the program?

Mr. Ballagh: — To help farmers with the expenses that would be incurred in seeding the 1986 crop.

Mr. Rolfes: — Why then would we include people who actually were not farming, I mean doing the actual farming? Why were they included in the program, or why did you recommend that they be included in the program?

Okay, let me just give you an example. Herman Rolfes owns land. I do absolutely no active farming at all. I may go on the combine in the fall just for the joy of doing some combining, or drive truck in the fall. I used to have a permit book. I gave it up because I wasn't doing any active farming any more. Why would I be eligible for that . . . or why would you consider me eligible for that program?

A Member: — You didn't own a permit book?

Mr. Rolfes: — No. If I'd have continued my permit book, which I could have done — it was my choice not to do so — if I had continued it, I would have been eligible for that program without any questions asked, all right?

Mr. Ballagh: — Correct.

Mr. Rolfes: — Why would you under those circumstances consider me eligible, if the objective of the program was to help farmers put in their '86 crop? Why would you consider me eligible, at the expense of the public — which it was, the public has to bear some of this financial burden — why would you think that I should be eligible for that loan and consider me an active farmer?

Mr. Ballagh: — Because our determination was that the majority of farmers, of individuals who have a permit book in their name, are in some way incurring the costs of producing that particular crop.

Mr. Rolfes: — Okay. What per cent would you — you must have done some calculations — what per cent would you feel that those farmers who received the production loan program were as "not active farmers," like weren't actually participating in the farming business, weren't doing the actual farming themselves?

Mr. Ballagh: — I cannot give you an answer to that.

Mr. Rolfes: — You made no determination of that at all?

Mr. Ballagh: — Well our determination, as I said, was people who, by wheat board definition, are active farmers, and that is someone that has control of a wheat board permit book.

Mr. Saxinger: — Mr. Chairman, can I verify this? My son rented some land the same year that the production loan came out. The guy he rented the land from, he wanted the production loan but he could not get it because he wasn't an active farmer. He could have a quota book, but they said he had to be an active farmer, and he could not get the production loan because he wasn't putting the crop in.

Mr. Rolfes: — That's not what they're saying.

Mr. Saxinger: — He was trying to get it, and he could not get it.

Mr. Chairman: — Could you explain further then, because I think there's something inconsistent here. That's not what the corporation is telling the committee.

Mr. Ballagh: — Well, I'm sorry, I missed a little bit of your point.

Mr. Saxinger: — My son rented three quarters of land from a farmer. He quit the same year, in '86, when the production loan program came out. He was trying to get this production loan, and he could not get it because they didn't class him as an active farmer because he'd just quit farming and rented out the land.

Mr. Chairman: — He must have given up his permit book.

A Member: — Oh well, yes, if he gave up his permit book.

Mr. Chairman: — So that's okay.

Mr. Saxinger: — Well, he still is . . . you've got to give up the permit book if you rent out the land.

Mr. Rolfes: — No, you don't. No, you don't. Absolutely not. I've got the prime example right here. I did it for years. Mr. Chairman, just to have some clarification here, you do not have to give up your permit book just because you rent out your land. If you do any participation at all, you know, and as I say, go in there and help with the seeding a little bit and help with the harvesting a little bit or, you know, you are quite eligible to keep your permit book — there is no ifs and buts — and therefore I would have been eligible. And that's why I was saying, why would you consider me eligible for that program? Why would you not have recommended to the government that the regulations would exclude those people who were not really "considered farming?"

Mr. Ballagh: — I guess we really weren't concerned with the business arrangements that people or individuals had amongst themselves as to who was actually paying the

expenses, but that the . . . using the wheat board permit book as our definition.

Mr. Chairman: — Could I just ask a couple of questions just so I understand this. Let me start this way: what was the largest amount likely given out in the farm production loan program to any one particular farm operation?

Mr. Ballagh: — The maximum loan to individuals was \$100,000, and the maximum loan to a corporation or a multiple operator unit was \$200,000. And there were some loans at those limits.

Mr. Chairman: — Okay, so would you have paid out some \$100,000? That actually did occur?

Mr. Ballagh: — Yes.

Mr. Chairman: — So in other words, some farm operations received as much . . . Individual farm operations, as much as \$100,000. Now I'm listening to your answers to Mr. Rolfes, and you're saying that anyone was eligible if that person had a permit book — that's clear — even though that person may not have been involved on the farm.

Mr. Ballagh: — Yes.

Mr. Chairman: — Yes, the answer is yes, in other words — and there are many such cases in this province; I regret that there are, but there's nothing you can do about it. In other words, you could have had a lawyer making a very hefty living with a good successful law practice, and some people who I know buy farm land because it's tax write-off and all kinds of other benefits that they can get. It could have been a doctor who does the same thing. It could have been the president of a corporation; it could have been a premier; it could have been a whole list of people not actively involved in farming . . .

A Member: — Or a school teacher.

Mr. Chairman: — . . . or a school teacher, who may have got \$100,000 under the farm production loan program and not lifted a shovel, drove a tractor, or spent any money on the farm. How can you justify that?

Mr. Ballagh: — Well I guess we don't know for sure, as I said earlier, the business arrangements. There are a lot of situations where the individual is not actively involved in the physical work connected with the daily operation of a farm, but is in fact paying the bills. And the program . . .

Mr. Chairman: — And what methods and procedures did you have in place to determine that?

Mr. Ballagh: — Well, as I said earlier, I'm saying that as a general statement. We recognized that there were in fact people that would have been eligible for the program, and probably did receive loans under the program, that were not actively involved and may not have been paying the bills because of some business arrangement between them and the people that were doing the farming.

Mr. Chairman: — In other words, they may have got a windfall of 100 grand which they could have, and very

likely did, invest and made some money on it at the taxpayers' expense.

Mr. Martin: — I thought it was a loan.

Mr. Chairman: — Well, loan. Okay, money, loan. But when you get this kind of a loan at 6 percent at which you invest at 10, I think you've got yourself a grant. So . . .

Mr. Martin: — It's still a loan.

Mr. Chairman: — Let me finish my comment here. There are no doubt people who got \$100,000, who took the \$100,000 and invested it, and still are earning money on it when the money could have been very well spent on people who really needed it. Now I really, for one, don't understand the philosophy of the agricultural credit corporation, unless the decision wasn't yours; and if it wasn't, I wish you'd tell us.

But I would like an explanation of the justification for that kind of an approach to assisting farmers in need, when you're spending many thousands on those who actually were not even farmers.

Mr. Ballagh: — Mr. Chairman, when you make application for a permit book through the Canadian Wheat Board, you — I'm not sure "swear" is the right word, but . . .

Mr. Chairman: — Declaration.

Mr. Ballagh: — . . . declaration to the board that you are in fact actively involved in the daily operation of that farm, it probably is not appropriate for us to jeopardize their relationship with the wheat board, as far as their permit book is concerned, so we simply took their basis.

Mr. Chairman: — Okay, let me do this scenario and then You can tell me whether I'm correct in my thoughts here. You have doctor or teacher X who owns several quarters of land, has a permit book, is therefore eligible for the production loan at 6 per cent. We've clarified that. That land is operated or leased by lessee A who also has a permit book. He is eligible for the production loan.

Mr. Neudorf: — Not on the same land though.

Mr. Chairman: — Let me . . . I'm asking the officials. Am I correct?

Mr. Ballagh: — He is also eligible for a production loan, but not on the same land.

Mr. Chairman: Okay. Could you explain the differentiation there? What do you mean by that?

Mr. Ballagh: — Well each one of those individuals would have specific land listed in their permit book, and by obtaining that information from the elevator manager and then matching it against the wheat board tape we were able to prevent duplication payments from arising in that if you, as the lessee of that land, applied for the land that was in your landlord's permit book, those acreage amounts would have been subtracted from the acreage file in your landlord's book. If he subsequently applied

and found that all we could give him . . . the only production loan we could give him was on the acreage then that was remaining, so we were then corresponding back with those parties in that situation saying, you have to resolve who this land belongs to, as far as your permit book is concerned.

Mr. Chairman: — Okay, well that's a plus then. I'm glad I clarified that. But going back to the non-operator of the land, we've established that people were able to get the loan at 6 per cent even though they didn't need it and even though they didn't directly operate the land. I object to that because I think the money could have been better spent somewhere else.

But I think Mr. Lyons had two questions, and I have Mr. Saxinger and Mr. Martens.

Mr. Lyons: — Just a couple of questions. The first is, how many people took advantage of the maximum of the production loan program? How many maximum loans were . . . (inaudible interjection) . . . no, to the maximum amount available, the 100,000?

A Member: — How many acres . . . (inaudible) . . .

Mr. Lyons: — I understand that. I want to find out how many there were.

Mr. Ballagh: — Mr. Chairman, I can't give you a specific answer; I can give you a distribution. We had 1,986 loans in the range of 50,000 to \$125,000 and there were 73 loans in excess of \$125,000.

Mr. Lyons: — So that was 1,976 between . . .

Mr. Ballagh: — 1,986.

Mr. Lyons: — I 986 from 50 to 125?

Mr. Ballagh: — Yes.

Mr. Lyons: — And 76 . . .

Mr. Ballagh: — 73.

Mr. Lyons: — Pardon me, 73 over 125?

Mr. Ballagh: — Yes.

Mr. Lyons: — Do you happen to have the names of the farmers or the corporations which received those 73 maximum loans?

Mr. Ballagh: — Well obviously we have the names in our files. I don't think that as a corporation we would want to release that information.

Mr. Lyons: — I'm requesting it.

Mr. Chairman: — I think that the committee has a right to request it. Don't look at the other members of the committee. I'm telling you, as the chairman, the committee has a right to request that information, and are you prepared to provide it? I wouldn't expect you to have it here, but will you provide it to the committee later?

Mr. Ballagh: — I'm not sure how to answer that, Mr. Chairman. The policy of the corporation has been not to release any client information.

Mr. Chairman: — The policy of the legislature, of elected members, is to request that information. This is the Public Accounts Committee, and it has a right to have it.

Mr. Martens: — Mr. Chairman.

Mr. Chairman: — Yes?

Mr. Martens: — Will you ask the same question of the individuals in the health services plan, to release information that is related to their . . .

Mr. Chairman: — Payments made to doctors, for example? Yes.

Mr. Martens: — No, no. Made to individuals.

Mr. Chairman: — Yes, and we would get it. Can I just clarify here? I don't want to confuse the issue. It has been common practice, until recent years, to send out this information to people who are recipients of health services. I mean, it went to the individuals, but the fact that that was happening leaves it open. Now . . .

Mr. Lyons: — I'm making a request of the corporation to provide the list of names of the 73 individuals or corporations who received the maximum production loan, or the \$125,000 or more in the production loan, and I expect the . . .

Mr. Chairman: — The members . . . well all they can do, since it's not here, is the member's request is recorded in the minutes because this is verbatim. And I'm rather surprised that the president of a corporation would come to a committee meeting and not be able to say whether that information he can provide it or not. In fact, I'm rather shocked.

Mr. Ballagh: — Mr. Chairman, I did indicate to you that it has been the policy of the corporation not to release any client information of that nature.

Mr. Chairman: — And give me the rationale for that. Since it's taxpayers' money, since it's 960 . . . or a billion dollars of taxpayers' money involved here, why the taxpayer of the province, the representatives of the taxpayers of this province, wouldn't be able to have access to that.

Mr. Ballagh: — Creditor information or borrower information is very much of a privileged piece of information; and creditors, including ACS (Agricultural Credit Corporation of Saskatchewan), do treat client information with utmost respect.

Mr. Lyons: — With all due respect, Mr. Chairman, if I can continue this. We have the Provincial Auditor who makes, time after time, comments regarding the lack of creditor information that the agricultural credit corporation didn't demand in terms of cash flow, no net worth, no credit checks — it says on page 19 — no credit

checks were done.

The only credit check that can be done, and the only place that that credit check can now take place, is here before the Public Accounts. We are responsible as members of the legislature to account for how the taxpayers' money is spent. And this is the forum, and this is the only forum — given that you people didn't carry out your role — this is the only forum where that credit check can be taken out.

The fact is, you paid out public moneys to 73 individuals who received more than \$125,000 or more. In 1986, they received between 50 and \$125,000, and it's our right as legislators to have that information.

Mr. Ballagh: — I will take the question under advisement.

Mr. Lyons: — Okay, I have one more question, Mr. Chairman.

The chairman had asked or implied in an earlier question as regarding the eligibility criteria for the agricultural credit corporation loan program. Was the eligibility criteria derived at the departmental level, or was there a political directive to the department or to the agricultural credit corporation?

Mr. Ballagh: — I believe I could say that the criteria were developed at the agency level.

Mr. Lyons: — Okay. So you did not receive a ministerial directive then saying that this will be the . . . that these were to be the eligibility criteria?

Mr. Ballagh: — No.

Mr. Lyons: — Yes, thank you.

Mr. Saxinger: — I just want to comment about this. Any lawyer or bank or whoever could get the \$100,000 if he owns land and leases it out. I just want to just make a comment who is a qualified farmer. And I take example, I have one, and there is very few. If a farmer . . . If I am a farmer, and I rent land to Mr. Rolfes, and I pay half of the expense, I would be a qualified farmer because he would have the share, but this option is very seldom. I had one and it . . . To be a qualified farmer, you got to pay part of the expense, and that's what the production loan was for. And I had one, only one argument over this guy renting out, this is an example, because he did pay half of the costs of farming it, so he legally hoped he would qualify.

Mr. Chairman: — Thank you, Mr. Saxinger. Mr. Martens.

Mr. Martens: — I'm just going to make a couple of comments that relate to some of the discussion earlier. You made a comment, Mr. Chairman, that the involvement of those people who had in excess of a certain amount of land, and you didn't specify that, should not be eligible because they were wealthy and rich and all of that. I'm just going to make the simple comparison of the health care system. Do we exclude anyone in the health care system in this province because of the amount of money they earn, or the amount of money that they have on hand in the bank, or the amount

of assets they have? And the answer is no, we do not.

And so I think that this is typical of that, and I don't believe that you have grasped the real meaning, out in agriculture, that this has impacted. This has been a positive, a very well-received kind of assistance, and I believe that it was necessary, and I think it saved a lot of farmers.

If you take a look at the billion dollars that was put out there, you take the 420 million that came to Saskatchewan farmers in '87, and the 480 million that was in this year, you've got a significant impact. And that, Mr. Chairman, is the reason why I think it's necessary, and I think it was a good thing. And the limit is obviously a significant one, although I want to draw this final point as a conclusion: I have in my constituency a couple of co-op farms who would have been over that \$200,000 limit. Would you have excluded them? And individually they would not reach the maximum, and therefore the maximum would be in excess of that volume of dollars that they could have gotten if they would have individually applied.

So I'm suggesting to you, sir, that this program was well received. It runs parallel to a lot of other things that are done by the government. And I don't think you need to draw the analogy that the rich are the ones that get it because the average — the average — is a thousand dollars per farmer in this province, and that's acres, and that's not even assignable to this program because not all of that is cultivated.

Mr. Chairman: — Mr. Martens, the point I was making is not the question of rich, although that may be a criterion you might want to consider — meaning the criterion of need — I was making the point of people not involved in farming operations, and I think that's a valid argument.

I question your analogy here in that someone suffering from terminal cancer, who goes to a hospital and uses our health care system, is not accumulating an asset by using that system of a billion or a two million or \$250,000. Someone who is a teacher or a doctor or a lawyer is accumulating a huge asset, which is farm land which, although it has its great difficulties today, is a good asset to accumulate if you're not dependent on it for your primary source of living. That's the differentiation I was trying to make here.

Mr. Rolfes: — Mr. Chairman, I just want to make a comment on Mr. Martens example that he used. I would, you know, hope that those of us who are healthy, whether we're rich or poor, don't use the health care system when we are healthy. The analogy simply is: when you have a healthy farm you are not in need. This was a program to help those who were in need, not to help those who took the \$100,000 and put it in a bank and drew 12 per cent interest, or the farmer that phoned in when the Principal Trust went under and said to the Premier on one radio show, now you try and get the money back. Principal Trust took it. Obviously the guy wasn't in need of it. I know a number of people who took the money . . . personal friends of mine who took the money and simply invested in and drew their 12 per cent — didn't need the money.

And I personally, I don't see why I, just because I would have a permit book, which I could have if I wanted it, should be eligible for a grant program as such when my main revenue does not come from farming. My main revenue comes from being an MLA or being a teacher. And if I make 40 or \$50,000 as a teacher, why should the public out there subsidize my income because of the generosity of a program which the Premier and others have said was there to help the needy farmer? And no one objects to that. No one objects to that. That was a laudable objective. It was a laudable objective.

But when the province was squeezed for money as the government says it was, maybe \$500 million to the needy farmers would have been a much more laudable program, rather than giving it to the rich lawyers and the doctors and the corporations who didn't need the money. That is the point that we are trying to make here.

And no one is criticizing this program. I think it was a laudable program, but that doesn't mean it couldn't have been improved so that when you have only a fixed amount of money you use that money then for those people who are really in need and don't give it to those who don't need it. That's the point that we were trying to make here.

I want to ask one further question . . . I want to ask one further question, Mr. Chairman, on this. You, in answer to my colleague Mr. Lyons, you said that this was a decision . . . or the criteria was set by the corporation. Was there no input at all by the cabinet on these decisions?

Mr. Ballagh: — It was according to the regulations. Certainly there was consultations with the minister and with ag caucus. Obviously the regulations governing the program were approved by cabinet.

Mr. Rolfes: — Were there many changes made to the ones that you had put forward to the cabinet or to the government?

Mr. Neudorf: — That's not a legitimate question.

Mr. Rolfes: — Under the year under review, oh yes, it is. I want to know whether the objectives as outlined by the officials of the corporation were dramatically changed or influenced by others.

Mr. Neudorf: — Mr. Chairman, could I interject just a little bit at this stage because I think it's a procedural . . .

Mr. Chairman: — It's a point of order. I agree.

Mr. Neudorf: — All right. I think what we're doing, Mr. Chairman, and I'm not quite sure whether you've caught it or not — being the astute individual that you are, I'm sure you have.

Our discussion here has degenerated into a discussion on policy. And with all due respect to Mr. Rolfes, I couldn't care less whether he feels that it's a laudable objective or not. That is not up to this committee to decide whether the program is good, whether it should be universal, or whether it shouldn't. That's totally without and beyond

the parameter, and the jurisdiction of this committee.

What we are dealing with here is the facts as they were set out by whatever policy was decided. Ours is not to question policy. So within those parameters I think we should restrict our discussion on the factual basis upon which that program was established.

Mr. Chairman: — If I may respond to that. I think we are indeed teetering on the narrow line of policy and expenditure and expenditure controls and efficiency and so on, So I ask Mr. Rolfes to keep that in mind.

Mr. Rolfes: — Mr. Chairman, it's fairly interesting how, Mr. Neudorf wakes up when I speak, but when Mr. Martens speaks and he turns to universality of health programs, that was quite in order. And I said, order, at the time and I didn't hear you speak up and object to that. When I follow up on Mr. Martens' argument of universality, then you object. I think what's good for one side should be good for the other side too, and then maybe you should draw your member's attention. I didn't bring up universality. Your colleague brought it up, and I simply responded to the universality of the program.

Mr. Neudorf: — That has been the gist of your entire conversation is universality, although you did not use the word, I know.

Mr. Chairman: — Let Mr. Rolfes continue.

Mr. Neudorf: — Sorry.

Mr. Rolfes: — I just want to say, Mr. Chairman, I want to know why the officials . . . oh, I shouldn't say why. When did, or from whom did, this program originate? From whom did this program originate?

Mr. Ballagh: — I guess the best response, really, is to indicate that it was one of a number of options that were worked up by the corporation and the Department of Agriculture to deal with the problem that was perceived to be out there at that stage.

Mr. Rolfes: — So you say the original idea of the productions loan program was the idea of the corporation?

Mr. Ballagh: — I wouldn't necessarily say the corporation. I think some of the . . . a lot of the initial work was done at the department.

Mr. Rolfes: — Department. So . . . and so you would have no access to where it came from in the department?

Mr. Ballagh: — Not really, no.

Mr. Rolfes: — Okay, well that's fair enough. Mr. Chairman, I just want to ask one further question. What happens on the production loan program? Let's say a farmer has taken out the loan and he loses the land, what happens to the loan?

Mr. Ballagh: — That portion of the loan represented by the land that was lost, he will . . . is repayable or is due within 30 days of sale or disposition of that land.

Mr. Rolfes: — Yes, I know, but if there is nothing there? Let's say that the farmer's net assets is \$200,000, he owes 400,000 — and that's not uncommon nowadays — well what happens to your loan? What guarantees do you have that your loan is going to be repaid?

Mr. Ballagh: — We do not have any guarantees. We hold a promissory note; we can take legal action on the strength of that note. Obviously, if the individual has no assets or declares bankruptcy, there is no recourse for the corporation.

Mr. Rolfes: — Do you expect . . . That's not a legitimate question.

I would venture to guess that probably there are going to be a fair number of those, and we'll have to come to grips with that in the future. So what checks have you done in the year '85-'86? What checks did you do that there were . . . or that most of the applicants were eligible? Other than checking with the elevators and cross-checking there, were there any other checks that you have done?

Mr. Ballagh: — Mr. Chairman, in addition to the points I mentioned of obtaining the wheat board information from the elevator manager and the tape from the wheat board and matching those, if there was discrepancies in acreage, we were following around the sort of thing we discussed earlier; we attempted to clarify that by going back to the elevator manager or the RM secretary, or some cases the individuals involved to determine that yes, individual A was now renting land from individual C sort of thing. That was the extent of the check, in that year.

Mr. Chairman: — Thank you. We're sort of, I think, exhausting this discussion to some degree and I, sort of, ask members to get to the point and see if we can move along.

Mr. Muller: — I'll try and be as brief as Mr. Rolfes. Anyway, to get back to the one question that was put to Mr. Ballagh: would you know, on the farmstart loans that were given out a number or years ago, was that made public?

Mr. Rolfes: — Out of order. Mr. Chairman, I challenge that question as being out of order. It's not the year under review.

Mr. Muller: — Well farmstart loans in 85 then, that were given . . .

Mr. Rolfes: — That's fine, if you want to in '85-'86.

Mr. Muller: — . . . given out, were those amounts of money made public?

Mr. Ballagh: — There were no farmstart loans made in 1985.

Mr. Muller: — Okay. Ag credit corporation loans made in 1985, were they made public?

Mr. Ballagh: — No.

Mr. Muller: — Well that clarifies . . . (inaudible interjection) . . . well I wanted to clarify it; I mean, we understand that you don't believe in universality in agriculture but — Mr. Rolfes doesn't — but anyway, getting back to some of the questions on the production loan program. I mean, I have a part-time job with not a great deal of security, and I don't always drive the tractor or run the combine because quite often we are in session so I don't get to the farm to do my work, but I still have my permit book so it still made me eligible to . . .

Mr. Rolfes: — Sure you designed the program. Who wouldn't have?

Mr. Muller: — If you were the ag caucus you would still . . . I still hold my Canadian Wheat Board permit book, and that makes me a farmer even if I do have a part-time job. It's not a conflict of interest because it was made available to everybody; the universality of it made it so it wasn't a conflict of interest for MLA's on either side of the House, and I'm sure there were some on both sides — both political parties that took the loan.

Mr. Lyons: — That's not the issue.

Mr. Muller: — Well, excuse me. But anyway, I believe in the universality of the agricultural programs, and I think this one was put together with that in mind, and I have to agree with it. We will agree to disagree, I guess, and let it go on from there, but those were the two points I wanted to clarify.

Mr. Martin: — I'll pass.

Mr. Lyons: — Yes, I'd like to sort of focus the . . . and go back to the auditor's report and the concerns he's raised and the whole question of accountability because I think that that's what the essential thrust of the auditor's comments were. It had nothing to do with universality, and I think the debate has wandered off onto that topic, given some pretty strange definitions to universality.

Just on universality — universality is a program based on need in the social services area. When you're sick and you go and get medical care, and it's free and it's universal, it's based on the need that you need to see a doctor. I question some of the programs that have been adopted aren't necessarily based on need, and that's what we want to find out, and that's why I'd like, Mr. Chairman, to move the following motions because it's . . . and I will go into the rationale for the motion in a minute:

That the agricultural credit corporation provide to the members of the committee on Public Accounts the names of those individuals or corporations who received more than \$50,000 or more from the production loan program in the year 1985-1986.

And it's seconded by the member from Saskatoon South.

The rationale is very simple. The auditor's report has explicitly stated that there were not financial controls over this program other than those statements made on the application . . . made on application without financial verification as to cash flow, net worth, and no credit

checks, to quote the auditor. The position that the agricultural credit corporation seems to be taking is one, is that they are not accountable for the expenditures of public funds; that they don't have to provide to the elected representatives of the people of this province that information which details how those funds were spent.

It seems to me that in terms of the whole question of accountability of the various corporate arms of government, whether they're Crown corporations, whether they are agencies, or whether they're departments, that the question of accountability becomes paramount, given the attitude of the agricultural credit corporation.

I'm sure that all members of this committee, whatever their political stripe, want the agencies of government to be publicly accountable for the expenditures of taxpayers' money. I don't think that the members on the other side of this table would stand for any government, particularly an NDP government, but their own government trying to hide the expenditures of \$1 billion of public funds for whatever reason, whether it was agriculture, whether it was for Crown corporation development, wherever that billion dollars was spent.

I think that we would be all remiss in our duties as legislators if we didn't demand that the agencies of government be publicly accountable for the expenditure of those moneys. That's why I'm moving that motion.

Mr. Chairman: — Maybe I should have interjected and indicated, first of all, whether it was in order. I am advised the motion is in order. So, is there any other comment on it?

Mr. Martin: — I just want to ask a question of Mr. Ballagh. Are there . . . I'm relatively new to this business, so I'm wondering, are there other programs that have been in existence for some years? I know this is not '85-86, but is this an isolated incident, where you refuse to give up information, refuse to provide information?

Mr. Ballagh: — We have not been requested, to my knowledge, previously by Public Accounts to provide that information. In my experience, the issue hasn't arisen, but yes, we do have other loan programs, and we don't make that information available.

Mr. Martin: — It's a standard policy and has been for a number of years, to your knowledge?

Mr. Ballagh: — That's correct.

Mr. Chairman: — Any other discussion?

Mr. Martin: — I just want to make one more point. I remember in the House one day somebody asked Jack Klein to release information about those people who had taken out loans for home improvement and grants, and he refused to do it because of the confidentiality of it. I'm just wondering if that's . . . perhaps in your experience as a legislator you could enlighten me on why this one is so special as to other programs that have been deemed to be confidential over the years, if you know what I'm getting at.

Mr. Chairman: — I can't speak of the example of Mr. Klein in this incidence. I guess it's the prerogative in the British parliamentary system of ministers of the Crown that refuse to give any information that they want, to refuse to give and then be judged accordingly. And I'm not being critical; I'm just saying that's the way it works. So I can't speak to that. All can tell you, as the chairman of the committee, is the motion is in order.

Mr. Martin: — But the confidentiality as to credit situations within public and the government seems to be a rather important point.

Mr. Chairman: — Okay. Are there any other comments? If not, I will put the motion.

Mr. Rolfes: — I just wanted just to respond to Beattie here. My understanding is that all those people who are receiving grants under the home repair program, those names will be published. Now this, in a sense . . . and you might say, well this is a loan, and that's correct . . . but it's a subsidized loan, so part of that loan is being subsidized by the public and in such is a grant that is given to the people. And I think in that sense we have a parallel. We make one available, but we won't make the other available, and I think there should be . . . we should . . .

Mr. Martin: — . . . (inaudible) . . . you have to give the money back, whereas you apply to have a loan over a period of . . .

Mr. Chairman: — I think we've covered the field pretty well, and I'm going to put the motion. I'll read it again so that it's clear:

That the agriculture credit corporation provide to the members of the committee on Public Accounts the names of the individuals or corporations who received 50,000 or more dollars from the production loan program in the year 1985-1986.

That is the motion moved by Mr. Lyons. In committee we don't need a seconder, apparently, so I will ask those who are in favour of the motion, those who are opposed to the motion. Unless there is a tie, the chairman doesn't get a vote. That's anti-democratic, but . . . The motion is defeated 3 to 2.

Negatived

Any other questions. I have some on the loan program myself, but I'll go to Mr. Martens.

Mr. Martens: — I'm going to make a motion.

In view of the recognized need for confidentiality of the ag credit corporation clients, I move that that confidentiality of the ag credit corporation clients be retained.

Do you want a copy?

Mr. Chairman — I'm sorry. Could you have it written down for the Clerk, please.

The motions says:

In view of the recognized need for confidentiality of credit corporation clients, I move that the confidentiality of the ag credit corporation clients be retained.

Moved by Mr. Martens.

Did you hear the motion? Mr. Lyons.

Mr. Lyons: — It's interesting that in fact Mr. Martens would put forward that motion, given the responses of Mr. Ballagh regarding those who drew up the policy. In consultation, I've heard the agricultural caucus of the Conservative Party and the Conservative MLAs was instrumental, and I think there may be a question raised in terms of conflict of interest, at least perceived conflict of interest in terms of doing it.

But what is the question that you're raising, Mr. Martens? What is the confidentiality? Who is it that you're trying to protect, and what is it that you're trying to protect? Are you trying to protect the names of those who received \$125,000 so that out there in the countryside where everybody knows or has an idea of the net worth, and everybody has an idea of the financial position of this individual or that individual or this corporation or that corporation, that they can't look at the public record and see so and so applied for and received \$125,000, despite the fact that they weren't in financial trouble, and that they went and invested in certain activities outside the agricultural field? Is that the kind of confidentiality you're trying to protect?

Would you please answer that. I mean, who exactly are you trying to protect with this? What is the nature . . .

Mr. Chairman: — Members of the committee don't have to answer questions.

Mr. Lyons: — It's a rhetorical question. I will take it as a rhetorical question. But it's simply this: what is the nature of that confidentiality, what is the nature of the confidentiality? You know the doctors who receive payments; their names and the amounts they are paid is a matter of the public record.

Yes it is, it is a matter of the public record, and that is the analogy that one would wish to draw, those who receive benefits from the public purse, those who receive payments or benefits from the public purse — and what you're doing is setting a precedent which is shielding an agency of government from public scrutiny, from that public accountability on the phoney pretext of confidentiality — what's so confidential about those who have applied for and received a production loan, other than the fact that it may expose the whole question of need; that some of those who applied for and received the loan didn't need it? — and, I guess, which may undermine the credibility of the program, and I can appreciate that in terms of what you're doing. But think about the precedent you're setting. If you say that those who receive moneys from agencies like the ag credit corporation deserve that confidentiality, you're cutting off the ability of the committee to go and make those

expenditures of those funds publicly accountable.

Mr. Muller: — Well I have to take a little exception to what Mr. Lyons said about the program came out of the agricultural caucus committee, because I think Mr. Ballagh even said that it came from the Department of Agriculture. I'm not saying the ag caucus didn't have a chance to look at it . . .

A Member: — You did.

Mr. Muller: — I'm not saying we didn't have a chance to look at it, but it actually came from the Department of Agriculture, as I understand you to say earlier. Is that right, Mr. Ballagh?

Mr. Ballagh: — That's correct.

Mr. Muller: — That's in the affirmative. So I wanted to clarify that because I have a lot of respect for the people on the agricultural caucus committee, and they wouldn't do anything that would certainly put us in a conflict of interest position. And with that, I'm ready to . . .

Mr. Chairman: — Okay. Mr. Rolfes, did you have a question on this, or shall I dispose of the motion first?

Mr. Rolfes: — I think you can dispose of the motion.

Mr. Chairman: — Okay. The motion is in order, and do I need to repeat it?

Mr. Rolfes: — No, I don't think so; it's clear.

Agreed

Mr. Chairman: — The motion is passed three to two.

Mr. Rolfes: — Mr. Chairman, I just want to ask one question. Mr. Ballagh, could you tell me, in the year 1985-86, approximately March 31, '86, how many farmers were actually farming in Saskatchewan?

Mr. Ballagh: — I don't have an exact number, but something in the order of 64,000.

Mr. Rolfes: — Sixty-four thousand. How many applications on the production loan program were there March 31, 1986?

Mr. Ballagh: — As of March 31 of that year there was 48,558, and I believe that would probably be cheques that were issued.

Mr. Rolfes: — Pardon me, what was that last . . .

Mr. Ballagh: — That would be cheques that were issued as of that date.

Mr. Rolfes: — 48,558.

Mr. Ballagh: — Yes.

Mr. Rolfes: — All right. Now, those farmers that you indicated to me, active farmers, would that definition of active farmers, would those figures correspond to what

the Department of Agriculture would consider as farmers?

Mr. Ballagh: — I would think so.

Mr. Rolfes: — Do you want to ask the chairman of the board? So you would agree then that there were 64,000 farmers in Saskatchewan in March 31, 1986?

Mr. Ballagh: — Yes.

Mr. Rolfes: — Okay, thank you, I just wanted to have that on record.

Mr. Chairman: — I want to ask a couple of questions. Of the 73 loans under the farm production program that were in excess of \$125,000, can you tell the committee how many of those may have went to a corporation?

Mr. Ballagh: — I can't here, Mr. Chairman; I don't have that information here.

Mr. Chairman: — Will you provide it to us then? You can do it in the form of a letter through the Clerk.

Mr. Ballagh: — I see no problem in doing that.

Mr. Chairman: — Okay. How many of those . . . and also, along with that, provide the information: how many of those were individual-operated farms? The reason I'm asking, I would like to make a comparison here. Okay?

Mr. Ballagh: — Yes.

Mr. Chairman: — Thank you. How many were provided to corporations, of the 73 loans over 125, and how many were provided to individual farmers as opposed to corporations?

Okay, I'm dealing with page 19, 4.09.

You relied on applicants' affidavits for both of these programs, the production loan program and the livestock cash advance . . .

A Member: — What page are you on?

Mr. Chairman: — Page 19. Can you report to the committee if you made any spot checks to determine whether these affidavits were legit, and if you did, did you find some that were not?

Mr. Ballagh: — On the production loan program, as I have indicated previously, we did not rely strictly on affidavits; we backed that up with independent information from the Canadian Wheat Board.

Mr. Chairman: — In all cases?

Mr. Ballagh: — In all cases.

Mr. Chairman: — So they were verified through that process?

Mr. Ballagh: — Yes.

Mr. Chairman: — Okay. And did you stumble across any difficulties?

Mr. Ballagh: — We had some difficulties, but I don't think we have any particular problems in that area. One point of clarification. There were some people that were actively farming, but for a variety of reasons did not have a Canadian Wheat Board permit book, and we, in some cases, did on-site verification on that; on other occasions, we simply used other information that was available to us — information from our R.M.'s, tax notices, that kind of thing — to determine that in fact they were actively farming land.

Mr. Chairman: — So you didn't find any applicants who, after they had applied and you did your verification, who were then ineligible?

Mr. Ballagh: — There would be some people that applied that had an '85-86 permit book, but for a variety of reasons did not farm in 1986, who may have obtained a production loan. Okay. They would have applied for and received their 1985-86 permit book in July, August of 1985 if they were farming at that point in time, and they applied on the basis of that permit book but did not carry through with their farming operation in 1986. Where that information became available to us, we then took action to recover those loan funds.

Mr. Chairman: — And in your opinion, have you recovered all of them?

Mr. Ballagh: — We haven't recovered all of it; we're still working off some of them.

Mr. Chairman: — How much is outstanding?

Mr. Ballagh: — Mr. Chairman, it doesn't appear that we have that information here, I'm sorry, but we'll . . .

Mr. Chairman: — I was just going to suggest, if it'll take a long time to find it, send it to the committee, and that will be quite sufficient.

That's all I have.

Mr. Rolfes: — Mr. Chairman, I'd like to ask Mr. Ballagh, when you originated this program, the loan production program, what percentage of loss did you write into your program?

Mr. Ballagh: — Initially it was based on 2 per cent of the loans extended, and that was subsequently changed to 10 per cent.

Mr. Rolfes: — Why would that change from 2 to 10 per cent? I mean, what did you not foresee originally, that has come up since, that made you change your mind on that?

Mr. Ballagh: — The original loss of 2 per cent was based on the cash advance type of program in the mid-1970s on which the losses ran something in the order of magnitude of one and three-quarters per cent.

Mr. Rolfes: — How much?

Mr. Ballagh: — One and three-quarters. At the time we were putting the program together, we really did not have any comparable information, and we felt that that program in many respects was similar, and that the loans were out on the strength of a promissory note, and that was a reasonable ballpark for losses at that point in time. I guess, as a result of concerns raised specifically by the Provincial Auditor, we subsequently agreed to increase the loss allowance.

Mr. Rolfes: — So we're expecting probably a loss of about \$100 million?

Mr. Ballagh: — That's the loss provision.

Mr. Rolfes: — Yes, okay. Mister, I am going to tie this into the livestock cash advance program unless somebody else has some other questions on the production loan program. Could you tell me — you must have done some cross-checking — could you tell me what per cent, or how many people took the production loan program and also the livestock cash advance program?

Mr. Ballagh: — We do not have a cross-match on those.

Mr. Rolfes: — Oh, come on. I mean a computer, all you have to do is put that information into a computer, and it will spit it out to you in two or three minutes.

Mr. Chairman: — Are you saying you don't have it here, or that you don't have it?

Mr. Ballagh: — We have never done it.

Mr. Rolfes: — You weren't interested in finding out how many people took both the production loan program and the livestock cash advance program?

Mr. Ballagh: — I wouldn't say we weren't interested; there has simply been higher priorities, and we have never done it.

Mr. Rolfes: — It takes a computer 10 or 15 minutes, if it takes that.

Mr. Ballagh: — Well after the programming was done, yes.

Mr. Rolfes: — No, I realize that. I don't expect that you would have done it in '85-86, but what have we got now, '88? Surely you haven't advanced too many loans in the last little while? While you're sitting around contemplating a new program, wouldn't you have been interested in saying, hey, I wonder how many people really took the maximum, or how many people took both the cash advance on the livestock and the production loan program?

Mr. Ballagh: — I would add that we have not spent much time sitting around. We have had a very active couple of years. Your question is valid, but it's . . .

Mr. Rolfes: — No, that was a facetious comment, as you well know. I wasn't being critical on that . . . (inaudible interjection) . . . No, they're not the officials; that's not Muller.

Would you do that, could you do that for us? I would be very interested in knowing, and I think the public would be interested in knowing, how many people took both the production loan program and the livestock cash advance program. You know, I thought the corporation would be interested in that because there is, you know, a correlation if people took both and it's based on need, then maybe . . . let's say for example, I don't know how many loans that you've got out on the livestock, it's \$160-some million . . . By the way, how many people took the livestock advance program?

Mr. Ballagh: — We'll check that number. I think it's probably a fair statement to make that virtually everyone who has a cash advance also has a production loan.

Mr. Rolfes: — Yes, I would expect that.

Mr. Ballagh: — But, and I guess that was kind of the assumption we made and, you know, as I said, never bothered to actually do a run and determine that.

Mr. Rolfes: — I'm still interested to see whether that actually occurred. And I guess my point, if that were true, my point therefore would be that many people took both whether they needed it or not. And I think that's one fallacy of the program, that's one of the weaknesses of the program. If you've got lots of money around, great; if you're short of money and you want to meet the needs of the farmer, out there, and that's good, then that's, you know, the program met that.

But in my opinion a lot of people took that money, it was cheap money, they invested it and making, you know, making the extra interest on it. And it will be interesting to see whether all of those people who took the production loan program also took the livestock advance program if they had livestock. And I will bet that the correlation is about 98 or 99 per cent.

Mr. Chairman: — Are you ready to respond to the question? And then maybe we can move on.

Mr. Ballagh: — As of March 31 of '86 we had 16,450 cheques that had been issued under the cash advance. That's now somewhere in the magnitude of 23,000.

Mr. Rolfes: — Okay.

Mr. Chairman: — Anybody else? Page 20, post-eligibility herd inspections.

Mr. Rolfes: — I've got a question here. How many inspections have you done since 19 . . . oh, I guess I can't ask that question. Were there any inspections done . . . Now, in the year under review, I guess there weren't any inspections done because the program ran right until March 31 '86. Or were there inspections done on herds in the year 1985-86?

Mr. Ballagh: — Yes, there were. We audited approximately 9 per cent of the clients during that first winter.

Mr. Rolfes: — And what did you find?

Mr. Ballagh: — The audit involved about 1,480 clients, and we found that 636 of those had a shortage with respect to livestock numbers.

Mr. Rolfes: — How much was that? I'm sorry.

Mr. Ballagh: — 1,480 clients, and 636 had a deficiency.

Mr. Rolfes: — 1,480 and 600?

Mr. Ballagh: — And 36.

Mr. Rolfes: — That's over 40 per cent.

Mr. Chairman: — Can I Just ask: this 1,480 is the number of clients that were inspected out of a total of 16,000?

Mr. Ballagh: — That's right.

Mr. Chairman: — I missed that. And how many . . .

Mr. Rolfes: — 636.

Mr. Chairman: — 636 were short?

Mr. Ballagh: — Yes.

Mr. Rolfes: — Significantly short?

Mr. Ballagh: — Fifty-four per cent would be within 10 head of the numbers that they were supposed to have had. Another 32 per cent were 11 to 50 head, and the balance were over 50 head short.

Mr. Rolfes: — So was this shortage due to selling off of livestock, or was it simply that they gave you the wrong information?

Mr. Ballagh: — Basically, Mr. Chairman, we were conducting those audits or on-site inspections at the low point in the cattle cycle, in particular. You know it was during the winter months, January, February, when the calf crop from the preceding year has generally been sold and the new calf crop isn't on the ground.

The conditions of the program are that the client is expected to repay the money if livestock are sold. He has 30 days to do that or to replace the livestock. With that as a background, it would appear that the majority of the shortfalls were a result of individuals selling off the calves and neglecting to pay us the money, rather than outright misrepresentation in numbers.

Mr. Rolfes: — But are they not required by the regulations to pay you that money when they sell?

Mr. Ballagh: — That's why we conduct audits, yes.

Mr. Rolfes: — What action have you taken to collecting that money?

Mr. Ballagh: — Well, all of those clients have been contacted, and 47 of them paid out their loans in full. Another 534 replaced their livestock or paid the money back, and the remaining — what have we got — about 55

are in some stage of a collection process. We have either . . . they are either simply in a delinquent status and we're continuing to work with them. In some cases we've initiated legal action.

Mr. Rolfes: — Mr. Ballagh, could we not assume, if we were to project this over the total applications, that really this is just the tip of the iceberg, that really you would have probably about 8 or 9,000, maybe more — 10,000. Because you say you have 23,000 . . . that there is a shortage of about . . . It's a much larger problem than what the 636 would indicate. Am I correct in saying that?

Mr. Ballagh: — Yes, with a point of clarification. At this point in time we were talking about 16,000 clients.

Mr. Rolfes: — Well, in the year under review. But you say there are 23,000 . . .

Mr. Ballagh: — Now.

Mr. Rolfes: — Now?

Mr. Ballagh: — Yes.

Mr. Rolfes: — Yes, well okay. So what you're saying though is that if it's 40-some percent, we're really looking at about 10,000 applications or clients who may be short on the inventory that they're supposed to have.

Mr. Ballagh: — On that extrapolation your numbers would be correct.

Mr. Rolfes: — Well I don't think I'd be unfair, would I, in making that extrapolation? That could be a very serious matter. Then your 10 percent loss is rather low on the livestock. Oh, I'm sorry, that didn't pertain to the livestock. I haven't asked that question yet. I'm going to ask that question now. What anticipated loss had you incorporated into your program with the livestock advance program?

Mr. Ballagh: — The same numbers as I indicated previously — 2 per cent and then 10.

Mr. Rolfes: — Two per cent and then 10. All right. Then I'm not wrong in saying that in the livestock program you . . . the 10 per cent would be rather low.

Mr. Ballagh: — I guess the point of clarification I'd like to make, Mr. Chairman, is that I think there is a difference between these people being short on livestock and being . . . and the corporation incurring a loss. As I said, the majority of the deficiencies that we encountered were simply a result of producers neglecting to pay us back the money when they sold their calves. The new calf drop was going to come, and in rationalization they said, what's the point in paying back the money. But we are actively encouraging people to pay that money back.

Mr. Rolfes: — Not only should you actively be encouraging it but the Act says, or the regulations say, that they must pay you that. Am I not correct, that within 30 days they must pay you that, and if it's not paid, that interest will be charged? I believe . . . I made eleven and three-quarters per cent on the total advance.

Mr. Ballagh: — Okay. We will charge default interest initially on the shortfall, the deficiency, and if we are not successful in having the individual rectify that problem, then we will take steps to demand the rest of the loan and put it all into delinquent status.

Mr. Rolfes: — But, Mr. Ballagh, I want to read the regulations correctly. Am I not correct in saying . . . I don't have the regulations before me, but am I not correct in saying that if someone defaults in any way, shape, or form, that within 30 days the interest shall be eleven and three-quarters per cent on the total advance? Is that not correct?

Mr. Chairman: — Just for clarification, that is found in the promissory note, the terms of the agreement.

Mr. Rolfes: — In the agreement. Is that not the agreement?

Mr. Ballagh: — I don't believe it states on the total amount. The corporation has the discretionary power to deal with loans as we see fit, in that we can charge delinquency on a portion of the loan, but not on the entire loan.

Mr. Rolfes: — Let me just read to you . . . I wish I had the regulations here. I don't have them.

4.22 The terms set out in the promissory note which is part of the loan application form for Livestock Cash Advances states that upon default in the repayment (within 30 days) of loan proceeds where herd numbers have been reduced by sale or disposition, (and I quote) " . . . the entire principal sum shall immediately become due and payable without notice."

Mr. Ballagh: — That's correct.

Mr. Rolfes: — All right.

Mr. Ballagh: — So the corporation obviously has to have the power to be able to demand the loan, and that's what the promissory note is saying. The position of the corporation and the advice of our solicitors is that the corporation has the discretion in terms of what portion of that loan they may choose to place in demand. In other words, what I'm saying is that we have the discretion to charge default interest on the deficiency as we are doing.

Mr. Rolfes: — Mr. Ballagh, how do you reconcile that with . . . I don't know why we've put this in writing and then we don't want to do it. All I'm saying is . . . It simply says here:

. . . the entire principal sum . . .

. . . the entire principal sum shall immediately become due and payable without notice.

Now what does that mean to you?

Mr. Ballagh: — It means to me that the corporation has the right to do that, but does not have to exercise the full

authority which it has at its potential.

Mr. Rolfes: — Well I ask any person, what does it mean? "The entire principal sum shall immediately become due." I don't think there's any argument or interpretation left, if you said the entire principal sum may immediately become due then you have some leeway. And I didn't write this. I don't know who wrote this, but all I'm saying is, I'm just simply quoting what the Act says, or the regulations say you must do.

Mr. Ballagh: — I believe that that would be standard wording in any promissory note.

Mr. Chairman, if I can, to do as you're suggesting, and I'm not trying to put words in your mouth, but to demand the individual's entire loan when he had a shortfall of 1, 2, or 5 head, I don't think would be a responsible position for the corporation to take.

Mr. Rolfes: — I totally agree with you, sir. I totally agree with you. Then why did we write this in?

Mr. Ballagh: — It's there for . . .

Mr. Martin: — For legal purposes I would suspect.

Mr. Ballagh: — That's right, it's there for legal purposes.

Mr. Rolfes: — There's very few Acts, if I . . . I think there are very few Acts that still have that word in there, "shall".

Mr. Ballagh: — Sorry, that is not in regulations or in the Act; it's in the promissory note.

Mr. Rolfes: — Yes, I know that. Okay, I don't want to prolong this any further. When I read it, "shall" means you've got to do it, you have no alternative. I wish we'd write it then and say, okay give . . . and I don't disagree with what you're doing; all I'm saying is that let's change the wording then — so that we know what it means. Well I want to pursue that further some other time, but not now.

Mr. Lyons: — Yes, on the same subject, which is the discretionary power, I think that nobody's disputing that provides the flexibility in terms of dealing with the individual producers who, you know, for whatever reason may have legally come in default. The question I have however is that: has there been any recovery action taken by the corporation in regards to those producers, or any of the producers who've basically defaulted on the loan?

Mr. Ballagh: — I've indicated that I think we've got 55 clients that . . . excuse me, are in some stage of recovery process.

Mr. Lyons: — Okay, on the stage of recovery process. Is that the seizure of the animals and the herd, or what steps are you taking?

Mr. Ballagh: — Well, initially we've demanded the loan. If we haven't been able to get any co-operation from the client, if that was not successful in producing a response, we have taken legal action against them, ultimately, which would end up in judgement or writ of execution.

Mr. Lyons: — Okay. What's the total sum outstanding in regards to those 55 people who are in default?

Mr. Ballagh: — Mr. Chairman, I don't have those dollar amounts here.

Mr. Lyons: — Would you be able to provide them for the committee?

Mr. Ballagh: — I think we can. If we can logistically, we will. Let me put it that way. I think we should have access to that information in the system.

Mr. Lyons: — Well you've got 55 individuals who are in default to the agricultural credit corporation. Each one has a certain sum. It seems to me that the logistics are very simple — that you add the total sums of the 55. Wouldn't that be the way that one would go about finding what the total sum is?

Mr. Ballagh: — In essence, yes.

Mr. Lyons: — Good. I wonder if you'll have somebody add up those sums for us, please.

Mr. Chairman: — And they can provide it at a later date.

Mr. Lyons: — Yes.

Mr. Chairman: — Any other questions?

Mr. Ballagh: — Mr. Chairman, just a point of clarification on that last question. You were wanting . . .

Mr. Lyons: — I just want the total cash advances which are now in default, of those 55. You say there are 55 people who are in default. I want the total number of the total dollar figure.

Mr. Ballagh: — Yes.

Mr. Chairman: — I hear no others, see no hands, see no motions, so I will thank the members from the credit corporation for being with us today and answering the questions. We thought this would take 10 minutes, but it took a lot longer. It makes your trip worth while. Thank you. Have a good day.

Mr. Vice-Chairman: — I want to call our meeting back to order, and the next item of business before the committee, I guess, is the Saskatchewan crop insurance.

Page 15/7, 1986 report. Mr. Lutz, did you have any comments to make before we ask the officials to come me

Mr. Lutz: — Very briefly, Mr. Chairman. We have in this instance completed the audit of the crop insurance for '87. The corporation personnel are working on the problem which we have delineated here, but so far it hasn't been finalized. So I think I say the problem is still with us to some degree or another.

Mr. Vice-Chairman: — But it's being . . .

Mr. Lutz: — They're working on it. That's the comment I

have here. They're working on it.

Mr. Vice-Chairman: — So I guess with that we can bring in the officials.

Public Hearing: Saskatchewan Crop Insurance Corporation

Mr. Vice-Chairman: — Good morning, gentlemen. Henry Zilm is the president of Saskatchewan Crop Insurance Corporation. Would you like to introduce your other officials.

Mr. Zilm: — Thank you, Mr. Chairman. On my immediate right is Jim Walters, vice-president of administration; to his right, Ron Osika, who is the manager of field operations; and on my left, John Persson, who is the manager of human resources.

Mr. Vice-Chairman: — Thank you. Are there any questions?

Mr. Rolfes: — Thank you, Mr. Chairman. Gentlemen, I have just a few questions, and basically it's in regards to the comments made and observations made by the auditor in his report. Can you tell me what progress you have made on the observations and concerns expressed by the auditor in 30.01? I want to deal with that one first, and that's in regards to policies and procedures manual not being current and not being completed.

Mr. Zilm: — Yes, I can. That observation was made that the accounting procedures manual had not been kept current, and as I would observe for you, that was largely as a result of having experienced some rather large claims experience in a couple of years in succession. We've since — and we've agreed with the comments that were there — and we've since, I believe it would be fair to say, virtually completed a rewrite of the accounting procedures manual.

Mr. Rolfes: — Was that . . . you say a couple of years. Those weren't really unexpected; I mean during the year you certainly would have anticipated that there would have been a fair number of applications. Did you not anticipate . . . I mean should have anticipated, I would guess. Why did we not get the extra staff to make sure that you didn't encounter this particular problem?

Mr. Zilm: — Perhaps I could . . . In responding to that I could indicate that there were quite a number of program changes that were happening at that same time. We were adding a number of crops to the insurance program itself. We were adding winter wheat and faba beans, and there were two or three others. We were adding individual coverage, which was a new feature that was available to farmers. So that at that time there were a number of actual program changes that were occurring as well. And I guess that, coupled with the existence of a very, very high claims experience that we had during that year, simply meant that our resources were somewhat constrained. So those were the two main things that were happening at that time.

Mr. Rolfes: — Did you request additional staff at the time; and if you did, was that request met?

Mr. Zilm: — I think the best way I could respond to that would be to say that we did have staff in place to handle the claims experience, that we didn't request additional staff to specifically focus on rewriting the procedures manuals.

Mr. Rolfes: — Could you tell me, on the procedure of hiring — I assume that you hire a number of casual or part-time people to do your inspections — have the rules changed at all on the hiring of casual or temporary or part-time, whatever you call them, to do your inspections? Or how does one qualify for doing the inspections?

Mr. Zilm: — Would we be talking about the year under review?

Mr. Rolfes: — Yes, the year under review.

Mr. Zilm: — I guess, in a general sense, the way I could answer that is that we're looking for the same kinds of experiences and skills as we always have. In large measure we use actual farmers who are practising farmers to do our adjusting work. And it's my information that that was the kinds of people that we did use in 1984-85, and in fact we still are. So I think, in a general sense, I could say that no, it's the same process that we would have used then and now.

Mr. Rolfes: — I think you meant '85-86, did you not?

Mr. Zilm: — I'm sorry, '85-86.

Mr. Rolfes: — All right. On the other observation made by the auditor about the two senior officials not notifying, I believe, the creditors, that these officials were no longer in the employ of the corporation; did you experience any difficulties in that particular time? I mean, were there any repercussions because the creditors were not notified?

Mr. Zilm: — I think the answer to that would be no.

Mr. Rolfes: — You say no?

Mr. Zilm: — No.

Mr. Rolfes: — Okay.

Mr. Lyons: — Yes, I just wonder if I could get back to some of the line of questioning that Mr. Rolfes was pursuing. During the year under review, how many cases of fraud were detected in terms of misrepresentation of damage? What was the dollar amount? Can you just sort of give us a little story on that.

Mr. Zilm: — I'm not sure that we would have the exact information that you would require. It would be a very rare instance where there would actually be a fraud case that would be tried. I don't believe any of us here can recall the specifics of any having been actually tried in that year.

Mr. Lyons: — Okay, I'll down-size the word, I guess, in terms of I won't use fraud. Misrepresentation of errors of damage and so on, what per cent of the folks that you deal

with would be engaged in that kind of thing?

Mr. Zilm: — Well I would give you an approximation of perhaps in the order of 1 to 2 per cent of the claims would require further investigation.

Mr. Lyons: — When you say 1 to . . . what would the further investigation consist of?

Mr. Zilm: — Well it might be questions where perhaps all of the information wasn't clear on the basis of what the adjuster had originally done. Perhaps the grain had not been accounted for correctly, and we would have to send an adjuster back and perhaps remeasure the production or record the information again from the Canadian Wheat Board permit book. Those would be the kinds of activities that we would undertake.

Mr. Lyons: — When you say 1 to 2 per cent, do you have . . . how many would that be in sort of absolute numbers?

Mr. Zilm: — Our claims in a normal year would range from about 35,000 to 45,000 claims, so if somebody could do the arithmetic on that.

Mr. Lyons: — Four to 8,000, I guess, somewhere.

Mr. Zilm: — No, it would be just a matter . . .

Mr. Lyons: — Or a few hundred, I believe.

Mr. Zilm: — Yes.

Mr. Lyons: — Four to 800, somewhere in there, 500, 800.

Did you have any — you said you can't remember any cases of anybody being tried, which is, I guess, speaks highly of the work of the crop insurance adjusters who do the work on the ground — have you noticed an increase in the numbers or the amount of errors or misrepresentations given the financial situation, the deterioration? Was, for example, the year under review, '85-86, was that higher than the previous year which was higher than the year previous to that?

Mr. Zilm: — I think, to answer your last question first, 1985-6 was an unusually busy year for us, and for that reason I think our ability to handle the volume of claims was such that our error rate would be, if you like, would be higher than we would normally like it to be. That was a record year for us in terms of actual number of claims, and so there was that added pressure. I would acknowledge that certainly farming conditions are difficult, and as a result of that, obviously we would have to be vigilant, but we don't have any data that would suggest that non-compliance or error rates would be going up now as compared with then.

Mr. Lyons: — That's fine, thank you.

Mr. Rolfes: — Mr. Chairman, just a question. On April 1, 1985, what were the premiums for crop insurance?

Mr. Zilm: — The premium income for 1985 was \$156,345,000.

Mr. Rolfes: — One hundred and fifty-six million . . .

Mr. Zilm: — Three hundred and forty-four thousand, nine hundred dollars, to be exact.

Mr. Rolfes: — What were they March 31, 1986?

Mr. Zilm: — I'm sorry?

Mr. Rolfes: — What were they March 31, 1986?

Mr. Zilm: — Okay, perhaps I may have misled you. The premium information that I gave you was for the year, our insurance year 1985, and so that's the premium that would have been levied for the crop grown in 1985. Are you now asking me what the premium was for the year 1986?

Mr. Rolfes: — Right.

Mr. Zilm: — That's not a year that's under review here, but the number would be approximately \$170 million.

Mr. Rolfes: — Well okay. Can you tell me, the increase, was that due to premium increase, insurance premium increases for farmers, as recommended by the Nielsen commission?

Mr. Zilm: — The information I have is that there were some minor increases that resulted from actual premium rate increases, but that the majority of it was as a result of increased farmer participation, and so we had more contracts in effect.

Mr. Rolfes: — Okay, thank you. I'd like to turn now to an area that . . . I suppose it's rather strange, but the air reels confusion that existed in 1986. Can you explain to me how that was resolved?

Maybe I should give a brief explanation. The air reels confusion came about when a letter was sent out by Mr. Osika, I believe was the individual, indicating that farmers would be receiving an additional \$8 an acre if they bought and used air reels in order to increase the salvaging of their crops. How was that issue resolved, and at whose command was it resolved?

Mr. Zilm: — Mr. Chairman, would it be appropriate for me to ask one of my officials to respond?

Mr. Vice-Chairman: — Any of the officials can respond in this committee.

Mr. Osika: — Yes, Mr. Chairman, the matter of the air reels was taken under consideration during a year which was disastrous as far as crop production, and in an attempt to salvage any of the crops by any method that would enhance the salvaging of those crops. The use of that kind of equipment was being taken under consideration. However it was ultimately resolved and agreed that that was part and parcel of the management process of an operation, and it would not be in the best interests to acknowledge that type of management practice on the part of an individual and not recognize other management practices under those conditions.

Mr. Rolfes: — Mr. Osika, I assume that you wrote the letter.

Mr. Osika: — I don't recall the specific letter.

Mr. Rolfes: — Let me ask you: are you Ron Osika?

Mr. Osika: — Yes, sir, I am.

Mr. Rolfes: — Okay. My understanding is that you wrote a letter to . . . the letter is signed by one Ron Osika of the crop insurance, which includes a declaration which the farmer filled in and sent to crop insurance to get a special payment of \$8 per acre. Well I would assume that the board made a decision that in order to salvage what otherwise was a very poor crop — to salvage as much as it could — it would be within the interest of the farmer and the province that that \$8 per acre would be paid if a farmer used air reels. Now was that a decision of the board of directors to do this, and under whose command did you write that letter?

Mr. Osika: — That was part of the considerations with Saskatchewan drought assistance program.

Mr. Rolfes: — Yes, Mr. Osika, I just simply want to . . . In subsequent discussions the crop insurance board or corporation changed its direction or its opinion or decision. I mean, you wrote to the farmers, said that if they used air reels, to fill out this declaration and they would receive \$8 per acre. Subsequent to that, that decision was reversed. Am I correct?

Mr. Osika: — Yes, sir, that's correct.

Mr. Rolfes: — Now I want to know, did the board of directors instruct you to write that letter, or did the chairman of the board instruct you to write that letter or who instruct . . . on whose authorization did you write that letter to the farmers?

Mr. Osika: — The direction came to me through the general manager of the day.

Mr. Rolfes: — And who was that general manager?

Mr. Osika: — Wayne Funk.

Mr. Rolfes: — Okay. At whose instructions did you reverse, or was that decision reversed?

Mr. Osika: — Again that decision was relayed to me through the general manager of the day, and as a result of again the decision, taking into consideration what I referred to earlier, sir, is the management . . . consideration of the management practices, other management practices which would be equivalent and not recognized similarly, under the drought assistance program.

Mr. Lyons: — Can I butt in here, Mr. Chairman. Are we talking about a type of pick up reel on a combine; is that what's meant by the air reels?

Mr. Osika: — Yes, it is.

Mr. Lyons: — Yes, right. Okay, good.

Mr. Rolfes: — I guess what I'm interested in first of all . . . what I'm interested in is why did the corporation, on the one hand, send out letters with the declaration form instructing farmers that if they purchased this, that they would be reimbursed \$8 per acre. I don't disagree with the decision; I mean that's . . . and then subsequent to that reverse its decision. Obviously some of the farmers had gone out and picked up the reels anticipating a payment of \$8 per acre, and subsequently that was not done. The corporation changed its decision. That's within the prerogative of the corporation, I assume, but it certainly left some confusion out there for farmers. I'm simply asking: why did the corporation change its decision?

And Mr. Osika, I'm not directing this to you now, I'm directing it to . . . You're the chairman, are you?

Mr. Zilm: — Yes.

Mr. Rolfes: — Okay. I'm directing . . . pardon me, I'm directing the question to Mr. Zilm, is it? How do you spell your name, sir?

Mr. Zilm: — Z-i-l-m.

Mr. Rolfes: — Okay, good enough, Zilm, I guess.

Mr. Zilm: — Okay, I think if I could respond to your question, the answer is that there are a wide range of management practices which we recognize in the normal administration of an insurance program, but we don't single each of these out and treat them as a separate item that can be underwritten separately and that sort of thing. And if I could use, to make my point, the use of fertilizer or herbicides would be considered management practices that would alter the yield expectation that the farmer would have.

Air reels, in that context, are no different, and I think then that what we would have been saying, had we continued with the air reel and not recognized other management practices, that we would have set a precedent that simply wouldn't sustain itself. And so our insurance system is set up in such a way that we do recognize good management through premium discounts and so on, and we're not being specific to a specific management practice. In other words, we don't underwrite those separately.

That, I think, in general terms what I would say is how we have to operate our business. For example, if the question was whether or not to use pedigreed seed, well it might well be that pedigreed seed might produce a higher yield than the use of non-pedigreed seed. If you recognize a particular management practice, then you would have to recognize a wide range of them.

Mr. Rolfes: — Mr. Zilm, there must have been some sound arguments given to the board. Did the board of directors make this decision?

Mr. Zilm: — This program, as I am informed was the drought program, was in fact provided for by the . . . through the Department of Agriculture, and we administered it on their behalf.

Mr. Rolfes: — Yes, but there must have been some sound arguments when the corporation decided to go with it. What were some of those arguments that . . .

Mr. Zilm: — The arguments in favour of using air reels would be simply that they would help to salvage more of a very, very poor crop that had suffered drought loss.

Mr. Rolfes: — I understand that, but what made you make the decision that you would give them \$8 per acre to go ahead and buy these reels, proceed, and hopefully it would be a success? What arguments did you have to proceed with that?

I mean we all knew . . . everybody knew that you bought air reels. You'd pick up more of the crop. That's not the argument. The point is that you make the decision. You must have thought it was within the best interests of your corporation and the farmers to put \$8 . . . to give them additional \$8 an acre if they bought air reels and proceeded.

And you wrote a letter under the signature of Mr. Osika, sent out a declaration form and said to farmers, here, fill out the declaration form, and you'll be eligible for \$8 per acre. And subsequent to that, what additional arguments came in which made you reverse your decision after a letter had been sent out? Obviously you thought very carefully about this beforehand — before you had sent out a letter and a declaration. Now what made you change your mind?

Mr. Zilm: — Okay, I think perhaps I haven't been clear in providing my answer, but what I was indicating to you was that if we were to recognize . . . the arguments that come to bear on this are that if we were to recognize that one particular management practice and single it out . . .

Mr. Rolfes: — You didn't think of that before you made that decision?

Mr. Zilm: — . . . as a particular feature, we would then have other management practices which, in subsequent years, we would have to incorporate into our insurance program. And I think it was an opinion at the time that that wouldn't have been within the spirit of crop insurance and would have greatly added to the underwriting responsibility that we would have had in subsequent years.

Mr. Rolfes: — I don't disagree with you, but surely someone must have advanced that argument to you while you were making your decision; surely someone would have said: now if you do this, Mr. Zilm, someone's going to say that you're going to have to pay for this or that or something else.

And despite all those arguments that somebody must have given to you, you said we're going to proceed because we think this is within the best interest. Why did you reverse your decision? Who convinced you to change your mind?

Mr. Martin: — May I make a comment, sir? I believe that . . . (inaudible) . . .

Mr. Rolfes: — These are the people before us. They have to answer for the year under review. Just because you change personnel, Beattie, doesn't . . .

Mr. Martin: — I can appreciate that but if . . . (inaudible) . . . made the decision based on those policies, he made the decision. He can't . . . Mr. Zilm can't make a comment on what . . . (inaudible) . . .

Mr. Rolfes: — Oh, Mr. Martin, all you have to do then is change . . .

Mr. Vice-Chairman: — We've got a conversation going back and forth here across the floor. I think we'll allow Mr. Osika to maybe . . .

Mr. Lyons: — It's not a question of fairness they're responsible . . .

Mr. Vice-Chairman: — Order.

Mr. Zilm: — Thank you, I just wanted to clarify it. To the best of my recollection I believe that the letters referred to were sent after harvesting was pretty much completed, not in advance of.

Mr. Rolfes: — Yes, that had no bearing on my question.

Mr. Zilm: — I just wanted to clarify it. I'm sorry.

Mr. Rolfes: — I simply want to, you know . . . look, you made a decision; obviously you based it on the best advice that you had. And someone advanced some very cogent arguments for you to make that decision. I don't argue with that. What happened subsequent to that, after you sent out the letter, after you sent out the declarations, to change your mind? Who reversed your decision?

Mr. Zilm: — I'm sorry, as I . . . I guess this has been pointed out to you, I personally was not part of the discussion, and I can't reflect on that. If there's a matter of detail that needs to be provided, that certainly could be researched and provided.

Mr. Rolfes: — Yes, Mr. Zilm, I don't . . . I recognize you weren't there, but if, you know, we as legislators . . . all people have to do is change the personnel on the committees; we'd never get any answers. I mean, the corporation is still responsible. I don't hold you personally responsible, of course, but you are the chairman, and therefore, before the committee, you have the responsibility, in the year under review, to answer the questions . . . if you don't have them, to get those answers. I don't hold you personally responsible; of course not. But it's my job to ask the questions for the year under review, and I'm simply asking the question. Obviously you made those decisions on very solid arguments. The farmers then were sent the letter and the declaration, asked to submit their accounts, then the corporation changed its mind.

I want to know, why did you change your mind, and who asked you to change your mind? Not you personally, but the corporation.

Mr. Martin: — He's already answered the question why

they changed their mind, because of management principles. What you're stuck on is who made the decision in the first place, that's what you're stuck on. And I submit to you that he can't answer it because he didn't make the decision.

Mr. Rolfes: — One, two, three people that were there . . .

Mr. Martin: — You know why they changed . . .

Mr. Lyons: — Mr. Osika was there. He wrote the letter.

Mr. Rolfes: — That's right.

Mr. Lyons: — Right? People . . . I mean, it's not as if it's a totally new animal that we're dealing with, okay? Okay, then they could figure out who made the decision.

Mr. Neudorf: — We're back on old square one here. It doesn't matter who made the decision. That's not up to this committee to determine . . .

Mr. Lyons: — It sure is.

Mr. Neudorf: — We have estimates; we have the legislature with questions like that. Let's stick with the basic facts of our audit accounts.

Mr. Lyons: — These are the facts of the audit account.

Mr. Martin: — Why, though? I mean, why do we have to know that? What can you possibly do with it; try to embarrass somebody publicly or something? Why would you want . . .

Mr. Rolfes: — Mr. Chairman, may I have the floor? Mr. Chairman, in respect to the member opposite, it is my job here, if the corporation made a decision, sent out a letter and the declaration to the farmers saying, claim your \$8 per acre for buying those air reels and salvaging more of the crop than you otherwise would have; subsequently the corporation changes its mind, has put additional stress on those farmers, in the first place saying that they can qualify, then saying no, they can't qualify. I want to know: why did the corporation make the decision in the first place? Who advised them to make that decision?

Mr. Neudorf: — You're out of order right there.

Mr. Rolfes: — No, I am not out of order, Mr. Chairman. I would beg to differ with the member opposite. I have a right to know who asked them to change that policy. Mr. Chairman, it's up to the members there . . . There are members sitting opposite, or their officials there, who were there. Mr. Osika wrote the letter. I assume that Mr. Osika knew why the letter was written, on whose instructions he wrote that letter, and why subsequently someone asked him to withdraw that letter and the declaration. I'm asking the officials to give me those answers.

Mr. Zilm: — Mr. Chairman, again, in response to the question, there was, as I am informed, there was an announcement, as you described it, which indicated that a special benefit, if you like, would be conferred in the case of using air reels. There was, as I am advised, a

reaction then from the farming community in general, indicating that this would not provide a fair recognition of other acceptable management practices.

Now those concerns, as I am informed, were certainly expressed to corporation officials. They were expressed to the minister responsible. They were expressed, I believe, to members of the Legislative Assembly. So in fact there was then a recognition made of the existence of these other management practices and the precedent that this would then be setting, and for that reason it was reversed. So there was a reaction, if I could characterize it as that, from the farming community to that particular announcement.

Mr. Lyons: — Yes, Mr. Zilm, I think that you've answered the question. Just on specific detail, was there a directive to the corporation by cabinet or any member of the cabinet in regards to this? A directive — and I don't use it in the narrow sense, I use it in the broad sense.

Mr. Zilm: — The administration of the drought assistance program was provided under The Department of Agriculture Act, and there were regulations passed pertaining specifically under that Act, pertaining specifically to the crop drought assistance program. We don't have the exact date here, but it's our information that that was in the fall of 1985 that those regulations were passed.

Mr. Lyons: — Yes, and this program was detailed under the regulations of the drought assistance Act. Fine, thank you.

Just to put this in perspective, was there any pay-outs made to the farmers who had used air reels in salvaging their crop?

Mr. Zilm: — No, there were not.

Mr. Lyons: — Okay. Can you just explain the process? After Mr. Osika's letter was sent out and the declarations were sent out, did you receive declarations back in? What did you do to sort of tell the folks that they weren't going to get the extra \$8?

Mr. Zilm: — We wrote them individually, subsequent to receiving their declarations, and indicated that they wouldn't be receiving any of those sort of benefits.

Mr. Lyons: — And did you receive any — because you had mentioned an earlier reaction — did you receive any reaction from the farmers who had sent in the declarations? Were there, you know, did you receive any sort of negative reactions to that?

Mr. Zilm: — There were . . . I am told there were very few. There was one that actually involved having our solicitor prepare a response, and the rest were prepared by corporation officials.

Mr. Lyons: — Do you have any idea, just as a ballpark figure, because there were mailing costs and printing costs of the declarations involved, could you break out just a ballpark figure of what the error cost . . . or the initiation and de-initiation of the program cost the

taxpayers of the province?

Mr. Zilm: — I'm not able to provide you with precise information, but in general terms there were roughly 25 or 30 such applications that were made, and so that would give you an idea of the magnitude of the applications that we got.

Mr. Lyons: — But in the initial mail-out, was that all mailed out to every permanent book holder in the province or . . .

Mr. Zilm: — I'm afraid I can't be completely precise. I think the recollection is that there was an announcement made of this, but in fact there wasn't an actual letter or some such thing that was addressed individually to all of the farmers of Saskatchewan.

Mr. Lyons: — Was the announcement made . . . you mean it was made by the minister, or was it made by the corporation through ads in the newspaper or newspapers or what?

Mr. Zilm: — I believe it would have been announced by the minister's office as is normally the case.

Mr. Lyons: — Okay, to your knowledge were there any ads carried announcing the program in any of the papers?

Mr. Zilm: — What I'm told is that it was part of the announcement which announced the nature and some details of the program, of the drought program itself. So it was part of that information release which would have come from the minister's office.

Mr. Lyons: — Okay, fine. Thank you.

Mr. Martin: — Oh I just want to make a comment before we close that I thought we were getting a little farther over . . . a little off the line in this last series of questions. Not so much with Mr. Lyons, but more with Mr. Rolfes in terms of asking the questions of the civil servants that are really policy decisions like, you know, who made that decision. And I think that your questionings were bordering on badgering, and I think it's . . . I mentioned before that I think that is not the mandate of this committee. That's really all I want to say.

Mr. Lyons: — I think that you've got to make the differentiation between questions as to process which involve the carrying out and the . . .

Mr. Martin: — I understand all of that.

Mr. Lyons: — the questions of the process versus the policy itself.

Mr. Martin: — I understand that.

Mr. Lyons: — I listened to Mr. Rolfes' question, and he was questioning the process. He wasn't questioning the policy, he was questioning the process. And that, I think, is totally legitimate.

Mr. Martin: — When he asked an individual who made that decision, and why was the . . .

Mr. Lyons: — That's a question of process.

Mr. Martin: — . . . and why was the decision made. Why was the decision made, that's the question he asked.

Mr. Lyons: — That's a different question again.

Mr. Martin: — Which is what he asked, why was the decision made, that's a policy decision.

Mr. Vice-Chairman: — Order. Is there any more questions of the officials?

Mr. Rolfes: — Mr. Chairman, I was going to say that I have no further questions, but with the comments of Mr. Martin over there, I have a series of questions that I would like to ask on the crop drought assistance program later on this afternoon so I can continue with my badgering.

But officials, I just want to simply say thank you very much, and I will not continue my badgering despite the objection of the minister or the member from Wascana.

Mr. Chairman: — Thank you very much. And I guess we'll reconvene with SPC (Saskatchewan Power Corporation) at 2 o'clock.

The committee recessed until 2 p.m.

Mr. Chairman: — I'm going to call the meeting to order. A little note here, given to me by the staff says: do not touch the microphones. Apparently some of us are taking them and turning them away and they're not . . . you're not being recorded and you wouldn't want that to happen. So to the extent possible, leave them facing at you, and I always bend mine back and forth but I won't do it any more.

Okay, I guess in my absence you finished crop insurance corporation and did not start the power corporation so we have that to do. And we have Supply and Services which now includes property management corporation, and we shall dispose of both of those this afternoon.

Maybe I'll raise another item about the report of the committee. We will obviously have to have a final report. We've been trying to sort of indicate some things for the Clerk as we go along and she will write up some draft for us. I don't think we'll have time tomorrow to go through it because Gwenn probably won't have the time to put it all together.

Can I suggest that whenever the session is called that we try to meet for — it won't take long I don't think — the day before the call of the session and finalize the final report. We'll all have to be here, and it gives you the chance to come in for the purpose of coming for committee. How does that sound to the committee members?

Mr. Muller: — Well do we have to . . . We don't have to report on the day that the session opens, do we?

Mr. Chairman: — No, but what happens sometimes in sessions is that you have change of memberships of

committees and I would just, for example, with our caucus rearrangement I anticipate I will not be on a committee, so I think it would be useful if all of the present members were able to finalize the report because we'll know what we're talking about. How does that sound to you?

Mr. Muller: — Well I was wondering if the first day of the session . . .

Mr. Chairman: — No, the day before is what I'm saying.

Mr. Muller: — Yes, but what I was going to say, the first day of the session is usually . . . we'll prorogue in the morning, probably go back in for a throne speech in the afternoon.

Mr. Chairman: — I'm easy. I'm just . . .

Mr. Muller: — How long will it take?

Mr. Chairman: — I'm making a suggestion. I don't know.

Ms. Ronyk: — I could suggest, Mr. Chairman, and members, that when I draft what you have suggested for me, I'll just send that out to you in the mail and then you would have it well before you come back. You'd have time to look at it and maybe even discuss it.

Mr. Muller: — I don't know what the feeling of the committee is either.

Mr. Chairman: — Well the reason I suggest this, we're all going to be here. We're all going to be here the day before, anyway. I mean, you'll have a caucus or something; we probably will. We can find an hour even if it's during a lunch hour — get lunch or something and do it.

Mr. Muller — It doesn't matter to me.

A Member: — What day would that be?

A Member: — The 16th of June.

A Member: — Have you talked to Grant lately?

A Member: — That's the last day in session.

A Member: — The 16th of June.

A Member: — No the last day.

A Member: — We went in the 17th last year, didn't we.

Mr. Chairman: — Does that sound good to you? I'll try to arrange a meeting for the day before the session, okay, anywhere between the 15th of March and the 20th of June, how's that? Very good.

In case I forget, I have not been instructing the officials, when we ask for information, and I'll ask Gwenn to remind me, we should be asking for 15 copies because what . . . some of them don't know that, and they're sending one copy because they need to circulate it, so somebody else may want to raise it with them if I don't.

Saskatchewan Power Corporation, can you give us a brief debrief of the item?

Mr. Lutz: — The 1986 report, a very minor . . . well not minor, but small item, non-compliance with regulatory requirements relative to acquisition of property. That's the only matter we raised in the '86 report. It's on page 165.

Mr. Chairman: — Okay. They have had no other . . . well I guess there would be no follow-up on this. It's event done.

Mr. Martens: — May I raise a question, Mr. Lutz, on that. Is that one million an aggregate, or is that by item?

Mr. Lutz: — No, they talk about included in one transaction, and I should probably add that they have subsequently had these matters approved by order in council — the ones that we delineated. It's one transaction is what the requirements are, section 10(3).

Public Hearing: Saskatchewan Power Corporation

Mr. Chairman: — Okay. Welcome. This is the Saskatchewan Power Corporation. I have here names of the people: vice-president of finance, Mr. H. Jim; corporate controller, Mr. Ruddell; general council, Ms. Wellman; and assistant to the president, Mr. Fink. Good to have you here. We are dealing with page 165 of the auditor's report.

Before we begin, I just wanted to point out to you that when officials provide information and evidence in the committee of Public Accounts you are protected by immunity much as the members of the legislature are protected in the Legislative Assembly or in a court of law. So you do not need to fear libel suits or whatever else, some other action people may take in other circumstances, that is not . . . you are immune from all of that. I assume some officials know that, but there are new people here and you may not be aware of that.

But that also means that, as would the case anyway be with the committee of Public Accounts, you are required to answer the questions directly, as best you can, and if you don't have information, we will ask you to put it in paper and send it to us. Okay. I will turn it over to the committee for questioning.

Mr. Lyons: — Yes, thank you for coming today. We don't intend, I don't imagine, to keep you any longer than the scope of this committee in regards to Sask Power.

On page 165 the auditor has noted that there was a transaction which exceeded \$150,000, and the approval from the Lieutenant Governor in Council was not obtained prior to that transaction taking place. I wonder, has Sask Power put into place any methods and checks so that the discretion or the error would not reoccur?

Ms. Wellman: — Yes. The error occurred with regard to some gas purchase contracts. And it's common every year for the purchasing department to purchase orders for large volumes of gas from various suppliers, and on the

basis of this the legal department requests the order in council. The procedure which has been put in place is now . . . the same procedure will result on the old contracts where the prices and sometimes the volumes are uncertain, and on the new contracts we'll attempt to get them as certain as possible and go for the authority when the contract is signed.

Mr. Lyons: — Was there anything that would leave reason that the normal practices weren't followed in this case?

Ms. Wellman: — No. What happened in this case was that the purchase orders were issued and the volumes were uncertain, and there was difficulty in that year and the following year in determining exactly what the volumes were. So basically we were checking the numbers for a longer period than we should have been.

Mr. Lyons: — Okay. Was there any change in supplier, or was it just the . . .

Ms. Wellman: — Well there are hundreds of suppliers, and what you were up against at that time, and still to a certain point now, is that the prices were regulated and so the prices would change on you. And because the prices changed, and because various suppliers would turn on their gas at various times, and because some of the gas being purchased was a gas produced in association with oil, it depended on how much oil was produced. And so, as I say, we had trouble with the numbers.

Mr. Lyons: — I'm not overly familiar . . . When you say that with the process of the purchase of the supply of natural gas, these contracts that were, I assumed . . . are they contracts which are renewed on an annual basis, or are they contracts which are long-term contracts which have fluctuating price levels within them?

Ms. Wellman: — There is a great variation of contracts. Some contracts, like the one with TransCanada Pipelines, has a certain volume of gas, plus or minus 20 per cent, and that would depend on how cold the weather and how much we were taking off the line.

The other contracts, such as a local producer who had a gas well and was producing the gas in association with the oil from the oil well, you would have a volume of gas produced that paralleled the volume of oil, and you don't know how much oil he's going to produce. And usually these are very small contracts and we say, well, we'll take all you can produce. And so he produces a large quantity of oil and you get a large quantity of gas, and that pushes it over the million dollar level, which would be the point where the authority is required.

Mr. Lyons: — And this was the case this year. How do you rectify that situation then? It seems to me that . . . Isn't it the well drilling or the oil field activity fluctuate anyway naturally?

Ms. Wellman: — Yes. What we are trying to do to remedy the situation, and the problem will always be with us, but we are now going to request authority on the basis of best estimates at the beginning of the year and do a check about December of the year to balance off what we've

missed.

Mr. Lyons: — Is it basically that contracts are entered into the first of the year, or does a particular supplier have this particular contract time for renewal or exploration or . . .

Ms. Wellman: — The contracts are basically entered into over 20-year periods, and it would depend on how much gas was available from the gas well during the 20-year period each year.

Mr. Lyons: — Okay. And so you see this as going to be an ongoing problem, although there are ways of checking on the million dollar . . .

Ms. Wellman: — Yes. We'll just have to check it more often.

Mr. Lyons: — Okay. And that's been entered into since the auditor mentioned this in his report?

Ms. Wellman: — Yes.

Mr. Lyons: — Okay. All the contracts that are entered into, if they hit the million dollars it's the trigger point for the Lieutenant Governor through OC. Is that correct?

Ms. Wellman: — Well the Act says over a million dollars in one transaction. And what we have basically done is made a decision that one transaction equals one year's purchase.

Mr. Lyons: — Okay. So the one transaction isn't entering into the 20-year contract, so every year is a . . .

Ms. Wellman: — Well on these contracts we have treated it as one year, as one transaction. We can also treat it as a 20-year transaction, but then your maximum possible would be a maximum unbelievable, because you can have a large volume one year and a small volume the next. So you just have to balance back and forth.

Mr. Lyons: — Well that's basically all the questions I have on that.

Mr. Chairman: — You had mentioned that there are hundreds of such contracts.

Ms. Wellman: — Yes.

Mr. Chairman: — Do you keep a register of these contracts, so that you must have an easy system by which there is some kind of a . . .

Ms. Wellman: — We do keep a register and it's produced in pages like this. I have several pages where the contracts are all identified.

Mr. Chairman: — Yes. So you can easily identify the big amount ones and smaller amount ones.

Ms. Wellman: — Yes.

Mr. Chairman: — That should help you not to get into this kind of a jam again.

Ms. Wellman: — It does help us, but sometimes one that has a large maximum, we don't get near the maximum.

Mr. Chairman: — Yes. I have another question. I note that in the auditor's report this purchase without Lieutenant Governor in Council prior approval of in excess of a million dollars took place in 1985, but that the correction wasn't made until December 77, 1986. Can you inform the committee why it took so long to deal with this question?

Ms. Wellman: — We were having a lot of trouble with our numbers.

Mr. Chairman: — Do you want to elaborate?

Ms. Wellman: — Well the gas system keeps account of how much gas was purchased under these contracts, and the numbers kept coming to the legal department and we'd say, they don't look right. We'd send them back and they'd say, they aren't right; we'll recalculate. And this went on for many months.

Mr. Lyons: — What was the discrepancy between the figures? I mean, why . . . They send you and say, this is how much gas we've purchased, and your department's saying, no you didn't; you purchased more? Is it because . . .

Ms. Wellman: — No, purchased less, actually, because the maximum which the province takes is about 100 million mcf per year, and if your numbers, when added all together, far exceed that maximum, you know something's wrong.

Mr. Lyons: — So if the numbers were exceeding that, you're way out of whack.

Ms. Wellman: — Exceeding it, way out of whack, and so we'd send them back.

Mr. Lyons: — Okay. Why would that . . . Why would they be out of whack?

Ms. Wellman: — I'm sorry; I can't answer that.

Mr. Lyons: — Is there anybody else to answer that?

Mr. Jim: — No, I can't answer why they'd be out of whack, but I think to some extent there's a procedural issue here, as much as a requirement under the Act. As our general counsel has indicated, our practice has been to report on annual consumption, and rather than base it on estimates, one of the changes that we intend to make on future contracts, not on the existing ones, but perhaps to eliminate the administrative work that has to take place every year, is perhaps get approval from the Lieutenant Governor on the contract itself and make some attempt to estimate the entire contract for the 20 years, as opposed to doing it on a year-by-year basis.

Apart from the information that she does get from the gas department, perhaps there was a problem in trying to reconcile the numbers by supplier. Although since this has happened, the finance department of course has now developed specialized accounting groups, and we now

have a gas group which they didn't have in the past, and we intend to further serve to ensure that this practice is adhered to, not just on gas purchases but on all purchases in the corporation, under this section of the Act.

Do you have anything to add?

Mr. Lyons: — Was there a system in place since the year under review where somebody monitored the monthly purchases or, you know, from a supplier on a monthly basis? Or isn't there some way that when gas comes in on stream that, you know, as you were saying, yes, we're purchasing X amount of gas from Trans-Canada Pipelines or something? I mean, do the suppliers report to you on a monthly basis, you purchased X amount of gas from us this month or, you know, is there some way of compiling statistics that way?

Ms. Wellman: — We purchase the gas by month, and usually it's the 25th of the month — they bill by the 10th and we pay by the 25th — and you would run your totals up against a purchase order, based on a previously estimated amount. When they got to the top of the purchase order, then they would stop and check why they were there, and if they had to have another purchase order. And because we were relying on the purchase order for the source document for our orders in council, we were running over some purchase orders and under on others, and it's just . . . There was apparently an accounting problem of some kind in getting all of them tallied up so they'd come to the right place for the order in council. And this was usually near the end of the year when we were getting the orders in council as well.

Mr. Lyons: — So you were using basically base estimates versus actual numbers from . . .

Ms. Wellman: — Yes.

Mr. Lyons: — And now there's computer and you're able to sort of punch in and it says, this is how much we've been billed as of the 10th of February, for example.

Ms. Wellman: — That's right.

Mr. Lyons: — So on February 11 you will know how much gas was purchased in relation to the . . .

Ms. Wellman: — And it's traditional with gas contracts as well to have the 13th month when you do your balancing for the whole year.

Mr. Chairman: — I would like to ask one more question, and the committee members may judge whether I'm off the year of review, and I am, but I'm looking at the report that the auditor has provided here. I know that changes have been made so that now there will be an auditor other than the Provincial Auditor who will be auditing your books. What are the chances of this kind of an event being reported so that members of the Legislative Assembly know under the new arrangement?

Ms. Wellman: — Under the new arrangement you should be getting an estimate early in the year and an order in council based on that estimate. And the orders in council, I believe, are published. So you would know at that time

that we had requested our authority to purchase, for example, the 1988 requirements of natural gas.

Mr. Chairman: — But if another . . . If a purchase were made for in excess of a million dollars without authority, how would the committee get to know that?

Mr. Jim: — May I respond to that?

A Member: — Yes, surely.

Mr. Jim: — We've got a very . . . Since this has happened, we've got what we call a purchasing committee. And of course, we have certain internal authorities as well, like anything in excess of \$250,000 has to go before our board. Is that the number?

Ms. Wellman: — Yes.

Mr. Jim: — And we also have an executive committee that meets once a week that deals with purchases in excess of \$25,000. So I believe this weekly mechanism and Mr. Fink is our secretary in that executive meeting that we prepare a very formal list of purchases. And that was implemented in the early part of . . . or the latter part of '86 and early part of '87.

So to answer your question, and together with the controls that we've put in place in the accounting department, I would say that the chances of this happening in the future are going to be minimal.

Mr. Chairman: — I accept that. I mean, I think we will be . . . obviously I think we will be reporting that the power corporation has taken steps to assure that to the extent possible that this doesn't happen. I think we should say that in our report. It doesn't answer my question.

How will the members of the legislature, who are ultimately responsible, be able to have access to this information so that they know if there has been a problem? And sometimes these happen without anybody's particular fault.

Mr. Jim: — Well I think under the Act . . . Although Clarkson's, who have been appointed our auditors, are required to report to the provincial auditors on matters on any deficiencies related to the Act.

Mr. Chairman: — Okay, thank you.

Mr. Martin: — Would that information be through the Crown Corporations Committee? Is that where that sort of stuff, information would then be made available to the public?

Mr. Chairman: — Probably, could be, except that I don't see these kinds of things reported in annual reports of the Crown corporations. So they're not highlighted. But if it is a requirement that the auditor now appointed to do the Saskatchewan Power Corporation or any other corporation has to report these things to the Provincial Auditor, and in fact does it, and I underline and put in quotation marks, if in fact does it, then there is some possibility of this information coming forward. All I can do is put my faith in that.

Mr. Jim: — Well it's my belief that our auditors are . . . the external auditors are governed by the principal items in the Act, and that if we should deviate, that they are required to report such deviations as if the Provincial Auditor were auditing our books of accounts.

Mr. Chairman: — Or the Provincial Auditor can request.

Mr. Jim: — Or the Provincial Auditor can request a special report.

Mr. Chairman: — Okay, that answers my question. Anybody else?

Thank you very much. Sorry to keep you out of the cold for such a short period of time.

Mr. Jim: — Thank you.

Mr. Chairman: — I wish I was on the committee next year, but I won't be.

Okay. That disposes of that. I don't think we need to pursue that any further. We are now going to move on to the auditor's comments on the Saskatchewan Supply and Services department and property management corporation, and I will ask Mr. Lutz if he has anything that he wants to bring to our attention . . . (inaudible interjection) . . . Is that the page 11 item?

Mr. Lutz: — There is a page 11 item, I make the observation on page 11 of this report that there is going to be a lack of expenditure detail on a comparable basis between years. A great many expenditures, material in dollar amounts which used to show up in the *Public Accounts* of the province, are no longer going to be available in that book. I merely point out that there will be perhaps a gap in the information we have available to us. I think that's probably enough to say about that general comment.

Now then, on the department itself, on 128 . . .

Mr. Chairman: — 128, page 128 also?

Mr. Lutz: — Mr. Chairman, we're not finished with the '87 audit of Supply and Services, so we cannot specifically comment on the items mentioned in '86 and tell you whether or not they have been rectified.

Mr. Chairman: — Thank you. Questions?

Mr. Lyons: — Is the fact that you're not finished a result of work-load with your group, or are you having problems obtaining information?

Mr. Lutz: — Oh no, we don't have problems obtaining information. It's been a rather tough year. There was a down-sizing process that went on that disrupted everything in sight for weeks and weeks and weeks, and we're just behind.

Public Hearing: Saskatchewan Property Management Corporation

Mr. Chairman: — We're glad to have you here. Mr. Otto Cutts, president, Saskatchewan Property Management Corporation; Ron Dedman, senior vice-president, procurement and Buy Saskatchewan; Shirley Raab, vice-president, finance and administration; and Leslie Handford, director, financial planning and financial administration.

Welcome to the committee. We have called the Department of Supply and Services during the year and also the new corporation has now taken over that role. I want to remind the officials that in the committee of Public Accounts you enjoy the immunity of a legislator in that anything you provide as information and evidence in here cannot be held against you by anyone in a court of law or anywhere else, so that is an immunity which you have, and I want you to be aware of that.

You're required to provide answers to the committee. This is a final step in the public's determination to look into the expenditures of the public funds, and so it's an important function, and that's why it's important that we have you here today. And I will stop here.

I will ask committee members to address, first of all, the sections dealing on pages 11 and 12 of the Provincial Auditor's report, 1986, and then once we've disposed of that we'll go on to page 129 or 28 where the next item is. Who wants to begin?

Mr. Van Mulligen: — Mr. Chairman, I would very much like to get into the questions that the auditor raises, pages 11 and 12 of the auditor's report, which notes his concerns regarding the formation of the Saskatchewan Property Management Corporation and concerns about accountability, but the fact that Crown corporations have not disclosed payee information in the past, that payee information regarding the whole provision of services and supplies will not now be disclosed by the property management corporation, but I wonder on a ruling on that and whether we're getting off the year under review.

Mr. Chairman: — No, I think it's quite appropriate to deal with comments of the Provincial Auditor, and that's what we're dealing with, as long as you address your remarks and questions to the comments that the auditor has made.

Mr. Van Mulligen: — Do you have a copy of the auditor's report with you?

A Member: — Yes, we have.

Mr. Van Mulligen: — Pages 11 and 12 in particular. The auditor indicates a concern that with the establishment of the property management corporation takes the place of Supply and Services department, that payee information which had been — and as we go through it, the years '85-86 *Public Accounts* we'll see that there is information about payees, which is provided to members of the Legislative Assembly — indicates that that type of information is not normally provided by Crown corporations, and holds or offers the opinion that this information should be provided to members of the Legislative Assembly, but is concerned that that information may not now be provided. And I wonder if I might have your comments on it. Would it be your

practice as a Crown corporation to continue to provide the kind of information that has been provided — in this case it's been provided to us for the year 1985-86 which lists all the payees and the amounts and so on.

Mr. Cutts: — Just for clarity, I think that the most important thing — and I don't know if this is where the problem may lie — if you're referring to items that our purchasing department purchase, that's where we buy about \$125 million a year, that's where a lot of the activities that the Department of Supply and Services really carry on. We're really a pass-through agency for the comptroller's branch. All the information that you normally got in the blue book, or in the report in the *Public Accounts* regarding purchasing activity, would be in detail that passed through our purchasing agency. Expenditures that relate to the services that the new property management corporation carries on in running their business would be displayed, I believe, as a normal treasury board Crown would display their information.

Mr. Chairman: — And how is that?

Mr. Cutts: — I'm not sure; we haven't seen our first report yet.

Ms. Raab: — Crown corporations typically do not disclose details of payees as the Provincial Auditor has indicated, and our statements are based on ours being SPMC (Saskatchewan Property Management Corporation) statements will be based in the traditional government policy.

Mr. Van Mulligen: — But you're saying that all the activities, that \$125 million in purchasing and so on, will in fact the information, will be provided in detail, I suppose as . . .

Mr. Cutts: — As in the past, yes.

Mr. Van Mulligen: — As an appendix to your Crown corporation report or . . .

Mr. Cutts: — It would be recorded in *Public Accounts*.

Mr. Van Mulligen: — It still would be recorded in *Public Accounts*.

Mr. Cutts: — Yes, it would.

Mr. Van Mulligen: — But how many other millions of dollars does your department spend that would then not be recorded in the exact detail that it's now being provided.

Mr. Cutts: — Our total expenditures are \$250 million.

Mr. Van Mulligen: — Two hundred and fifty, so there's \$100 million in expenditures then that would not be provided . . . the details which would not be provided.

Mr. Cutts: — No, it's another 250 million.

Mr. Van Mulligen: — Another 250 million. But we would receive, I suppose, categorical information . . .

Mr. Cutts: — Similar to other Crown corporations.

Mr. Van Mulligen: — Similar to other Crown corporations. Mr. Chairman, the only thing I can say, we know what the facts of the matter are. I would offer my own opinion as to concur with the auditor that it's regrettable that that magnitude of spending, that the details of that would not be available to members of the Legislative Assembly. Certainly it's available to the government, but it's not available to the members of the Legislative Assembly.

I think that the public and certainly we, as committee members and members of the Legislative Assembly, lose something when we are denied access to that kind of information. But I have no further comments on that subject except to state that for the record.

Mr. Cutts: — Mr. Chairman, I think the . . . my only other experience in Crown corporations is with the Saskatchewan Government Printing Company, and we do provide some pretty detailed information in our Crown corporation reports to assess our effectiveness and efficiency in terms of how we're manning the resources that have been allocated to us.

Mr. Lyons: — Thank you, Mr. Chairman. Just to make several comments in this regard. It's apparent that the fears of the Provincial Auditor are going to be realized in terms of the lack of expenditure detail as he outlines in his 1.37 of his report. I wonder what the justification . . . we've heard that tradition seems to have played a part in hiding two-thirds of the expenditures of the Saskatchewan Property Management Corporation. I wonder what decisions were made, or how that decision that you would use the tradition, as opposed to a rational and reasonable explanation of why would two-thirds of the Saskatchewan Property Management Corporation's annual expenditures not be made available to the people of this province.

Mr. Cutts: — I think, Mr. Chairman, it's not a matter that they're not being made available. Again, I don't have a lot of experience in Crown corporations, but I believe that again Crown corporations have a fairly distinct responsibility to report on the effective and efficient use of their assets. How they get displayed and the bottom line accountability is still there.

Mr. Chairman: — Who is to determine how they will be displayed? Doesn't the corporation have some role in this, and hasn't it started preparing? Surely you're going to have to have some reporting on the past year's work.

Ms. Raab: — Yes, we've prepared the first year of the property management corporation financial statement using corporate accounting policies or private sector accounting practices, and have prepared a complete financial statement typical of other Crown corps, and have an annual report which will be tabled as soon as the next session of the legislature opens.

Mr. Lyons: — Within then that financial statement that's been prepared, will those items that are outlined in 1.37, will they be available for the public to peruse? Will salaries, services, and gratuities of \$20,000 or more;

travel, sustenance, and vehicle expenses of \$2,000 or more; other expenses of \$10,000 or more; and all grants, will those be outlined in detail as by payee?

Ms. Raab: — No, they will not.

Mr. Lyons: — So that information will not be available for public perusal, which was the original question.

Mr. Cutts: — True.

Mr. Lyons: — I see Mr. Cutts saying, yes, that won't be available, so that the fears of the Provincial Auditor are in fact fears which are well founded. What I would like to know is, what was the policy rationale for hiding that information which I understand is two-thirds of the property management corporation's expenditures? What is the policy rationale for hiding those, other than the reference to tradition?

Mr. Cutts: — My understanding of it, it was a cabinet decision that suggested that there would be a property management corporation, not a civil servant decision that there be a property management corporation.

But in any event, over the years the Auditor General in Ottawa has suggested that public work activities should be represented more and accounted more under the generally accepted accounting practices like private businesses do their business. We're the third property management corporation in Canada, with B.C. and Quebec being first. We're not really breaking new ground in terms of the corporations in Canada. We're breaking new ground in Saskatchewan in that regard.

I can't answer your question directly because it wasn't my decision, obviously.

Mr. Lyons: — Okay. I understand it was a cabinet decision to set up the Saskatchewan Property Management Corporation. Let me put it this way. Was the decision to follow Crown corporations' accounting practices made and derived within the property management corporation, or was that another cabinet decision that went along with the same decision to set up the property management corporation?

Mr. Cutts: — I guess it's tabling of documents that Crowns traditionally table are tabled in that manner.

Mr. Lyons: — Well there's methods of outlining to the people of this province that were outlined in Supply and Services. There was an accounting method there. Why was the decision made to change from supplying the information to the people of the province to hiding the information? Why was that decision made, and was that decision made at the corporation level or was that a political directive?

Mr. Chairman: — Let me sort of try to help here, When you ask why was the decision made, if it's made by cabinet you're sort of on there. But if you ask who and whether it was made with the property corporation, that's a legitimate question.

Mr. Cutts: — We're following policy that Crown

corporations display their information in a certain format, and we're following that format.

Mr. Lyons: — Okay. I would just like to refer to 1.43 of the Provincial Auditor's report. Like the Provincial Auditor, I hold the opinion that the information from all Crown agencies would be useful information for the members of the Legislative Assembly, and I say that quite deliberately because I know that hasn't been the past practice, not prior to '82 or post '82. And I say that quite deliberately on that level.

I want to ask you whether or not you think that it would be in the best interests for Public Accounts of the province of Saskatchewan to engage the recommendation as outlined in 1.43 of the auditor's report for the year under review.

Mr. Martin: — Do you really expect Mr. Cutts to answer that question?

Mr. Chairman: — I think I do; I think we do. This is a question of the operations of the corporation, as opposed to what cabinet may do. This is not dealing with the cabinet.

Mr. Lyons: — 1.43 as well, Mr. Martin.

Mr. Martin: — I understand that. But he follows the orders of the cabinet to do things in a certain way. His is not to reason why, but to do what the policy is, so I think it's unfair to him to ask him to make a judgement. I mean, I don't think it has any bearing. What does it matter what he thinks about that? He's been asked to do a job a certain way, and that's what he's doing.

Mr. Chairman: — And he might say that. That's why I'm saying it's a legitimate question, and it deals with the administration of the corporation as opposed to policy decision.

Mr. Martin: — I understand all that. I understand why you're doing this. It's just that . . . (inaudible interjection) . . .

Mr. Chairman: — Order.

Mr. Cutts: — Mr. Chairman, I think it would be inappropriate for the newest Crown to set new standards. If one of the older Crowns were to break, you know, set a new standard of doing things, you can be sure that we would more than likely follow suit.

Mr. Chairman: — I think the best opportunity to set new standards is when you're new.

Mr. Martens: — I just want to point out, there's some leniency here under the year under review. If you're taking this for informational purposes, that's fine, but the committee is being rather lenient with the questions because it isn't relating to the year under review. I just make that observation.

Mr. Chairman: — As long as we stick to the auditor's comments, I think that's okay.

Mr. Martens: — Well we discussed that at an earlier . . .

Mr. Rolfes: — And we disagreed with you.

Mr. Martens: — I know you did. But I want to remind the member from . . . Saskatoon South that there was a vote on that issue and . . .

Mr. Chairman: — You have been asked, Mr. Cutts, about how the reporting will be, and you've explained it. Let me ask an extension of that. If a member of the legislature or an order in council asks for this kind of information just as it is reported under supply and services under the old system, would the corporation be in the position to supply the information?

Mr. Cutts: — Would we have the information available to reply?

Mr. Chairman: — Yes.

Mr. Cutts: — Yes, we'd have it available.

Mr. Chairman: — So that information is recorded in this way, and it's a matter of putting it together.

Mr. Cutts: — In a similar way, anyway.

Mr. Chairman: — Okay. You made a comment on that we are not really breaking new ground. I want to disagree with you. I think Saskatchewan has been unique in many ways, and we broke new ground in this province by making more information available to the public than any other province, historically.

So I suggest to you that this is a backward step. No fault of yours; it's not your decision. I want to put that on the record on behalf of myself, and I'm sure on behalf of my colleagues, this is a retrograde and backward step in the administration of public money. I say that because we are now taking \$250 million which once was reported on in detail, and we're now saying to the Saskatchewan public, no more reporting, you will not be able to know.

The reason I am worried about that is because the operation lends itself to corruption, lends itself to patronage, and it lends itself to patriotism . . . favouritism. And I am afraid that over time . . . and I'm not suggesting anything wrong with present company, because I don't know that, but there will be the potential for contracts, unpalatable ones with friends, political favourites, family members, you name your list. And that's why the members on this side of the committee, and I hope some members on that side of the committee, are saying this is a bad precedent. And we'll be saying that in the legislature. We're not trying to lecture you, but this is an opportunity which we have to put on record our view, so please understand that.

Mr. Cutts: — Can I answer his . . . (inaudible) . . . now?

Mr. Chairman: — I have no question.

Mr. Cutts: — Okay, just a comment on that, Mr. Chairman. I think that in reality, in Crown corporations you are going to see more information on some areas.

And what I'm referring to, approximately \$400 million, \$440 million worth of assets that were traditionally on the books at \$1, are now going to be shown on the books at a market value. Being accountable for those across government and showing how we manage that \$440 million instead of \$1 is going to give you a lot of information that you've never had before in terms of how effectively we manage compared to market.

The other comment I'd make is that in terms of what's going on out there right now in the market-place, is that departments are putting our feet to the fire — if I could use that expression — in terms of making sure they get the best prices. Because all of those folks have got some contact some place. If our prices aren't competitive, they are letting us know . . . (inaudible interjection) . . .

Mr. Chairman: — That's not under the year under review, I know what you're saying. It doesn't answer my suggestion, and I predict that this will happen, and I put that on the record, and somebody may some day write a history about it that there is \$250 million that will now no longer be reported, which is spent on a daily basis. That's a concern we have. We want to put that concern forward. We will put it in a forum, obviously, where it may make some difference. You are only following orders, as you should. I have no other questions.

Mr. Rolfes: — I'm not sure if you people were in charge of this or not — Justice department, rental of office space by the Justice department; does that come under Supply and Services?

Mr. Cutts: — Yes it does.

Mr. Rolfes: — In the year under review, '85-86, did you do any renovations to 230-20th Street in Saskatoon, and what were the costs of those renovations?

Mr. Cutts: — Is that by any chance the Phoenix building?

Mr. Rolfes: — That's correct.

Ms. Raab: — '85-6?

Mr. Rolfes: — Oh are you still on the . . .

Mr. Chairman: — No, I think we're ready to move off the other one. Mr. Rolfes is on, now, the department.

Mr. Rolfes: — I'm on the department now.

Mr. Chairman: — Okay, made the point. Yes.

Mr. Rolfes: — You're very touchy today aren't you.

Mr. Chairman: — Okay we have a question.

Mr. Rolfes: — I'd sure like to know how some of you guys benefit from some of those programs.

Mr. Chairman: — Order. Order. I think the officials are trying to answer a question here. Mr. Cutts, did you want to speak?

Mr. Cutts: — Was the question: was there any

renovations in the year '85-86?

Mr. Rolfes: — Yes.

Mr. Cutts: — No. They were completed in '84-85.

Mr. Rolfes: — Okay, my next question then was . . . didn't know which year the renovations took place. What is the rent on the property per year — on an annual basis?

Mr. Cutts: — The annualized basis for '84-85 was 519,193 and for '85-86 was 558,390 and pennies . . . and pennies in both of them.

Mr. Rolfes: — Could you tell me: who are the owners of that building?

Mr. Cutts: — Okay in 1984-85, the owner was Bec International.

Mr. Rolfes: — Beckett?

Mr. Cutts: — And '86-87.

A Member: — B-e-c.

Mr. Cutts: — B-e-c.

Mr. Rolfes: — Beckett and . . .

Mr. Cutts: — Bec International.

Mr. Rolfes: — Oh, Bec International, okay. Do you know who the principals are?

Mr. Cutts: — William and Phyllis McNeil and Douglas Amy, A-m-y.

Mr. Rolfes: — Those were the . . .

Mr. Cutts: — Those were the principals.

Mr. Rolfes: — Those were the principals.

Ms. Raab: — That building has turned over owners several times subsequent to that date.

Mr. Chairman: — Was that '84-85 or '85-86?

Mr. Rolfes: — That was '84-85 that these people were the owners, right?

Mr. Cutts: — Yes.

Mr. Rolfes: — Those were the . . . (inaudible) . . . '85-86 I believe.

Mr. Chairman: — Those same people in '85-86?

Mr. Cutts: — Yes. It had no turnover in that period of time, no turnover.

Mr. Rolfes: — I have no further questions on that.

Mr. Van Mulligen: — I would like turn back to the auditor's report, pages 128 and on. It's to deal with some

of his comments before we get into the *Public Accounts*.

The auditor expresses some concerns regarding the central vehicle agency revolving fund, in particular that the department did not have a controlled procedure in place to compare the monthly report of what was paid by the comptroller, and charged to the fund, with what officials originally authorized. Additionally, he indicated there is an absence of control procedures to ensure that only authorized transactions were charged to that fund.

And I'm wondering what steps your department then, and your corporation perhaps now, has taken to rectify those problems?

Ms. Raab: — These refer to two different instances, or two different systems, actually. The first one is the main revenue and expenditure system, and the second one in terms of security over data refers to our vehicle information system.

In the first case, a management decision had been made that we would rely on the integrity and security of the system as operated by the Provincial Comptroller. We compared all of the input in detail and did in fact ensure that everything that was put in was accurate and reconciled, and relied on the system to produce the output reports which would match the input.

Subsequent to that comment, although we were in a bit of a disagreement that it was necessary, we did institute procedures to check our monthly reports in detail one more time.

The second question refers to the people who had access. Some of our people who did maintenance of systems could access our production systems, and in fact we rearranged our security so that people would have restricted access.

Mr. Van Mulligen: — You're satisfied then that the payments from the fund are in fact payments which were originally authorized?

Ms. Raab: — Absolutely, yes.

Mr. Van Mulligen: — I would like to turn to a particular matter that he raises on page 130. It concerns the purchase of an airplane from a U.S. company, where he indicates that a contract was signed, a deposit was issued for \$25,000. Subsequently a decision was made to not proceed with the purchase of the aircraft. In the course of that the deposit of \$25,000 was retained by the U.S. company.

May I ask who provided your legal advice on that particular contract?

Mr. Cutts: — I believe that we would not have had any legal advice on that.

Mr. Van Mulligen: — No legal advice?

Mr. Cutts: — No.

Mr. Van Mulligen: — Is this standard practice for your

corporation to enter into contracts of that magnitude, involving those kinds of dollars, and not to seek some legal advice before signing contracts?

Mr. Cutts: — Yes, it is.

Mr. Van Mulligen: — It is. Would it not seem to you to be a better thing to have at least some . . . to have the benefit of some legal advice before entering into contracts of this nature?

Mr. Cutts: — In the circumstances that surrounded that particular \$25,000 deposit . . . and when we were looking at the purchase of that aircraft, the economic advantage if we had of gone through with that purchase was such a significant amount that the business risk of making the \$25,000 down payment at that time was . . . I think we were saving . . . I don't have the figure right here with me, but it was \$1.8 million we would have saved if we had have gone through with the purchase. So the economic advantage of making that risk payment was very significant at that time.

Mr. Van Mulligen: — Who made the decisions?

Mr. Cutts: — I did.

Mr. Van Mulligen: — You pursued it in the first instance and then you decided not to proceed with the purchase?

Mr. Cutts: — Well, I made the decision to make the \$25,000 payment. It was in the minister's office, and I believe cabinet, that the ambulance review committee . . . cabinet also discussed it. They originally were going to look at buying an aircraft for air ambulance, specifically for air ambulance, and then changed their opinion.

Mr. Van Mulligen: — Wouldn't it seem more sensible when you're talking about this magnitude of expenditure, you know, \$1.57 million U.S. for a used aircraft, that you have some clear-cut indication from cabinet or whatever authority that you report to, and who is in a position to make a final decision, that yes, we want to proceed, you should go out and get the best deal you can, as opposed to, as I interpret it in this case, on spec saying, well, gee, they might be interested in an airplane, or there's some indication they might be interested in an airplane, and on that basis putting taxpayers' money down, and then finding out no, we don't want to proceed?

Mr. Cutts: — It wasn't exactly on spec, Mr. Chairman. The whole process was going forward to completion, and kind of at the 11th hour the decision was made not to proceed. It wasn't a hit-and-miss type of decision.

Mr. Van Mulligen: — Is this a standard practice in the industry, that you're paying \$25,000 U.S., and it looks like here, in the course of a couple of weeks, two-and-a-half weeks, you paid them, you issued the purchase order on December 5, and issued at that time a \$25,000 cheque prior to December 31; so within a couple of weeks, you decide not to do it — is that standard industry practice, to ask you to put down \$25,000 without that airplane having moved once?

Mr. Cutts: — The airplane was already equipped for air

ambulance. It was the only one on the market. We had searched the market when the whole decision making process was going on to look for an aircraft for air ambulance. It was the only one we could find that was readily available. If we wanted to take advantage of that aircraft, and at the prices that were offered, and hold it for any period of time, there was an investment to be made. And that investment was \$25,000 to save \$1.5 million if the deal had gone through.

Mr. Van Mulligen: — What were the reasons that, in view of the fact that you were going to have such a great saving — and you must have had some indication that you were going to buy this plane — what led you to conclude you weren't going to buy the plane?

Mr. Cutts: — We were . . . The information was that we were going to buy it, from our minister in cabinet and the review committee, and then the decision was made by our minister in cabinet and the review committee to not proceed. We're not represented at those committees.

Mr. Martin: — I think to get Mr. Van Mulligen's answer, he's going to have to ask somebody in cabinet. Obviously Mr. Cutts followed through, as a good business man would, looking for the best deal possible at the time period which he had to fulfil this commitment, made the commitment, and then the cabinet changed their mind. I mean, I don't know why we persist in asking him why the decision was made. He didn't make the decision to drop it. So I mean he did what he was supposed to, as a civil servant.

The answer to your question, quite frankly, lies with somebody in cabinet, or with cabinet, and I don't know why you continue to persist in asking him.

Mr. Van Mulligen: — Maybe these matters should be raised elsewhere . . .

Mr. Martin: — He didn't make the decision. He can't tell you.

Mr. Van Mulligen: — All right. I'd follow up with one comment. You know, making decisions that a good business man would — I tell you, if I was in business, and given the vagaries and uncertainties of dealing with government, I wouldn't commit a penny without having something in writing, and . . .

Mr. Martin: — And also you wouldn't get a good deal on an airplane then either.

Mr. Van Mulligen: — Just how in God's name you can commit \$25,000 of taxpayers' dollars, you know, commit that kind of money without knowing that you're going to proceed with it, is simply unthinkable.

Mr. Cutts: — Mr. Chairman, we did have something in writing, and it was changed.

Mr. Van Mulligen: — Could that written authorization, could that be provided to this committee?

Mr. Cutts: — I don't know if you could get copies of cabinet minutes.

Mr. Chairman: — I don't think you get copies of cabinet minutes. Authorization must have come in some other form.

Mr. Van Mulligen: — Who is the minister . . . Who was the signator on the letter that authorized you to go ahead with this purchase in the first instance?

Mr. Cutts: — We . . . cabinet minutes, we generally get phone calls from our minister's office — this is what was discussed in cabinet and . . .

Mr. Van Mulligen: — And who phoned you . . . which minister phoned you to tell you to go ahead and make the arrangements to purchase this aircraft?

Mr. Cutts: — Who was the minister in that year? What year are we talking about? We're saying Schoenhals, but I'm not sure. I think it is Mr. Schoenhals.

Mr. Chairman: — There should be a record somewhere.

Mr. Van Mulligen: — There should be a record somewhere. Can I then ask who told you to cancel or to not proceed with the purchase of the aircraft?

Mr. Cutts: — It would have been another phone call from our minister's office based on the cabinet decision.

Mr. Van Mulligen: — Mr. Chairman, is it possible that a copy of the purchase order . . . Is that public information, or is that a cabinet document? Could that be made available to this committee?

Mr. Chairman: — Sorry, I missed the question.

Mr. Van Mulligen: — There was a purchase order issued for approximately 1.57 million U.S. for the purchase of this airplane. I'm wondering if a copy of that purchase order can be made available to this committee.

Mr. Cutts: — Yes.

Mr. Chairman: — Then you will provide it? I've been asked to remind officials that when you provide information that's requested you're supposed to provide 15 copies. Okay, I've done my duty. Carry on.

Mr. Van Mulligen: — I just have one further comment on this and that . . . If you're a private business man and you want to take those kinds of gambles with your own money, then all the more power to you. But if you're gambling with the taxpayers' dollars, and especially again given the vagaries of government where a decision one day becomes a non-decision the next day, that some more caution might well be . . .

Mr. Chairman: — it's been known to happen in this committee.

Mr. Cutts: — Mr. Chairman, if we had have saved \$1.5 million in the purchase, I doubt if I would have got a pat on the back, but if I waste \$25,000 we get notoriety.

Mr. Van Mulligen: — These are difficult economics, Mr.

Chairman, about how you lose \$25,000 and it's a good deal but . . . (inaudible interjection) . . .

Mr. Chairman: — Order. Please address your comments through the Chair. We do have a Chair for these purposes.

Mr. Lyons: — Mr. Cutts, you've thrown around the figure of \$1.5 million. What was the original aircraft?

Mr. Cutts: — The original aircraft was basically a carbon copy of what Manitoba are using for air ambulance.

Mr. Lyons: — Okay, so it's a Citation. Basically, it's a Citation jet aircraft equipped with stretchers and a wide cargo door. Is that correct?

Mr. Cutts: — The difference is that this aircraft was a permanently fixed installation of air ambulance. It could not have ever been used for anything but air ambulance. That's why I say basically the same. The Manitoba one can be unloaded and be used for executive aircraft. This one could not have been.

Mr. Lyons: — And can you tell me why it couldn't be.

Mr. Cutts: — Because it was fixed installation.

Mr. Lyons: — Well fixed installation, all . . . that means that in the bulkheads of the aircraft that the bulkheads were formed by the original manufacturer in such a way as to form permanent benches which would serve as stretcher-bearing couches, I believe. Is that what you're meaning by "fixed"?

Mr. Cutts: — Well I mean that we have one fixed aircraft now that we have that everything is fixed in terms of air ambulance, the present one, that everything's fixed. We have another one that you can remove the seats on and you can put stretchers in. All the first aid equipment in this aircraft was permanently installed. And I suppose — it's fixed — you could have taken it out with a week's service and maybe \$50,000 or \$100,000 of taking it out and putting it back.

Mr. Lyons: — Okay. Am I to assume that when you say \$1.5 million, you're talking about the price of that aircraft which is on the market at the time versus the cost, the purchase of a new Citation II which was permanently affixed? How do you make the determination between the 1.57 versus the 3.07 million; what's the difference in the purchase cost? Where did you save the one and a half million?

Mr. Cutts: — Well I'm not sure what . . . I'm not sure what you just said.

Mr. Lyons: — Well you said that you saved . . . that you had the opportunity to save \$1.5 million in the purchase of an aircraft, right? Now how did you arrive at the figure 1.5 million?

Mr. Cutts: — If we had of . . . If we hadn't have captured this plane that was on the market, the next plane that we would have been able to buy would have cost us \$1.5 million more.

Mr. Lyons: — Now when you say that, what do you mean the next plane on the market? Are you talking about a new Citation comparably equipped; are you talking about the next plane that came onto the market . . .

Mr. Cutts: — This was a new plane, basically a new plane. I don't know how many miles it had on it or hours or whatever.

Mr. Lyons: — Hours. I know which plane you're talking about, so I want to know where you would have made the savings.

Mr. Cutts: — Well if you can buy one for . . . I don't . . . If we'd have ordered one from Citation for \$3 million and we could have bought this one for \$1.5 million, isn't the difference a saving of \$1.5 million?

Mr. Lyons: — Yes, if you bought it new. The other alternative, and you have to consider the other alternative, considering this was a used Citation, there are used Citations of the same quality, the same air frame time, the same engine hour which are on the market, and I suggest to you . . . (inaudible) . . . that you could have purchased somewhere around \$800,000. It's my understanding that the conversion — and you could have a multiple use, actually, jet, for something less than \$600,000. Six hundred and eight hundred is 1.4 million.

I was wondering, did the department consider another option, buying a convertible jet, if you like, versus buying a new one from the Cessna corporation?

Mr. Cutts: — Well you obviously know a lot more about Citations and jet airplanes than I do, but if our Rick Sinnotte was here who could talk in detail with you, he could answer those, some of the more technical questions. I looked at the . . . he looked at the market; they checked out the prices; they checked out the availability; this was the best price, the best buy on the market. I don't know where you get your 6 or \$800,000, if those were available, Mr. Sinnotte would have brought them to me. They were not available, and more than likely never would have been available in terms of the quality for value we were looking for. And the quality and value we were looking for were at these prices that are on the table to you.

Mr. Lyons: — Well you're talking about a specific kind of airplane. I'm not going to pursue it more. I just want to point out that there were other options available at the time. That aircraft, by the way, happened to catch my attention, happened to catch my attention because I'm a pilot and because I retrade a plane and I say, this is interesting, here is an air ambulance, and we'd like to . . . we need a jet aircraft to access the North, particularly the far northern areas of the province. And it seems to me that when I looked at that plane, there were other low-time Citations, and the Citation II, I believe, if you want to check the mark, as opposed to a Citation I. There was other low-time Citations at much less cost that can be converted at a much less cost to the type of plane that Manitoba had.

However, it's obvious that when you made . . . when you, as you said, made the decision, you didn't operate or look

at that alternative. I wonder if there were alternatives presented by you to the cabinet before the decision, before you received the decision and laid down the \$25,000 deposit.

Mr. Cutts: — Were there other alternatives suggested to cabinet other than this one?

Mr. Lyons: — Yes.

Mr. Cutts: — No.

Mr. Lyons: — Okay. Thank you.

Mr. Chairman: — I will go from one flyer to another flyer.

Mr. Saxinger: — I would just like to make a comment. At no time was any year mentioned or any hours on the airplane or any hours just on the engine. That determines the price of the aircraft. Nobody has mentioned it, so I don't think we can make an opinion until we get these facts.

Mr. Chairman: — Mr. Van Mulligen, can you continue please.

Mr. Van Mulligen: — I don't have any further comments on this part of the auditor's report if anyone else does.

But I'd like to just carry on to some comments that the auditor makes with respect to the supply agency revolving fund, and it's on page 131. He has some concerns about, well, for want of a better term, might be called sloppy bookkeeping. And I wonder if you've done any follow-up on these comments, if there's been any improvements in the concerns that he raises.

Ms. Raab: — Yes, we have done some follow-up. What the auditor . . . his comments refer to the situation when we were actually beginning implementation of a new automated system to correct some of the very things that were mentioned. Valuation of the inventories — we put in a warehousing system, automated to correct a lot of the problems; improved the bookkeeping. We also centralized a lot of the staff into our main office. We had four revolving funds and some decentralization of the accounting and administrative staff. We have brought them together to provide a more effective and competent administration staff.

So yes, we have addressed all of the specific concerns. Our system . . . we had some experts in to do a post-audit of the whole system and it came out clean, and have also taken steps on a permanent basis to ensure those type of situations don't re-occur.

Mr. Van Mulligen: — He mentions outstanding . . . "of old outstanding accounts receivable." What would have been the dollar value of the accounts receivable at the end of that year?

Ms. Raab: — Which point is it? I'm sorry.

Mr. Van Mulligen: — I'm referring to paragraph 20.29 where he says that there is "inadequate follow-up of old outstanding accounts receivable." I'm just curious to

know what the accounts receivable might have been at the conclusion of that fiscal year.

Ms. Raab: — The receivables were basically for the supplies that were purchased through the supply agency, some word-processing equipment that we had throughout the government. This is for use by departments and agencies of government. Part of our automated system was a warehousing, invoicing, and accounts receivable, so we would have better information, faster, to allow us to be able to follow them up in a timely manner.

Mr. Van Mulligen: — But who was owing you money? Was it other government departments?

Ms. Raab: — Other government departments, certain Crown corporations. They're the only people, or the only agencies, that are able to purchase through the supply agency.

Mr. Van Mulligen: — You should always get it in triplicate. I don't have any further comments on the auditor's report, if anyone else does.

I'd like to turn to the *Public Accounts*, page 529, and in the first instance I'd like to ask for a breakdown of all the expenditures, that is to say, who was paid what, under administration, subvote 1, for MLA other allowances and support staff. I don't need that information here today, but if you could undertake to provide that information in writing, that would be acceptable.

Ms. Raab: — I believe we have it.

Mr. Chairman: — If you can give it to the Clerk, then she'll make sure that we all get copies.

A Member: — We could give it to you right now.

Mr. Chairman: — Yes, that's what I'm saying. If you do it verbally, it'll take a long time. You prefer to have it . . .

Mr. Van Mulligen: — Yes, I'd rather have it in writing . . . (inaudible) . . . at this point.

The next one is travelling expenses. I'd like to have a breakdown of that account of all out-of-province trips . . .

Mr. Cutts: — Which amount are you referring to here?

Mr. Van Mulligen: — Travelling expenses, some \$333,000.

Mr. Cutts: — And you don't want that now, either?

Mr. Van Mulligen: — I don't need it now, but if that could be provided in writing.

Mr. Cutts: — I just want to show you we're prepared, Mr. Chairman.

Mr. Chairman: — I know; I have no doubt. What you could do if you have the written version, pass it to the Clerk and then you won't have to send it.

Mr. Cutts: — We don't have it in a form that we could just hand it out.

Mr. Van Mulligen: — Anyway, I'd like a breakdown of all the out-of-province trips for each individual, the purpose of the trip, destination, the cost of the trip, breaking down things such as the travel, accommodation, and any other expenses. That can be provided?

Mr. Cutts: — Yes . . . (inaudible) . . .

Mr. Van Mulligen: — The next one is contractual services, other. I'd like to have a breakdown of all those in that category, who was paid for what, and also for provisions and business expenses, who was paid for what under that category.

Mr. Cutts: — Page 529.

Mr. Van Mulligen: — Okay, I'd now like to turn to page 542. Some of the questions I am going to ask you may well come under some of the things I've asked you about here, such as contractual services and so on. On page 542 there's a payment of \$26,689.99 to Building Design 2 Ltd. Can you tell me what work that was for?

Mr. Cutts: — It would be professional consulting and architectural services for several different locations.

Mr. Van Mulligen: — Do you have a written policy as to how you'll engage architectural engineering firms?

Mr. Cutts: — I'm not sure that it's a written policy, but there's a policy that we follow in terms of having them fill out a kind of a resume, for the sake of a better terminology, of all our services, and on certain types of projects we do ask for architectural type bidding from short lists that we would choose from. And those methodologies are the same methodologies that were in practice prior to 1982 that are in practice kind of now.

Mr. Van Mulligen: — They may well have been in existence prior to 1944. I don't know . . . (inaudible interjection) . . . just out of curiosity, would your policy include potential for all architectural firms or engineering firms, whatever the case might be, to participate in the work that you have. That is to say, I know . . . I'm familiar with the city of Regina, and annually we have a list of all the architectural firms when it comes to architectural work, and engineering when it comes to engineering work, providing a description of the kinds of work they've done for the city, the types of moneys that were spent on the project or the fees that went to the firms. And looking at any new projects, we tend to look a number of things. One of them certainly is demonstrated competence in a certain field of work. You're not going to get a structural engineer to bid on civic engineering projects, that type of thing.

But also we try to ensure that those firms that had not bid on any work in the past, or had not received any work in the past, were in effect short-listed or given the opportunity to bid on new projects. The theory was to spread out the work as much as possible throughout the architectural community and engineering community, and I wonder if you have any written policy to that effect?

Mr. Cutts: — No, we don't have any written policy, but we try to do that.

Mr. Van Mulligen: — I'm just wondering, would a written policy which makes it clear for all staff and which makes it clear for the architectural and engineering communities would not be more advisable, at least in those communities, make it clear what the ground rules are.

Mr. Cutts: — I don't know if the city has a written policy or not either. A written policy to explain just what you've just said is really not . . . is really very difficult to do when you have those judgement calls based on the performance of the project just completed or performance on a project that may be completed by somebody else and you're just assessing it, you're just hearing some bad news, or you're just hearing some good news; there's all those variables that are very difficult, that I'm sure you're aware of, to put into written policy that you'd have to be able to check through.

We do, more than likely similar to the city, we send out at the beginning of the year, beginning of our year, an update for all the resumés of all consulting services people and ask them to send them in. Some don't send them back, and even then we still even, you know, we sometimes put those people on short-list projects, we give them small projects. We try to include everybody, eventually, you know.

Mr. Van Mulligen: — I hear what you say, and I won't comment any further at this point.

I'd like to move to further down the page to Centre Developments Ltd., a payment of \$102,000 and some. Can you tell me what that was for?

Mr. Cutts: — Centre Developments is the rental for the Canterbury Towers in Saskatoon, for the office space that we have there.

Mr. Van Mulligen: — The next one I'd like to ask about is the Chopstick Restaurant, \$37,000.

Mr. Cutts: — It's the rental of the Yellowhead Highway building in Lloydminster. It's an office and storage space for the Department of Highways.

Mr. Van Mulligen: — What about the Crestview Apartments Ltd., \$14,000?

Mr. Cutts: — It's the rental space of Prince Albert. It's class-room space.

Mr. Van Mulligen: — The name of the company is Crestview?

Mr. Cutts: — Yes, Crestview Apartments is the name of the company.

Mr. Van Mulligen: — You're renting space in an apartment building?

Mr. Cutts: — I'm not sure it is an apartment building. I think it's just the name of the company that they operate

under.

Mr. Van Mulligen: — Can I just ask you at this point how you determine what space you will rent and what, just roughly speaking, do you tender? For example, if you determine that you need space, do you tender this out in a community, public tender, or how . . . If you know that you need space for a certain department, the department communicates with you and says that we're going to need more space, how do you set about to find that space?

Mr. Cutts: — It's a variety of methods. We do tender, we do negotiate for new space. We do tender, and we do negotiate on renewal of space. So we use both methods.

Mr. Van Mulligen: — Is it your policy, by and large, to tender things publicly when you need space, or is it invitational?

Mr. Cutts: — It's a combination of both. We don't have a policy saying, thou shalt tender all office space. We have a mix — it depends on the market; it depends on the price we're getting; it depends on whether it's renewal or new, a number of factors.

Mr. Van Mulligen: — Would you not sort of take the point of view that by and large, generally — and there may be specific cases where that's not the case — but by and large that public tender is the best way of assuring that you're going to get the best value for your money?

Mr. Cutts: — Well I think in terms of, Mr. Chairman, in terms of the amount of space, in the last five years that I've been involved with, the vast majority, for example, would be renewal of existing office space. And I guess our experience has been sitting down and negotiating with the existing tenant makes for a little more stable market than going out and tendering large amounts of space that potentially could empty other buildings on. And so we've basically followed the practice of negotiating with the vast majority of our renewal office space.

Mr. Van Mulligen: — Just in follow-up to that. Did you begin in that year, in '85-86, begin to identify the need for, say, eight floors of office space in Regina, which is, from what I understand from the press, has just been leased by the government?

Mr. Cutts: — In the year '85-86, no.

Mr. Van Mulligen: — You didn't. I appreciate what you say that, you know, people are renting space and sometimes it makes more sense to talk to the existing landlord about revitalizing that space so that you can continue to use it and so on.

I'm wondering how you know that's the best deal if you don't engage in public tendering. Say that we have such and such a need and say to the existing tenant or to the existing landlord: you have an opportunity here to come in and tell us through the public tender process whether or not you're going to be able to do it cheaper than, say, others out there in the market.

Mr. Cutts: — I think that what we do a fair amount of, Mr. Chairman, is consult with public works in Edmonton that

have a fair amount of federal office space. We try to consult with other people of similar amounts of office space to get rents, market comparable rents. We do a fair amount of market research to try to identify what comparable buildings would come in at, and that are using comparable amounts of space, and try to manage it, that thing. We do a fair amount of research.

Mr. Van Mulligen: — Would you say that in that year, '85-86, that the office space that you rented, say in Regina, would be . . . then again, I guess there's some difficulty, sir, given the number of government buildings, but any private space, would you be renting this out at . . . would there be a class that you're aiming for — class A, class B space, or I'm not sure of all the different classifications?

Mr. Cutts: — I think, you know, we have similar amounts of space in class A and B and some in C, and it's . . . I don't know if we aim at any particular thing. We have some good class B space that we renew. We have some good class A space we renew. And I don't know if we're targeting. I think we're always looking for life-cycle costing and trying to get that type of thing in terms of the efficiency of types of buildings.

Mr. Van Mulligen: — What about vacant space at the year '85-86? How many square feet of vacant space would you have had in Regina?

Mr. Cutts: — We don't have it just for Regina. We have it for the whole province.

Mr. Van Mulligen: — How much of that . . .

Mr. Cutts: — We can get that for you for just Regina if you'd like.

Mr. Van Mulligen: — Yes that . . .

Mr. Chairman: — You could give us the whole province now, verbally, and then get us the Regina.

Mr. Van Mulligen: — Get us the Regina one, too.

Mr. Cutts: — The whole province is 31,901 metres.

Mr. Van Mulligen: — So that's roughly 100,000 square feet.

Mr. Cutts: — No.

Mr. Van Mulligen: — No?

Mr. Cutts: — It's roughly 350,000 square feet.

Mr. Van Mulligen: — 360,000?

Mr. Cutts: — 360,000 square feet.

Mr. Van Mulligen: — Okay.

Mr. Chairman: — Can I ask: where was the bulk of that?

Mr. Cutts: — The bulk of it was in Souris Valley at Weyburn. That was 11, just about 12,000 square metres

— 132,000 square feet. The next big one was the old woollen mill in Moose Jaw had 4,400 square metres or 48,000 square feet. The next biggest was 1150 Rose which was the old Department of Labour labs that — just about falling down around our ears — at 2,300 square metres. Those were the ones over 2,000. I have some more under . . .

A Member: — That's okay, thank you.

Mr. Van Mulligen: — Would you say that whole figure of 356,000, is that higher than the previous year? How does that compare to, say, this year?

Mr. Cutts: — That's around 3.8 per cent of our total space. This year, or excuse me, 1984-85 it was 4.1 and I think that's a pretty credible vacancy rate to have in any market at any time.

Mr. Van Mulligen: — What would it be this year, do you know?

Mr. Cutts: — Is that a question I'm supposed to answer?

Mr. Chairman: — Well it's up to you. You are not required to answer that.

Mr. Cutts: — '86-87, quite frankly, our year is not over yet and I don't have that figure.

Mr. Van Mulligen: — All right.

Mr. Cutts: — '87-88, excuse me, '86-87 it would have been right in the ballpark for those numbers.

Mr. Van Mulligen: — Okay.

I'd just like to turn back to a particular one, Dobb's Realty Development, payment of \$1.7 million. What properties were those?

Mr. Cutts: — Humford House, London Life Building now.

Mr. Van Mulligen: — \$1.7 million. What about Drope Realty at 2.3?

Mr. Cutts: — That's the T.D. Bank Building.

Mr. Van Mulligen: — That's where the Department of Labour is in there?

Mr. Cutts: — The T.D. Bank Building has Energy; it has labour mediation board; it had some PEBA (Public Employees Benefit Agency) at that time, a number of different units; comptroller's office, part of the comptroller's office was there.

Mr. Van Mulligen: — Are all those agencies still there?

Mr. Cutts: — No.

Mr. Van Mulligen: — Do you still have the space?

Mr. Cutts: — Not all of it.

Mr. Van Mulligen: — What about Eckl Development Ltd. ?

Mr. Cutts: — That's how much?

Mr. Van Mulligen: — There's \$253,000.

Mr. Cutts: — That's the provincial office building in Rosetown.

Mr. Van Mulligen: — Provincial office building?

Mr. Cutts: — Rosetown.

Mr. Van Mulligen: — So we don't own it; someone else owns it?

Mr. Cutts: — I believe it's a lease to purchase.

Mr. Van Mulligen: — When was that building constructed?

Mr. Cutts: — More than likely in '84-85 or '85-86, I'm not sure. But it was within that period of time anyway.

Mr. Van Mulligen: — I wonder, on that one, if you could provide us with the particulars as to who are the major shareholders and officers of Eckl Developments Ltd. & Morgan Developments Ltd.

Mr. Cutts: — I don't know if we have that here right now. The owner is Wilf Eckl of Eckl Developments, and Dennis Morgan of Morgan Developments.

Mr. Van Mulligen: — That particular building, can I just ask, was that a project that was publicly tendered?

Mr. Cutts: — Yes, it was.

Mr. Van Mulligen: — It was publicly tendered?

Mr. Cutts: — Yes, it was.

Mr. Van Mulligen: — The low bid?

Mr. Cutts: — The low bid won.

Mr. Van Mulligen: — How many times was that tendered; just once?

Mr. Cutts: — Pardon?

Mr. Van Mulligen: — How many times was that tendered; just one time?

Mr. Cutts: — Just once.

Mr. Van Mulligen: — What about Financial Trustco Properties Ltd.?

Mr. Cutts: — Financial Trustco? It's Worobetz Place in Saskatoon, an office rent.

Mr. Van Mulligen: — And Gemini Industries?

Mr. Cutts: — That's the Gemini warehouse on

Henderson.

Mr. Van Mulligen: — What is that?

Mr. Cutts: — That's basically a Supply and Service, we do . . . our office service agency operates out of there. We keep . . . our furniture movement goes through there. We have our dead storage filing through there. Parks have a distribution centre in there. We have offices for the people who manage the computer leasing and the photocopy fleet. The Lieutenant Governor's landau is stored in there. It's that type of stuff.

Mr. Van Mulligen: — How long has that been there?

Mr. Cutts: — It's been there . . . We renewed the lease in the last year, and I believe it was a 10-year lease before then.

Mr. Van Mulligen: — H.A. Roberts Group Ltd., \$2.8 million.

Mr. Cutts: — That's the South Broad Plaza. It's the WIAAS (Wascana Institute of Applied Arts and Sciences) Winnipeg north campus. It's the WIAAS campus on 335 Maxwell Crescent.

Mr. Van Mulligen: — I wonder if you could provide us information as to who are the major shareholders and/or officers of the H.A. Roberts Group Ltd.

Mr. Cutts: — Yes. The principals are Kevin Boyle, Eli Fluter, Joseph Bronstein, and Casey Van Danee.

Mr. Van Mulligen: — Eli Fluter rings a bell somewhere . . .

Mr. Cutts: — Pardon?

Mr. Van Mulligen: — I just said that Eli Fluter, that name rings a bell somewhere, although I'm not sure where.

Mr. Cutts: — Do any of the other ones?

Mr. Van Mulligen: — How about Hewison Enterprises Ltd.?

Mr. Cutts: — Pardon?

Mr. Van Mulligen: — Hewison Enterprises Ltd.

Mr. Cutts: — That's water delivery and janitor services.

Mr. Van Mulligen: — Water delivery?

Mr. Cutts: — Water delivery and janitorial services. It's in La Ronge.

Mr. Van Mulligen: — \$107,000?

Mr. Cutts: — Not a lot of water; more janitorial services.

Mr. Van Mulligen: — And that's for the big provincial government building up there?

Mr. Cutts: — Yes, it's for all our provincial government's base in La Ronge, including upper Atco and whatever

else we have there.

Mr. Van Mulligen: — Who are the principals of that company?

Mr. Cutts: — I believe it's Mr. and Mrs. Hewison.

Mr. Van Mulligen: — Mr. and Mrs. Hewison . . .

Mr. Cutts: — I forget his first name.

Mr. Van Mulligen: — And Hickson Holdings Ltd?

Mr. Cutts: — That's the office rent of the Arlington complex, 2310 Arlington Avenue, Saskatoon.

Mr. Van Mulligen: — Hyde Park Developments Ltd.?

Mr. Cutts: — That's the equipment storage buildings at Norquay, Rocanville, Fairlight, and Francis.

Mr. Van Mulligen: — And here I thought it would be Paul Rousseau's place in London, Mr. Chairman, but . . .

Mr. Cutts: — Not that cheap.

Mr. Van Mulligen: — How about L & C Management Ltd.?

Mr. Cutts: — That's the Chateau Towers office space.

Mr. Van Mulligen: — Which towers is that?

Mr. Cutts: — Chateau Towers.

Mr. Van Mulligen: — Where is that?

Mr. Cutts: — That's across from the Regina Inn, where Pioneer Life used to be.

Mr. Van Mulligen: — Who are the principals of that company?

Mr. Cutts: — We'll get that for you in a minute. We don't seem to have that one, but we'll keep looking, if you'd like to go on.

Mr. Van Mulligen: — And I have another one here, Les Jardins Ste. Foy Ltd.

Mr. Cutts: — That's the 31,000?

Mr. Van Mulligen: — Yes. Who were the principals of that, and what's the . . .

Mr. Cutts: — That's the amortization of furniture that we had in the Avord Towers.

Mr. Van Mulligen: — How's that again?

Mr. Cutts: — it was some furniture rent we were leasing in the Avord Towers.

Mr. Van Mulligen: — You rented furniture from these people?

Mr. Cutts: — Yes.

Mr. Van Mulligen: — Times must have changed. I always thought the government bought their own furniture, but I guess . . .

Mr. Cutts: — Well it must have been for some short-term project.

Mr. Van Mulligen: — I wonder if you could provide the particulars on this as to what were reasons that furniture was rented in this instance, for what purpose, and also who are the principals of Les Jardins Ste. Foy.

Mr. Cutts: — Yes, we will.

Mr. Van Mulligen: — I'm curious, Manitoba Telephone System, \$36,000. Why . . .

Mr. Cutts: — I think it's for the Creighton long distance charges. At Creighton we're on the Manitoba district.

Mr. Van Mulligen: — Okay. Marathon Investments Ltd., \$2.2 million. I won't ask you about the shareholders on that one. I'm just curious as to the reason for the expenditure.

Mr. Cutts: — That's the rental of the Gordon Building and the rental of the Bank of Montreal Building.

Mr. Van Mulligen: — Which is the Gordon Building?

Mr. Cutts: — Quite frankly, I'm not sure where that is. I know it's in there though; it's the hearing aid service that's in there. I'm not sure of the address.

Mr. Van Mulligen: — McClocklin Real Estate Corporation.

Mr. Cutts: — 375,000?

Mr. Van Mulligen: — Yes.

Mr. Cutts: — That's some more space in the Worobetz Place. Why we have two different names in the Worobetz Place is that the realtor manages the building for Worobetz, and whoever cuts the lease handles the payments.

Mr. Van Mulligen: — Nipawin Squash Courts, \$10,800.

Mr. Cutts: — Which one?

Mr. Van Mulligen: — Nipawin Squash Courts.

Mr. Cutts: — It's the rentals from office space in Nipawin.

Mr. Van Mulligen: — At the squash courts, or what's the score on this now?

Mr. Cutts: — They own the building.

Mr. Van Mulligen: — A building distinct from the squash courts itself, or is this . . .

Mr. Cutts: — I've never been to Nipawin to check that

out; I'm not sure.

Mr. Martin: — I think the squash courts didn't make it.

Mr. Van Mulligen: — Didn't make it? Oh, I see. Okay. They only make it in Hong Kong. Norwall Holdings Ltd.?

Mr. Cutts: — Norwall, 121,000?

Mr. Van Mulligen: — Yes.

Mr. Cutts: — It's the Marquis Centre in Prince Albert.

Mr. Van Mulligen: — Okay, And Olfland . . . Olfland Land Co. Ltd.

Mr. Cutts: — 347,000?

Mr. Van Mulligen: — Yes.

Mr. Cutts: — It's the Centre Development Building in Regina.

Mr. Van Mulligen: — Centre Development?

Mr. Cutts: — Yes.

Mr. Van Mulligen: — Which one is that now? Which is Centre Development?

Mr. Cutts: — I just don't remember offhand where that is.

Mr. Chairman: — While we're waiting for that, do you have the information on the L & C Management Ltd.?

Mr. Cutts: — No, we don't have that here, so we'll . . .

Mr. Chairman: — You'll just undertake to send it?

Mr. Cutts: — . . . we'll provide that.

Mr. Chairman: — Fifteen copies.

Mr. Cutts: — Yes. We just . . . we can't recall where that address is.

Mr. Chairman: — You will undertake then to get it for us? Okay.

Mr. Van Mulligen: — But this Olfland Land Co. Ltd., you say Centre Developments, but . . .

Mr. Cutts: — Centre Developments is the name of the building.

Mr. Van Mulligen: — Name of the building.

Mr. Cutts: — And I will get . . . we'll get you the address.

Mr. Van Mulligen: — Okay. If you could provide the names to the principals of the company.

Parkland Data Services Ltd.?

Mr. Cutts: — Parkland Data Services — 125,000?

Mr. Van Mulligen: — Yes.

Mr. Cutts: — It's the rental of the Parkland Data Building in Yorkton.

Mr. Van Mulligen: — And can you provide me with information on the principals of that company, any shareholders, officers?

Mr. Chairman: — Do you want to repeat that, Mr. Van Mulligen?

Mr. Van Mulligen: — Just the major shareholders, officers of that company — Parkland Data Services.

Mr. Cutts: — Yes.

Mr. Van Mulligen: — And the same for Parkway Office Holding Incorporation.

Mr. Cutts: — Parkway Office Holding is Parkway Office Building in Regina, and that's, I believe, that's the building behind the bubble on . . . where the archivist is.

Mr. Van Mulligen: — Right, yes, okay, Now I got it. If you could provide me with the details of the major shareholders and officers of that corporation.

Mr. Cutts: — I might have that.

Mr. Van Mulligen: — Qu'Appelle Developments Ltd?

Mr. Cutts: — Qu'Appelle Developments — that's Qu'Appelle Building, 2240 Albert. That's where the Department of Social Services . . . they've been there for quite some time.

Mr. Van Mulligen: — For each of these . . . there is no reason to give them now, but for each of these that I raise, I wonder if you could provide information on the major shareholders and officers of the company as you know it, and who the space is leased out to.

Mr. Cutts: — We've . . . who the space is leased out to, we've provided that in the whole information on data we provided in the estimates last year. We have all that information.

Mr. Van Mulligen: — Okay. No, just if you can give me the . . .

Mr. Cutts: — We'll get you the names where we have it, yes.

Mr. Van Mulligen: — R.H. Holdings Limited?

Mr. Cutts: — 417,000. Is 3130-8th Street East in Saskatoon, for office space.

Mr. Van Mulligen: — And again the principals? Also Ratner Holdings, Ratner Realty Ltd.

Mr. Cutts: — Ratner Holdings is 1942 Hamilton. Ratner Realty is the Canadian building on Albert where land titles are.

Mr. Van Mulligen: — Regina Cartage & Storage Co. Ltd, — \$209,000, Do you know what that was for?

Mr. Cutts: — It's rental of office space . . . warehouse space, I'm sorry. That's the Rolloflex building on 8th. we've had that for . . . I think we just renewed it again. In 1985 there was a 10-year lease, and we renewed it again or three years or something.

Mr. Van Mulligen: — Remail Realty Corporation?

Mr. Cutts: — 254,000?

Mr. Van Mulligen: — Yes.

Mr. Cutts: — That's the office space in Creighton.

Mr. Van Mulligen: — City of Saskatoon — \$911,000. Are you renting space from the city?

Mr. Cutts: — It's light, water, and other utilities and grants in lieu of taxes.

Mr. Van Mulligen: — Oh I see, okay. How much of that would have been grants in lieu of taxes?

Mr. Cutts: — I don't have that right here, but like we would pay grants in lieu of taxes for the space in the Sturdy Stone for SMDC and for all the realty that we have on the main floor. So there would be a fair chunk of that would be taxable. But if you want the details we can get them.

Mr. Van Mulligen: — I wonder if you could provide me for that year '85-86 with all the grants in lieu of taxes paid to the city of Saskatoon and grants in lieu of taxes paid to the city of Regina.

Smithcore Development Ltd.?

Mr. Cutts: — It's the Regina Court House.

Mr. Van Mulligen: — Okay. And can you provide us with the information on the . . .

Mr. Cutts: — Principals?

Mr. Van Mulligen: — Yes, the principals in that company.

Mr. Cutts: — We have that one.

Mr. Van Mulligen: — Okay. W.B.I. Holdings Ltd.

Mr. Cutts: — That's the building plaza in Saskatoon. We had some of the STI class-room space down there. That's been around for quite a while. Moose Jaw . . . I'm sorry, I said Saskatoon and it's Moose Jaw.

Mr. Van Mulligen: — Okay. And Warneke-Theobald, Erwin?

Mr. Cutts: — That's the Derrick Plaza in Estevan.

Mr. Van Mulligen: — What plaza?

Mr. Cutts: — It's our POB (provincial office building)

building; it's called the Derrick Plaza. It's been around for . . . I think we just renewed the lease again in there for another three years, just recently.

Mr. Van Mulligen: — Western Ltd.?

Mr. Cutts: — Western Ltd., that's 114,000, is the Western building; it's called the Western building. It's just off Albert behind the Seven Oaks; have the Department of Highways in there.

Mr. Van Mulligen: — And Weyburn Square Developments Ltd.?

Mr. Cutts: — If I could come back for a minute on the provincial court facility, Smithcore, the principals are Mark Silver and G. Drummond.

Mr. Van Mulligen: — Weyburn Square Developments Ltd., 494,000?

Mr. Cutts: — 494,000. That's the Auburn Pepper building.

Mr. Van Mulligen: — Okay. Can you provide us, again, details on the principals.

Mr. Cutts: — We don't have that one here.

Mr. Van Mulligen: — You can provide that?

Mr. Cutts: — You bet.

Mr. Van Mulligen: — Okay. Wood Cogger Ltd.?

Mr. Cutts: — That's for building materials, supplies, improvements to buildings, miscellaneous contracts, doors, door parts.

Mr. Van Mulligen: — Whereabouts, where is that?

Mr. Cutts: — They're out of Regina and would have provided service to a number of projects in Regina and Regina area.

Mr. Van Mulligen: — Okay. Yorkton Broadcasting Co. Ltd.?

Mr. Cutts: — That's the broadcast place in Yorkton.

Mr. Van Mulligen: — Okay, and the principals of that one too, again, if you can provide that.

Finally, the two numbered companies. If you can provide the information on the address that we're renting from and . . .

Mr. Cutts: — Yes, okay. It's office space in both cases. One's the Rolar building, I don't have the address, and the other's the Pollock building. So we'll find that out for you.

Mr. Van Mulligen: — And the principals of those, too.

Those are the questions that I have, Mr. Chairman, at this time. If anybody else has any? If not . . .

Mr. Lyons: — Just a couple on the same area under the ordinary expenditures. The 5.6 million for Sask Power; what was . . .

Mr. Cutts: — That would have been electrical and gas.

Mr. Lyons: — Okay, for all the properties under which you contracted?

Mr. Cutts: — Not for all properties under which we pay the heat, light — the power and gas were directed. Some people pay them on our behalf.

Mr. Lyons: — Yes. What percentage of most of the properties that you pay rent would you pay the heat, light, power, and gas?

Mr. Cutts: — If we rent them, it's very unusual that we would pay the heat, light, power. We only pay on our used facilities generally.

Mr. Lyons: — No, but what I was saying, what percentage of the facilities that you rent would you pay?

Mr. Cutts: — Under 1 per cent.

Mr. Lyons: — Under 1 per cent?

Mr. Cutts: — Yes. I don't know of any, really, that we rent where we pay power for it.

Mr. Lyons: — Okay, then why would there be a 5.6 million bill? I'm missing something here.

Mr. Cutts: — Well we got the North Battleford property, the Weyburn property, the Palliser Hospital in Swift Current. We've got all the institutes, all the jails.

Mr. Lyons: — You say all the institutes. I know you rented the WIAAS Institutes from one of the private developers, I guess, Roberts Group.

Mr. Cutts: — The Winnipeg North.

Mr. Lyons: — Yes, Winnipeg North. Would you pay the power for that?

Mr. Cutts: — No, we wouldn't.

Mr. Lyons: — Okay. The other one was Silverado developments. I guess it was on page 544.

Mr. Cutts: — Silverado is . . .

Mr. Lyons: — The holdings.

Mr. Cutts: — Well that's the demolition of hangar 20; I believe that was in La Ronge. We had that big hangar up there for years, and it was condemned and we had to dispose of it.

Mr. Lyons: — Okay.

Mr. Cutts: — I think it was P.A., excuse me.

Mr. Lyons: — That was the old big hangar by Athabasca

in Prince Albert?

Mr. Cutts: — Yes, that's right.

Mr. Lyons: — Okay.

Mr. Chairman: — Any other members of the committee?

Mr. Van Mulligen: — A question about a particular piece of property in the city of Regina, and it's the one-half of a city block that the department has, or would have had in '85-86, on Smith Street, the 20 block Smith Street. Can I ask you whether or not, in '85-86, you'd done any planning or had any plans for that property or had looked at it.

Mr. Cutts: — I know from time to time I've had discussions, and some of my staff have had discussions with Justice regarding . . . why we purchased that originally was for a new court-house and we just . . . preliminary discussions is all we had, and whether it was '84-85 or '85-86, I know we've had some discussion but just very preliminary.

Mr. Van Mulligen: — I have a census. I looked at that property which was, a great portion of which was, used for city of Regina parking prior to the province purchasing, and I . . . more or less were forced to purchase at that time because it was required for a court-house expansion. The city added to its parkade.

Over the years we've seen the lot sort of slowly fill up where it's now just solid parking. And I have these concerns about, you know, given everything else, why the Government of Saskatchewan would want to own a half a block of prime real estate in downtown Regina just for parking.

Mr. Cutts: — Well I still think there's plans for longer term for court facilities as were the original plans in that area. I know we've vacated some other parking spots in downtown and around downtown and we do need the parking there. As you're aware there's not much parking . . . not enough parking downtown and the present by-laws won't allow us to acquire any more for more parking, which makes it very difficult for downtown growth.

Mr. Van Mulligen: — My sense is you could add another three blocks and they would all fill up with parking, and keep going on that, but . . .

Mr. Cutts: — It would be healthy for downtown if we could do that, but . . .

Mr. Van Mulligen: — Do you have a policy in terms of encouraging government employees to utilize public transit to get to and from work?

Mr. Cutts: — I think our biggest policy is that we only provide two out of . . . two stalls for five people, in terms of parking. The rest are . . . you have to find your own, so that's kind of a forced . . .

Mr. Van Mulligen: — Do you enter into discussions, say in . . . I think legitimately from your point of view, if you don't have to provide the parking, that it's to your benefit.

I would think.

Mr. Cutts: — Well now we charge the department, so they're a little more responsible in terms of the property management corporation.

Mr. Van Mulligen: — Yes, but if there's less of a demand for parking, and obviously that's good for an employer, I'm wondering in that context whether you hold discussions . . . (inaudible) . . . in terms of '85-86, with the city of Regina transit system or the Saskatoon transit system to see what kinds of things might be done jointly to encourage government employees to take transit. Do you get into discussions of, is there some encouragement we can give; we've got a large number of employees that are moving from one part of the downtown to, say, another part. They might be very receptive to approaches from transit at that point. Do you give them that kind of advice? Do you talk about staggered hours, any of those kinds of things?

Mr. Cutts: — The only thing we really talk about is when we get into the planning and we talk about bringing another 50 people or 150 people over to a certain street, and then the city people look at their traffic flows and whether that's going to impact on their demand. But we really don't get in and negotiate and have discussions with transportation in terms of movement of people and encouraging city transport to put extra service on.

Mr. Van Mulligen: — It's not my place to tell you what to do, but I would commend to you, at least in the case of Regina and Saskatoon, that you begin to hold discussions with the transit systems to see if there might be some mutually beneficial undertakings here.

Mr. Cutts: — We will take your advice and review that.

Mr. Van Mulligen: — May I just have one other question, and that's on vehicle purchasing, '85-86. Briefly stated, what would have been your policy on purchasing your government vehicles? Where are they purchased? Is it public tender?

Mr. Cutts: — Public tender. Well, excuse me, we tender to the big three. In that case, I guess there was the big four in 1984-85. We did not tender to any of the offshore suppliers.

Mr. Chairman: — Any other members of the committee have any questions? I see none.

I want to, on behalf of the committee, thank the officials. Mr. Cutts, I think it's fair to say that you came well prepared, and we appreciate that. We've not always been able to get the answers so readily because it takes some time, I know, on the part of staff to anticipate what the questions are, and that takes some work. So we want you to know that we appreciate that very much. Thank you for coming.

A Member: — What's on tomorrow?

Mr. Chairman: — What's standing? Sedco, Westank . . . Westank under Sedco; Department of Social Services at 10:30 . . . (inaudible interjection) . . . I'll tell our leader

you said that. Thank you.

Committee members, we have completed today's order of business more than on time, and tomorrow we will start at 9:30 in consideration of the auditor's report on Westank which involves Sedco, I guess. Social Services department, 10:30, and at 2, Department of Economic Development and Trade. And then, having done that, we will have completed the work of this committee. The first time in two years.

We are adjourned.

The committee adjourned at 4:15 p.m.