

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**March 21, 1989**

**Public Hearing: Department of Finance (continued)**

**Mr. Chairman:** — We'll call the meeting to order. Just before we recommence with the questioning of the Department of Finance, I'm not sure whether a motion is in order or whether an agreement would suffice; that is, with respect to meetings on the coming Thursday and the next Tuesday.

As you know, on Thursday the legislature will be sitting at 10 o'clock in the morning. Therefore, should we meet it would have to be for a very short period of time. Alternatively it's been suggested that we do not convene the committee meeting for Thursday morning. For Thursday, first of all.

**Mr. Muller:** — Friday sitting hours on Thursday.

**Mr. Chairman:** — Yes. Any thoughts on that?

**Mr. Neudorf:** — Well, Mr. Chairman, if we're going to start the House at 10 and we have a caucus meeting probably around 9 already, so it's only going to give us a brief hour. And I'm sure it's a hassle for these departments to get all their troops together for that short period of time. It would seem to me it would probably be better off to delay it till the following Tuesday.

**Mr. Muller:** — And if the House doesn't sit on Monday, I don't know if there's . . . Like you said, Harry, there's some discussion on that, and if we don't sit on Monday, I don't think we can sit Tuesday because I know it's very difficult for Mike and myself to get down here. We're the furthest away, I guess. It's difficult for all of us, except for the guys who live right in Regina.

**Mr. Chairman:** — With respect to Thursday, is it agreed then that we do not sit this coming Thursday morning? Agreed.

Now with respect to the following Tuesday, should we leave it at that if the House leaders agree that the House will not sit on Monday, on Easter Monday, that this committee will not sit on the Tuesday morning? Is that agreed? Agreed.

**Mr. Martin:** — I don't agree with it, but I'll go along with it.

**Mr. Chairman:** — Conversely, if the House leaders do not agree and the House will sit on Monday, then we will reconvene on the Tuesday.

**A Member:** — Fair enough.

**Mr. Chairman:** — Okay, we're back to the Department of Finance, continuing on with the questioning of that department and its officials. Good morning, and who has the floor?

**Mr. Lyons:** — Thank you, Mr. Chairman. As we went through the questioning last time, we got to the point where the department had provided us with the information that they were able to have the actual deficit and the actual . . . the expenditures and the actual

revenues, and producing the actual surplus or deficit on a month-by-month basis.

My question today to Mr. Wakabayashi is, and I want this a very clear question: would Mr. Wakabayashi provide the committee with the month-by-month compilations done by the department, those compilations to which he referred to in the last sitting? I want to make it clear I'm not asking for any information or any correspondence that he provided the minister in the sense that it would be confidential, but I would like the actual compilations of the month-to-month statements that he had referred to in the year under review.

**Mr. Hopfner:** — Point of order.

**Mr. Chairman:** — Mr. Hopfner on a point of order.

**Mr. Hopfner:** — Mr. Chairman, we're getting right back into where we left off last week. And you were going to make a ruling today and evidently you aren't making the ruling, so I'm going to start it again like with the point of . . . This committee's now in some sort of a direction of wanting to all of a sudden become accountants and auditors and start off on a different mandate, and I don't agree with this. I absolutely think that you've got to get some order into this committee.

The other day we get into the point of allowing questions to be asked in kind of a non-political nature, and the individuals from the department, especially Mr. Wakabayashi, had answered to the best of his ability those questions to this committee. And before I know it, members of the opposition are in the newspaper with political statements, and there has been no rationale to those kinds of charges.

They basically . . . when they claim that they are not using this committee as a political committee, I find it hard for them proving to me that that's just the way they're not operating. I think really when it comes down to it is . . . I believe strongly that the members opposite on the opposition side of the House are not using this committee in the proper fashion. It's to a point where it's just unreasonable the way they're trying to manipulate the system continuously in here, and I think we're going to have to get back into a relatively non-partisan political nature of this committee or I'm going to keep calling the point of orders.

Now we can discuss and go over and over and over why I'm calling the point of orders, and I think you've got to start ruling on what you're saying you're going to rule on. I believe you did take that question, if I'm not mistaken, on Thursday, that you'd come back with a ruling.

**Mr. Chairman:** — No, Mr. Hopfner, you're wrong. I'm not quite clear what your point of order is this morning, but . . .

**Mr. Hopfner:** — Well, they're starting to want to get in this committee into a whole accounting field and the whole thing now, you know, and there's . . . with this line of questioning, and there's no way we're going to start getting into that kind of stuff.

**Mr. Chairman:** — I wonder if you'd care to be more specific with the whole accounting field. Is this not why we're here?

**Mr. Hopfner:** — Is that why we're here?

**Mr. Chairman:** — I think in part, isn't it?

**Mr. Hopfner:** — Well it's to go over the auditor's report of the various departments. Now if there are specific concerns the auditor has and there are concerns that have arisen in various departments, then I take it that we're working with the auditor on behalf of the legislature. And you know, we're trying to get these sorts of questions cleared up, but we're getting into some devious types of question and expecting the Department of Finance officials to answer things that have nothing to do with them whatsoever.

It's strictly politics that are the questions that are being asked, and I know I'll step in if this is the way you want to run it. I'll step in until we get into a motion once again, coming ahead of this committee, that is going to force this committee to adjourn until there's rules struck down directly from the . . .

**A Member:** — Are you correcting us, Michael?

**Mr. Hopfner:** — Take it as you wish. Take it as you wish, but this is supposed to be a non-partisan, non-political party . . . We're all supposed to be private members working on the auspices of the Auditor General's report and the questions arise from there. And if it's going to be for any other reason, then I think we start questioning the legislature to give us the mandate as to go any further, point blank.

**Mr. Chairman:** — I'm not sure whether there is any point of order and whether we just can't continue on unless, Mr. Lyons, you have a point of order.

**Mr. Lyons:** — I'm referring, Mr. Chairman, to page 34 of *Hansard*, on the left-hand column of page 34. There's a question and a conversation between Mr. Wakabayashi and myself, and I'll start here. It says:

(Mr. Lyons:) — Okay, so the comptroller . . . knows exactly how much money is coming in, or how much money came (out) . . .

(Mr. Wakabayashi:) — Yes.

(Mr. Lyons:) — . . . and how much money went out.

(Mr. Wakabayashi:) — Yes.

(Mr. Lyons:) — So that the actual financial position of the province is known on a monthly basis.

(Mr. Wakabayashi:) — Yes.

(Mr. Lyons:) — So that based on those actual monthly figures, the Government of Saskatchewan in the year under review would

have known month to month the amount of the provincial deficit.

(Mr. Wakabayashi:) — Yes.

My question is based on this continuation of that line of questioning. What I'd like Mr. Wakabayashi to do is now to produce the documents that show, between April 1, 1986 and March 31, 1986, the income and the expenditures and what he called the month-to-month actual financial position of the province.

**Mr. Hopfner:** — I disagree.

**Mr. Wakabayashi:** — Mr. Chairman, in response to that particular question, I thought that the comptroller made it clear in the same meeting that as a matter of government policy we have never disclosed to the public any interim financial statements, as was referred to by Mr. Lyons.

The first, I guess, in checking back, the first public disclosure — I don't know what it was, in '86-87, but first public disclosure would be sort of the preliminary revenues and expenditures and the financial position that usually comes out in the Government's white paper. What I can't answer is when that was in '86-87.

But anyway, my point is that I don't think I can respond to this question because I would understand it to be government policy not to provide, for various reasons, any interim disclosure of the financial position of the government until beyond the current fiscal year in question. The first disclosure is usually in the presentation of a white paper where we give the preliminary figures on actual revenues and expenditures and the financial position for the government as a whole; then of course members get the full details in the year under question through the *Public Accounts*.

**Mr. Lyons:** — Mr. Wakabayashi, given that the year under review, the final tally has been done, I don't think that it would be a breach of government policy to release these documents in the sense that these are not interim documents, these are documents that were compiled two years ago, and had, in fact, formed a series of document leading up to the final accounting of the province. And in that sense I think that the question of releasing information of a pertinent and a timely nature, that whole area, is superseded by the fact that we're looking at something that took place two years ago. And again I would ask you to produce the documents.

**Mr. Hopfner:** — Mr. Chairman, before Mr. Wakabayashi answers, or if he even chooses to answer, I'd like to talk regarding that point of order and the line of questioning — I called a point of order on the line of questioning.

**Mr. Rolfes:** — There was no point of order.

**Mr. Hopfner:** — He didn't.

**A Member:** — Yes he did.

**Mr. Hopfner:** — No he didn't.

**Mr. Chairman:** — Do you have a point of order, Mr.

Hopfner? Could you succinctly state the point of order.

**Mr. Hopfner:** — The point of order here is, and I'll keep raising it, is basically that if he's asking for that kind of information in particular periods of a year, it doesn't take too much for any of the public at large to be able to realize the fact of where accounting sits for months and months and from year to year. I mean, like, it's basically where anybody could sit back and say, well there was so much from this month or that month; now it's 1987 it could be this month or that month; and now it's 1988, this month, that month, and have all the same accounting aspects thrown in and have the comparisons put together, and you're giving out relative information that is just strictly government information.

And when it comes out in the blue books here, and the information is compiled, it's compiled and the Auditor General has the opportunity to question all departments of various expenditures, and we don't have to get into the fundamental decision making which leads into government policy into each one of these various departments and expenditures. I can't agree with that.

**Mr. Chairman:** — Thank you, Mr. Hopfner. Can I just say that Mr. Lyons asked a question. Mr. Wakabayashi said that it was government policy not to release the information contained in the interim financial statements. Mr. Lyons seemed to be rephrasing the question. Mr. Wakabayashi, I think, was at the point of answering again. I accept that as a fair exchange that perhaps there is some misunderstanding, and these things sometimes happen in questions and answers.

I would tell you, Mr. Hopfner, that it's not my intention to allow Mr. Lyons to badger any of the people at this table, and if Mr. Lyons does not accept Mr. Wakabayashi's answer, he has the option of turning to this committee to ask the committee to rule on the matter. That would be my position at this point, so let's . .

**Mr. Hopfner:** — . . . (inaudible) . . . Mr. Chairman, is that the fact is, is drawing the members from the departments into a debate, and those kinds of answers to the questions are showing up in newspapers in a political bias. And I do not agree that that is the mandate of this committee, and it should not continue.

**Mr. Rolfes:** — I don't know if Mr. Lyons wants to proceed or where we're at right now . . .

**A Member:** — Is this on the point of order?

**Mr. Rolfes:** — No, there is no point of order.

**Mr. Hopfner:** — I want to know why there is no . . .

**Mr. Rolfes:** — Ask Lloyd. He'll tell you why. You can't question the chair. I tried that.

**Mr. Muller:** — The committee can rule whether it's a point of order or not. In this committee you can vote on the rules of the chair.

**Mr. Chairman:** — I have the floor here as your chairman. I would just say, Mr. Hopfner, that the purpose of this

committee is to elicit information, and how the committee members or the committee wants to use that information outside this room or even in this room under certain circumstances is their business. But the purpose is to elicit information.

Mr. Lyons is trying to elicit information. I would have to rule at this point that your point of order is not well taken; that Mr. Lyons should be allowed to proceed. Again I've indicated that I'm not, as chairman, however inclined, to have committee members badger witnesses. He's asked a question once; he's rephrased the question. Let's let him ask the questions, see what happens from there.

**Mr. Martin:** — On a point of order, Mr. Chairman. Mr. Lyons has asked a question now and Mr. Wakabayashi has given the answer. Now Mr. Lyons is attempting once again to rephrase the same question with different words, and Mr. Wakabayashi's going to give the same answer.

**Mr. Chairman:** — Well then let's just . . .

Order, please. Can I have order please.

**Mr. Lyons:** — Have you been talking . . . (inaudible) . . .

**Mr. Chairman:** — Order, please, Mr. Lyons. Order, please.

**Mr. Martin:** — Historically, Mr. Chairman, officials are not required to answer that question, and the comptroller made that . . . he gave that answer here the other day. And so we're just going to go around in circles. I suggest that you make a ruling on the question, then we'll have a ruling on it.

**Mr. Chairman:** — I'm going to give Mr. Wakabayashi a chance to answer the question and we'll see what happens.

**Mr. Wakabayashi:** — Mr. Chairman, I believe Mr. Lyons asked me to provide to this committee the monthly financial statements, that we mentioned at the last meeting, that the comptroller produces on a monthly basis; that is, the financial statements that discloses or indicates the actual revenues received on a cumulative monthly basis, and of course it would state what the financial position is of the government as of that date of each financial statement.

And my response to that question is similar to what the comptroller gave at the last meeting, that it is my understanding that it has been government policy not to disclose or make public these interim financial statements.

**Mr. Chairman:** — Thank you very much, Mr. Wakabayashi.

**Mr. Rolfes:** — Mr. Chairman, a clarification. I just want for clarification. Are you . . . am I given to understand that in perpetuity . . . I mean this is two years ago. It can have absolutely no bearing whatsoever on the effects of income or expenditures on the government.

**Mr. Chairman:** — I don't think that question is in order. I

think . . .

**Mr. Rolfes:** — No, I just want to ask the question . . .

**Mr. Chairman:** — Well, that should be asked of the minister.

**Mr. Rolfes:** — No, no. Do you mean to tell me this committee has no . . . I don't know what the mandate of this committee is any longer if we can't ask questions, review of expenditures and revenues, whether they have been expended according to the prescribed procedures. That is what the mandate of the committee is. If we are not privy to this kind of information, then the committee can't do its job. I don't see how we can do our job if we're not given the information that we need to determine whether or not government revenues came in and government expenditures went out on the prescribed procedures. That's all we're after. And I . . .

**Mr. Hopfner:** — Well, you have a problem . . .

**Mr. Rolfes:** — No, I don't have the problem, Mike.

**Mr. Chairman:** — Mr. Hopfner, Mr. Rolfes has the floor. May I just state at this point that it's clear to me that the information which is being requested, has been requested by Mr. Lyons that the . . .

**A Member:** — Point of order.

**Mr. Chairman:** — Yes, Mr. Muirhead, what is the point of order?

**Mr. Muirhead:** — You just cut him off because you said Mr. Rolfes has the floor, and then you went ahead and started speaking.

**Mr. Chairman:** — I sense we're going around a mulberry bush here, Mr. Muirhead, and I'd like to move on. I'd like to move on if I might. I just simply state that . . .

**Mr. Muirhead:** — It's not right that you cut someone else off, saying someone else has a point of order. You should say, Mr. Hopfner, I'm going to take the floor, and then we'd go along with that. But don't say that you want to cut him off and give the floor to Mr. Rolfes, then take it yourself.

**Mr. Chairman:** — Mr. Rolfes's question was clearly one that should be put to the minister and should not be put or suggested to the witnesses in the committee. Again I just simply want to say that questions were asked of Mr. Wakabayashi; Mr. Wakabayashi has said that the answers to these questions are a matter of government policy, that he is not in a position to answer. I would simply say that if there are further questions in this vein, that these must then be put to the minister.

There may well be other kinds of questions that the committee will want to ask the deputy minister and his officials. But the question of the interim financial statements, the monthly revenue expenditure projections, are matters that Mr. Wakabayashi has clearly stated are matters of government policy and therefore cannot be answered by him.

I would therefore suggest that if committee members have further questions in this vein or are trying to elicit those from the officials, that those questions should be put to the Minister of Finance.

**Mr. Lyons:** — Mr. Wakabayashi, I understand the position you're in regarding the actual documents. Are you at liberty to release the deficit or surplus amount for the year . . . on a monthly basis for the year under review?

**Mr. Wakabayashi:** — Mr. Chairman, I feel that my response is similar to previously, that I don't think I'm in a position to provide that information to this committee.

**Mr. Chairman:** — I certainly encourage members to join in the questioning of the witnesses and to put their questions through the chair. Mr. Muirhead, do you have a point of order you wish to raise?

**Mr. Muirhead:** — Mr. Rolfes is calling the minister a liar, and I don't think that's parliamentary language in this room. It's not allowed in the House; why should it be allowed here?

**Mr. Chairman:** — I didn't hear anything like that, Mr. Muirhead.

**Mr. Muirhead:** — I never called your minister of Finance a liar in my life . . . (inaudible interjection) . . . Well who are you to say ours is. You haven't got any brains. You got no manners. You got nothing.

**Mr. Chairman:** — The chair is going to take a five-minute recess while the members sort this one out. I'm going to get a coffee.

The committee recessed briefly.

**Mr. Chairman:** — I'll call the meeting to order. I just might again encourage all committee members that if they have contributions to make to the proceedings that they address their remarks, comments to the chair. They'll be recognized in due course and encouraged to make their contribution to the questioning and to any debate. But the puerile commentary and discussion from the sidelines really doesn't help the committee with its mandate.

**Mr. Muirhead:** — Mr. Chairman, I'd just like to ask this question. Would the remarks from Mr. Rolfes regarding the minister, will that just be a heckle across the table or will it show up in the *Hansard*?

**Mr. Chairman:** — I have no idea, Mr. Muirhead.

**Mr. Muirhead:** — How do we find that out? Because if it is, I want to ask for his apology, and if it isn't. I'll just take it from where it came from if it's not on the record. Is there any way we'd know that?

**Mr. Chairman:** — Let me just say that we're bound by the rules of the House. I will review the record if you think that there has been unparliamentary language expressed here either in comments directed at the chair or from the side. If those are picked up, I'll review the record and I'll

certainly come back at the next committee meeting and bring it to the attention of the member and invite an appropriate response at that time.

**Mr. Muirhead:** — Thank you, Mr. Chairman.

**Mr. Anguish:** — Mr. Chairman, I'm wondering if Mr. Wakabayashi could tell us at what point during the year under review did the department know that you'd have to appropriate additional funding for servicing debt.

**Mr. Wakabayashi:** — We'll just check the figures here. Mr. Chairman, in the year under review we didn't encounter a problem in the year under review of any overexpenditure. I'll give you the figures — in fact the actual . . . (inaudible interjection) . . . of servicing the debt. In fact the actual tax supported debt came in under the budget estimates, and I'll give you the figures here: the estimate for servicing the public debt for '86-87 was \$200,953,000; the actual expenditure for fiscal year '86-87 — I'll round this out — was \$192.6 million or, roughly, \$4.3 million less than the estimate for that item.

**Mr. Anguish:** — That amount, Mr. Wakabayashi, would be the amount spent on servicing the debt that was accumulated up to the '86-87 fiscal year. Would that be correct? Like any debt incurred during the '86-87 year . . .

**Mr. Wakabayashi:** — It would be the actual payment of interest and related fees and commissions actually paid by the government out of the Consolidated Fund for that fiscal year.

**Mr. Anguish:** — That amount could have debt that's been accumulated from the government?

**Mr. Wakabayashi:** — Yes. And there would be interest on all debt accumulated for the tax supported debt.

**Mr. Anguish:** — Up to the 1986-87 fiscal year?

**Mr. Wakabayashi:** — Yes.

**Mr. Anguish:** — Well at some point during the year, someone in the Department of Finance, some branch must determine what expenditures like that are going to be in the coming year. Like, when you do . . . your budgetary process doesn't all of a sudden just happen between March 31 and April 1. There's a review that takes place during the year.

And my question to you is: during that budgetary process, at what point during the '86-87 fiscal year did you realize that there was going to have to be a very large appropriation to service the debt in the coming year? Because you could tell at some point that the debt was out of control in relationship to the estimate that was given.

**Mr. Wakabayashi:** — Mr. Chairman, the formulation of the estimate for the interest on public debt, as Mr. Anguish stated, would certainly have been one of the items developed during the budgetary process in developing the budget for the 1987-88 fiscal year, which I understand was tabled by the Minister of Finance on June 17, 1987. And I'm not sure exactly, you know, what the timing was of the budgetary process leading to that

budget that was presented by the Minister of Finance in June of 1987.

**Mr. Anguish:** — At some point though, during the year under review — I don't know if you even know what branch it would be of your department — but some branch must have said, whoa, our projections are off here; we're going to have to look at the budget for '87-88 in a different light than what we're looking at up till now. And to me that would be the point at which the Department of Finance realized that the expenditures and/or the revenues were not meeting the projection that was done in the earlier part of the fiscal year of '86-87.

**Mr. Muller:** — Point of order, Mr. Chairman. I think the line of questioning is asking again for internal documents and, of course, we'll get those figures when the Public Accounts for '87-88 are released; and certainly when we go through the '87-88 Public Accounts in this committee we can ask questions related to what Mr. Anguish is trying to get in an internal document now.

**Mr. Anguish:** — Mr. Chairman, I didn't ask for any internal document.

**Mr. Muller:** — He's asking for a document pertaining to '87-88 which isn't the year under review . . . (inaudible interjection) . . . No, he's asking for a document pertaining to the interest that's going to be paid in '87-88.

**A Member:** — I didn't ask that.

**Mr. Muller:** — And it would be an internal document if it was done in '86-87.

**A Member:** — Didn't ask that.

**Mr. Muller:** — Well, that's the way I understood the question.

**Mr. Chairman:** — I'm inclined to let Mr. Anguish carry on here. The point of order is not well taken . . . (inaudible interjection) . . . We'll certainly listen more carefully. If you feel he was getting outside the year of . . . my sense is that his abiding interest was certainly the year under the review.

**Mr. Martens:** — I was just going to speak to this. One of the things that he mentioned, Mr. Anguish mentioned, was that he wanted the deputy to discuss what projections there were for 1987 during the year under review. That is purely speculation because that's taking into consideration a lot of things that might happen in 1987-88, and that's what he was asking for, and that's what we heard.

**Mr. Anguish:** — Well, Mr. Chairman, what I was asking — and Mr. Wakabayashi confirmed this — is that all of a sudden the budget doesn't appear some time at one minute after midnight on March 31. There's a process within the Department of Finance that they track what's happening with government expenditures and revenues, and there's presentations made to the Department of Finance to appropriate funds for the coming year. And I'm not asking for any document. All I'm asking for is at what point during the '86-87 fiscal year, the year under review,

did the Department of Finance realize you'd have to make a much larger appropriation to service debt in the coming year? I don't know that any document is being asked for.

**Mr. Martens:** — The document is the estimate for the 1986-87 year. When the minister tabled his budget, that was the day that that estimate was real, and that's the date that you take.

**Mr. Chairman:** — Well, I have some problems with this point of order. Mr. Anguish is asking questions about events that transpired during the year under review, and I think we should let him proceed with that. If I thought that his questions were designed, being phrased to elicit information about another fiscal year, and that was his primary concern, then I would certainly shut down the line of inquiry. But as I listen to the questions, it seemed to be that his questions were concerned about events that took place in the fiscal year '86-87. You say that it's pertaining another fiscal year. I would just say that the point of order is not well taken, but certainly would encourage Mr. Anguish to make note of the concerns that have been raised and conduct himself accordingly in any further questioning.

**Mr. Anguish:** — Well my question is still there.

**Mr. Martens:** — Mr. Chairman, earlier today you ruled, and I agreed with you, on the matter of the dimension and the dynamic of the deputy speaking about policies that were going to be dealt with in '86-87. I agreed with you. Now I think that that same reflection has to take place in the discussion about this question because it is going to be asking questions on a hypothetical nature if we go back to dealing with the time under review, under the circumstances under review.

And the day the budget was tabled in the House was the day that those estimates became real, and those estimates are what we go by. And that for 1987-88 is actual fact, and when we get to that we will review that. And when we come to those points under review in '87-88, the same ruling that you made about '86-87 will again take place and you'll find that that is the way it's supposed to be.

And I think that you ruled right earlier today, and I think that you would rule exactly the same way if this discussion was taking place with '87-88 estimates.

**Mr. Anguish:** — Mr. Chairman, I would like to know if you can tell us, as of July 31, 1986, what the total revenues were taken in by the province of Saskatchewan, and what the total expenditures were by the province of Saskatchewan to July 31, 1986.

**Mr. Chairman:** — Mr. Martens, you have a point of order or do you . . .

**Mr. Martens:** — Well I don't know whether I have to raise a point of order every time. The comptroller has said that the information is not available, has never been available to any Public Accounts Committee. The deputy minister has said the same thing. I don't know why you keep pulling the same question out. Why do you have to make a point of order when you've been told once?

**A Member:** — Twice.

**Mr. Martens:** — Three times.

**Mr. Chairman:** — I just might say that I heard Mr. Anguish ask some questions about the debt, and I saw officials striving to answer the questions. My sense is that after listening to the Department of Finance officials is that if they perceive there to be areas that they cannot answer, if there are questions they cannot answer, that they will let us know. At this point they are undertaking to answer the questions. And I'm inclined to let the inquiry proceed and to let the questions go unless they feel that there are problems with them.

**Mr. Martin:** — Or unless you perceive that there's intimidation or some badgering going on.

**Mr. Chairman:** — Or if I perceive there's intimidation or badgering, but I don't perceive that at this point. So if Mr. Anguish . . .

**Mr. Lyons:** — Point of order, Mr. Van Mulligen. It relates directly to what you had to say. In fact, from where I'm sitting, it appears that every time that somebody asks one of the officials a question and members on the other side of the table jump in to raise points of order and to raise that kind of question, it appears to me that that in itself constitutes a form of intimidation of the officials; that the officials may in fact feel that they should not be attempting to answer the questions in good conscience because they see members of the government side trying to interfere into the process.

And I would ask on the point of order that you in fact allow the officials to answer the questions that they're asked, without this constant interruption and intimidation.

**Mr. Chairman:** — The point of order is not well taken. One, every member of the committee must have the opportunity to raise points of order when they see that points of order are necessary to be raised. And there should be no rules or blockages to discourage members from raising legitimate points of order.

Secondly, I don't think that the officials are influenced by points of order that are raised by committee members. These are officials who have come here to answer questions, answer questions subject to the dictates of policy and the instructions they have. And I don't think that they are going to be influenced or badgered by anything that committee members might have to say.

If I sensed that any member was badgering a witness, I would certainly draw this to their attention, but so far that hasn't occurred. Mr. Anguish, you had the floor.

**Mr. Anguish:** — Mr. Wakabayashi, can you answer that question or can you not answer that question?

**Mr. Wakabayashi:** — Mr. Chairman, the question, as I understand it, was what was the total revenues and total expenditures received and spent as at July 31, 1986. And I believe it's similar to questions put to me previously. In

effect, it's disclosing interim financial results which I believe has been government policy or it is government policy not to make public that information.

**Mr. Anguish:** — I don't remember the chairman's actual remarks at the opening of the committee to you and your department as witnesses, but it's our understanding that in this committee we rely heavily on the Provincial Auditor, because the Provincial Auditor examines whether or not the government had the authority to spend the money that they actually spent.

The committee has a role somewhat expanded from that, and that's one to look more deeply whether there was due regard for economy and efficiency and effectiveness in how the money was spent.

And I suppose in us trying to understand what happened in the fiscal year under review, it puts us in a difficult position to determine how well the money was spent during that particular fiscal year, because the estimate from the Department of Finance — I assume that you prepare the *Public Accounts* and the budget, or you have a very heavy role to play in that — and when the budget actually came down for this year under review, there was a projected deficit of \$389 million.

When the *Public Accounts* come out, the documents that we're dealing with under review now, the deficit wasn't the 389 million that was projected, but it was \$1.2 billion. And we're trying to understand what happened. Did the department not do the proper process in submitting the '86-87 budget? Or is there another alternative, that you did do all right on your projections and for some other reason ended up with a \$1.2 billion deficit in the year under review?

**Mr. Wakabayashi:** — Mr. Chairman, I think the only observation I can make is, certainly the information is before this committee as to . . . in comparing the actual results, as Mr. Anguish is doing. It is true that the estimates presented was 389, and it is true that we actually ended up with a budgetary deficit of close to \$1.2 billion. I think all we can assist the committee is to go behind. And you have in front of you what the actual revenues are by source, and compared to the estimates you can see where the revenues came in compared to the estimates, and similarly on the expenditure side.

**Mr. Anguish:** — . . . (inaudible) . . . don't keep us in the dark. We'd hate to see this happen on a regular basis, Mr. Wakabayashi. Can you not give us some indication as to what happened to have the actual figures so far off in projection? Are you confident that the Department of Finance gave a valid estimate of expenditures when the budget was presented?

**Mr. Wakabayashi:** — Mr. Chairman, certainly in the presentation of the estimates they disclose the government's spending intentions and plans. And obviously during the year under review there were certain expenditure decisions taken that was not contemplated or provided for in the budget, and they account for, I suppose in large part, the overexpenditures.

Just to elaborate further, we identified and discussed

before this committee one major overexpenditure decision taken by the government; that was the provision for losses on the grain production program and the livestock program. That accounted for \$ 109 million of an overexpenditure of \$285 million on the expenditure side. And all of that information, certainly it's the proper mandate of the committee to go into, as you did on that particular item, to go through the overexpenditures on the expenditure side, and equally on the revenue side where obviously we came in some, what, \$500 million on actual revenue as compared to estimates. And we could go into what those sources of revenues were, if committee members wish to pursue that.

**Mr. Rolfes:** — Mr. Wakabayashi, I want to pursue that area that you just brought to our attention. My question is this. Your estimates of revenues were \$3,358 billion, and the actual revenues were approximately 2,800 million. Can you tell me, what were some of the economic factors or other factors that altered that or determined that the revenues would not be 3.358 million, or actually 2.8 million? Can you give me those factors that altered those? And would you have the approximate effect that each had?

**Mr. Wakabayashi:** — Perhaps if I refer to committee members pages 2 and 3 of volume 3, this gives a good overall summary of our actual revenues and expenditures compared to estimates. On the revenue side, revenues came in at \$558 million below estimates. And if you look at the major sources, I guess the key ones to draw to your attention is oil revenues, where some \$298 million less than what was estimated at the time when we tabled the budget estimates. I don't know all of the factors that happened on the oil front, except that spot prices for West Texas oil started at, I think in January, at 22.64. It dropped. It kept dropping down to about 11.50 in July, but then it started climbing up and by December it was up to \$16. But obviously a major decrease in the revenues was on the oil. The oil royalties was a major factor.

On the other hand, we did get a partial offset on that. At the time we didn't know what the impact would be on equalization payments from the federal government or if there was a stabilization program in effect and a revenue guarantee. But if you look on equalization, we did partly offset the oil because equalization, if you can look at under receipts from other governments, equalization payments came in actually \$169 million above the estimate, so we did get a partial cushion on the oil revenues.

So oil of course was a major factor. I suppose two other single ones is on the liquor board revenues. We drew in \$100 million less on liquor board revenues than we had proposed in the budget. That would be another factor. And the third major item to draw to your attention is agriculture land sales. Agriculture land sales — that's under other owned source revenues, the first item — we had estimated \$124.4 million, but you can see we actually brought in 17.5 million. So we were \$107 million short on what we had estimated on agriculture land sales. And on that one, I don't know all of the details, Mr. Chairman, but I guess we didn't proceed with the land sales that was contemplated when the budget was . . . So if you take the drop in oil and agriculture land sales

and the liquor board, that would account for, you know, the major decreases compared to the estimate.

There were a number of smaller . . . like the corporate income tax was \$44 million less than estimate. Sales tax was \$29 million less than the estimate. Tobacco tax was 14 million less than the estimate. Potash revenues were 24 million less than estimate. Uranium, 16 million less. Natural gas sales, 16 million less.

And we had overestimated the — this is under other governments . . . the established programs financing — this is the program in which the federal government transfers funds to the provinces to cover post-secondary and health costs, and we were 57 million too high on that.

I don't know if that was because we had underestimated. I don't know if that was the time when the federal government decreased the escalator by two percentage points previous to . . . I'm not sure of the detail, but the federal government decreased the escalator to the provinces by two percentage points off the GNP (gross national product), and I'm not sure if that factor accounted for that decrease.

And then there are other . . . Throughout the sources there was a decrease of \$24 million, so if you add up all of these decreases and the increase in the equalization, that of course resulted in a \$558 million drop on the revenue side.

Now on the expenditure side, as the member has correctly pointed out, expenditures came in \$285 million above the estimates that were tabled, and the major . . . I think it could be attributed to two major items. One we discussed already; that's the production loan provision of 109 million. But the other major program that was not provided in the estimates was the home program, and we ended up spending \$120 million for the home program.

And maybe I can mention for the health program we provided \$13 million to provide for the medical care insurance payments to doctors, 13 million. The Saskatchewan Pension Plan, which was first introduced in that year — we had estimated 5 million; it ended up closer to 11 million, so there was an increase of 6 million. SAP payments — that's the Saskatchewan assistance program — we came in \$13 million higher than estimates. And then of course we had some underexpenditures.

But I think, Mr. Chairman, on the expenditure side the increase of 285 million — I'm repeating myself — could be attributable to two major expenditures. The home program, 120 million, and the provision for production loan and livestock cash advances provision of \$109 million would in summary account for the major overexpenditures on the expenditure side.

**Mr. Rolfes:** — Mr. Wakabayashi, on the oil, you told me the price in January, but what was the actual price in March or April 1 of the fiscal year, beginning of the fiscal year?

**Mr. Wakabayashi:** — At the beginning of the fiscal year, I've just got a table of the spot prices, West Texas spot price. In April I have a figure of 12.95.

**Mr. Rolfes:** — That's what I thought. All right, I'll leave that at that. I think that speaks for itself.

As of April 1 we had some indication as to . . . that there may be some difficulties. The question I want to ask is: at what time did you make the decision on the home program and the production loan program? What time of the year was that made?

**Mr. Wakabayashi:** — Mr. Chairman, on the provision for losses on the production loan program, I don't have the exact date, but we think that was a decision taken and the special warrant was authorized in the last quarter of the fiscal year '86-87.

Regarding the homeowner program, my understanding is that the program was announced in September, but we again probably didn't provide for the special warrant authorization until the last quarter in '86-87, along with, I guess, the whole package of special warrants that were put through, and also on the home owner program when we got a better handle on what the take-up of the program was.

**Mr. Lyons:** — Mr. Wakabayashi, I was trying to follow through on some of this, and can you tell me where it is that what appears on page 16 of Volume 1, the main financial statements, and these on the short-term loans to Crown entities — can you tell me where the number of . . . and I notice that . . . I must say I notice that first of all there's a \$220 million increase in loans to Crown entities in '87 than there were in '86. Where does this number and where does this accounting of loans to the Crown entities turn up on the summary of revenue and expenditure to where you're referring? Where would I find that?

**Mr. Wakabayashi:** — Mr. Chairman, reference on page 16 to an increase to \$419 million for short-term loans to Crown entities is considered an asset. It shows up as an asset on the Government of the province of Saskatchewan's combined funds statement, so it's not a . . . it doesn't show up as budgetary revenue or a budgetary expenditure.

If you go to, let's see, page 2 of Volume 1, page 2 of Volume 1, Government of the province of Saskatchewan, Combined Funds, — statement of financial position as at March 31, '87, you'll see under assets, schedule 2, short-term loans to Crown entities. It shows up there as an asset on our financial statements of 419,317,000. The same figure that is detailed out on page 16 appears as an asset on our combined financial statements.

**Mr. Lyons:** — Right below there, or on liabilities and the province's net debt, under item number 11, amounts payable to Crown entities: I take it that that is the 92 million figure, not the 9 billion figure. Is that correct?

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — The 9 billion is the total liability?

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — Okay, so what appears on page 16 doesn't turn up as . . .

**Mr. Wakabayashi:** — Either a budgetary revenue or . . .

**Mr. Lyons:** — It's budgetary neutral, in other words?

**Mr. Wakabayashi:** — Yes.

**Mr. Lyons:** — Let me phrase the question another way. The government couldn't go and hide cash, or through cash advances to the Crown corporations, and have it appear as a deficit figure in terms of the books of the province.

**Mr. Wakabayashi:** — Mr. Chairman, if you're talking about advances to Crown corporations, we consider that as a reimbursable debt, so it would not affect the government's tax-supported deficit, or deficit or net debt.

**Mr. Lyons:** — Okay, but that doesn't apply . . . the same principle doesn't apply to the loan loss provision. Is that correct?

**Mr. Wakabayashi:** — No, that's correct. As we . . . I hope we made it clear at previous meetings, the provision for production losses was handled by way of a budgetary payment to the agriculture corporation. Therefore it showed up as budgetary expenditure, and of course affected or increased our deficit.

**Mr. Lyons:** — Okay, fine, thank you. That's all the questions.

**Mr. Anguish:** — I just have one more question, Mr. Wakabayashi. You said to Mr. Rolfe that the spot price for oil on April 1 was 12.95 a barrel. Can you tell us what the spot prices were throughout that year? Do you have that handy there?

**Mr. Wakabayashi:** — Mr. Chairman, yes, I do have that. I'd like to . . . I mean those are definite actual . . . or information. I did want to qualify that when one attempts to forecast oil prices, you look at the spot price but you also look at the futures as well. And we didn't attempt to . . . for full information we should have actually, I suppose, tried to do some research and told you what the futures prices were at the same time, because we have to look at that as well. But subject to that qualification, I can give you the spot prices: May, \$15.36; June, \$13.29; July, \$11.49; August, \$15.32; September, \$14.89; October, \$14.90; November, \$15.07; and December, 16.23. I just have it for the calendar year.

**Mr. Anguish:** — Do you have a figure which you would have estimated that to be for a year?

**Mr. Wakabayashi:** — No, I don't have . . . you mean what we had assumed to be the . . . no, I don't have that, and I imagine we could get that information as to what assumptions were used in terms of the estimate because I think the Minister of Finance generally discloses when we submit our budget estimates what assumptions were prepared for our estimates.

**Mr. Anguish:** — Could you . . . I don't want to delay you in

this committee, but could you provide the Chair or the Clerk of the committee in writing what the amount per barrel was that you used in . . . (inaudible) . . .

**Mr. Wakabayashi:** — Yes, yes, because obviously we used an assumption based on the average price for the full fiscal year.

**Mr. Anguish:** — I have no further questions, Mr. Chairman.

**Mr. Chairman:** — I'd just ask a few questions, if I might. Referring back to the combined funds on page 2 and 3 of volume 3, just trying to get some understanding here of how you estimate, I note that for example corporation capital — the only yardstick I have with which to determine whether an estimate might be appropriate is of course the actual, but also the previous year. And I note that your original estimate was for 55.9 million, yet your actual the previous year was only 30 million. Can you explain how you came to arrive at that estimate — corporation capital?

**Mr. Wakabayashi:** — Mr. Chairman, no, I don't have the information readily available to indicate why we estimated an increase in the corporate capital tax. Yes, I think I can confirm now the reason for the increase in the estimate was that on January 1, '86 we did increase the rate for the corporation capital tax. Previous to January 1, '86 it was 0.3 per cent of the paid up capital. I'm going to exclude banks and financial institutions for a minute — this is generally. The corporate capital tax was 0.3 per cent previous to January 1, '86. We increased it to 0.5 per cent.

Then, referring to the financial institutions, there were separate rates for financial institutions. Previous to January 1, '86 the corporate capital tax — by the way, this applies to assets in excess of \$10 million, in excess of \$10 million — charter banks, the rate prior to January 1, '86 was 2 per cent. We increased it to 3 per cent effective January 1, 1986. And for loans and trust companies, prior to January 1, 1986, the rate was 0.8 per cent and we increased it to 1.2 per cent.

So I think the answer, Mr. Chairman, the increase was attributed to the increase in the corporate capital tax rates that came into effect January 1, '86.

**Mr. Chairman:** — I appreciate knowing that. It's just that your actual was a bit off the estimate, but your estimate was predicated on an increased rate that year.

**Mr. Wakabayashi:** — Yes.

**Mr. Chairman:** — With respect to corporation income, I note that your original estimate was 162.4 million, whereas the actual the previous year was 129.4 million. Again, how did you arrive at that estimate? Was this based on, again, a different rate?

**Mr. Wakabayashi:** — I'm afraid, Mr. Chairman, I don't have the background or the details that laid behind the estimates for the corporate income tax. I think I would have to do the research and provide this information to the committee. I understand the question is, on what basis

did we increase . . . or provided for an increase in the forecast for corporation income tax and why did we come in under.

**Mr. Chairman:** — I'm trying to understand, first of all, the estimate itself, the estimate of 162 million, and certainly I'd like to get an explanation as to why we ended up with an actual of 118. But I guess part two is, how did you arrive at the estimate in the first instance, recognizing the actual the previous year was 129 million?

**Mr. Wakabayashi:** — I'm afraid, Mr. Chairman, I can't provide this information to you this morning.

**Mr. Chairman:** — I appreciate, you know, you telling me that, and I'll expect that the information will be provided at a later date. I appreciate that.

I just ask, with respect to fuel, again the actual the previous year was . . . it had more than 30 million. Your estimate was 36.5; your actual was something less than that. I guess that when you're looking at figures of 100 million and 200 million, one might be forgiven to say, well this is just a small amount. But again, let's put it in perspective here, that we're dealing with being out \$5 million.

And again I wonder if I might be provided with an indication as to why your estimate would be again considerably higher than the actual in '86, recognizing that actual was much less than the estimate, and what information did you have to suggest that your estimate should be 36.5?

**Mr. Wakabayashi:** — Again, Mr. Chairman, we don't have . . . or I don't have exactly the basis upon which the fuel tax revenue was increased. We're not aware of . . . we were not aware of any changes in rates at that time for the fuel tax, so similar to your question on the corporate income tax, I would have to research exactly on what basis did we provide the estimates and why the actual came in less than the estimate.

**Mr. Chairman:** — Okay. I appreciate that. With respect to individual income, I don't have any questions on that one *per se*. It seems to me that there was an increase in the rate that year and that you projected the best you could as to what revenue might be generated, based on the adjusted rates, both for personal tax and the flat tax. Is that a correct assessment?

**Mr. Wakabayashi:** — Pardon me, Mr. Chairman.

**Mr. Chairman:** — The individual income, you're off about \$6 million or so, but the estimate and the actual are larger than the previous year, and I would assume that that's based on an adjusted rate for the fiscal year that the income tax rate was a bit higher than it was in the previous fiscal year. Is that correct?

**Mr. Wakabayashi:** — Again, Mr. Chairman, I'm not aware of the basis for the individual income tax. I'm not aware of what adjustments were made for that, and I would have to get back to you as well.

**Mr. Chairman:** — Okay, I appreciate that. I have no

question on the next item, insurance. I have no question on mineral rights.

Sales tax. Can you explain the increase in the estimate over the actual expenditure of the previous year, why your estimate would have been at the level that it was, and then explain why the actual was something below that.

**Mr. Wakabayashi:** — Again, Mr. Chairman, I'd have to research the sales tax in the same way as the other sources that were drawn to my attention.

**Mr. Chairman:** — I appreciate that. The next one is a real puzzler for me — tobacco tax.

Your original estimate in '86 was \$69.9 million, your revenues were 70.3, and I would say, well that's pretty accurate forecasting. Your estimate for '87 was 92.3, your actual was 78.5. Now did you estimate that there would be more people smoking or was there a higher tobacco tax in effect which led you to suggest that the estimate should be higher?

If it's either of those two, what happened in the actual? Did more people stop smoking that year than you figured?

**Mr. Wakabayashi:** — Mr. Chairman, I can explain in part why we increased the estimate because here again we did increase the rate of the tobacco tax in the budget in the 1985-86 fiscal year — and I'll just use cigarettes because I think that's the major one. The tax per package of 25 cigarettes was 77 cents. For the '86-87 fiscal year we increased it by 25 cents per package resulting in the tax on cigarettes per package of 25 to \$1.02.

I think that mainly explains one part of your question and that's to explain the increase in estimates. As to try and explain the actual there, I don't think we have an adequate explanation as to why the actual exactly went down. We think as a general response, and we've been noting this now, that there is at the same time as you had alluded to, a decrease in the consumption of that tobacco tax. Evidently we didn't forecast that decline in consumption.

**Mr. Martin:** — If I could shed some light on that, it was just about that time the government started a strong initiative on the dangers of cigarette smoking and, you know, coupled with their strong emphasis on healthy living. And I think people reacted to that and probably a great many people quit smoking. That probably has something to do . . . in response to the government's initiative on healthy living.

**Mr. Chairman:** — Thank you, Mr. Martin. I have no question on the other taxes.

Receipts from government enterprises and other funds, Saskatchewan Liquor Board. I guess you're not in a position to explain the intricacies of those decisions. That's a matter of ministerial discretion as to whether or not the government chooses to take into consolidated or combined funds, 240 or 140 or even more or less if it wanted to. It's a matter of ministerial discretion.

**Mr. Wakabayashi:** — Right, Mr. Chairman.

**Mr. Chairman:** — Other receipts, I have no questions. Agricultural lands revenue, now . . .

**Mr. Lyons:** — Mr. Chairman, just on the point on the Liquor Board. Given that it is ministerial discretion, I wonder if I could ask Mr. Wakabayashi, on what basis was the \$240 million projected, given when the actual in '86 was only 84 million? Now that seems to me . . . it's \$160 million different or \$156 million difference. On what basis was the 240 drawn up? There must have been some reason.

**Mr. Wakabayashi:** — Mr. Chairman, I don't think I could amplify on that other than what Mr. Chairman said. In terms of the liquor profits, it's what we . . . how much we bring in or how much we estimate is part of, I guess part of the source we look to when we put the total budget together.

**Mr. Lyons:** — Can I take it then that what you're saying is that that estimate wasn't drawn up based on past performance at all, but in fact was a number submitted to the department by the minister, or through the Liquor Board, or . . .

**Mr. Wakabayashi:** — Mr. Chairman, it's a combination of two factors. We of course get from the Liquor Board a projected earnings of the Liquor Board itself. But then in addition to that, there is an amount retained by the Liquor Board from previous years earnings and the estimate you see is a combination of really the two factors.

**Mr. Lyons:** — Well no, what I'm really interested in is just exactly how that 240 million was arrived at. We know that . . . or the department knows that the Liquor Board is going to make X amount of dollars. When does the department know how much money it's going to receive in actual revenues from the Liquor Board or how much is going to be retained by the board itself?

**Mr. Wakabayashi:** — On the Liquor Board, we of course would have an estimate from the Liquor Board as to what their profits will be, say, when we're considering the budget estimates. We would have an estimate, a forecast estimate of Liquor Board earnings. We of course know at the start of the fiscal year what their retained earnings were, and obviously we project what we think will be the overall retained earnings at the end of the fiscal year. So we have those two figures. And then we of course then try to project what the Liquor Board will make in the subsequent fiscal year.

So it's a combination of . . . No, I'll put it more simply. We would have an estimate of what the retained earnings of the Liquor Board would be at the start of the fiscal year when we're preparing the budget. We would obviously project what the Liquor Board will earn in the forthcoming fiscal year, and would take those two amounts into consideration.

**Mr. Lyons:** — Okay, I understand you take them into consideration. What I want to know is, do you just automatically assume that all retained earnings go into the combined fund?

**Mr. Wakabayashi:** — No, Mr. Chairman, no we don't assume that.

**Mr. Lyons:** — Okay. On what assumption do you . . . what was the assumption that you based the 240 million on? That's what I'm asking. You know what the retained earnings are going to be from the previous year and you have a projection. How do you determine what percentage is going to come to the combined fund and what stays to the Liquor Board? Do you have a formula?

**Mr. Wakabayashi:** — I believe . . . actually, Mr. Chairman . . . the chairman answered that question. It's really one of our discretionary decisions when we put the budget together.

**Mr. Rolfes:** — Mr. Wakabayashi, you had indicated to us you knew what the estimate of retained earnings were of the Liquor Board at the beginning of the fiscal year 1986-87. Could you give me those? You also indicated you knew . . . you had made a projected earnings, an estimate of projected earnings. I'd like to know what those are, and I'd like to know what the actual earnings were at the end of the fiscal year. If you don't have these here, you can provide those to me or to the committee.

**Mr. Wakabayashi:** — So, Mr. Chairman, the question was . . .

**Mr. Rolfes:** — I want to know what the estimated retained earnings were at the beginning of the fiscal year 1986-87 and at the end of the fiscal year 1986-87; what the projected earnings were or what you projected the earnings to be in the fiscal year '86-87, and what the actual earnings were in the fiscal year '86-87.

**Mr. Wakabayashi:** — Mr. Chairman, I don't know if I'm in a position to provide the committee the projections of . . . or our own projections of the Liquor Board earnings or what we thought the retained earnings would be. You of course have the . . . or does this committee obtain the statements from the Liquor Board that would show . . . Do you have that?

**Mr. Rolfes:** — I don't think we do, do we?

**A Member:** — Financial statements of the Liquor Board are a matter of public record and . . .

**Mr. Wakabayashi:** — Yes, it should be available.

**A Member:** — Oh, the actual, but not the projected.

**Mr. Wakabayashi:** — Yes. I don't think I could . . . I'm not sure. I don't know if I'm in a position to provide our internal projections, yes.

**Mr. Rolfes:** — Well, if you can . . . (inaudible) . . . I'm not going to delay . . . (inaudible) . . . If you can't, fine.

**Mr. Wakabayashi:** — You certainly can get very clearly from the financial statements of the Liquor Board what the actual earnings were and what the retained earnings were at the end of the fiscal year. That's readily available.

**Mr. Rolfes:** — Okay, if it's not within the purview of the committee to give me the projected earnings, fine. I'm not going to belabour that. I don't agree with it, but fine. Okay. I've no more on this; I have another question later on.

**Mr. Chairman:** — Mr. Wakabayashi, I'd like to turn to again on page 2, Combined Funds, Other Own Source Revenues, and the first item, Agricultural Lands Revenue. You indicated earlier that agricultural land sales . . . and I think you mentioned the word "did not proceed." Can you explain to me . . .

I'm at a real loss to understand this one because in 1986 the actual revenues from agricultural land revenues was \$21 million, based on an estimate of \$22 million. And that's pretty accurate forecasting. Your estimate in 1987 was for \$124 million; your actual was 17.5.

Now as I look at those figures I say that obviously there's been some new initiative here by the government to sell more agricultural land. Then you say it did not proceed, and I wonder if you might clarify this matter for me so I might understand these financial statements.

**Mr. Wakabayashi:** — Mr. Chairman, I'll ask Bob Blackwell to provide for the explanation on that source.

**Mr. Blackwell:** — Mr. Chairman, the estimate for the year 1987 was based upon the plan of the government to create an agricultural equity corporation during that fiscal year and transfer to that corporation the majority, if not all of the lands . . . I'm not sure of the exact extent — we'll say the majority of the lands held by the previous land bank.

This amount of \$124.4 million represented a gain on the sale of that land over and above the original cost value of that land. So the selling price was, I believe, 110 or some. . . I'm not sure of the exact details, but let's say \$110 million, in round terms, greater than the actual cost of that land to the government some years ago.

That transaction or that initiative did not proceed during the year, which results in the significant drop between the original estimate and the actual for 1987. The estimate that you see before you is based upon a plan to create an agricultural equity corporation.

**Mr. Chairman:** — That's news to me. I wasn't aware that the government had plans for the agricultural equity corporation in 1986, but I'll certainly accept your explanation in this matter.

Again, I just want to confirm this. The government had plans for an agricultural equity corporation. You included in your estimate the revenues that you did, based on an assumption that you would be transferring land from the land bank to the equity corporation. The equity corporation would then provide the revenues as projected. That was the stated intention, but that stated intention was not followed up on.

**Mr. Blackwell:** — That's basically correct, Mr. Chairman. It was an initiative, a planned initiative for that budget year that did not proceed.

**Mr. Chairman:** — Okay. Are there any further questions on that item?

**Mr. Rolfes:** — Not now.

**Mr. Chairman:** — I have no question on the fines portion. It seemed to me to be reasonable. No question on interest.

With respect to coal, can I just ask is that a normal occurrence that . . . I know within the previous year you were estimating nearly \$15 million in revenue; you came in at 10. The year under review, 16.5; came in at 13.5. Is that par for the course? Is coal a difficult thing to estimate? Does it depend on . . . I'm just frankly not aware how our revenues for coal are derived. Is it based on production?

**Mr. Wakabayashi:** — Yes, a combination, Mr. Chairman, of production and price. And I need to confirm this, but I think the production of coal in that year was less than what we had estimated production of coal.

**Mr. Chairman:** — With respect to natural gas, can you account for the estimate, the initial estimate in that year?

**Mr. Wakabayashi:** — Mr. Chairman, I'm afraid I can't this morning. I'll have to add that to the list of the other revenue sources that you've asked me to follow up on.

**Mr. Chairman:** — I appreciate that. Oil. There have been a number of question on oil. Any other questions on that?

**Mr. Anguish:** — Mr. Wakabayashi, you said you had the, for the spot price for oil, you had the calendar year. Could you give me January, February, and March of '86? You gave me from April to December.

**Mr. Wakabayashi:** — Yes, I can get that. I don't have that with me this morning. I had a list of the spot prices for the calendar year 1986.

**Mr. Anguish:** — Yes, that's what I'm asking.

**Mr. Wakabayashi:** — Oh, I'm sorry. I thought you meant the '87.

**Mr. Anguish:** — You gave me April to December.

**Mr. Wakabayashi:** — January 1986 was \$22.64. February of 1986, \$15.23. And March of '86 was \$12.54.

**Mr. Anguish:** — Thank you. That's it Mr. Chairman.

**Mr. Chairman:** — Potash, I note that in the previous year your estimate was 81 million; you came in at 32 million. The fiscal year you estimated 60 million; you came in at 36 million. Is this a case of hope springs eternal at estimate time?

**Mr. Wakabayashi:** — Yes, I think on potash definitely. The potash price came in lower than the estimate. I think the production was maybe slightly less than estimate, but I would guess that the main reason for coming under was the drop in the potash, drop in the potash price in the year under review.

**Mr. Chairman:** — The uranium, I can understand your

estimate, and basically have no question on any of the other revenues with the exception of established programs financing. I note that your original estimate was 466 million; it came in at 409 million. Would that be a function, would that be related at all to the large increase in equalization?

**Mr. Wakabayashi:** — Mr. Chairman, I'm not sure exactly. There is some relationship with equalization, but I can explain that the basis of the payment is on . . . or the value of the transfer is really made up of two parts. First of all, the overall increase is relative to the rate of increase of the gross national product, I think it is, of Canada as a whole. And as I mentioned to you earlier, I don't remember what year the federal government changed the formula and reduced that escalator by two percentage points. In other words, if the market price of GDP went up 10 per cent, they lowered our escalation to 8 per cent, and I don't know exactly when that occurred. But anyway, that's the overall basis on which the total value of the transfer comes to the province.

But it's made up of two parts. One is made up in terms of transfer of income tax points to the province. They gave tax room to the province for X percentage points of personal income tax, and I don't know what . . . 1 per cent corporate tax; and then the balance of that is in the form of a cash payment. So what you see in the estimates and Public Accounts is the cash component of that.

Now I'm only speculating. One possible reason for a decrease in the estimates is that if the value of our income tax points, the personal income tax and the corporate, comes in higher than what we had estimated, then the cash payment drops because it's all based on what our total entitlement is, based on GDP growth. So I'm not sure if what happened there is that the cash transfer was less because of the increase in the value of our taxes that were transferred to us, or whether that came in lower because the feds lowered the overall entitlement because they dropped the GDP minus 2 percent. Now having said that, I'll want to check that out for the committee.

**Mr. Rolfes:** — On that very same point, I wonder if you could undertake to put that in writing, what the actual reasons were, because I'm interested in the EPF (established program financing) as to why that dropped so significantly. Okay?

**Mr. Wakabayashi:** — Yes.

**Mr. Chairman:** — I have no further questions on these points. I just perhaps ask one general question. We're seeing here in the case of revenues, and revenues is the . . . it seems to be the single largest reason for the divergence between the initial estimate, the year and the . . . or the estimated deficit and the actual deficit of the combined funds. And I just . . . I cannot recall any such a large discrepancy between an initial projected deficit and an actual.

And I wonder if you might have any comments for this committee on that point, recognizing that the committee is concerned about the reliability and appropriateness of information in the *Public Accounts* to provide a full and fair accounting of operations and financial transactions,

its concern about the collection of and proper accounting for all taxes and other revenues due, and the maintenance of expenditures with the limits and for the purposes authorized by the legislature and the adequacy of safeguards to protect assets from loss, waste and misappropriation; not to mention the regard for economy in the acquisition of goods and services, the regard for efficiency in operations, and the effectiveness of programs in achieving their stated objectives.

I guess I'm just asking you if you have any comments that you wish to make to the committee on these points, bearing in mind the mandate of the committee and what happened in that fiscal year. And I want to qualify that by saying that I know that you were not the deputy minister and that you were in no way personally involved in that. But I just wondered if your department, in speaking for your department, whether you have any comments that might help the committee in trying to understand what happened that year.

**Mr. Wakabayashi:** — Mr. Chairman, I can't answer whether that fiscal year resulted in the largest differences between budgeted revenues and actual revenues, but I guess that could be easily determined as we go back in previous fiscal years.

I think the only explanation is what this committee is attempting to obtain from us, to try to get as much information from us as to the basis upon which the estimates were made, on particularly the kinds of items that we've identified, and seek an explanation from us to try to account for what actually happened. Other than that, I don't know if I can provide any more information to this committee.

**Mr. Martin:** — The price of oil went from \$22 to \$11 in a period of about six months which, if you turn to page 6, shows a decrease in revenue of \$360 million which . . . I think that might be . . . would that not be one of the reasons that . . . and it's a substantial decrease, 50 per cent of the price of oil in a short period of time. I'm sure that the estimates were based on previous months when the oil prices were up around 21, \$22. I think the answer's on page 6, Mr. Chairman. That's all I have to say.

**Mr. Muirhead:** — I have a couple of questions, in case we were going to finish today. If you people have more questions, I wasn't going to ask them, but . . .

**Mr. Chairman:** — One of them had their hand up.

**Mr. Muirhead:** — If we're not going to finish today, I won't bother. But if we are, I'd like to . . .

**Mr. Anguish:** — . . . (inaudible) . . . we'd like to wrap up today with Department of Finance.

**Mr. Chairman:** — Go ahead. If you have questions, feel free. We can maybe extend the time of the committee a bit to dispose of the department.

**Mr. Muirhead:** — I just had a couple of quick questions; it may not take very long.

I'm picking it up that there was overexpenditures in the

capital gains rebate program, and I know I couldn't understand why; it couldn't just compare to me.

**Mr. Wakabayashi:** — I think the government in . . . I forgot what year, introduced a capital gains tax rebate program. This program applied to taxable capital gains incurred between 1979 and 1984, and it applied to . . .

**Mr. Muirhead:** — 1979?

**Mr. Wakabayashi:** — Yes, 1979 to 1984 was the program that was put into place. The program came into effect in 1979. And therein the regulations that set out the program at that point defined an active farmer or an active business person whose principal source of active income for any four out of five consecutive years since 1971 was derived from operating a farm or a small business. That was sort of a basic criteria.

And then a second basic criteria was that the individual has owned the real property, the farm or small business, has owned that continuously since December 31, 1958.

The problem then we encountered was that if we applied the strict rule of those regulations, there were instances where a number of bona fide farmers and small business — a strict application of those regulations — would have been excluded for the capital tax rebate program. So in 1983 the government decided to, by way of a remission order, which is what the member is asking about, we amended the criteria to provide for, in exceptional cases, the qualification for capital tax rebate.

Essentially what we did was if a farmer has farming income as well as active non-farming income in a year, and the non-farming income exceeds his farming income but is not greater than \$15,000, we said that year should qualify for one of the four consecutive years required under the 1979 regulations. That was one factor.

And then we said that if a farmer has farm losses, that the losses themselves should not prohibit the applicant from qualifying. We said that if a farming potential exists — that is, there is an ability to generate income from his farm with expectations of profit — we said the rebate should be granted, again by way of a remission order, providing that the farmer's income from non-farming income did not, again, exceed \$15,000 a year.

Then we made another modification for small businesses. Because the small business did not receive the full capital tax exemption, as farmers in 1985, we did provide for qualified businesses that incurred a capital gain in the 1985 and 1986 taxation years if they were qualified to obtain the capital tax rebate. And all of these were provided by way of a remission order and accounts for the overexpenditure that we had not estimated. And the reason for the overexpenditure is we decided to establish a cut-off or deadline for the program. We established the deadline December 31, 1987. And I think because we announced that deadline we then got a number of . . . or a flood of applications to ensure that they qualified, and we didn't estimate for that. And that was I think the main reason for the overexpenditure that shows in the *Public Accounts* for that item.

**Mr. Muirhead:** — Mr. Chairman, I didn't just pick it up 100 per cent. I know he made a pretty good job of explaining it, but I'll read the answer just to save time here because we're running out of time and the members want to ask more questions. I did have two or three more questions, and if we don't finish today I'll bring them back. If we do, we won't worry about them, just to give the members a chance if they want to wrap it up today. And if it doesn't wrap up, then I'll come back with my questions.

**Mr. Chairman:** — Thank you for your courtesy, Mr. Muirhead.

**Mr. Rolfes:** — Mr. Chairman, I just want to make an observation here on the estimated revenues for oil. I don't want to have the impression left that the government at the time the budget was presented didn't know what the spot price of oil was in which they did. As of March of 1986 the spot price, Texas spot price of oil, was 12.54 as indicated by Mr. Wakabayashi. There was only one month following that that the price of oil went lower than that, and that was in July and it was 11.49.

So when the budget was presented to the House, there was clear indication what the spot price of oil was and it was around twelve and a half dollars. And after that the price of oil was either higher and only one month . . . no, it was higher in every other month except for July.

So it's very difficult for me to believe or to accept that the government didn't know what the price of oil . . . the revenues for oil would be for the rest of the year because it had dropped significantly in February, dropped again in March.

**Mr. Chairman:** — Can I interrupt for a second? Do you have a question you want to put to . . .

**Mr. Rolfes:** — Yes, I do have a question and the question is this: when Mr. Martin made the statement that the price of oil had dropped significantly, I want to ask Mr. Wakabayashi, at the time did the Department of Finance know what the spot price of oil was and what they projected it would be for the rest of the year? Don't tell me what it was, I mean, that's not within the committee's purview.

**Mr. Wakabayashi:** — Mr. Chairman, obviously the department knew what the spot prices were because those were . . . but what I don't know is what the underlying assumptions were as to what the oil prices would end up on the average for the whole fiscal year. Because as I indicated, we obviously looked at the futures price, and then we were wondering about to what extent the oil prices could be cushioned by federal equalization payments and stabilization, and so on. So I presume all of those considerations were put together in the blue book estimates for our oil price.

**Mr. Rolfes:** — Okay. Thank you. No further questions.

**Mr. Chairman:** — Are there any further questions of the officials?

**Mr. Anguish:** — Mr. Chairman, I'd like to . . . (inaudible) .

. . if Mr. Muirhead and company have more questions . . . (inaudible) . . . on the government side, maybe we could dispose of those questions and excuse the officials and do our wrap up, if that's acceptable?

**Mr. Muirhead:** — I just have the one question. Maybe . . . three here, but one that maybe I should have asked Mr. Lutz, because I'm not just sure who answers it. I just see in here on Public Employees Benefits Agency here, where there's accusations that they were not getting their outstanding financial statements in. Has that been corrected? Or who answers me that question, I'm not sure. Maybe it's not even in order to go back to him now, Mr. Chairman, I'm not sure. But I missed asking that question prior, and that's the only important one that I really want answered if possible.

**Mr. Chairman:** — . . . under revenue?

**Mr. Muirhead:** — Yes. It's on page 87, under Department of Revenue, financial services. There's several accusations, and I can't go through it all in here now, through it, that leads me to believe that the outstanding financial statements were slow in coming in, and what steps has been prepared to correct this. Or maybe Mr. Lutz can just answer that very quickly. Maybe it's still sitting that way. I'm sorry to bring that at the last moment here, but I should have asked it when we were questioning him the other day.

**Mr. Chairman:** — No, there's no last moment.

**Mr. Lutz:** — Mr. Muirhead, could you repeat the page number, please?

**Mr. Muirhead:** — Well, just . . . I'm talking about the Public Employees Benefit Agency, page 87. But on 18.05, and then 18.20, there's just accusations here that they're going after them for . . . I'm not maybe right, but I'm picking it out, that what you're meaning here . . . do you mean the outstanding financial statements that they're slow on, is that what you mean, or am I picking it out wrong?

Especially in 18.20 there, I'm not sure what you mean there:

Without either of the foregoing, there is no reasonable assurance that there has not been any unauthorized access to the Comptroller's Division data files and programs.

I'm not sure what you're meaning here.

**Mr. Wendel:** — Which paragraph are you on, Mr. Muirhead?

**Mr. Muirhead:** — 18.20, on 91.

**Mr. Lutz:** — Page 91.

**Mr. Kraus:** — Would you like an answer to 18.20?

**Mr. Muirhead:** — Yes, maybe you could do that.

**Mr. Kraus:** — I believe the question there was whether or

not we had procedures in place to ensure that the integrity of the data process by WESTBRIDGE, which was formerly SaskComp, was adequate. And WESTBRIDGE did complete an audit. They had an external audit firm do an audit of the various controls that they have in place controlling the data, and so on, how they operate. They got a clean bill of health in an audit report. It's about a 20 to 25 page audit report that they did provide to me, actually probably about a month or so ago, and I advised Mr. Lutz of that. And I suggested that if he contact WESTBRIDGE, I think they'd be quite pleased to give him a copy of this audit report as well, which addressed the management control issue that Mr. Lutz had. I don't know whether he has asked them for the report, but I think they indicated they'd be very happy to provide him with one.

**Mr. Muirhead:** — . . . (inaudible) . . . because of the late time here.

**Mr. Chairman:** — All finished, Mr. Kraus? Okay. Are there any further questions of the department? If not, I would thank you . . .

**Mr. Blackwell:** — Mr. Chairman, I . . .

**Mr. Wakabayashi:** — . . . a piece of information we'd like to read into the record from the last meeting about the amount of special warrants that was actually authorized. Could we do that, Mr. Chairman.

**Mr. Chairman:** — Okay.

**Mr. Blackwell:** — Mr. Chairman, in response to the question about the value of special warrants that had been passed in the fiscal year '86-87, I inadvertently misread the *Supplementary Estimates* for that year. The numbers for the special warrants that were passed for '86-87 for the Consolidated Fund budgetary were 356,267,180; non-budgetary Consolidated Fund, 24,028,000; and Heritage Fund non-budgetary, \$20 million.

I would again refer the members of the committee to the *Supplementary Estimates* where those values are reported in detail by subvote.

**Mr. Chairman:** — Thank you very much. I say thank you to Mr. Wakabayashi and all his officials for bearing with us. I think it's been, what? — 3 days of questioning. And I just say thank you very much. I just might advise that the committee reserves the right to call you again. I can't say whether that to be a certainty, but that may happen. Departments are subject to recall. It seems to me in one instance there were some questions about the agricultural credit corporation. It may well be that the members will want to ask questions of that corporation and may want to come back to you. I'm not sure.

**Mr. Wakabayashi:** — We'll be available.

**Mr. Chairman:** — I appreciate that and just say thank you very much.

I just might, for the committee members, at this point we would normally entertain a motion to deal with concluding the hearing on that department subject to

recall. Is it your wish that we start this now, and I recognize we're running overtime, or do you want to wait until our next meeting to deal with the motion?

**A Member:** — It won't take very long . . .

**Mr. Chairman:** — It may take a long time; I don't know.

**Mr. Martens:** — Mr. Chairman, I had scheduled some other appointments that I'd really like to deal with. And if we could defer, I wonder if it wouldn't be all right if we could.

**Mr. Rolfes:** — If I could, I want to apologize to the committee on the remarks that I made. I don't know whether they're recorded; it doesn't make any difference.

The words that I used were inappropriate and unparliamentary, and if I have my strong feelings on ministers, and if I can't express them in a parliamentary way, they shouldn't be expressed. And I apologize to the committee for it. I don't think they are recorded. That's immaterial — it doesn't make any difference. I want to apologize to the committee for that.

**Mr. Chairman:** — At this point then, when we next meet we'll deal with the motion to conclude with the hearing of the department subject to any recall. We will not be meeting this coming Thursday as per agreement this morning.

The question of next Tuesday is one that is in abeyance at this point, and let's leave it at that. If the House sits next Monday, we will meet next Tuesday. If the House does not sit next Monday, then we will next meet next week, Thursday.

**Mr. Anguish:** — . . . (inaudible) . . . wrap up of Finance at our next meeting.

**Mr. Chairman:** — And we'll do the discussion on the motion on concluding with Finance at the next meeting.

**Mr. Anguish:** — Followed by Executive Council, is that correct?

**Mr. Chairman:** — Then the next item on the agenda, I believe, is Executive Council, but I can just check that — Executive Council, yes. Thank you very much. This meeting stands adjourned.

The meeting adjourned at 10:40 a.m.