

STANDING COMMITTEE ON PUBLIC ACCOUNTS
March 30, 1989

Mr. Chairman: — We'll call the meeting to order. Before we get down to business, I just might introduce to you two gentlemen, one who is known to you, Greg Putz, Clerk Assistant, and Charles Robert. Mr. Robert is a Table officer seconded from the House of Commons and will be assisting the Legislative Assembly, given its shortage of Table officers at this point with the leaving of Mr. Barnhart.

And I understand that Mr. Putz will be assisting the committee after a certain point this morning because Ms. Ronyk has other business to attend to.

As to the matter before us, item before us, the last meeting we concluded hearings on the Department of Finance, subject to any recall. And as I understand the procedure of the committee, it would now be the committee's intention to consider a motion to the effect that the hearing of the Department of Finance be concluded subject to recall, if necessary, for further questions, and that any such motion allow for political partisan debate once, of course, the motion is presented.

And I've discussed this with members on both sides because we're dealing with essentially a new procedure here that it's agreed that the motion be presented, that the members discuss it, have opportunity to move amendments should they wish, but that in the final analysis that the vote on the motion be tabled until a later day, till such a time as we can sit down to identify some issues that we want included in our report.

Having said that, I turn it over to you should you wish to put forward any motions at this time. And if someone wants to move this motion, we have a suggested wording here.

Mr. Rolfes: — Mr. Chairman, I move:

That the hearing on the Department of Finance be concluded subject to recall, if necessary, for further questions.

I move that motion so that we can get on with the discussion.

Mr. Chairman: — Seconded by Mr. Martens.

Mr. Rolfes: — Mr. Chairman, before I move this, do you think it's possible for the members of the committee to get time off so we can all fill up our cars before 2 o'clock?

Mr. Chairman: — The motion is before you. Discussion on the motion?

Mr. Rolfes: — Yes, Mr. Chairman, I have just a few remarks to make. As you say, this part of the committee is new, and I don't know just how we conduct it, but I do want to make a few statements on the motion and on the procedures of the committee if I may.

I want to express my personal feelings, first of all, on the committee, and just simply say that I've been frustrated with the procedure to some extent. I have read again since the last meeting the function of the committee and

also read the transcript. And I feel that the purpose of the committee of course is to make sure that we determine that expenditures are properly made and accounted for, not to question policy. And that's always a fine line.

But I do want to refer members to the transcript of the public accounts on Finance. And I think it is, from my perspective at least, fairly clear and clearly established, by what the deputy minister has said and others have said, that the government as a procedure has regular forecasts on revenues and expenditures, revenues on a quarterly basis. I can quote time and time again Mr. Wakabayashi, where he indicated that those forecasts were done, revenues on a quarterly basis and expenditures on a monthly basis.

And in answering to questions by my colleague, Mr. Lyons, we can refer to page 33 and page 34 of March 16 and clearly establish that the officials of the department knew fairly accurately what the revenues were and what the expenditures were and what the deficit was, on a monthly basis. Just so that I will not be misunderstood, I want to refer members to March 16 of '89, page 34, where Mr. Wakabayashi answers to Mr. Lyons saying that:

By financial condition, if you mean, yes, the total actual receipts received and the actual expenditures recorded, yes, I get those from the comptroller's office monthly.

And he goes on to say . . . Mr. Lyons asks:

Okay, so the comptroller sits, knows exactly how much money is coming in, or how much money came in . . .

Mr. Wakabayashi: — Yes.

And Mr. Lyons goes on to say:

. . . and how much money went out.

Mr. Wakabayashi: — Yes.

So that the actual financial position of the province is known on a monthly basis.

Mr. Lyons says.

Yes.

Mr. Wakabayashi says.

And then Mr. Lyons ends by saying:

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.

Categorically Mr. Wakabayashi says:

Yes.

My question, gentlemen, here is simply this: of what

purpose, of what purpose is that information to Mr. Wakabayashi if it is not passed on to the ministers?

And later on Mr. Wakabayashi clearly indicates . . . We go on to page 34, the bottom of page 34, and I can read the whole transcript, but it's very clear where he says, and this is Mr. Wakabayashi:

Yes, Mr. Chairman, that's a fair question, (a question by the Chairman). Let me explain my understanding of the process, to again repeat that we do receive, on a monthly basis, expenditure forecasts from the departments and revenue forecasts on a quarterly basis — and I'm saying that as a general rule — and we receive, of course, the financial situation in terms of actual cash and actual expenditures received.

And he goes on to say, and I'm skipping a paragraph here:

Once we get into second quarter, then of course trends start emerging, and at some point in time we will undertake (and note gentlemen), we will undertake to provide ministers, certainly Minister of Finance and treasury board, with our best forecasts of the overall — in this case we're talking about the overall financial position of the government . . .

And we can go on reading. I think it's very, very clear from what Mr. Wakabayashi has indicated that not only did the Department of Finance know what the actual revenues and expenditures were at a certain time during the year under review, but also that the Minister of Finance and possibly other members of the Executive Council knew.

And this is what we were trying to establish in this committee: did the Minister of Finance know at a certain time in 1986 whether or not their forecasts of revenues and expenditures were out of line. And I think the conclusion we have to come to: yes, he did know, and he knew fairly accurately. And for us to draw any other conclusion, I think, is simply shirking our responsibilities as members of this committee.

And that may be difficult for some of us to accept — I think the evidence is there — and if we are going to carry out our role, I personally believe, as members of this committee, that we simply have to come to that conclusion, that not only did the deputy minister of Finance know those, but he made those figures available to the Minister of Finance who knew those, certainly, in the second quarter of the year under review. And I think Mr. Wakabayashi again later on clearly indicates that certainly by the end of July, around July 31, he says that they had a fairly accurate forecast of revenues and expenditures.

And it disturbs me, Mr. Chairman, that we are left, or at least I am left with the feeling that there is somehow a real gap, that only the officials knew . . . had this information and knew it, and did not transmit this information to their respective ministers who are responsible to this committee and to the legislature and ultimately to the people of this province. And I do think however that it is . . . and I want to go a little bit further.

I did some other research and went to Mr. Dale Eisler's column when he interviewed the Minister of Finance. And this was on Wednesday, June 24, '87.

When asked (and this is Mr. Eisler). When asked why the extent of the deficit was not told to voters in last fall's campaign, Lane had an answer at the ready, and I quote. "What do you expect? After all, we are politicians," he said.

Now that's true, we are politicians, but I think as members of this committee of the public accounts we have an obligation to find out for the people of Saskatchewan whether those moneys that were appropriated by the legislature were expended according to the rules and regulations laid down by the legislature. And if not, then the Minister of Finance and the Executive Council must be held responsible. I don't think we have any other choice. If we don't do that, I don't believe that we're carrying out our responsibilities.

With that opening statement, Mr. Chairman, I will give the floor to somebody else.

Mr. Lyons: — Thank you, Mr. Chairman. Mr. Rolfes has said a great deal of what I wanted to say, but I'd like to put it a little more concretely before the committee. So I propose an amendment to the original motion that would absolve the officials of the Department of Finance for the errors created in a politically motivated manner by the Minister of Finance, specifically, speaking of the difference between the actual budget deficit as incurred during the year under review and that projected a mere few months earlier by the minister just prior to the last election.

I don't know whether I have to provide that in writing. Perhaps I can tighten it up a bit.

Mr. Chairman: — That would be appreciated. It was difficult to know where the motion ended and your discussion began, Mr. Lyons.

Mr. Lyons: — That's the intent of the amendment.

The motion reads:

(That following the) That the hearing of the Department of Finance be concluded subject to recall if necessary for further questions (and to continue on that amendment) and that no blame be attached to the officials of the Department of Finance for what was obviously a politically motivated "misforecast" (I don't know if that's to be found in Oxford or not) by the Minister of Finance in dealing with the finances of the province of Saskatchewan.

I move that amendment.

Mr. Chairman: — That amendment has been moved by Mr. Lyons. Is there a seconder? Oh no, we don't need a seconder.

Mr. Lyons: — Moving the amendment, I think that Mr.

Rolfes has outlined in large measures the reason for it. We have here a case of . . . a case here in which the Minister of Finance has put the officials in the Department of Finance in what I consider to be a . . . personally, an untenable position. And that position, that untenable position, was made clear by the nature of the answers that the committee received in questioning Mr. Wakabayashi during the witness process.

It was clear from Mr. Wakabayashi's testimony, and you can refer to the *Hansard* in which Mr. Rolfes previously referred, that Mr. Wakabayashi was very reluctant on the one hand to deal with what I would consider a normally administrative manner; that is, the question of the preparation and the time of the preparation of reports. In fact, Mr. Wakabayashi made it very clear that the time in which the reports were prepared for the minister were politically motivated, and that it was an area of political policy as opposed to administrative policy. I think there's ample evidence in Mr. Wakabayashi's testimony to support that.

The fact that he refused to give to the committee, saying that it was a matter of political policy by the minister, of those dates upon which the reports — that is, the forecast reports — were prepared and which would normally be seen as simply administrative matter, indicates to me and, I think, indicates to everybody on the committee that there is a credibility gap in regards to the minister's statements.

On the one hand, the committee now knows that in the year under review the department knew on a month-to-month basis the actual financial situation of the province, and that the department knows to this day the actual financial situation of the province. But on the other hand, we have a situation where the Minister of Finance — and I can only conclude, deliberately, based on what has happened over the past — deliberately misled the people of this province. And I don't know whether that's out of order . . .

Mr. Chairman: — I would have to rule that it is out of order and that you may wish to reflect on that ruling.

Mr. Lyons: — I will withdraw it for the sake of parliamentary decorum, Mr. Chairman. I will unequivocally withdraw it for the sake of parliamentary decorum. However, the intent of the statement stands, is that there was a . . .

Mr. Chairman: — The ruling that is usually made by a Speaker and made in these circumstances holds that an apology for use of unparliamentary language be unequivocal. And to say, well I used those words and maybe I shouldn't, but what I said stands, to me is not unequivocal. And you may wish to think on that some more, Mr. Lyons.

Mr. Lyons: — Let's put it this way, Mr. Chairman, that I will withdraw unequivocally the language that was used.

Mr. Chairman: — Fine.

Mr. Lyons: — And I will leave it at that.

Mr. Chairman: — Thank you, Mr. Lyons.

Mr. Lyons: — However . . . and this is with a big "H" so we will begin a new sentence on this one. However, given what has occurred in the course of the hearings with the department, and the testimony given by the officials of the department, I think there is only one conclusion that can be drawn in the matter of the budgetary forecast and the actual deficit reached by the Minister of Finance, and that is a cynical manipulation of the real state of affairs of the province for what was obviously political purposes.

The interview to which Mr. Rolfes referred, and since it was never refuted by the minister, those words were never refuted by the minister, I think, speaks volumes as to how the officials in the department were used. And that's the motivation that I put forward for the amendment. Because I don't want the officials in the Department of Finance to be seen to be involved in this kind of shoddy, cheap, political use of what should be — and I'll get to that in a moment — what should be facts and figures available to the people of this province in terms of the accounting of the finances, their finances.

I think that there's a question of credibility of the officials in the department that's at stake here, and I want it clear for the record that to my mind, based on the testimony of Mr. Wakabayashi, that those officials cannot be held accountable for statements made by the minister which were totally out of line with the information that those officials had.

And it's for that reason that I'm moving the amendment, and I want to read it again for the record:

That no blame be attached to the officials of the Department of Finance for what was obviously a politically motivated misforecast by the Minister of Finance in dealing with the finances of the province of Saskatchewan.

Mr. Muller: — Well I'll certainly speak in favour of the main motion. I'm opposed to the amendment. I don't think it's the mandate of this committee to take over the job of the Provincial Auditor in auditing the books on a month-to-month basis. We get our Provincial Auditor's report at the time when the Public Accounts are tabled, and certainly the Provincial Auditor has the opportunity to look at all departments and how the money is spent, and whether it's spent legally or illegally. And that's where he makes his decisions, and that's what we are here to review.

The internal documents that are passed between officials and ministers during the year are internal documents, and they're projections. They're not always right up to date or accurate; they're projections of what the direction we're going. And certainly things that do get involved with this are oil prices or droughts or whatever else may come along to affect what the end result is.

So I don't think that we as a committee are supposed to sit on a continuous basis and review everything on a month-to-month . . . on a month-per-month basis, projections of every department; we would never, ever

get our work done, and we'd be sitting here 365 days a year. And we'd be further behind than we are now, because we could not possibly keep up.

We are here to take the Provincial Auditor's report and the public accounts, and the Provincial Auditor flags the things that he thinks have to be addressed. And that's our job to then bring the officials in, ask questions on whether these things have been changed so to satisfy the Provincial Auditor on how money is spent. And Mr. Rolfes and Mr. Lyons are trying to expand the mandate of this committee to get into each department and look at their month-to-month projections. I think is just a bit ridiculous.

Mr. Martens: — I'd just like to speak a little bit about the amendment. I agree with the motion. And I don't think that I would have the same interpretation of the deputy minister's responses to the questions that Mr. Lyons has.

I sat and listened carefully, and I noted that he discussed issues, for example, on projections that were anticipated and received early as middle of July, and then projections were received after that. And it was really by the fourth quarter that the determination of the volume of deficit was real. And those projections that are made are based on information that has been received, and an attitude of anticipation for what is going to be coming. And those are strictly speculative, and I would think that they have to be viewed in that light. For us to review on a monthly basis some of the decisions that are made, I don't think that that's our mandate. It has probably never been the mandate of this committee to do that, and I don't think that it would be our responsibility.

I think the auditor's responsibility deals with checking to see whether authority was issued for the expenditures, and I don't think there is any question in my mind that that is what his responsibility ought to be. And when he reports on it, it's our responsibility to discuss that with him and with members of the committee and the departments involved.

But I really don't go along with your amendment that you made to deal with this issue. I think, really, you put the committee at some negative position by making that kind of an amendment, and I'm not going to support it at all. And I would definitely be in favour of the main motion but not the amendment.

Mr. Muirhead: — Thank you, Mr. Chairman. I also am in favour of the main motion, but am definitely very strongly opposed against the amendment.

We might as well face the facts here this morning, Mr. Chairman, that Mr. Rolfes and Mr. Lyons are reading their own interpretation into the *Hansard* that was read here this morning; the same thing to the Eisler account in the paper. They're famous for that, read in what they want to hear. I stayed here and never missed more than a couple, three minutes of the Finance officials, and I never took it on any circumstances whatsoever that they were saying that we definitely, definitely knew each and every month the forecast of the expenditures and the revenues. They never said such a thing. They said it was hypothetical. They said it was a forecast, and a forecast is exactly what

is, a forecast, Mr. Chairman.

What these members perhaps here don't understand, that 1986 was the hardest year to forecast since I've been a politician, and probably since they have. It was the year of fluctuating oil prices. It was the year that they didn't have any idea what . . . within a billion dollars of where we're going to be stabilization or deficiency payments. They didn't know that was coming. They didn't know whether we were going to get a crop. We were hinging on July 31 of whether there was going to be a crop or not, or whether it was going to be just talk out there that there may be money coming through from deficiency payments. They spent a half a day here — pretty near a whole day, I guess — talking about why the \$109 million to agricultural credit corporation, which they would have to know even if they're not farmers, Mr. Chairman, they would have to know that that was depending on whether there was a future income from farmers or not. It was all hypothetical and forecast, exactly what it was.

If oil prices were fluctuating in the first quarter and started to show maybe signs of what was happening in the second quarter . . . I know that has happened before since I've been in here. I've seen it happen many years, just the same as a crop growing out there. You don't know the end of July what's going to happen to the final result.

If things had have came back in, Mr. Chairman, the price of oil had have gone back up to the end of the year, the income for the farmers had have went high, they hadn't had the \$109 million debt to agricultural credit corporation, things would have been maybe the way we were all thinking. But they're coming back in after the fact. This is almost 1990 and they're trying to say what the facts were, which they turned out to be in their favour. I think they wanted oil prices to go lower in the end. I think they wanted the grain prices to be low so they can come back in and say, you've missed your forecast.

Now there's never once, Mr. Chairman, did I see in *Hansard*, did I see or hear of Mr. Lane, the Minister of Finance, saying that he admitted and he knew what these forecasts were. So as far as I'm concerned, what they're doing here is saying that the officials were the ones that did not give their forecast: that they held it and didn't give it to the minister. Because you want to say very clearly, oh, the minister knew — the minister knew. But the officials, the officials are the ones that never said that they . . . they just read their little part into what they wanted to hear. And if you go back and read the whole *Hansard* and we want to sit here for another few days and just read *Hansard* word for word, maybe then we can get to the real facts of it. Maybe we have to go back and read . . . they brought the Eisler account up; we didn't. Maybe we've got to read the whole Eisler account, and we've got to go back and ask Mr. Eisler, Mr. Chairman, what did Mr. Lane really say to him and what was the sentence before and after. They're just doing like they've always done, is read what they want to.

They just remind me so much, Mr. Chairman, of '78 to '82 when we couldn't get an answer out of those people entirely. They're trying to think that we're that bad, but we weren't. We couldn't get any answers out of those guys. We've given you so much information, anything you

want to know, and they sit there and laugh and laugh and laugh. It's just a joke, Mr. Chairman, and I'm absolutely against that amendment.

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

Mr. Lyons: — Well I just want . . . I want members on the other side of the table to take note of what they're going to be voting against, and I want to read the amendment again. It says:

and that no blame be attached to the officials of the Department of Finance.

In other words, if they vote against this amendment they are saying that in fact there is blame attached to the officials of the Department of Finance. There can be no other interpretation placed on their reaction to that amendment.

What we're saying is that, with this amendment, is that the department officials, based on the testimony that they gave to the committee, which was that they knew on a month-to-month basis the actual financial situation of the province. And I can go on . . . Mr. Wakabayashi says, testimony on page 34, March 16 *Hansard*:

By financial condition, if you mean . . . (the actual receipts) the total actual receipts received and the actual expenditures recorded, yes, I get those from the comptroller's office monthly.

It's not a question of interpretation. That's what the deputy minister said, is that he . . . and then it goes on to say . . . in response:

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

(Mr. Wakabayashi:) — Yes.

It's not a question of putting interpretation on anything. It's a question of fact. The deputy minister knows on a month-to-month basis the actual financial condition of the province.

Well Mr. Hopfner shakes his head, no, that he doesn't know. So either the deputy minister . . . Mr. Hopfner is, by his action, is either saying that the deputy minister made false testimony before the committee, which, if that's what he's charging, he'd better say something about it and ask that the legislature deal with it, or he has to support the amendment which says that the deputy minister didn't make the false testimony, that the deputy minister was in fact . . . knew what went on on a month-to-month basis, and hence provided the committee with the information which was true and factual, and that no blame be attached to the officials of the department in that regard.

I think that . . . However, Mr. Chairman, I don't want to say very much more on that. I think that the issue here is clear, as clear as a bell, that we either relieve the officials of the department of any blame, or if the government members want to try to confuse the issue of the actions of the Minister of Finance, well that's up to their narrow,

partisan political interests.

Mr. Chairman: — Thank you, Mr. Lyons.

Mr. Martin: — The member from Rosemont, Mr. Lyons, in his attempt to try to blame somebody for some perceived problem that exists between . . . with the officials in the Department of Finance, said I would be arrogant to the extreme if I suggested for one moment that I could out-think Art Wakabayashi in anything to do with financial interests, or as a matter of fact any members of the Department of Finance, the officials.

This is not an attempt to blame them or to not blame them for anything; it's an attempt by Mr. Lyons to try to find some perceived problem so we can take a run at the Minister of Finance at some time. There are adequate financial check-points in place, handled by professionals who are as good as anybody in the country at what they do, whether we're talking about the auditor's department or whether we're talking about the Department of Finance, to look after the financial interests of the people of this province.

And for him to suggest, or for any member on the opposite side to suggest that we need to check these accounts monthly is, in my opinion, only an attempt by them to create more work for themselves and take more money from the people of this province, because all it would do would force us to sit here more often at great expense to the people of this province. And I'm astounded that he would, you know, even think that way. Well I'm not astounded he would think that way; it's typical. But it's an insult to the people in this room right now to have to sit here and listen to that stuff.

So I will certainly not support the amendment, and I think we should get on with the business and have the vote on the amendment and move on to something more important.

Mr. Muirhead: — Thank you, Mr. Chairman. I just want it on the record that . . . I'm naturally going to vote against the amendment, but I want it on the record that in doing so that in no way am I casting an aspersion upon the people in the Department of Finance, that they're to blame. There's no way that I'd . . . voting that way.

Well actually, I can't speak for my members, but if they vote that way . . . (inaudible interjection) . . . Okay, Mr. Hopfner says that he's feeling the same thing, so I'm speaking on behalf of our members on this side that want on the record that no way, if we vote against this amendment, that we're saying that the Finance officials were at fault. I just want that on the record, instead of coming up with another amendment.

Mr. Rolfes: — Mr. Chairman, I want to put it on the record also that I fully endorse the amendment that is made to the main motion. I indicated that I moved the main motion in order to get discussion going, and I was hoping that someone else would move an amendment to it. I'm not going to pursue this any longer. I think we've laid the facts before the committee and before the public as to what actually transpired.

There is no way that the members opposite, no matter how they want to look through it in rose-coloured glasses, the facts are there — the facts are there. The purpose of collecting monthly and quarterly statements by the Department of Finance is to provide the ministers with that statement — the ministers, the ministers — and that ultimate responsibility lies with the Minister of Finance, and he gets it. He gets those statements.

And if Mr. Wakabayashi, by his statement, indicated clearly . . . I mean you can't misinterpret the words . . . (inaudible interjection) . . . I'm not talking about internal documents. All I'm saying is: did the Minister of Finance on a certain date know what the financial position of the province was? The answer clearly, by the deputy minister of Finance, was yes, he did.

I mean, there is no . . . I mean let's not go to the absurd, gentlemen, to say that the officials collect these forecasts, and then not pass them on to the Executive Council. Some of you have been on Executive Council and know that for a fact. Some of you have and know that for a fact, that that happens. I have been on Executive Council. I know that happens for a fact. I sat on treasury board. I know we got those reports on a monthly basis. They were reported by the Minister of Finance to treasury board, and we knew what the position was. And I think it's really absurd to say that the Minister of Finance didn't know this, and it's clearly been established.

And I support the amendment because it should not come out of the government later on that the officials were responsible because they didn't do their forecasting, they didn't do their work. And we can't have this happen. So often politicians do this. When they are to blame, they lay the blame on someone else so that they don't have to take the blame, and I think that shouldn't occur. And it's been clearly established by this committee that the Finance people did their work. They did their work.

Gentlemen, you can go and say, well, oil prices fluctuated. Oil prices didn't fluctuate. Oil prices in March — again by Mr. Wakabayashi — the spot price of oil in March was \$12.54 a barrel. That was before the budget came down. Only one month did it go lower, and that was in July when it went to \$11-and-some cents. Every other month it was higher, it was higher than before the end of the fiscal year of 1986. So oil had no bearing on it whatsoever. We knew what the price was.

And all I want to say is that I think we ought to support our officials. I will support the amendment so that, when this committee reports, the blame will not be laid on the officials but it should be squarely laid at the foot of the Minister of Finance. That's where it ought to be laid and that's . . . I think the evidence is clearly put there in the Hansard. Thank you, Mr. Chairman.

Mr. Muller: — The amendment is absolutely redundant. There has never ever been any blame laid on officials of any department. And for the member from Regina Rosemont to say that the officials will be blamed, certainly of course any time there's any political decisions made it's always . . . the blame is laid on the minister. The officials are there to help him out in his department and to work with him, but there's never been

any blame or anything laid on the officials of a department.

So the amendment is redundant. It's just paper work that he's trying to slip in for his own political purposes, and that's why it takes so long to get any work done in this committee because we have people like him that are trying to hold up the work of the committee and extend it as long as they can by putting in these redundant amendments, or redundant motions. And it upsets me that we don't get down to the next item on our agenda, Executive Council. And certainly I'm going to pass it over to some of my colleagues here and I'm sure have some wise words to say.

A Member: — Question, question.

Mr. Muller: — Okay, I say let's have the question.

Mr. Chairman: — A question has been called for on the amendment, but I do have Mr. Martens . . .

Mr. Martens: — I just want to make one point. Mr. Chairman, the interesting observation made by Mr. Rolfes in dealing with the spot price of oil and dealing with the price of oil through the year, he's absolutely accurate, but the conclusion that he draws is absolutely totally wrong.

The volume has to do with the volume of dollars. It's not the price of oil that has to do with whether you get revenue from oil. If the oil wells are shut down, it's no different than with making a projection on his crop. He can have the Canadian Wheat Board sit down and state the price of his grain, and if the price of the grain is \$10 and he has no grain, he still doesn't have any revenue. And that's precisely the analogy he's bringing out here.

He says that the spot price of oil is going to determine the volume of dollars brought in, and it has only one small factor in relation to that, to give implication to that. And I think that he's right out of his tree when he's talking about that sort of thing. I think that we should move right along here.

I support what the Department of Finance officials did. I don't lay any blame on them. I think they did a good job, and I think they did a good job in relation to the kinds of the things that the auditor was saying and the things that he did. And I therefore do not support the amendment; I support the motion.

Mr. Chairman: — I wonder if I might ask you to take the chair for a second. I just wanted to make some comments and it was agreed that the chairman would step down.

Mr. Van Mulligen: — Mr. Chairman, the issue at stake is the deficit, and the question before this committee is — and the one that we have been discussing and I think the one of interest to the people of Saskatchewan, too — is how did a \$389 million deficit, projected deficit at the beginning of the year, turn into a \$1.2 billion deficit at the end of the fiscal year? Surely this is the greatest miscalculation since some people sold Manhattan Island for a value of some \$26.

It's too incredible to ignore the deficit question. And the

question for the committee is how did this arise, and was it in part the actions of the officials? Was it a matter that should be laid at the Minister of Finance?

And I appreciate that some members would take the position that there is simply nothing very strange or very troublesome about a deficit ballooning from or 389 million to 1.2 billion, and this is a normal course of events. And I guess other apologies are that it's normal for governments to be out a billion dollars or so, and it was a very troublesome year in which to forecast things and one shouldn't read anything into the miscalculation of the perceived deficit.

And one may take that position. But again the fact remains that it was just a huge miscalculation in that deficit. And the question is: how did that arise? Who knew what? And when did they know it?

My impression, after listening to Mr. Wakabayashi, is that in the main the decisions about what the deficit should be were made not by his departmental officials, is not the result of miscalculation on their part, but is a matter that must be put to the Minister of Finance, and the Minister of Finance must be held squarely responsible.

I have some minor misgivings about the advice that finance department officials may have been giving to the minister, or minor misgivings about some of their calculations. I think the tobacco tax is one example. It doesn't take a whole lot of brains to figure out that if you increase the price of something that the consumption on that item may go down because people can no longer afford it, and especially when it's a discretionary item, such as tobacco products.

And finance officials should have known, based on previous experience should have known, based on experiences in other jurisdictions, that if you were to raise the tax on tobacco significantly, the chances are that that consumption will reduce and therefore you cannot take last year's consumption, add, you know, a tax to that, or the estimated tax to that, and take that as being a reasonable estimate for the year.

And so whatever I have to say, I have those minor reservations about the Finance department, you know, calculations. But in the main, I would hold, listening to them, that they're not responsible for whatever was said that year about the deficit.

Some major changes occurred between April 1 and October 1. And October is a pivotal date because that was the time of the election, and that was also the time that the Premier indicated that the size of the deficit was about half a billion dollars. When I look at the spot price of oil, and again, that's not a reflection . . . the price itself is not a reflection of revenues, but the spot price certainly leads one to conclude that as the oil price goes down, revenues may tend to diminish.

There was already questions, when that budget was brought in, that the government's calculations were out of line; that to calculate oil revenues based on \$20 per barrel was unreasonable, given a trend of falling prices world-wide, and that the government was not

unreasonable.

By July the spot prices had dropped to \$11 from what was \$22 in January that year, and a \$20 estimate, I believe, for budget purposes. The government knew at that point, or had good information, that oil revenues would be significantly reduced — would be significantly reduced — and that the projected deficit should be increased, and I mean significantly, to the extent of \$100 million if not more. In fact, probably, at that point, more because oil did make some recovery later in the year.

The question of farm lands. And there's a miscalculation there in excess of \$100 million. And the government knew by October — knew by October — that it was not going to proceed with a program of selling off farm bank land for an equity corporation and, therefore, that those revenues were simply not going to be achievable during the course of that year. The government knew that it was not going to proceed with that program. Mr. Wakabayashi indicated that it was the government's intention at the beginning of the year, but that at some point — and I would submit that that point was prior to the election — the government decided not to proceed with that.

There's other factors such as the home program which were not, to my mind, questioned here which, certainly by the time that the Premier made his statement, the deficit was only about 500 million as opposed to 389 million. The government had some clear idea as to the expected uptake of that program and what the cost would be even during that fiscal year of that program. And all those factors lead me to conclude, lead me to conclude that when the Premier said in October, during the course of an election campaign, that the deficit was not 389 million but probably closer to half a billion, \$500 million, that the Premier knew far more, that the deficit was not in fact 500 million but was something much greater than that.

And I mean, again, like we refer to the newspaper article that Mr. Rolfes quoted for us about the Finance minister's comments. It's clear that the Finance minister and the Premier knew that during the course of that campaign that the deficit was something much greater than \$500 million, but, being politicians, that they weren't going to divulge that.

But again, in terms of the committee, I can't attach any great blame or have any great concerns about Finance department officials. Certainly the question of the deficit and how it ballooned and how it changed from a \$389 million forecast to a \$1.2 billion actual — and even that's in question, because the auditor suggests that it should be increased by another \$180-some million.

But how those circumstances arose is clearly a matter for the politicians to answer, and in particular the Premier and the Minister of Finance. The committee may want to, at some point, take a look at some of the forecasting measures used by Department of Finance officials and want to relate some advice to the House about that, but in the main the chicanery in this case was one of political making. And the word "cynical" was used at one point, and it certainly is nothing but a cynical manipulation of

the public's finances to encourage the public to believe something that simply wasn't there. Thank you.

Mr. Muirhead: — Mr. Chairman, I appreciate the statements you were saying. What you're saying doesn't make me angry, like some of the other statements from your colleagues. I think you believe what you were saying. I just want to leave it this way, that it was fact, we know it's fact that there was half a billion dollars out some place on the forecast. That's right. We're not duped; that we all know about. We can see it and it's been admitted.

What the question is here is, who's to blame? I don't want to blame anybody, Mr. Chairman, because I think 1986 was one of the years of the . . . '85, '86, '87 was the big turn-around since 1939, but we didn't really know. And I earnestly believe that, the same as you believe what you're saying, Mr. Chairman, that we didn't know what the forecasts were going to be. Just like me trying to forecast a crop at the end of July: it's just looking like I may get 15 bushels, and a little more rain, I may get 35, and that's just about the way it goes. And I truly believe that. And I think that during a recession it was harder for our officials and the minister, whoever was involved, and I don't know. I'll stand here as a man and say, I don't know who knew what, because I don't know. And I don't think you people do either.

The officials were doing the best they could; everybody was doing the best they could to forecast. But that's exactly what it was, it was a forecast. But I do say that back in 1982, when we took over as government, that the present government, the NDP, didn't have that luxury of saying that it was a recession we're into and not be able to guess. And we took over . . . An election was called in April of 1982, and while the budget was brought down and before we debated — it was a balanced budget — there was an election called on it. And before we ever got into the books, before we had a chance to spend any money, we were into a substantial deficit. And I've always felt that that's why, and I earnestly feel it here, Mr. Chairman, that was done on purpose to fool the voters. And in no way do I believe that in 1986 that there was anything done here to fool any voters. And that's what I earnestly believe, the same as you said in your statement, Mr. Chairman. I'm satisfied, and I won't say any more on the subject.

Mr. Rolfes: — Mr. Chairman, I wasn't going to make a comment, but after Mr. Muirhead's statement, I simply have to make a statement. First of all, maybe that's where we get ourselves into trouble, Mr. Muirhead. You just made the statement that because of things unforeseen the deficit was out by half a million. You see, we're only out a half a million in that already. The auditor clearly indicated that should be another 180-some million added on to the deficit to make 1.3 million . . .

A Member: — Billion

Mr. Rolfes: — Well, billion. It was forecast at 389 million. That to me is close to a billion dollars, not a half a billion as you just indicated in your statement. They weren't out a half a billion; they were out a billion dollars. So we get ourselves into those difficulties.

You know, I remember well last year, 12 days before the budget came down last year, the Premier of this province, speaking to a group in Saskatoon, said the deficit in the upcoming budget would be a billion dollars. And it wasn't.

I think we get ourselves into trouble as politicians when we throw around hundreds of millions of dollars and don't pay any attention to what it is. Maybe it's not done intentionally, maybe it's not done intentionally. But I don't think it's adequate for ministers of the Executive Council to not be accurate in some of their statements.

I want to simply say to you that the problems of 1986 were well indicated before that budget came down. And not only did the officials of the Department of Finance not do . . . as you say, maybe they didn't do as accurate a job in forecasting. They did an excellent job. I'll bet you, if those internal papers were produced here, those officials, as they have been over the years, would have forecast on a monthly basis to the Minister of Finance and say to him, hey look, the revenues are not coming in according to the expenditures that we have forecast, and we had better do something about it. Some political decisions were made after, and that is fine, I mean, that's the responsibility of the ministers to do that — the home care program and the loans production program and so on. Those decisions, fine, they have to take responsibility.

But let's not blame the officials for it, and that is what we have done by the amendment. We want to make sure that the officials are exonerated and that they are not going to be carrying the responsibility for the political decisions that were made, not by them but by the elected officials. And that's why the amendment is there. So I support the amendment and hope we can get on with the voting.

Mr. Hopfner: — Thank you Mr. Chairman. Well, Mr. Chairman, I wasn't going to get into this, but there's too many remarks made where I couldn't just sit back any longer.

I would think that on starting there's no member on this side of the committee that is blaming any officials or the government for the decisions they made along the lines, and because of the various different components that came about to have to make decisions to bring about different expenditures.

I think if the members on the opposition side of this committee would tend to reflect back upon our government taking power in '82, when the NDP administration had a 10-year blitz in government, that if they would have not made the investment in uranium mines of 600 million-plus dollars or millions of dollars in potash, or millions of dollars of the taxpayers' moneys into farm land, or what do they call that farm — land bank. If they wouldn't have invested those hundreds of millions, and in fact billion of dollars into those kinds of programs when they were in government, this province would not be facing a debt today. If they would have had the foresight and just taken those dollars and invested it directly into some blue chip or whatever, the return on those kinds of dollars in this province would have been humungous to the treasury. The return would have been humungous.

And I want to also identify the fact that upon the decisions made then and to the decisions that were having to be made in the '80s when the economic situation had changed, there were two different scenarios. In the '70s we've enjoyed in this province high economic growth, and there was a fair, decent world market out there, and everyone could compete without too much worry at all. And what did government do in the '70s? They did absolutely nothing to create and expand in this province, to bring in some sort of a security factor for the people of this province as to when the times did get difficult.

And I want to say that when you purchase industries that have already been built by a private sector and using the public money, I put this question to you, Mr. Chairman, as I do to all members of this committee. I ask them, how many jobs were created by purchasing a potash mine, or five or three or four?

A Member: — It was 480 jobs, Mike.

Mr. Hopfner: — They were already there. The member for Rosemont says about 480 jobs. Well those jobs were already there, and those jobs would have been created through the private sector. They didn't need the government investing into something that was already invested into.

What I'm trying to point out to the members is that through these millions of dollars that they so radically threw around in the '70s, had no real pay-back factors to the taxpayers of this province. I want to indicate that once again that debt would not be here today; the government of whomever party would be here today.

And I'm sure that if you people, if the NDP would not have done those things, they could be maybe government today yet, but they chose not to go about with . . . or to continue with the people's will, but they went on their own agenda. And the people made the decision in '82.

We're coming along, and I don't have to remind the members opposite that we've gone through floods, we've gone through droughts, we've gone through the grasshopper stage, we've gone through . . . (inaudible interjection) . . . Well the member from Rosemont makes fun of this, but it's not fun. It's not the least bit funny. We've gone through major hail; we've gone through quite a number of just natural disasters in this province, let alone . . .

Mr. Rolfes: — Mr. Chairman, a point of order.

Mr. Chairman: — Point of order.

Mr. Rolfes: — Point of order. Don't we have a motion before us with an amendment? I'm just wondering how the discussion of the points that the member opposite is making, how that relates to the amendment that has been put forward. We're not talking about famine and grasshoppers and . . .

Mr. Chairman: — Mr. Hopfner, I think, is on the amendment. The amendment deals in part with — and I use the word dealing — with the finances of the province of Saskatchewan. And Mr. Hopfner, as I listen to him, is

dealing with a number of factors that might tend to affect that. But I'm sure that he will tie it into the amendment as he goes along here.

Mr. Rolfes: — Oh, I'm glad you are so perceptive, Mr. Chairman.

A Member: — That's called perception.

Mr. Rolfes: — It's deep perception.

Mr. Hopfner: — Thank you, Mr. Chairman. Anyway, what I'm indicating to you is that these were natural disasters that I had been earlier talking about, and disasters that are humanly impossible to control. So our government had made a decision to help. The economic crash came, as we all know, and our government decided to help.

And during those ups and downs in the natural disasters and the economic world, the way it works today and will continue to work, I would imagine, is that when I hear people saying, well we should be able to forecast this and forecast that, it simply reminds me of the situation of a weatherman, if you will. It's basically a forecast, and that's it. Because on one hand it could definitely be a nice day and on the other hand it could be a bad day.

And that's just basically exactly the way the economic climate has gone. And I for one cannot understand how any member across the way there can hold anyone, one single individual responsible or any department officials responsible for the turmoil that's out there in the world economy.

When I had talked about these disasters and economic climates, I remember our Premier indicating that we were not going to take part in a recession, that we were going to build and look to the future. And we did. Now the NDP opposition can't have it both ways. They talk about cuts, and then they talk about overspending. I just can't see how anybody in the public are supposed to believe any words that come from their lips, because they're saying on one hand, the government's cutting; on the other hand, they're spending too much.

Now tell me where it is. Agriculture, for instance, were there any major cuts in agriculture? Education, were there any cuts in education? Health care, were there any cuts in health care? Social programs, were there any cuts in social programs? Home programs, you know, like were there any cuts in the home programs? And I'm just adding all these kinds of variations up.

And I notice some of the members opposite said yes and no and whatever, but I'm going to say to you, the Minister of Finance, the ministers of this government had to go to bat for agriculture, for the farmers in this province. And when we said we weren't going to take part in the recession, we didn't. We went to the wall for farmers. We did support the farmers and are still supporting the farmers in the various programs.

Education. We've put millions and millions and millions of more dollars into education. I believe there's something in the neighbourhood of about 50 per cent

increase in education costs in this province, if you want to go right through to today.

Health care. Health care has more than doubled since the NDP administration, and that's in a period of six years.

Social service programs. Social programs have all increased tremendously.

But when I hear members attacking the home program, one, I ask how many of the members might not have taken part in the home program.

Are they opposed to the fact of having a gas tax removed in the province here? Are they opposed to the pension plan here? Are they opposed to the fact that the . . .

Mr. Lyons: — Point of order. Point of order. Mr. Chairman, I'm quite willing to allow Mr. Hopfner to attempt to relate it somehow, but there is absolutely no attempt to relate to the amendment on the floor, in my opinion, than to this . . .

Mr. Chairman: — Thank you, Mr. Lyons. Mr. Hopfner, you would be encouraged to try and relate your remarks to the amendment in question.

Mr. Hopfner: — Right, but I say when members are opposed to programs, opposed to funding, and when I hear them complaining about the fact of the dollars not coming in and too many dollars going out, I mean I'm just trying to put this in perspective here as to where the dollars are coming in and where they're not coming in any longer.

And clothing tax is another one where there's no more dollars coming in. And when you talk about the social impact out there for the poor families, and you look at the gas tax removal and you look at the clothing tax removal, and then you want to tie this in to an economic disaster in the world of potash or uranium pricing or lumber or all the revenues that government rely on through the resource sector, well there's where a deficit occurs. I mean it's just point blank. And what I'm saying is members can't have it both ways; they just can't have it both ways. And I'll be against the amendment.

Mr. Chairman: — Thank you, Mr. Hopfner.

Mr. Muller: — Well I have to take exception to some of the remarks that the member from Saskatoon South has made. When he talked about, you know, the things . . . that he was on treasury board, he was the minister and a member of the Executive Council, they withheld more information from the people than you could shake a stick at.

They went to the bank and borrowed money to buy the Prince Albert pulp mill. They borrowed the money at 17 per cent interest from the Bank of Montreal and the Imperial Bank of Commerce. They never told the public one thing. They even came out and made a statement in 1981 that they made a \$24 million profit with the pulp mill, when in fact they owed \$36 million in interest that they never did pay. They never made a payment on the interest or the principal.

They talk about what should be coming up before the Public Accounts Committee. Why wasn't this brought up in the Public Accounts Committee at that time? I mean I wasn't here at that time, or I certainly would have.

But we never got . . . we never even found . . . you had the pulp mill buried so deep that we never even found it until September of 1982 because the bank finally contacted us and said, here, look here, here's what you owe in interest.

A Member: — Right next door to your constituency in Prince Albert.

Mr. Muller: — Yes, it is. It is in my constituency.

Mr. Chairman: — Order, please.

Mr. Muller: — We certainly found the pulp mill but we never found the loans that you hid and you . . . and these statements that the member from Saskatoon South has made are completely hypocritical, to coin a phrase of the member from Regina Elphinstone. I'd certainly use stronger language if I could in this committee, but I can't. But these are the kinds of things that we have to deal with, and now they turn right around and they say that they want internal documents. He never released any internal documents when he was on treasury board or Executive Council. And shame on him for that, yes.

Now he's saying that the department should release all the internal documents to the Public Accounts Committee, and he knows better that they never released any internal documents to the Public Accounts Committee, and I'm sure if Ralph Katzman was here, he could verify that for me.

I can't understand why these members are making amendments to a motion that we're all agreeable on, and trying to hold up the work of the committee and . . . I see their hands up again, and I see where they're trying to stop us from getting into the work of the committee and they want to sit here as long as they can. And I would call the question.

Mr. Chairman: — Before we do that, certainly there's some sympathy for that. I just might advise Mr. Rolfes that Executive Council people are here. We're now at about 10 to 10. Do you sense that you might want to wrap this one up and get into Executive Council, or should we encourage Executive Council to come back next week, Tuesday.

Mr. Rolfes: — No I think we can spend a half hour on Executive Council. That's all right.

Mr. Chairman: — So it's up to you. Do you want to . . . Should we encourage them to stay, or should we ask them to . . .

Mr. Muller: — I think we should encourage a vote.

Mr. Chairman: — Well as long as there is anybody who wants to speak on it, then I have Mr. Rolfes.

Mr. Rolfes: — Now, Mr. Chairman, I just want to say that I

have been just devastated by the member from Shellbrook-Torch River and I can't recover, so I'm just going to have to pass.

I was going to however, Mr. Chairman, make a statement on the member from Cut Knife-Lloydminster, but I found his remarks absolutely had no bearing on what we were discussing, so I would be ruled out of order. So I will have to pass on him, too. Thank you very much.

Mr. Lyons: — I just want to remind the committee, Mr. Chairman, that there's a certain bit of hypocrisy displayed by those who now say, let's get on with the work of the committee. Close to an hour ago, I called the question, and we had particularly the member from Shellbrook-Torch River, who's talked about getting on with the work of the committee, and who's wasting the work of the committee, has spoken.

The member from Cut Knife-Lloyd has spoken. I believe the member who also raised a question regarding the work of the committee and the time, the member from Wascana plains has also spoken on the matter, so I would urge all members to call the question, call the vote.

Mr. Martin: — Point of order. There's no such place as Wascana plains.

Mr. Rolfes: — Well, Wascana, then. How's that?

Mr. Chairman: — Well it's not a point of order, but we appreciate the information.

Are you ready for the question on the amendment? We'll take the amendment as read.

Negatived

Mr. Chairman: — Is it your wish to continue discussion on the main motion, or to adjourn it until another day, to adjourn debate on that, and to deal with the Executive Council?

Mr. Lyons: — Move to table to a future date.

Mr. Chairman: — I guess the motion would be is that we adjourn debate on the motion. And that's moved by Mr. Lyons.

Debate adjourned.

Mr. Chairman: — Let's take a two-minute break and then get into Executive Council.

Public Hearing: Executive Council

Mr. Chairman: — Mr. Martin, I wonder if you want to introduce your officials.

Mr. Martin: — Thank you. Ron Hewitt, the associate deputy minister, and Bonita Heidt, administration officer, and Don Wincherauk is director administration.

Mr. Chairman: — Thank you very much. On behalf of the committee, I want to welcome you here this morning. I want to make you aware that when you are appearing as a

witness before a legislative committee, your testimony is privileged in the sense that it cannot be the subject of a libel action or any criminal proceedings against you. However, what you do say is published in the minutes and verbatim report of this committee and therefore is freely available as a public document. And I might say you are required to answer questions put to you by the committee where these questions are in order.

Where a member or the committee requests written information, I would ask that 20 copies be submitted to the Clerk who will distribute the document and record it as a table document. And I would ask you to address all your comments to the chair, and that's an admonition that I would also make to members of the committee again, they address their comments to the chair.

And having said that, are there any questions, either of the auditor or the officials, in this case?

Mr. Rolfes: — Yes. Mr. Chairman, I would like to ask a question of the auditor. You note in your report on page 134, a number of things that you've noted. Could you tell me, are any of these still outstanding or have they been clarified and have resolutions been made on any of those items from 27.00 to 27.05?

Mr. Lutz: — Mr. Chairman, the item on page 134 makes reference to one specific transaction, one contract with SPMC (Saskatchewan Property Management Corporation) for which we think they did not have proper authority. I am advised that they indeed will now go through the proper authority processes before they enter into such contracts in the future.

Mr. Rolfes: — Okay. Could you explain to me what was the proper authority that they did not have in a little more detail?

Mr. Lutz: — In the provincial service, you do not pay for something until you have either received the goods or the services. And this was a case where they had not received either, and they did indeed make the payment.

Mr. Rolfes: — Okay, thank you very much. Having received that explanation from the Provincial Auditor, I'd like to direct my question to . . . and I'm sorry, I wasn't paying attention; I was trying to find some of my material, so I'll ask you to repeat your name again.

Mr. Martin: — Larry Martin.

Mr. Rolfes: — Okay. Sorry, Mr. Martin. Mr. Martin, on page 134 of the Provincial Auditor's report, he does indicate that payment was made for items, I think, that . . . well let's go to 27.04. More specifically, he says:

An examination of the contract for Informatics Technology by my representatives revealed that the contract terms did not provide . . .

And then the following . . . Before I get into that, would you mind telling me, what is informatics technology?

Mr. Martin: — I think in simple terms, it's office automation.

Mr. Rolfes: — Office automation. And what does that include?

Mr. Martin: — Basically it's a combination of hardware, computers, and software packages that you would acquire and develop to go with that.

Mr. Rolfes: — So basically it's computers you're talking about. Is that correct?

Mr. Martin: — Essentially, yes.

Mr. Rolfes: — Okay, and this contract was with Saskatchewan Property Management Corporation, was it?

Mr. Martin: — Correct.

Mr. Rolfes: — Did you . . . and all you did was you turned the money over to SPMC?

Mr. Martin: — That's correct.

Mr. Rolfes: — You were not involved in any of the tendering for the . . . how did this work? I just want to know how this worked.

Mr. Martin: — Just to give you a little bit of background, in August of '86, SPMC completed for us an informatics study. Okay? So subsequent to that study, we entered into the contract with Saskatchewan Property Management Corporation to supply us with the informatics technology.

Mr. Rolfes: — And here again, I'm not certain whether this is an internal document or not. If it is, I will accept that. But could you tell me what that study included?

Mr. Martin: — I haven't got all the detail, but essentially the Saskatchewan Property Management Corporation went through and did a thorough . . .

Mr. Rolfes: — Could you speak up just a little bit louder? I didn't bring my hearing-aid this morning, I'm sorry.

Mr. Martin: — The Saskatchewan Property Management Corporation completed the study. It extended over a period of months. I don't know all the details that they went through in the preparation of that study. We do have it, but as I say, it's an internal document.

Mr. Rolfes: — Well, yes. Really what I want to know is why was the study undertaken? What was the purpose of the study? What were the objectives of the study that you paid \$250,000 for that study? What was the objective? What did you hope to accomplish?

Mr. Wincherauk: — Well essentially what we were going to accomplish . . . the study was to determine the needs of the department for office automation, for computers, for updating — essentially updating a system that we had already had. Given the changes in technology that we go through, there were certain systems that were outdated, and essentially that's what they were doing. It's an ongoing kind of process.

Mr. Rolfes: — And that was 250,000 for Executive Council? The Department of Executive Council only?

Mr. Wincherauk: — That's right.

Mr. Martin: — That's not for the . . .

Mr. Rolfes: — You see, I don't know that. Can you tell me . . . I mean, we're doing the Executive Council, and Executive Council paid out \$250,000. Was it a study for computers throughout the whole government? Was it a study for computers for Executive Council? I want to get down to what it was for.

Mr. Martin: — Excuse me. It wasn't \$250,000 for the study. The \$250,000 was for the technology, the hardware and the software subsequent to the study.

Mr. Rolfes: — Okay. Okay. That sounds better. I couldn't quite figure out that you would pay \$250,000 for a study. Could you tell me how much the study cost you, and while you're at it, who did it?

Mr. Martin: — It was done by the Saskatchewan Property Management Corporation and I believe it was supplied to us as we didn't specifically pay for a study by them.

Mr. Rolfes: — Oh they did it themselves?

Mr. Martin: — I believe so. I'll have to tell you members of the Executive Council sat on the committee.

Mr. Rolfes: — Okay. And did you have to pay for the study?

Mr. Martin: — No.

Mr. Rolfes: — Okay, now that's fair enough. Okay, the \$250,000, can you itemize for me what those things were that you obtained. I assume that you don't have those here but can I get those in writing?

Mr. Martin: — Yes. I mean, in rough terms what we acquired were a number of computer terminals, a central system that some of those terminals are connected to, plus some software packages that go with that. That's the essence of it, but we will get you the details.

Mr. Rolfes: — Okay. Would you be privy to the information as to who supplied the computers, and whether they were tendered?

Mr. Martin: — Yes, they were tendered; and yes, we can get you the suppliers.

Mr. Rolfes: — Could you get me the information? Would you know whether it was the lowest tender?

Mr. Martin: — Offhand I can't.

Mr. Rolfes: — Could you supply that?

Mr. Martin: — Yes.

Mr. Rolfes: — Okay, and I would like to know what the tenders were and who supplied them, and approximately

what you received in it.

I want to now go through in a little more detail on 27.04. When I read that I read it several times because I couldn't believe it. In 27.04 he says:

An examination of the contract for Informatics Technology by my representatives revealed that the contract terms did not provide:

a) a detailed description of goods and services that were to be provided;

How can we put out a tender when we don't know what the description of the goods and services were?

Mr. Martin: — The contract that's referred to in and of itself doesn't have that kind of detail. The informatics study that I referred to, having been completed in the previous August, did have a fair bit more detail and we acknowledged the benefit lines, and we probably should have attached that to the contract itself. Now since we're dealing with property management corporation and they had done the original study for us, we assumed that we had that kind of detail.

Mr. Rolfes: — Okay.

b) a time period within which the goods and services were to be provided;

Was there an understanding as to when it was to be provided even though it wasn't written, and did they meet that understanding?

Mr. Martin: — The services . . . the goods and services were not provided in the year.

Mr. Rolfes: — Not the year under review. But it was charged to the year under review?

Mr. Martin: — Yes.

Mr. Rolfes: — Is that normal procedure?

Mr. Kraus: — Could I make a comment, Mr. Chairman, on that, because there is provision in The Finance Act which says where a payment is to be made before completion of the work under a contract — I'm taking this out of context here somewhat — but the point is is that if there is a contract drawn up that provides for payment before delivery, payment can be made. Doesn't happen all the time, but it does happen from time to time where contracts are drawn up that require for some . . . require some advance payment.

And that's the situation that occurred here, and I think the criticism or concern being expressed by the auditor is that the contract didn't spell out the details as well as it could have, not necessarily that payment shouldn't be made in advance, but rather that the details were not well identified. But there is provision for payment in advance.

Mr. Rolfes: — Mr. Kraus, let me ask you a question in hypothetical . . . hypothetical question here. What would happen if, for example, you've paid out this money in

advance; what would happen if the company went bankrupt and goods are not delivered?

The question I'm asking is: what means did you take to protect the public against losing that money if you paid in advance?

Mr. Kraus: — Well one factor in this particular case is that it is SPMC, and of course we do have confidence in dealing with SPMC because they are a government organization. I'm not sure what I can say in regard to that question in general although, you know, it's a valid concern. But I would think that it's up to the department to know who they're dealing with and that they are reputable people. In this case of course, with SPMC, I don't think there was that concern about delivery of goods.

Mr. Rolfes: — Yes, but SPMC did not deliver the products themselves, did they? They obviously tendered it. Isn't that correct?

Mr. Kraus: — But the payment was made to SPMC, and perhaps I should let the department officials continue.

Mr. Martin: — The 250,000 we're talking about was paid to the property management corporation. So in terms of protection of the public interest, this was internal to the government, and granted that it was a Crown corporation, but there was no risk.

Mr. Rolfes: — There was no risk to Executive Council.

Mr. Martin: — Well, yes.

Mr. Rolfes: — No, I'm not laying any blame here. All I want to say is look, you could take it a step further. SPMC is still part . . . is responsible for public funds. Let's say the company was not . . . did not deliver the goods to SPMC. Still \$250,000 gone, if you had no recourse. All I want to say is: what guarantee did you have that that 250,000 paid in advance would not be lost in case the company went bankrupt?

Mr. Martin: — We paid the 250,000 to the Saskatchewan Property Management Corporation. They in turn had a contract with the supplier, so . . .

Mr. Rolfes: — No, that was paid in advance. That's my . . .

Mr. Martin: — Only to the property management corporation.

Mr. Rolfes: — Oh, why would we do that?

Mr. Martin: — The supplier wouldn't be getting the money.

Mr. Rolfes: — Well, okay, but . . . all right, then I've got to ask another question. Why would you pay in advance to SPMC if SPMC was not required to pay it to the company? Why pay it in advance to SPMC? The reason I said okay, because I thought you couldn't get it . . . the company . . . it's too large a contract. The company can't deliver it unless it's paid in advance. I could understand that from a business point of view. But why would you pay to SPMC

when SPMC didn't pay it to the company?

A Member: — How do you know?

Mr. Rolfes: — Well that seems to be the implication here. . . (inaudible interjection) . . .

Mr. Chairman: — Let's give Mr. Martin an opportunity to answer the question.

A Member: — Trust accounts were set up on all kinds of . . .

Mr. Rolfes: — Well if it's a trust account, then I have no objection, and then I . . . was it a trust account?

Mr. Martens: — Ask SPMC.

Mr. Martin: — I don't know.

Mr. Rolfes: — You don't know. Okay. I understand, Mr. Martens, you may be correct. I may have to go to SPMC and ask that question. But, gentlemen, I don't want to . . . but let's take it a step further. If that money was not held in trust, who would be out? Executive Council would be out. If that money was paid to the company and the company did not have the guarantee, then Executive Council eventually would be out, and that's the point that I wanted to make.

I'm not . . . I just wanted to know the steps — I'm not blaming anybody — but I just wanted to know the steps as to why. Is this general procedure; is this the way we deal with things? And I think the comptroller has already said, no, it isn't; this is not general procedure.

Mr. Kraus: — Well, I suppose that it doesn't. I'm speaking off the top here and there may be more cases than I'm aware of where contracts are entered into with various consulting groups. For example, I know years back I wasn't the comptroller then, but I'm pretty sure the comptroller of the day entered into a contract with a consulting firm to do some work. What time of year I can't recall, but I think they agreed to pay them some up-front money, say 20 per cent of the contract, so that isn't that uncommon. And, of course, you have to know who you're dealing with when you're agreeing to provide some advance moneys.

Mr. Rolfes: — Yes, I don't argue with that. I fully accept that; I fully accept that. The point that I want to make is that Executive Council indirectly did not know who SPMC was dealing with and, therefore, you don't know whether your goods are secure. That's the point that I want to make. Well secured company? Fine, I have no difficulties with that, but let me leave it at that. We may have to go to SPMC to get the answer for it, but I still have some concerns about that.

But "c) the price for the goods and services to be provided;" — if you paid 250,000 to SPMC, did they not give you the details of the price of the goods and the services that you would receive?

Mr. Martin: — Yes, the details of the contracts were worked out subsequent to that, and people in Executive

Council were part of that process.

Mr. Rolfes: — Subsequent? Why subsequent?

Mr. Wincherauk: — To the payment, to the 250,000 that went to SPMC.

Mr. Rolfes: — Oh, okay. So you did have a detailed account as to the price and the goods and services that were to be received.

Mr. Wincherauk: — At the time we had an idea of what we were going to expend, how much we were going to expend, but we didn't have the detailed information. We hadn't broken it down in the sense of detail of how many computers you want for this and stuff, of what type and what the cost is going to be. We just had a rough idea that's what the direction we wanted to take, you know, based on the study done in August.

Mr. Rolfes: — I'm not really happy with that. I just don't think, you know, that when I buy a car, a new car, I don't say, well, okay, I want an Oldsmobile Ciera, here's \$24,000, we'll talk about the details as to whether or not you put in cruise control and everything else, two-toned and whether it has all the other things in. No, I want to talk about those things before I pay him or her the 20 or \$24,000.

Mr. Wincherauk: — I think when you're acquiring Informatics Technology it's an environment that's changing constantly, so when you review something in August, maybe there's something that's come on the market that is better, a little bit cheaper, a little bit more expensive, so it's not like purchasing a car because it's . . .

Mr. Rolfes: — But that can be written into the contract though. When you take purchase that, you know, should things change then those things are written into the contract. That's not uncommon to do that, you know, subsequent to the final contract to be signed. If technology changes, then we have the right to review the contract. I mean, that's not uncommon to do that.

And so I accept what you're saying that that technology changes. I know it changes month to month, but well, anyway . . .

Mr. Chairman: — Could I just ask on this one — Mr. Kraus, the accounting and reporting policy manual, the financial administration manuals are matters that you have a great interest . . . (inaudible) . . . Are you satisfied that what happened in this particular case has been happily and completely resolved to your satisfaction and that the circumstances that prevailed at this point have not occurred again, or, for that matter, are things that are now anticipated in your accounting manuals and in your administration manuals?

Mr. Kraus: — These things were anticipated in the manuals by the fact that these particular items in 27.04 a) through e) were identified in the manual at the time. I think the problem is that the department did not fully meet them.

I'd like to say that it won't happen again, but I can't

guarantee that. We have many departments entering into various arrangements and contracts, and although our audit should identify these things when the payment is being requested, there are times perhaps when the contracts aren't as well detailed as they could be, and they are accepted.

I guess in general I would like to say we would attempt to prevent this from happening in the future, and hopefully we can, but I can't guarantee it wouldn't happen in the future.

Mr. Chairman: — Okay. Part of what I heard, though, is that because of the type of goods that were being purchased, it was difficult to provide a detailed description of the goods because the nature of the specifics may change from time to time between the time that you order and by the time you take possession, or things come on stream, you may want to change that because of evolving technology and so on.

It seems to me that your reporting manuals don't really provide for that, and I'm just . . . rather than let . . .

Mr. Kraus: — For example, under d) one could say . . . I'm just . . . there's sufficient detail on the terms of payment for the services and goods to be provided. I suspect if you were dealing with someone that we didn't know that well — SPMC, I'd suggest, is somewhat different — but you might put in the contract that you will provide this advance payment, provided you get delivery of certain goods and services by a certain date, and in the event you don't receive those goods and services, your money's refunded, or something like that. I would assume there's provision for the type of thing you're concerned about.

Mr. Chairman: — There's also provision for changes in the things that may have been ordered on one date and that may have been superseded by some other technology, and soon. So like that, by itself, would not be a reason for not providing or reporting in this instance. I mean, there's latitude in your manuals for your department to say, well look, we're putting a down payment on something, we're going to get "X", even though "X" may change to "X" and "Y", depending on what happens. You're satisfied with that kind of . . . (inaudible) . . .

Mr. Kraus: — Yes, I believe so. I think the department might agree that they could have prepared the contract in a better fashion. They perhaps had more detail than was attached to the contract.

Mr. Chairman: — Thank you.

Mr. Rolfes: — Mr. Chairman, that, I guess, is exactly the point that I wanted to make, as you put a lot of faith in SPMC, and I have no quarrels with that. But SPMC did not directly supply the technology, the equipment. That's right? Is that correct?

Mr. Martin: — They contracted for it.

Mr. Rolfes: — They contracted it. And that's where my problem comes in with this. And I assume you did not know who they contracted it with. I don't think you do.

Unless maybe you did know?

Mr. Martin: — Not at that time.

Mr. Rolfes: — No. See it never . . . How could you put faith in SPMC, when they weren't delivering it, without knowing where the source came from? Mr. Kraus is saying, well it's that we had faith in the people we were dealing with, and that's great, if they were the direct deliverers, but they were not. So I think that extra step is what causes me some concern here.

Mr. Martin: — I think the whole, that from the point of view of this particular department, the property management corporation is the supply agency, and that that's the kind of thing that they do in their normal course of business. That's in fact why we dealt with them. So . . .

Mr. Rolfes: — Yes, I know that. I know the procedure. I still am somewhat concerned about if . . . Well I just hope that this isn't a common practice. I just hope this isn't a common practice because that can backfire, and I think we've got to protect the public funds by writing into the contract, as I say, an option to get out of that contract if the terms and conditions are not met. And I'm beginning to understand that the contract did not have that.

Mr. Martin: — We have acknowledged that there should have been more detail in that contract.

Mr. Rolfes: — Okay. The other . . . well I guess the other point is made here, and in e) I think Mr. Lutz makes that point very clearly. I would have certainly thought that, in case they are not provided, what recourse did you have? I mean, let's say that for the remotest of chance SPMC would not have come through, what recourse would you have had in recovering your 250,000?

Mr. Martin: — I can't foresee that possibility. I mean, we're dealing with a government supply agency.

Mr. Rolfes: — But you did not know whether SPMC had given the money to the company already, did you?

Mr. Martin: — Fair enough. But it seems to me that if there is a risk here, that it's on the side of the SPMC contractor, not between us and SPMC.

Mr. Rolfes: — Same thought, but anyway I know what you're saying. I know what you're saying.

Okay. I have no further questions on this, unless somebody else has. But I do have, Mr. Chairman, I want to get into some other items on Executive Council.

Mr. Chairman: — Can I just ask then, on this item, Informatics Technology, you said hardware and software. Can you tell us what kind of software?

Mr. Martin: — We can give you the detail of that if you want, but it includes word processing packages and those kinds of things.

Mr. Chairman: — You'll be providing . . .

Mr. Martin: — Yes.

Mr. Chairman: — Mr. Rolfes asked for something.

Mr. Rolfes: — Mr. Chairman, so that we can save some time next day . . . maybe you already have the information. In *Public Accounts*, vol. 3, I will be asking questions on Dome Advertising and Dome Media Buying Services Ltd. I hope you can provide me with the information as to what that was for, some 168 or \$169,000. Also a Informetrica Ltd. It has nothing to do with what we've been talking about, I assume, has it? Okay, there's a \$10,000 given to Informetrica Ltd. I'd like to know what that's for and who the company is, who are the owners of the company.

Mr. Martin: — In terms of your latter question, the Informetrica is our subscription to their provincial forecasting service. That's a forecasting service — economic forecasting service.

Mr. Rolfes: — Can you give me the details on that? I'd like to have the details on that in written form, and I will be asking more questions, more detailed questions on that next day, okay?

And I'd like to also . . . I will be asking a question on one further one, and that's Terrence A. Leier, for 172,804. I'd like to know what that payment was for.

Mr. Martin: — That's payment under The Election Act. That's for the chief official agent of the Conservative Party. There's a similar payment, I believe, to Mr. Simons.

Mr. Rolfes: — Oh, I see. That was an election year, wasn't it?

I have some further questions next day. It's very close to 10:30, and I don't want to start on the new topic right now, so I would suggest, Mr. Chairman, that we adjourn for the day.

Mr. Chairman: — Is that agreed? We'll be meeting again next Tuesday at 8:30. There'll be witnesses at that time.

The committee adjourned at 10:35 a.m.