

STANDING COMMITTEE ON PUBLIC ACCOUNTS
April 13, 1989

Public Hearing: Department of Energy and Mines

Mr. Chairman: — ... (inaudible) ... motion from the property management corporation. But that's something that we can deal with later on, when we do get a quorum. In the meantime, if we want to start with Energy and Mines and the auditor, if anyone's got any questions for the auditor and what's contained in his report, we can call the department in after that.

Mr. Rolfes: — Mr. Chairman, I have a question or two. Mr. Lutz, you indicate in your report in Energy and Mines there are a number of problems in the master file, in noting whether or not the government is receiving its fair share of the revenues due to a lack of monitoring control over some of their computer files.

Can you tell me, has that been corrected, to your knowledge, or has the department done their corrections to make sure that those loss of revenue does not occur again, or is it still the same?

Mr. Lutz: — Mr. Chairman, Mr. Rolfes, which page? To which page are you referring?

Mr. Rolfes: — I'm referring to 53.

Mr. Lutz: — Okay. We have audited since the '88 year, and I'm advised that they have pretty well corrected these problems we were talking about here. I'm not speaking into the microphone. Oh, are we or ... are we on?

Mr. Rolfes: — Yes, I think we are on.

Mr. Lutz: — Okay, then. I'll get this ... (inaudible) ...

Mr. Rolfes: — Yes, I think we are on.

Okay, I don't have any further questions. I have more detailed questions of the officials when they come.

Mr. Muller: — I just wanted to pick up on one of those statements. It doesn't necessarily say that there was a loss of revenue; it just said that there was something wrong in the system of accounting. It doesn't necessarily say whether there was or was not a loss of revenue. And probably there was a new computer systems put in, and that's, I would guess, part of the reason why the auditor put this in his report, and I'm glad to see that it's been ...

Mr. Lutz: — They have addressed these problems.

Mr. Muller: — I'm glad to see they've addressed these problems, and I just wanted to get that on the record to clarify.

Mr. Rolfes: — Mr. Chairman, just a question. I do want to direct the member, if he had read a little bit further, on 11.15 it says very clearly:

The Department has estimated that the royalty loss from 1974 to 1983 would be negligible but after 1983 it is estimated that the loss of revenue would be approximately \$400,000 per year.

Mr. Muller: — If there was a loss of revenue.

Mr. Rolfes: —

... it is estimated that the loss of revenue would be approximately \$400,000 per year.

That, to me, sounds a warning bell, and I would hope, even though you can't prove it, there is fairly good suspicion that there may have been substantial losses.

Mr. Muller: — There may have been.

Mr. Rolfes: — Yes. Right. And that's just as, you know, that's a big concern to me. If someone says to me there may have been a \$400,000 loss, Mr. Chairman, and we don't know that for sure, then I would have hoped that the government or the department would not have waited five or six years to make that correction when there may have been a substantial loss of \$400,000 a year. And I certainly want to ask the officials about that.

Mr. Muller: — Well certainly, and that's a fair question for the officials.

Mr. Rolfes: — That, to me, if there ... let's say the maximum it lost for six years, you're looking at 2.6 what? — million dollars?

Mr. Muller: — Yes, if there was a loss. And that's something that the officials will be able to clarify for us.

Mr. Rolfes: — Right on.

Mr. Chairman: — What about the matter of drilling deposits, Mr. Lutz?

Mr. Lutz: — Page?

Mr. Chairman: — On page 54, it talks about the deposits that ... the fact that one employee is responsible for performing what you would say are a number of incompatible functions — receiving the bonds, issuing the receipts, and so on. And you raise the problem of a possibility of misappropriation; not that there necessarily was any, but you certainly encourage, I guess, some separation of duties here and functions.

Mr. Lutz: — Mr. Chairman, our '88 audit indicated that they had also addressed these problems and we were content in '88, yes.

Mr. Chairman: — Okay.

Are there any further questions of the auditor? If not, then we can bring in the officials.

Good morning, Mr. Reid. I wonder if you would introduce your officials for the committee.

Mr. Reid: — Certainly, Mr. Chairman. On my far right is Ray Clayton, the assistant deputy minister of finance and administration; on my immediate right is Doug Koepke, supervisor of accounts in our department; on my far left is Mrs. Janis Rathwell, who's the director of personnel

administration, and on my immediate left is Steve Zurawski, director of mineral revenue.

Mr. Chairman: — Thank you very much. I want to welcome you here today on behalf of the Standing Committee on Public Accounts. 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 any 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.

It should be emphasized that you are required to answer questions put to you by the committee. And where a member of the committee requests written information of your department, I would ask that 20 copies be submitted to the committee Clerk who will distribute the document and record it as a tabled document. And I would ask you to address all comments to the chair. Are there any questions of the officials?

Mr. Rolfes: — Mr. Chairman, gentlemen and the lady, you, I'm sure, have looked at the auditor's report for the year under review. The auditor makes a number of statements in his report on the four pages that we had there. He does refer to the first one. He says:

Essential to an appropriate system of management controls are rules and procedures that ensure that there is an effective check on the assessment of revenue.

And then there are a number of things that he alludes to in his report. Mr. Reid, can you tell me, the petroleum master file, has that been put up to date; and have we got the management control that is necessary to make sure that the right amounts of revenue are collected?

Mr. Reid: — Mr. Chairman, we have addressed all of the concerns identified by the Provincial Auditor, and have outlined the steps that we've taken in a letter to the Provincial Auditor. And I suppose other officials here would be in a better position to judge whether or not the steps that we've taken are adequate from their standpoint.

Mr. Rolfes: — Okay, so I don't want to go into detail in every one of these to save time. Are you telling me then, in the auditor's report, page 53 to 55, all those problems that he has alluded to and as mentioned, that those have been addressed?

Mr. Reid: — Items 11 to 11.18?

Mr. Rolfes: — Items 11 to 11.18.

Mr. Reid: — Yes, Mr. Chairman.

Mr. Rolfes: — Okay. Let me just ask then, I would assume then that the security of your files are now assured.

Mr. Reid: — Yes, sir.

Mr. Rolfes: — And can you tell me how many employees have access to those files?

Mr. Reid: — I'm advised three, Mr. Chairman.

Mr. Rolfes: — Three. And how do those people have access to those files? I mean do they . . . each individual can access those files on their own, unless they . . .

Mr. Reid: — Mr. Chairman, three people can access the file. Of those three, only one person can make changes in the file, and that one person requires the approval of his supervisor in order to make any changes.

Mr. Rolfes: — Okay. The manuals to adjust computer-generated assessments, who reviews those in the department? The manuals, you have manuals to adjust your computer-generated assessments; you do assessments. Who, in your department, or what level in your department are those manuals reviewed? Is that . . .

Mr. Reid: — I'm sorry, we're not certain about the meaning of manuals. Is there a specific reference in the auditor's comments . . .?

Mr. Rolfes: — No, I don't think there is. My understanding is, if I remember correctly, when I was the critic for Energy and Mines, the manuals were not regularly updated, and consequently in the past there was some suspicion that that the department was not getting the revenues that they should have received at any particular time. And because the assessments of those manuals weren't done on a regular basis and you were always behind in doing that, and therefore there was a possibility of revenues being lost. I haven't got the specifics here.

Mr. Reid: — We did have a problem, Mr. Chairman, in the production and disposition system, and I believe it was in the year under review when we were running about three months behind in updating our production and disposition information. And we did secure approval to bring on some additional staff on a part-time basis, and we brought that system up to date.

Mr. Rolfes: — Are those not contained in your manuals?

Mr. Reid: — I'm sorry?

Mr. Rolfes: — Are those not contained in your manuals?

Mr. Reid: — No, this is information that's filed by the companies on a monthly basis, which then is updated in the computer files. It comes into the department and then our staff . . .

Mr. Rolfes: — You were always behind a certain number of months.

Mr. Reid: — That's right.

Mr. Rolfes: — And that has been corrected now.

Mr. Reid: — That's correct.

Mr. Rolfes: — How up to date are those? Monthly basis or . . .

Mr. Reid: — The information is on a monthly basis.

Mr. Rolfes: — Okay. That's what I was alluding to. Maybe My . . .

Mr. Reid: — I'm sorry, I misunderstood.

Mr. Rolfes: — No, no. It was maybe my description that wasn't accurate enough.

Mr. Reid: — Because there are, of course, computer manuals that describe systems, and whenever there's a change to a system, those manuals are updated.

Mr. Rolfes: — Yes, okay. In 11.08, I believe you say it has been corrected. What was the exact nature in 11.08 that was the problem with the supervision of the departments and drilling deposit? What was the exact nature of that problem? It's not exactly clear to me from the auditor's report. Could you tell me what the exact problem was, more specifically?

Mr. Reid: — Well I think, Mr. Chairman, although I'm not certain, but I think that the problems are elaborated on in item 11.09 where there was one employee responsible for all of those activities in 11.09, a) through g), when in fact it was the view of the Provincial Auditor, and we certainly agreed, that it would be more prudent to separate some of those functions.

Mr. Rolfes: — And that has been done?

Mr. Reid: — Yes, sir.

Mr. Rolfes: — Okay. Can you tell me who the . . . reconciliation between well deposit ledger and the bond subsidiary ledger — how is that done now? There was some concern expressed there; can you tell me what changes you have made in that regard?

Mr. Reid: — Mr. Chairman, the ledger now is prepared by Mr. Koepke here on my right, in the accounts section. His records are forwarded to the petroleum and natural gas division who have the production disposition information. They do the reconciliation and return it to Mr. Koepke, noting any errors, if any.

Mr. Rolfes: — I have one further question on this section here, 11.15. The department has estimated that the royalty loss from 1974 to 1983 would be negligible, but after 1983 it is estimated that the loss of revenue would be approximately 400,000 per year. Now it is not to say that there was a loss of revenue of 400,000, but there could be a loss of revenue of 400,000. Now that you have looked at that, could you tell me approximately what was, in your opinion, the loss per year?

Mr. Reid: — I don't have that information, Mr. Chairman. We could go back and compute that for you if you like. This is a circumstance that resulted from a policy decision to delay the implementation of those provisions, and the provisions of that Act have now been implemented and there's no failure to collect revenues any longer occurring.

Mr. Rolfes: — But you do know what the actual loss was?

Mr. Reid: — Well I don't have that information. We could go back and calculate that for you.

Mr. Rolfes: — Okay. I would appreciate if you could provide that information for the committee because it was noted by the auditor that there may have been a loss.

Mr. Reid: — I don't know that we'll be able to provide an estimate any more accurate than the 400,000 that was here, but we can go back and review that estimate and see whether or not we'd still come to that same conclusion.

Mr. Rolfes: — Okay, fair enough.

Mr. Chairman, I want to go the . . . Can you tell me under the year under review, what did you estimate the price of oil to be; and when was that estimate done? Maybe more specifically, could you tell me on a month per month in the year under review, what you had estimated? I believe you do that on a monthly basis, do you not?

Mr. Reid: — Sorry?

Mr. Rolfes: — Could you give it to me on a monthly basis what you had estimated the price of oil to be? Let's say January 1986, what did you . . . or April 1, 1986, that year?

Mr. Reid: — Mr. Chairman, in the provincial government budgeting process, the Minister of Finance chooses, I believe, to make public as a rule only one forecast or one estimate of his expectations, and that's the estimate that supports the figures in the blue book. In the case of the '86-'87 forecast, I believe the blue book revenue estimates were prepared on the basis of \$23.29 a barrel.

Mr. Rolfes: — Twenty-three dollars?

Mr. Reid: — Canadian.

Mr. Rolfes: — And 29 cents?

Mr. Reid: — Yes, sir.

Mr. Rolfes: — Tell me, Mr. Reid, when did you or your department realize that that price certainly would not hold for the year under review?

Mr. Reid: — Well we reviewed our forecast three times during the course of the fiscal year.

Mr. Rolfes: — Can you tell me what those times are?

Mr. Reid: — In late June of 1986, mid-October '86, and mid-January 1987.

Mr. Rolfes: — And what conclusions did you come to at that time?

Mr. Reid: — Well we concluded that our revenues were falling as the result of the decline in the price of oil.

Mr. Rolfes: — No, more specifically, in June of '86, what did you conclude would be the price of oil for the rest of the year? I mean, what were the criteria? You must have had a number of criteria that you use to determine what

the price would be. What did you conclude in '86 would be the price of oil?

Mr. Reid: — Well, Mr. Chairman, I don't believe that I'm at liberty to release that information to you. We forward our forecast to the Department of Finance, and the Department of Finance collects the forecasts from all of the departments, and it's the Department of Finance that compiles the aggregate forecast for the government.

Mr. Rolfes: — But you did make recommendation to the Department of Finance.

Mr. Reid: — We did advise the Department of Finance of our forecast at those times during the year.

Mr. Rolfes: — Would it be reasonable, since the price of oil in June of 1986 was 13.29 a barrel, Texas, spot price Texas, would it be reasonable that you would have recommended something considerably less than 23.29 in June of 1929?

Mr. Reid: — Well, by June . . .

Mr. Rolfes: — June of 1986.

Mr. Reid: — . . . clearly, we had concluded that our revenues would have been lower since the price had fallen.

Mr. Rolfes: — Pardon me.

Mr. Reid: — Yes, the revenues we expected would be lower since the price had fallen.

Mr. Rolfes: — Considerably lower. So by June of '86 it was clear to the Department of Energy and Mines that the price of oil would be considerably lower than the \$23.29 that had been indicated in the budget of 1986-87.

Mr. Muirhead: — Point of order, Mr. Chairman. Mr. Rolfes has said it's very clear. He didn't say clear; he's talking about forecast. It's just the same thing as me guessing on my crop in June, and he's asking him to say . . .

Mr. Rolfes: — That's no point of order. Debatable.

Mr. Muirhead: — He's asking him to say clearly. I just want the record clear that he didn't say clear; he just said a forecast. And so he's trying to do like he did back when Finance people were here; he's trying to put words in people's mouths.

Mr. Rolfes: — Mr. Chairman, that's not a point of order.

Mr. Muirhead: — Well I . . . Isn't up to you to decide whether it's a point of order or not, Herman.

Mr. Rolfes: — Well it certainly is.

Mr. Muirhead: — It's for the chairman to decide.

Mr. Chairman: — If I might, the point of order is not well taken. You're offering an opinion about what it is that he's saying versus what the witness is saying. I take what Mr.

Rolfes says as what Mr. Rolfes says; and I'll take what the witness says as what the witness is saying, and leave people to draw their own interpretation as to what each is saying.

Mr. Muller: — On a point of order. I think the questioning is hypothetical.

A Member: — You guys, you're so paranoid.

Mr. Rolfes: — Do you ever straighten out your head and quit looking over your shoulder?

Mr. Chairman: — I see Mr. Rolfes trying to ascertain some information about the price . . .

Mr. Muirhead: — We know what he's trying to do all right; we're not that stupid.

Mr. Chairman: — . . . about the price of oil and . . .

Mr. Muirhead: — He's trying to get him to say the word "clear" and he never said it.

Mr. Chairman: — I'll certainly encourage him to direct any questions that he may have to the witnesses about actual facts and conditions, and not dwell on hypotheses.

Mr. Muirhead: — Very good. Thank you, Mr. Chairman.

Mr. Rolfes: — Now that we have the camp paranoia member quiet, maybe I can continue with my questioning. Mr. Chairman, Mr. Reid, am I correct in saying that to the Department of Finance in June of 1986 the Texas spot price for oil was somewhere around \$13.29 a barrel? Is that correct?

Mr. Reid: — June of 1986?

Mr. Rolfes: — Yes, June of '86.

Mr. Reid: — The figure that I have, sir, is \$13.38.

Mr. Rolfes: — Okay, I'm out by 9 cents. These are the figures I got from the Department of Finance, so I'm not going to quibble about 8 cents; I'll not quibble about 8 cents. That's close enough — \$13 and 30 or 35 or 40 — I'm not going to quibble that — and that by October of 1986 the price was \$14.90 a barrel. That is correct?

Mr. Reid: — Yes.

Mr. Rolfes: — All right, therefore, and in January of 1987 can you tell me what was the price of oil?

Mr. Reid: — I have \$18.67 per barrel.

Mr. Rolfes: — Eighteen sixty-seven. Okay, I didn't have that figure. So then the department officials . . .

A Member: — Canadian or American?

Mr. Rolfes: — No, this is Texas, is it?

Mr. Reid: — West Texas intermediate, U.S. dollars per barrel.

Mr. Rolfes: — Okay, we don't have the Canadian. I don't know what they would equivalent . . .

Mr. Reid: — I have the Canadian if you'd like that.

Mr. Rolfes: — Have you?

Mr. Reid: — Would you rather work with Canadian figures?

Mr. Rolfes: — Well, yes.

Mr. Reid: — In Saskatchewan.

Mr. Rolfes: — These are U.S. figures?

Mr. Reid: — Yes.

Mr. Rolfes: — What the Department of Finance gave me were U.S. figures. Mr. Chairman, then I'd like to ask Mr. Reid, it would be . . . one would then have to conclude that by June of 1986 that the Department of Finance . . . or Energy and Mines would have had to revise their estimates of revenues that would be received by the department or by the government vis-a-vis the revenues that you expected to receive in March of that year. Is that correct? You would have to lower your revenues considerably.

Mr. Reid: — Mr. Chairman, it's correct to say that the forecast that we prepared in June of 1986, given what happened to the price of oil, anticipated or projected a lower revenue than the forecast which was the basis for the provincial budget.

Mr. Rolfes: — Okay, so that by June of '86 it was known that the revenues from oil would be considerably lower than what we had estimated it would be when the budget was presented.

Mr. Reid: — That's correct.

Mr. Rolfes: — That's correct. And was this knowledge conveyed to the Department of Finance?

Mr. Reid: — Yes, sir, it was.

Mr. Rolfes: — It was, okay.

Mr. Reid: — Although it's not knowledge, it's forecast, but it was conveyed, yes.

Mr. Rolfes: — Yes, the knowledge . . . the new forecast was conveyed to the Department of Finance. Can you tell me, without going into any specifics, what per cent reduction were you forecasting?

Mr. Reid: — No, sir, I can't tell you that.

Mr. Rolfes: — You don't know that?

Mr. Reid: — I don't believe it's my place to tell you that.

Mr. Rolfes: — I thought that that's what you would say. Okay, fair enough — I don't think it's fair enough — but

that's the rules of the game here, so I don't have any further questions on that.

Mr. Anguish: — Mr. Reid, the price you gave of us 23.29 Canadian per barrel being the projected price for the year, whose projection did you say that was?

Mr. Reid: — That was the department's projection.

Mr. Anguish: — Your department's projection?

Mr. Reid: — Yes, sir.

Mr. Anguish: — On what basis could you project that when, if you look at the months of January, February, and March of '86, the three months prior to the budget, or to the end of the fiscal year, the average price for those three months was 13.47 American per barrel. What basis would you take a projection in your department and it would come out to almost \$10 a barrel higher than what it had been for the three previous months in the other fiscal year?

Mr. Reid: — Well, I think the \$13 figure that you have is a U.S. dollar figure.

Mr. Anguish: — Yes, but even 13.47 American is a long way from 23.29 Canadian.

Mr. Reid: — Well, that's true it is. Now if we look at the months immediately preceding the budget, we see that in December of 1985 the price was \$27 U.S. — I'll just round it to dollars — \$27 dollars U.S.; in January it was \$21 U.S.; February it was \$15 U.S.; and in March it was \$12. I would suggest to you that in that time it was not unreasonable to expect the price to be somewhere between what you might think of as the high and the low in that period and, frankly, our forecast was giving more weight to November-December sorts of prices than to a March and April price.

Mr. Anguish: — The budget process must happen as a bit of an exact science than taking something five months ago when you see the price of oil plummeting. It dropped in January by \$5 from December; dropped another \$7 in February; another \$3 in March, and then you're into the next fiscal year. Do you not do some tracking or projections based on the most immediate and timely results that are available to you?

Mr. Reid: — Well we do indeed. I would offer several aspects in comment on that. The first is that price is only one factor in the consideration of provincial government estimates. There are other factors as well. There is the sales volume — how much oil will we produce and sell; drilling activity — how many new wells will be drilled and therefore how much additional oil, if any, will be brought on stream; exchange rates; interest rates; operating costs. These all are factors that are a part of the forecast.

In addition to that, we take advice from, or we seek advice from others in the field, and as well, look to the views of industry for their expectations in terms of the developments in the market-place over the next year. I think it's fair to say that the preponderance of opinion at

the outset of the year was that this early price collapse in 1986 was not something that was going to be sustained. The industry was confident. The industry was optimistic that this was some sort of OPEC-driven (Organization of Petroleum Exporting Countries) fluke and that prices would rebound. Now as history has it, of course, we were all wrong. But that, sir, was the expectation in the first quarter of the year.

Mr. Anguish: — When you reviewed the forecasts, you told my colleague, Herman Rolfes, that you reviewed them in June, October and January of '87. Did you report then three times as well to the Department of Finance, saying that oil prices are dropping, that our initial expectations will not be met in terms of revenue during the year?

Mr. Reid: — Yes, sir.

Mr. Anguish: — Those are the three times during that year that you reported?

Mr. Reid: — That's correct.

Mr. Rolfes: — Was that mid-October?

Mr. Reid: — Mid-October, yes.

Mr. Chairman: — Could I just ask a follow-up here. You said that at the point that the budget was being put together for the year and you were asked for your advice as to what you thought, you know, the government's revenues might be. You were of the opinion that the dropping oil revenues, January, February, March, was a fluke. At what point did you conclude that it was no longer a fluke and that the lower oil prices was in fact a situation that was going to continue for some time and reflect with reality?

Mr. Reid: — Mr. Chairman, I would suggest that we in the department began to be concerned about the ability of OPEC to address this problem when the OPEC members, at their July 22nd meeting, were unable to come to an agreement on production sharing and price setting.

Mr. Rolfes: — I have one further question. Can you tell me . . . you must have a record of the department's assessed forecast over the years. Has there ever been a year that things just didn't work out? You say OPEC. Now I can understand that there, you know, were a number of things on the outside that prevented you from making an accurate forecast. Was there ever a year that you can recall the department had been out so far — I mean so much — on its forecast?

You know, I don't want anything in . . . it's not that important.

Mr. Reid: — I would have to look for it. I'd have to go back and check, Mr. Chairman. I certainly think it's fair to say that to my knowledge we've never hit any of our commodity forecasts within 2 per cent.

Mr. Rolfes: — Oh, that's fair enough.

Mr. Reid: — Have we ever been out by this kind of factor?

I don't know; I'll have to look. I'll check for you, sir.

Mr. Rolfes: — It's not that important. I mean, being out from 2 per cent to whatever we have here, that's quite a difference — 2 per cent, 5 per cent, I can understand that because you can't control international . . .

A Member: — Glitch in the market.

Mr. Rolfes: — Yes, you just have no control over that, but this is quite a departure from what the actual price was.

Mr. Anguish: — Mr. Chairman, I'd like to move to another topic, if that's all right.

Mr. Chairman: — Yes.

Mr. Anguish: — I was wondering, Mr. Reid, if you could tell us what polling the Department of Energy and Mines did during the year under review.

Mr. Reid: — There was one public opinion research project undertaken, Mr. Chairman, on the oil and gas industry in Saskatchewan. It was done by Tanka.

Mr. Anguish: — What was the date of that?

Mr. Reid: — I don't know, sir.

Mr. Anguish: — When was the poll conducted?

Mr. Reid: — It was in that fiscal year, but I don't know the period when the actual polling was done.

Mr. Anguish: — No one here has that with them? Can you provide that to us, the actual dates in which the poll was conducted?

Mr. Reid: — We'll try and get that for you.

Mr. Anguish: — Then I would assume that Tanka Research was paid \$25,000 to conduct this poll?

Mr. Reid: — Yes, sir.

Mr. Anguish: — And there were no other polls conducted during this year under review of the '86-87 fiscal year?

Mr. Reid: — That's correct, no other polls.

Mr. Anguish: — Can you tell me a little bit about the nature of the poll?

Mr. Reid: — It was public opinion regarding the oil and gas industry.

Mr. Anguish: — Well what were you trying to determine about public opinion in the oil and gas industry?

Mr. Reid: — That's all the information that I have on this.

Mr. Anguish: — Well could you provide us with a copy of the questions then? Surely when Tanka reported to you, they must have provided a list of questions, or someone in your department would've reviewed questions that were being asked by Tanka.

Mr. Reid: — I'll have to go back and look in the file and see what's available. I've never looked at, I've never seen this report, and I don't know anything about it.

Mr. Martens: — . . . (inaudible) . . . why it would be necessary for the department to provide those kinds of questions . . . the answers to those kinds of questions. The relevance is for their own department, and perhaps of value to them, but I don't know whether it has any value to this committee on . . .

Mr. Anguish: — Well, we'll try and determine that when we get the information.

Mr. Martens: — . . . (inaudible) . . . Mr. Chairman, that it has an impact on perhaps some of the things they do, perhaps it has to set a tone in the industry, to find out whatever. We are here to discuss not the policy of that, we're here to discuss whether in fact the authority was given accurately for the money spent, and whether it was done within the framework of the authority given.

Mr. Rolfes: — How do we know that if we don't see it?

Mr. Anguish: — I think you should go to work, Mr. Martens, in the auditor's office, because you're right if you're saying to us that the authority to spend the money is there. That's the job of the auditor. The job of this committee is beyond that. We want to know if there's good efficiency, economy, and effectiveness for the money that's spent by the taxpayers in the province of Saskatchewan, or spent on their behalf.

And I think that we should determine as a committee, once we're provided with the questions that were asked, what the results of the polling were. We can determine that as to whether or not there was good use of that money. And certainly when you see a department seeking public opinion on the oil and gas industry, I don't see how that would jeopardize anybody involved in Energy and Mines, in the department, or in the industry in the province of Saskatchewan. So I think we have every right to that information, right from the contract that was signed with Tanka Research, to the questions that were asked, to the results that were given back to the department.

Mr. Martens: — I don't think they have any reason to have that information.

Mr. Anguish: — Strong defence.

Mr. Chairman: — I might just say that I see the question as a legitimate line of inquiry, and the member's trying to get some specifics about an expenditure of the department. This was not indicated to be a matter of a policy, but a matter of information for the department. You know, I stand to be corrected on that.

I think, Mr. Martens, you indicated that the information, to use your words, was a matter of relevance for their own department. Well, I don't believe that the committee can take the approach that officials can go ahead and spend money during the year under review just because they're interested in knowing what's . . . you know, about certain

things, and then when the committee asks about that, that they can say that, well, we don't have to provide you that information.

I think that we've ruled that — and it's a fair ruling — that if information is being provided to ministers and it's for policy type considerations, then it's a different matter. But the indication I have is that this is a poll conducted by the department because the department wanted the information; it's an expenditure of taxpayers' dollars. The member is trying to ascertain more particulars about that. At this point I would have to say that that's a legitimate line of inquiry.

Mr. Muirhead: — Mr. Reid, do you feel at liberty to give this information? Do you think that's . . . or do you have the right to give that information?

Mr. Anguish: — Well, I'd be asking for an opinion.

Mr. Muirhead: — That's right.

Mr. Anguish: — Gee, you just called him to order a little while ago, asking about an opinion hypothetical, and now you're asking him to give an opinion. What a hypocrite — what a hypocrite.

Mr. Chairman: — If it's on the point of order . . . Mr. Muirhead, if you have a comment to make on a point of order . . .

Mr. Muirhead: — Well then keep him from interfering with me. He's . . .

Mr. Chairman: — I'm prepared to give you the floor, but Mr. Anguish did have the floor and I turned the floor to Mr. Martens because he did have a point of order that he wanted to raise.

Mr. Muirhead: — Then you gave the floor to me and then he starts butting in.

Mr. Chairman: — No, no. I thought you were talking on a point of order. If you don't have a point of order, then I'll give him the floor back and I'll put you on the speaker's list next.

Mr. Muirhead: — Okay. Thank you.

Mr. Martens: — I will simply say, as I said before, efficiency and effectiveness have a relative perspective by every individual in this room. And I think that what you're asking for is an opinion. We were talking earlier about forecasts. Those are specific opinions that relate to a view that you have about a certain issue or a subject, and I think that this deals with it in the same perspective.

Mr. Chairman: — I just might say that I don't disagree with you that matters of economy and efficiency and so on are matters that ultimately are ones of interpretation. But it also seems to me that the more facts that are made available to members, and by implication to the public, about what money was spent for, the less interpretation there will be about questions of economy and effectiveness and efficiency and so on.

And therefore whatever information members might be able to glean from departmental officials about the expenditure of money, I think the less interpretation there will be, and the more the facts will be there to support what actually did take place.

And at this point I want to turn the table back to Mr. Anguish.

Mr. Anguish: — Thank you, Mr. Chairman. Mr. Reid, when you provide us with the information about the polling that I requested, you will also provide us with the dates that the poll was actually conducted?

Mr. Reid: — Sir, I will provide you with the dates during which the polls were actually conducted. You have, in your discussion, raised the question of policy, and I might offer two comments with respect to policy. You'll see from those comments that I'm not agreeing to provide you the information you request, that is, the details of the polls.

With respect to the first policy point, I will have to determine, because I don't know whether or not it is the policy of the government to release to a public forum opinion research that it conducts; and secondly, I would suggest that this research that was done was in part connected with policy formulation done within the government.

Mr. Chairman: — What you're telling me then is that the research was intended as a basis for policy formulation by the minister and the government.

Mr. Reid: — That's correct.

Mr. Chairman: — I would then say that well, you know, if that's the case, then you'll have to determine in your own good conscience as to what information you think should be made available to the committee.

Mr. Reid: — I'm also suggesting, Mr. Chairman, that I don't know what the government's policy is on the release of this information, even if, for some reason, it's not connected with policy formulation.

Presumably the government is in a position to decide what it would release and what it wouldn't into this sort of forum. I don't know what the answer is.

Mr. Chairman: — Well I would certainly encourage you to consult with the minister then and . . .

Mr. Reid: — I will, sir.

Mr. Chairman: — . . . make a determination as to what information should be given to the committee and what is information that the minister perceives to be policy and should not be released.

I would also say . . . I would encourage you in the future to anticipate questions of policy versus legitimate fields of inquiry by this committee as to whether or not the taxpayers' dollars were legitimately spent and well spent, and recognize that this committee has a role to obtain such details as it can obtain to answer those questions.

Mr. Reid: — I understand that, Mr. Chairman.

Mr. Anguish: — Mr. Reid, can you tell me of the four people that you have with you today, five including yourself, how many people were with the Department of Energy and Mines during the fiscal year under review?

Mr. Reid: — All of the people at this table.

Mr. Anguish: — Including yourself?

Mr. Reid: — That's correct.

Mr. Anguish: — Did any of the people at this table have knowledge that a poll was being conducted by Tanka?

Mr. Reid: — I don't know.

Mr. Anguish: — Could you ask them?

Mr. Reid: — This work is something, I'm advised, that was arranged for between the previous deputy and the minister.

Mr. Anguish: — And no one else had knowledge of the poll, other than it was conducted.

Mr. Reid: — No one at this table, sir.

Mr. Anguish: — Did the previous deputy leave the department during the year under review?

Mr. Reid: — No, he left after the year under review. He left in October of '87.

Mr. Anguish: — Who was the deputy at that time. Could you tell us for the record?

Mr. Reid: — His name was Bob Reid.

Mr. Anguish: — Let me get this straight. The poll was conducted during the year under review, and the only people that had knowledge of that were the deputy minister, the former deputy minister, the deputy minister during the year under review, and the minister directly. No one else in the department had knowledge.

Mr. Reid: — No one at this table aside from, to my knowledge, the deputy minister of the day and the minister.

Mr. Anguish: — When did you become aware that there had been a poll conducted? You could quite readily answer the question today when I asked you what polls were conducted.

Mr. Reid: — The information was prepared, I believe, in response to a motion for return in the House, a fairly straightforward request for information on contract spending.

Mr. Anguish: — And when was that done? An order for return during that year? After that year? This year when you were preparing for estimates?

Mr. Reid: — No, it would have been . . . the material would have been in assembly, being assembled in the department during the year under review.

Mr. Anguish: — Would it be safe to say that the poll that was conducted by Tanka Research was done prior to October of 1987 . . . '86, I mean?

Mr. Reid: — I don't know.

Mr. Anguish: — So what you've told us is that you don't know whether or not you can provide us with the information we've requested but in fact you can provide us with the dates the actual poll was conducted.

Mr. Reid: — I believe that I can.

Mr. Rolfes: — I think . . . if I could just follow up on that question. Mr. Reid, I hope I didn't misunderstand your answer to Mr. Anguish. In the order for return, you said the materials you believe were assembled in the year under review?

Mr. Reid: — We would have started to prepare the replies as the returns were filed in the House. When we actually completed that process, would have been after the end of the fiscal year.

Mr. Rolfes: — End of that fiscal year. Do you know how long after the end of that fiscal year?

Mr. Reid: — No I don't, sir.

Mr. Rolfes: — Could you get that information for us?

Mr. Reid: — I could find out, yes.

Mr. Rolfes: — And provide that to the committee, please.

Mr. Anguish: — Mr. Reid, page 170 of the *Public Accounts* volume 3, in the itemized schedule of payments, payees under \$20,000, there's in excess of a million dollars spent there. Can you tell me at least what the bulk of those payees under \$20,000 were?

Mr. Reid: — I am advised, Mr. Chairman, that that essentially represents salaries and travel for permanent and temporary employees and students.

Mr. Anguish: — That would include seasonal employment, that type of thing, summer student employment?

Mr. Reid: — Yes, sir.

Mr. Anguish: — On the same page, the remaining questions that I have, Mr. Reid, all have to do with page 170 of the volume 3 *Public Accounts* for '86-87. Dome Advertising Ltd. and Dome Media Buying Services Ltd., there was about twenty-seven and a half thousand dollars spent. Could you tell me what the advertising that was done and when it was done?

Mr. Reid: — Mr. Chairman, the funds paid to Dome Media Buying Services were for roughly fourteen and a half thousand dollars. Advertising costs in the \$13,000

sum to Dome Advertising Ltd. was development costs for the advertising, or a series of ads which were the subject of those expenditures. Special business advertising; gold advertising; charts; oilfield employment program; the resources folder; Energy and Mines executive; plexi-signs; upgrader supplement ad; economic minerals ad; the open house ad; framing displays; congratulations ad; Hepworth extends program ad; and the Energy and Mines manual.

I don't have the dates, sir, that those advertisements ran. If that's information that you'd like, we can find it for you.

Mr. Anguish: — We would appreciate the dates that the ads actually ran.

Mr. Reid, you said to me that the amounts paid to Dome Advertising Ltd. and Dome Media Buying Services Ltd. were for the preparation and placement of ads and not the actual cost of the ads themselves?

Mr. Reid: — No, these would be the development costs which would be the preparation and the creation of the ads. And then the advertising cost itself which would be the actual charge to run the ads.

Mr. Anguish: — Where does that payment show up in . . . does that payment show up on page 170 under other expenses?

Mr. Reid: — Well the cost to run the ads, I believe, is the funds paid to Dome Media Buying Services. They buy the space in the papers and place the ads. The development costs, that's the \$13,000 paid to Dome Advertising for their creative work.

Mr. Anguish: — Do you have . . .

Mr. Reid: — Sorry, if I might, I do have here a sheet which has the dates and the locations of the ads that were run if somebody . . . is there a way to find a copy of this?

Mr. Anguish: — Do you have people in your department that create ads that do graphic work? Do you have a graphics department of some kind within Energy and Mines?

Mr. Reid: — We have cartographers who do our mapping work, but we don't have an advertising and promotion group within the department, no.

Mr. Anguish: — Just above the Dome Advertising Ltd., there's a Gary D. Delaney who was paid \$18,000. Can you tell me why he was paid the \$18,000?

Mr. Reid: — Gary Delaney is a professional geologist who was providing geological services for us on contract in northern Saskatchewan as part of our annual northern research program.

Mr. Anguish: — British Sulphur Corp. Ltd., \$65,000. Can you tell us what that was for?

Mr. Reid: — That would be for market research related to potash.

Mr. Anguish: — What would they do in terms of market research?

Mr. Reid: — Forecast supply and demand and prices.

Mr. Anguish: — British Sulphur Corp. Ltd., is that a Canadian company? A British company?

Mr. Reid: — The company's headquarters is in the U.K.

Mr. Anguish: — Edvor Inc., \$45,700. Can you tell me what that was for?

Mr. Reid: — I'm advised, Mr. Chairman, that Edvor Inc. is a firm of energy and management consultants who were assisting the department in policy formulation for the oil and gas industry.

Mr. Anguish: — And where is their office located?

Mr. Reid: — I believe they're in Calgary.

Mr. Anguish: — General Graphic Services Ltd., what did they perform for you?

Mr. Reid: — They assisted us with the preparation of geological maps.

Mr. Anguish: — Did it complement the people you have in your department that you just previously mentioned prepare maps?

Mr. Reid: — Yes. I'm advised that General Graphics does the duplicating. Once our cartographers create the original, they then run the prints.

Mr. Anguish: — Government Research Corp. I'm sorry, where is General Graphics located?

Mr. Reid: — Saskatoon, sir.

Mr. Anguish: — Government Research Corp., what did they do for you?

Mr. Reid: — The Government Research Corp. was monitoring political events in Washington in the administration in the Congress, related to potash and uranium.

Mr. Anguish: — Where are they located?

Mr. Reid: — Washington, D.C.

Mr. Anguish: — Logitech Ltd., what services and where are they located?

Mr. Reid: — I don't know where they're located, Mr. Chairman, and we'll find that out for you. Logitech provided the department with laboratory equipment for our geological lab, production lapping and polishing equipment for handling geological samples.

Mr. Anguish: — Management Systems Limited, what service and where are they located?

Mr. Reid: — Management Systems provided us with

computer management services, and they're located here, I believe, in Regina.

Mr. Anguish: — Mohawk Data Sciences Canada Limited, service and location?

Mr. Reid: — They provided us computer equipment on lease, and they are located . . . we don't know.

Mr. Anguish: — Can you tell us that, please?

Mr. Reid: — Find out?

Mr. Anguish: — Find that out for us.

Savin Canada Inc., what services and where are they located?

Mr. Reid: — Savin Canada is rental of Xerox machines.

Mr. Anguish: — Are they located in Saskatchewan?

Mr. Reid: — They have offices across the country. I don't know if they have an office here. Yes, I'm told they do.

Mr. Anguish: — Shirkey, Ulmer, on and on and on . . . law firm, I take it?

Mr. Reid: — Yes, that was money paid to settle a court action out of court.

Mr. Anguish: — With who was the court action settled out of court?

Mr. Reid: — The settlement agreement prohibits the release of any information regarding the agreement.

Mr. Anguish: — So someone during the year under review had a lawsuit against the Department of Energy and Mines, and this law firm arrived at an out-of-court settlement on behalf of the Department of Energy and Mines. The cost for the settlement and any fees to the law firm, two hundred and thirty-four thousand-and-some-odd dollars?

Mr. Reid: — No, sir. That's partly correct. This law firm did arrive at the settlement, but not on behalf of the department; rather on behalf of the plaintiff.

Mr. Anguish: — Who represented the department?

Mr. Reid: — The Department of Justice.

Mr. Anguish: — William Slimmon, \$37,000 — services?

Mr. Reid: — This is another case of a geologist being hired on contract to do research in northern Saskatchewan, and Mr. Slimmon also did some follow-up work in Regina.

Mr. Anguish: — A resident of Saskatchewan?

Mr. Reid: — Yes he is.

Mr. Anguish: — Kelly Strueby, \$13,900?

Mr. Reid: — On contract, Ms. Strueby provided consulting services in our economic policy group.

Mr. Anguish: — Resident of Saskatchewan?

Mr. Reid: — She was at the time; I believe she has now left the province.

Mr. Anguish: — Success Office Systems, \$10,000 — service and location of the company?

Mr. Reid: — They provided a Xerox machine on lease . . . Regina, sir.

Mr. Anguish: — Karen Wright, \$14,000 — services provided?

Mr. Reid: — Karen Wright provided computer contracting services regarding our uranium price and forecasting model.

Mr. Anguish: — A Saskatchewan resident?

Mr. Reid: — Yes.

Mr. Anguish: — Going back to Gary Delaney, can you tell me if Gary Delaney, the contract geologist, is a Saskatchewan resident?

Mr. Reid: — Yes he is.

Mr. Anguish: — Mr. Reid, can you not tell us who the plaintiff was in terms of the out-of-court settlement?

Mr. Reid: — No sir.

Mr. Anguish: — Why can't you tell us? Is this a policy of the department?

Mr. Reid: — Well the settlement agreement prohibits the disclosure of any information relating to the settlement.

Mr. Anguish: — So there's an expenditure by the department of almost a quarter of a million dollars, and as members of the Legislative Assembly, that quarter of a million dollars of taxpayers' money, you can't tell us anything about it?

Mr. Reid: — I can't, sir.

Mr. Rolfes: — Mr. Reid, just to follow up on that, I can understand . . . I just want to be clear that we're not asking for particulars of the settlement. I can understand that unless both parties agree that it will be made public. I fully understand that. But I think . . . I have never heard of a case that I can remember where the party's names aren't released — the particulars, yes — but I can't recall where the names were not released and that that is not public information. I find that hard to believe.

Mr. Reid: — It is, sir, indeed a condition of this settlement that no information be released.

Mr. Rolfes: — Who is privy to this information?

Mr. Reid: — Ourselves, the Department of Justice, and

the plaintiff and the plaintiff's lawyers. Beyond that, I'm not certain.

Mr. Rolfes: — One further question. Are the ministers aware of the case or the plaintiff?

Mr. Reid: — I'm not certain which ministers would be aware, sir.

Mr. Rolfes: — But in your opinion, is your minister aware?

Mr. Reid: — My expectation would be that at least two ministers would be aware.

Mr. Rolfes: — Well the reason I'm asking is . . . I think really, you know, we as MLAs have an obligation to find out this information. I can fully understand that you may not be able to divulge that, but someone, I think, must be able to divulge at least the names, not the particulars of case.

Mr. Reid: — Yes, sir. I'm sorry, I'm not trying to obstruct you here. This settlement was arrived at when my predecessor was the deputy, and so I'm . . . I don't know which ministers know because I wasn't the deputy at the time. My expectation is that at least the Minister of Energy and the Minister of Justice would be aware of this, since those were the departments active in seeking the reconciliation.

Mr. Rolfes: — Okay. Thank you.

Mr. Anguish: — Mr. Chairman, I don't think that I have any further questions at this time.

Mr. Rolfes: — Mr. Reid, I note on the various branches in your department, there was an expenditure of approximately \$405,000 in travelling expenses. I'm not interested in the in-province travelling expenses, but how difficult a job is it to delineate for me the people who travelled outside of the province, where they travelled to, and the specific costs involved in each? Is that a major job?

Mr. Reid: — Mr. Chairman, I'm advised it would be a major job to go back into the records and dig out any more information than has already been provided in response to the motion for return in the House in connection . . .

Mr. Rolfes: — Was there a specific motion for return on those?

Mr. Reid: — Yes.

Mr. Rolfes: — Oh, that's fine then. Thank you. I have no further questions.

Mr. Chairman: — If I could just ask one question related to advertising costs. Can you tell me where or who publishes the paper called *Prairie Skies*, where that's published?

Mr. Reid: — I don't know, sir. We'll find out for you.

Mr. Chairman: — Now the other question I have related to that. I note in the information that you gave us that two ads . . . I guess the same ad, entitled "A promise as good as gold," was placed in October 15 and October 21 of 1986, in the *Prairie Skies* publication. I would also like to know whether the ad in fact ran on those months, and whether or not the ads met the requirements of The Election Act, and the government met the requirements of The Election Act in that case.

Mr. Reid: — I'll find that out for you.

Mr. Chairman: — Thank you. Are there any further questions of the officials? If not, I'd like to thank you very much, Mr. Reid, for being with us. You've undertaken to provide us with certain information; we'll look forward to that. There is a possibility, a possibility that your department may be recalled. I'm not saying that it's a likelihood or a probability, but I guess it depends on the answers and if anything else comes up that . . .

Mr. Reid: — I understand.

Mr. Chairman: — The chances are . . . It's not likely that departments will be recalled. I want to thank you and your officials very much for being with us today.

Mr. Reid: — My pleasure. Thank you.

Mr. Chairman: — Can I just call the members to order? We have a couple of motions that really should be dealt with. One is on the Department of Supply and Services, SPMC, that those hearings be concluded subject to recall. And then, of course, one on Energy and Mines. And I wonder . . . the one on Supply and Services, SPMC — it's been moved by Mr. Martens. Is there a seconder for that? We don't need a seconder. The motion is before you. Is there any discussion on that motion?

Agreed

Mr. Chairman: — And that simply says that it be concluded, subject to recall.

Now the next one is the motion that the hearing of the Department of Energy and Mines be concluded subject to recall if necessary for further questions. Is there a mover for that motion? Moved by Mr. Hopfner. Any discussion on the motion? I'd like to just leave the chair for a second, if I might, on that one.

Mr. Van Mulligen: — Again, I just want to, speaking to the motion, indicate my concern that the government should have known, was in a position to know in October of that year, that the projected deficit was something else than what was indicated to the people of Saskatchewan at that time.

And the questioning by members of the committee of the department indicated that the original estimate for oil revenues — and these are very significant, very significant because the projected revenue was 510 million; the actual was 212 million — confirmed that the estimate was based on a figure of \$23.29 a barrel.

The officials indicated that even though oil prices were

plummeting in January, February, March of that year, were going steadily downward, that they thought that it was an aberration, and therefore the estimate of \$23.29 held because it was based on oil prices in December of the previous year, and I assume the months before that.

The deputy minister indicated that it was not until July of that year that they began to understand, and it was clear to them, subsequent to the failure of OPEC to resolve the question of oil prices, that the lower oil prices which were in the neighbourhood of \$13 a barrel, were more apt to be accurate.

If that was the case, it seems to me that the government knew in July, certainly it would know in August. And the official indicated that an update was provided to the Minister of Finance in October, or that they would normally review in October. Although I find it hard to believe that in August of that year that the government would not have known about and would not have been in a position to project oil revenues to be more in the neighbourhood of \$212 million as opposed to \$510 million; and that the government had serious, serious problems with its budget, that instead of a projected deficit of \$389 million, that it was going to be far in excess of that. And it certainly would have been somewhat more than the \$500 million figure that we were led to believe in October of that year as representing fairly the deficit position of the government.

And for me, the answers that were given by the official this morning simply confirm for me that the information which was provided for the people of Saskatchewan in October of that year did not reflect reality, and that in fact the deficit situation was something much worse than we were led to believe in October of that year.

Those are the comments I want to make.

Mr. Hopfner: — Thank you, Mr. Chairman. Mr. Chairman, just a couple of remarks in adding to what the previous member has just stated, is that basically when budgetary items come forth for any department in any government, it's basically set out just on a forecast. And if the member would remember back into the particular year under review, we definitely had an Iranian and Iraq war going on, and there was some definite movement in the gulf in the shipping areas for oil.

And even in trying to lay blame on those types of forecasts on the government, if the member would have done some homework he'd have known that even the oil companies of the day, right around the world, were definitely having trouble with forecasts and were forecasting for higher oil prices basically because of the movement in the gulf; and where the security of shipping to the western world . . . the security of that shipping to the western world wasn't very secure, and the delay of the shipments to the western world were very apparent.

And the forecasts were there, were basically where we were going to be seeing, as a government or as other oil companies in the western world, where the prices had . . . or could have been turned around drastically, and we could have seen the price of oil go even beyond those numbers that were forecasted for.

But in the turn of events, with the U.S. moving into the gulf and then eventually securing that shipment of supply to the western world, it had just the opposite effect, and therefore we did see the oil prices dropping because definitely the OPEC countries had definitely been into a price war and a supply war. And it goes way beyond the control of any provincial control or jurisdiction, or even oil companies on a whole, right around the world, of being able to control in any shape or form the prices of oil.

And when a government . . . any government or any oil company or any economist, as far as it is concerned in the prediction of oil prices, you would have known even through the media, the way the media were carrying it, was that oil prices could have been driven back into the '80-81 era, not basically sitting at around the \$23 a barrel. It could have been driven up to the 34 and \$36-a-barrel prices.

So I know what the member is getting at when he's indicating that he had some concern about \$23-a-barrel oil. But I'm sure the member would agree with me that we would have definitely liked to have seen the \$23-a-barrel oil and plus, because the economy in western Canada would have definitely have spurred on, and we'd have seen a lot of economic development through that, even over and above what the projection was for the province and the revenues that would have been coming into the province.

So I can't buy the argument that we can blame anyone individually or any one government, when basically there weren't any governments in the world that had any control over those prices. So I'd just like to, I hope, add a little bit of information to this committee in regards to the year under review regarding that particular issue. Thank you.

Mr. Rolfes: — Yes, Mr. Chairman, I just want to make the point that we've had now three departments before us who have been consistent in their information that they have provided to us. And it is very clear for the year under review that by June, and here the Department of Energy and Mines tell us by mid-June, they had already forecast to the Department of Finance — and this is what Mr. Reid indicated to the Department of Finance, and therefore I must assume to the Minister of Finance — that their forecasts were too high. That's clearly indicated this morning by Mr. Reid. They had forecast 23.29, based on the November-December price in the year 1986 . . . or '85, but by June of 1986 they knew that their price forecast was way too high.

I therefore have to assume that since they informed the Department of Finance, that the Minister of Finance therefore would know. Otherwise why inform the Department of Finance if you don't then inform the Minister of Finance himself? Therefore I have to conclude that the Minister of Finance knew that his budget deficit would be way higher in June of 1986, and certainly, Mr. Chairman, the government knew, the Minister of Finance and the Premier knew, by the mid-October of '86, that their forecast on oil revenues were way out, because he said that they did their . . . that they made available to the Department of Finance in mid-October of '86. The

election was not until October 26. So what I would have to . . . I mean, one has to assume that the Minister of Finance and the Premier, at that time, knew that their deficit would be considerably higher than what they had told the people.

It's also interesting to note, although the deputy minister couldn't tell exactly what the . . . how far out the forecast had been in the past, he did allude to a figure of 2 per cent — that they had been out, at times, as much as 2 per cent. That I can understand. I can understand them being out 5 per cent; I can understand them being out maybe 10 per cent, but when you forecast \$23.29 and then the actual price goes down to an average of 13 or \$14 for the year, one has to put logic in place and say: was that not a pure fabrication of the mind of someone in order to paint a picture that simply was not in keeping with reality.

And I don't think there's any other conclusion that one can draw that the information was available to the government. They simply refused to make that information available to the people until after the election of October 26. I don't think any fair-minded individual could come to a different conclusion.

We've had now the three departments concerned; each and every one of them tells the same story that yes, they made forecasts, but by budget time of 1986 they knew, they knew that the oil prices were plummeting. I mean, the facts are there. Sure, in January it was 22.64, but when it dropped \$7 in February, it drops another three in March, another . . . well it went up a little in April, a little in May, dropped dramatically in June, dropped again in July, that \$23.29 forecasts simply were unrealistic and that the government knew well in advance of the October date that their revenues for oil were considerably lower and that their deficit would be considerably higher than the \$389 million. And I can only conclude, Mr. Chairman, that the government refused to tell the people the truth and withheld that truth and those facts from the people until the October election was over. I don't think there's any other conclusion that we can come to.

Thank you.

Mr. Martens: — I just want to, Mr. Chairman, point out a couple things about forecasts and their relationship to the oil business. I think the member for Cut Knife-Lloydminster has indicated some of the problems arising from the international scene, and I think they directly reflect on the various aspects of the market-place. And there is probably no place in the world as volatile as the Middle East where the majority of the oil is. There is probably nothing as volatile and unstable as the members of the OPEC are at this time, and . . . or, were at this time. And the majority of energy coming from those areas has a significant bearing on what the requirements are out of domestic production in the United States and what that supply can provide and what they have to import from other places; and because of the huge demand by the American market-place, that is always a relative factor because of the huge supplies of energy that flow into the United States. And that, Mr. Chairman, is the largest portion of their deficit problem is their energy, and that component on a volatile market, based on volatile nations, has a direct impact.

I just want to draw a parallel to that to something that we have in Canada. One of the things is we have is the Canadian Wheat Board. Some of you will recall that in 1987 the Canadian Wheat Board lost \$50 million because of overstating the initial price on wheat.

The grain commodity exchanges in the world are probably the most stable commodity exchanges that exist, coming from the most stable governments that exist in the world — the Soviet Union, China, Canada, United States, Europe. Those exist under those conditions, and the Canadian Wheat Board has provided those pricings since the '30s in defining what those initial prices ought to be. And yet, at the end of the 1987 they were \$50 million short on one commodity in the number one — grade one and two — wheat.

We just go one step further, Mr. Chairman; in 1988 the Canadian Wheat Board oversold barley to the tune of ... a million bushels — a million metric tonnes, I'm sorry — and that million metric tonnes, Mr. Speaker, caused a problem to the Canadian Wheat Board. On July 31 of 1988 the Canadian Wheat Board was buying barley at a \$1.10 a bushel; on August 1 of 1988 they were buying at \$2.20 a bushel, and that, Mr. Speaker, is in a market-place that is driven by stability through the whole world market system — I point out again, in areas where commodities are marketed where they have stable governments.

And now we're taking and doing an assessment and an evaluation, under the year under review, on a basis of conditions that existed that were extremely unstable. You had war between Iran and Iraq; you had the United States with their military posed in the Gulf to protect them; you had incidents of international conflict between the people who needed the energy, which was the United States and their fleets in the Middle East. And I say that under those kinds of circumstances, no one would be able to predict with any kind of certainty what was going to happen.

In fact, if you take and go back to the time when the energy was beginning to take off, when the prices were beginning to take off, was entirely driven by that same area of the world organizing themselves into a marketing cartel that drove the price up and up and up. And that didn't take very long to happen. So what we have here reflected are two things that have happened. One is the difference in income related to the market going up, and then the relationship of that market going down.

And, Mr. Chairman, I think that under the circumstances, reviewing the information that was presented to us here, I don't think any one of us — with all of the information provided, and members opposite even, too — would have been able to do any different kind of an assessment than was done because they used the trends, they used the opportunity to establish their ideas based on what the international market was doing, and, Mr. Chairman, it was extremely unstable.

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

A Member: — If you guys are going to filibuster, I'm

taking off.

Mr. Martens: — Mr. Chairman, point of order.

Mr. Chairman: — State your point of order.

Mr. Martens: — Mr. Chairman, when we began this discussion in February, we discussed the procedure that we were going to use. I made it a specific point to point out to the members of this committee that one of the things that we were going to allow was, without recourse from the opposition about filibustering any kind of discussion in this committee, that we would have equal opportunity to discuss — without being challenged on that very issue — on details that we would provide as how we feel about this committee, and the conditions existed and the conditions that were enunciated to us by the witnesses to this committee.

And I think that individuals ought to have that same consideration, that I have freedom of speech in this format just as well as anyone else in this committee, regardless of whether I'm a member of the government or the opposition.

Mr. Vice-Chairman: — Well certainly the motion that's before the committee is a discussion on Energy and Mines, and I think members on both sides of the committee should have an opportunity to discuss it.

Mr. Muirhead: — Thank you, Mr. Chairman. If the member from North Battleford wants to take his toys and go home, let him go home, because he said it's doing a filibuster. And I believe like my colleague, Mr. Martens, of course we've got equal representation here. If we want to talk from this side about anything, we have that right.

Mr. Chairman, Mr. Van Mulligen had his right to leave the Chair and make a comment, and I think I have my right to comment on what he said. And Mr. Van Mulligen and the members opposite have stated very clearly here that we had three departments in there and they've questioned pertaining to the deficit in the 1986 budget. And they believe — we might as well get it out front — they believe very, I think sincerely, they believe that the government misled the people of the province of Saskatchewan at election time. That's what they believe.

A Member: — Certainly they did.

Mr. Muirhead: — And they have the right to believe that. But also, Mr. Chairman, I have my right to believe that the same thing happened in 1982 — in 1982 when we had a ... I was here as a member, along with the member from Saskatoon South — that we had a budget come down in March, a balanced budget, but it didn't even get debated. It went out to the people of Saskatchewan to vote on that budget, and when we came back in as government, it was not a balanced budget.

So we believe that they done it intentionally, the same as they believe us. And I think both sides, maybe, in this situation — there's a lot of politics being played here — and maybe both governments were being honest.

And I do believe that there's no way that they can say that

this is anything else but hypothetical, that . . . It's hard for me to keep talking, Mr. Chairman, if they're going to keep talking over there, but that's because they don't want to listen

Mr. Chairman, in October we had an election, and that is really mid-term from the fiscal year. And we're talking about oil, basically, over here. And we heard the gentleman say here that . . . from the department we just had here, Mr. Reid, that they based their forecast on the highs and leaned a little more to the highs that were there in the fall of 1985, which was \$27 a barrel. Then it kept going down, and then went lower after budget, of course.

Now if they were entirely wrong by saying that they had a right and that it was only a . . . the forecast, the best they could do . . . Then it did start to climb, because in '87 it was back up to 18, but nobody knew that. Nobody knew, as my colleague from . . . Mr. Martens here, no one knew what was going to happen in 1986. We had one of the worst years that we've had almost, since the '30s, in Saskatchewan in 1986

We had a poor crop. Basically the province was a poor crop. We had . . . the price of grain dropped. We already went through it, back with the deputy of Finance, that we dropped over a hundred-and-some million dollar loss to agriculture credit corporation.

We had cattle prices that dropped that year, and some people don't want to believe that, but the government had to pay out terrific stabilization. And I don't know the figures, but in the millions and millions to the farmers for losses in feeding cattle.

If people don't want to believe there's a loss in feeding cattle, then tell me why there was a stabilization pay-out. There was only one quarter since we came out with the beef stabilization pay-out that there hasn't been a pay-out, and that's based . . . stabilization's based on a profit. Once you get to a pay-out, you're working on losses. And every quarter this government has paid out on losses.

So that shows you that there was a loss in raising cattle on this province, and . . . feedlot cattle. I'm sorry. I should have specified feedlot cattle. It's an industry this government was trying to promote. Through the NDP government, we lost our feedlot industry to Alberta and Quebec. In 1979, when I come in here as a member, Mr. Chairman, there was 1.1 million calves born, and in the early 1980s we're down to 700,000. So a lot of money was spent here, and it all went out from under us in 1986, Mr. Chairman.

The price of cattle dropped. The price of grain dropped. We were dropping from 1984. We dropped over a dollar a year each year, and nobody was forecasting that to happen. Nobody was forecasting, because nobody thought, Mr. Chairman, this was going to happen.

So what the members over here are trying to . . . They're trying to mislead the people of Saskatchewan, that we all knew what was going to be the future in October of 1986. Nobody knew the future. Maybe if oil had have been . . . they're beneficiaries of good fortune to them. I'd call it

bad fortune to the province of Saskatchewan, the people, because all these things happened, and they're trying to monopolize, politically, that, oh boy, it's sure a good job for us the oil went down because we'll be able to come back and say that the ministers knew this and they played a game.

Well I'll tell you, they're just plain lucky, but they're lucky on behalf of the . . . or lucky because the poor people in Saskatchewan that suffered out there are not believing these people over here, Mr. Chairman. They're just jumping in on the . . . taking advantage of a bad situation for Saskatchewan people. Oil is the biggest thing — and Mr. Rolles out there won't get off this oil thing — that they knew.

Well so help me, if the people from the department knew, they're not politicians sitting here — they're not the politicians sitting here. They work for government. Some of these people that come in here worked for both governments and they're forecasting the best as they can, Mr. Chairman. I truly believe that. They're forecasting.

So if their forecasts turn out to be wrong . . . And they're trying to put words . . . every time Mr. Rolles speaks he's always saying, oh, they clearly stated this and they clearly stated that. I say he's trying to put words into *Hansard* that they can take out and use politically. Well I want to put the truth, what I feel the truth is . . . is what the opposition members do is trying to take advantage of a bad situation. That's all I'll say for now, Mr. Chairman.

Mr. Anguish: — Thank you, Mr. Chairman. Well, Mr. Muirhead is right in the fact that it certainly is a bad situation in the province of Saskatchewan, especially in the year under review.

We have reason to believe that the projections that were done by the Department of Energy and Mines and passed on to Finance . . . and we heard it from Finance that they were going to project a price of \$23.29 Canadian per barrel, averaged over the course of a year. Now if you look at the three months prior to the beginning of the fiscal year under review, the average price of a barrel of oil for those three months was \$13.47 American. Now that's a long, long way from \$23.29 Canadian.

But even if you take the given that their projections were not too bad at the beginning of the fiscal year, certainly by the middle of the fiscal year where the prices had dropped to \$11.49 American by July, and the Minister of Finance was still saying: oh everything's bang on target; things are going good — you know, because they're going into an election campaign. And that's why it's political in this particular fiscal year because we were going into an election campaign, and the public in the province of Saskatchewan were being misled.

When you have oil at 11.49 per barrel and the projection by the government was \$23.29, and you've seen it steadily drop over a period of one, two, three, four, five, six, seven months, that's misleading the public in the province of Saskatchewan. And of course we want it well documented on record that you misled the public going into an election campaign when you knew very well that your projected deficit of \$389 million wouldn't be

anywhere, anywhere close to it.

And you talk on the other side about the supply and demand and the Iraq-Iranian war. Well if the Iraq-Iranian war had anything to do with it, and if it had something to do with supply and demand, the price of oil would have been going up because if there's a lack of the product, the price should go higher. Mr. Hopfner's argument that the Iran-Iraq war had something to do with it is totally wrong, because if the Iraq-Iran war had something to do with it and we had trouble getting oil for the world market out of Iran and Iraq, that means the price would go up because there's less of it, and supply and demand mean that if there's a greater demand than there is for supply, using Mr. Hopfner's argument about the Iran-Iraq war, the price would have been going up, not down.

It seems to me one very key thing that we also uncovered today in the *Public Accounts* is the fact that the department . . . We again find out about another court case that didn't get to court, I guess — so it's not actually a court case — but again blatant abuse of the powers of government. You look at the Shand-Rafferty project. The court says, no, you can't do it; you went ahead and forged ahead anyway.

There's a list of court cases, and then we find out today there's one that didn't even get to court. Almost a quarter million dollars that the taxpayers had to pay for an out-of-court settlement, and we can't even determine who it was who received the money, what was it for. What was the plaintiff saying about the Department of Energy and Mines during an election year that there had to be a big out-of-court settlement?

I suspect that the biggest motivation for an out-of-court settlement was that you were going into an election campaign and you didn't want your name smeared around like it's being smeared around right now over Shand-Rafferty. Was the law broken in this case? We don't know, but any government going into an election campaign, regardless of their political stripe, doesn't want to be going into an election campaign and be in a court case because of some law they've broken, or maybe it's because of some liability that the government had. But then your department . . . or your government arrives at an out-of-court settlement for almost a quarter million dollars.

And the whole thrust of these estimates, Mr. Chairman, whether or not it's been in the Department of Energy and Mines or other departments, is that this is blatant use of power in an election year, misuse of your authority as government and government members, and disguising a bad situation to make you and your members look good going into an election campaign in October of 1986.

And there's no question about that from our side over here. As far as we're concerned, this is the nub of the whole problem with the *Estimates* for the fiscal year 1986-87. There are many, many items through there. You look at Dome Advertising Ltd., Dome Media Buying Services Ltd. Almost every department and agency in this fiscal year has large sums of money paid for advertising — advertising in an election year.

You look at the research, Tanka Research, well-known Tory pollster firm. Happens to be that in an election year the Department of Energy and Mines and almost every other department has some payment for polling.

We were told today it's public opinion polling. If it's public opinion polling, we should have access to that. What was the timing of it? Could it have possibly been prior to the election, the October 20 election of 1986 that Tanka and other pollster firms did polling for various government departments? Was it, or was it not?

What were the questions that were asked? What were the results of those questions that were asked? What's the compiled data that was gained from the polling? We suspect and think we have just reason to suspect it was data that was compiled to increase your electoral chances in being re-elected in the province of Saskatchewan.

You've abused the taxpayers' dollars; you're very blatant about the way that you have abused the taxpayers' dollars. And we think there's no room in this committee to try and cover up information that has been used for blatant political practices in an election year, spending taxpayers' dollars, instead of your own and your contributors, to get re-elected in the province of Saskatchewan.

Mr. Rolfes: — Mr. Chairman, I wanted to just again use another case that we had last time under Executive Council, the blatant misuse of government expenditure. I mean, I think most of us were surprised to hear that McLean and Associates for \$37,360, and Public Affairs Communications Management Inc., which is McLean and Associates again, for \$39,328, received about 76 or \$77,000.

And what do we get from the officials? Saying it was for communications. And when the member from Wascana said he could explain it further in more detail, said that it was to help ministers . . . tell ministers how to comb their hair and how to dress. That's what we got out of the member from Wascana, and we didn't get any further; we didn't get any further from the officials, from the officials, that it was for anything else other than to help . . .

Mr. Muirhead: — Point of order, Mr. Chairman.

Mr. Rolfes: — Point of order again . . .

Mr. Vice-Chairman: — Let the member state his point of order.

Mr. Muirhead: — Well there's the member, Mr. Rolfes, trying to get something on the record that wasn't said. I never said such a statement. You can check the *Hansard* and see. So I want it on the record . . .

Mr. Rolfes: — It's no point of order, Mr. Chairman.

Mr. Muirhead: — If it's a point of order or not, I want it on the record that it's absolutely misleading this here committee and misleading the people out there by saying . . .

Mr. Vice-Chairman: — Order, order. It's a dispute between two members, so the point of order is not well taken.

Mr. Rolfes: — Thank you, Mr. Deputy Speaker. I knew he was wrong again on his point of order. Mr. Deputy Speaker, I want to say again that the member from Wascana did clearly indicate last day that he said he would . . . he had further information and he could clarify it and did state that the firm was hired. And I will almost say verbatim, he said that they were hired to tell ministers how to comb their hair and how to dress, just like they did when you were a minister. And my response to him was that we didn't have such a thing. And therefore I have to assume since we didn't have it, and you can look, I didn't need anybody to tell me how to comb my hair . . . (inaudible interjection) . . . Thank you, my colleague.

So because the member admitted that he thought we had it, and that's why they had hired him for another \$76,000 and we couldn't get any further details out of the officials as to what it was for, all they told us was that it was money used to help ministers communicate in their portfolio. We got a further explanation from the member from Wascana as to why he thought they were hired, so I have take his word for it that that's what it was. Since he was on the government side, he would know.

I want to also . . . the member from — Mr. Muirhead — from Arm River indicated and admitted, and I want to . . . for the first time we have a member admitting that his government may have misled the people, as he said we did in 1982, and those were his words. Since we didn't mislead the people in 1982, he therefore has admitted that they may have misled the people in 1986. Logic says that that is the reasoning one has to come to . . . (inaudible interjection) . . . yes, yes, Mr. Chairman.

I want to indicate to the members here, and this is the point that we have to make: not that the forecasts were out in January or February or March — that is not the point. The point is that in April the price was 12.95; in May it was 15.36; in June it was 13.29; in July it was 11.49; August it was 15.32; September it was 14.89, and October it was 14.90, for an average price of seven months of \$14.03. Well that's the point, that the seven months previous to October, the average price of oil was \$14.03.

No one is going to convince me therefore that in October the minister did not know that the revenues for oil would be considerably less than what he had forecast, and yet he told the people otherwise in October. It's not that the officials had estimated wrongly in March; that's not the point. They did, but that's not the point. The argument is, did the minister know in October? Yes he did, because in the previous seven months the average price of oil was \$14.03. If you forecast \$23.29 and you've only received \$14.03 on average in the previous seven months, the minister must have known. Therefore he misled the people of the province for political purposes.

Thank you very much, and I'm glad everybody agrees.

Mr. Hopfner: — Thank you, Mr. Chairman. Mr. Chairman, we can rightfully see that the NDP opposition

in this committee here must be losing and are very touchy about losing the argument because their voices are certainly raised in this committee.

When the member from The Battlefords, Mr. Anguish, had indicated that the Department of Energy and Mines and the people within the Department of Energy and Mines had cooked the books, he is blatantly accusing department officials of being very political. And I would definitely, I would definitely bring this to the department officials, and all officials in all departments in the bureaucracy to be aware of those types of statements made by the NDP of this committee. Because basically, what was said in the House by Mr. Lyons yesterday is that they're on a head hunt for department officials and that they were going to have their jobs. And now it's starting to surface in this committee. I would take it that every department official should be concerned about their jobs when it comes to . . . if it ever came to the point that the NDP ever, in the history of this province, became government again.

I want to also say that the member from The Battlefords was not listening to when I had made my statement about the fact of the Iran-Iraq war. When I was speaking in regards to the Iran and Iraq war, I had indicated that because the Iran-Iraq war was escalating, there was a very insecure situation in regards to the shipping of the oil through the gulf to the western world. That's what I said. And I said that the . . . at that time the U.S. had moved into the gulf to secure those shipments and therefore did not drive the price of oil up but it, in fact, drove it the other way basically because they had the security of the U.S. ships, warships in that zone, to protect the shipment of the oil to the western world. That's what I said.

Mr. Vice-Chairman: — I may interrupt the member. It's our normal time of adjournment. Do the members . . . It's up to the committee whether they want to continue this debate next day or if we want to have Mr. Van Mulligen take the chair and vote on the motion and continue on with education. Or if they want to continue on with the debate on the motion next day that would be up to the committee.

Mr. Hopfner: — Well, Mr. Chairman, I certainly want to finish my remarks because there has been a very blatant attack on government officials as well as the government itself.

Mr. Vice-Chairman: — I guess we'll call it 10:30, and be back at 8:30 Thursday morning.

The committee adjourned at 10:30 a.m.