

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

August 1, 1989

**Mr. Vice-Chairman:** — I will call the meeting to order. Is everybody ready to have the people brought in, or what's happening?

**Mr. Rolfes:** — If I may, before we call in the officials, I'd like to ask Mr. Lutz a few questions . . . We are in Consumer and Commercial Affairs, are we not, this morning?

**A Member:** — Yes.

**Mr. Rolfes:** — All right. I'd just like to ask Mr. Lutz whether any of the complaints or concerns that he has expressed in his annual report have been resolved.

**Mr. Lutz:** — Mr. Chairman, I am looking at page 36, item 7.01, relates to an appropriation and since, in my view, the 33,000 was spent from the wrong appropriation there really is no way to resolve that one. It was done; it is done.

Item 7.07, the minister's advised me that until such time as there are other changes to the Act there probably will not be an appropriation, so as far as I know that has not been changed.

Item 7.10 is a fait accompli. The department leased computer equipment. There was no written agreement and there was no order in council, both of which, in my view, were required.

And item 7.11, the department had a signed contract with supply and services, now SPMC (Saskatchewan Property Management Corporation), to rent some word processing equipment. The contract required that SPMC would pay the maintenance, but the department paid the maintenance to SPMC, and that has happened and you really can't correct that one now.

And the last item, relative to the mail costs, as far as I know they have not done anything in the way of monitoring the costs of mail services.

**Mr. Vice-Chairman:** — Any further questions? Okay, we'll call them in.

### Public Hearing: Department of Consumer and Commercial Affairs

**Mr. Vice-Chairman:** — Mr. Kessler, I have to read into the record . . . I have to make you aware that when you're 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 the verbatim report of this committee and therefore is freely available as a public document. And you are required to answer questions put to you by the committee, and where a member or the committee requests written information of your department, I ask that 20 copies be submitted to the committee Clerk, who will distribute the document and record it as a tabled document.

I ask you, sir, to address all your comments to the chair, which is also, I grant you, that I would express to all members of the committee.

That's it. We're open for questions. Anybody want to ask any questions here? Oh, pardon me, maybe you could introduce your officials for everyone here.

**Mr. Kessler:** — On my right is Mac MacGillivray, who is the director of licensing and investigation and the Superintendent of Insurance; and on my left is Al Dwyer, who's the director of administration and human resources.

**Mr. Vice-Chairman:** — Okay, thank you. Anybody want on the . . .

**Mr. Rolfes:** — Well, Mr. Chairman, I'd like to know who the guy in the middle is.

**Mr. Kessler:** — Oh, I'm Deputy Minister Ron Kessler, Consumer and Commercial Affairs.

**Mr. Rolfes:** — . . . (inaudible interjection) . . . I'm not on first name basis with Mr. Kessler, so . . .

**Mr. Vice-Chairman:** — Any questions?

**Mr. Anguish:** — Mr. Kessler, in the auditor's report on page 36, the Provincial Auditor talks about the Agricultural Implements Board going from the Department of Agriculture to the Department of Consumer and Commercial Affairs. And there is a problem in terms of the Provincial Auditor in that money was not spent under the proper appropriation. I'm sure that you've read that section that concerns your department. I'm wondering what activities the department's taken to correct the particular appropriation in terms of The Agricultural Implements Act.

**Mr. Kessler:** — The Act is being amended to allow us to incorporate the Agriculture Implements Board into our licensing and investigation, which is what we have. The reports have since been published in our annual returns; we've caught them up. But the Act . . . there'll be amendments to the Act, hopefully in the near future, that will alter that situation.

**Mr. Anguish:** — Have you drafted those amendments to the Act already, and they've gone to the minister for approval, or what's the status of them at the current time?

**Mr. Kessler:** — The drafting instructions are presently being prepared now.

**Mr. Anguish:** — The other thing that the auditor points out has to do with computer equipment. And I'm wondering why the department, even though you didn't have it within your contract to pay for maintenance charges the first year, having to do with the word processing equipment, even though maintenance is not to be paid — it's to be paid by SPMC (Saskatchewan Property Management Corporation) — that you actually did make a payment of some \$30,722 for maintenance.

**Mr. Kessler:** — The contract actually does state that we are to pay maintenance on it. There's a clause in the agreement that reads:

The maintenance services contracted on a yearly basis is subject to change. The monthly charge will be adjusted accordingly.

So there is provision in the contract to pay maintenance costs on the equipment.

**Mr. Anguish:** — I suppose I'd ask the Provincial Auditor, where did you get the idea that they weren't supposed to pay for maintenance in the first year of the contract with SPMC?

I suppose, if I could, Mr. Chairman, I'd ask another question while the Provincial Auditor's looking that up.

The third thing that is pointed out in the auditor's report has to do with mail delivery, and the Provincial Auditor felt that the department's not capable of properly vouchering or verifying the accuracy of charges by SPMC for mail delivery. And why didn't you put into place some kind of procedure to assure that you can in fact check that you're being charged the proper amount for your mail delivered through SPMC?

**Mr. Kessler:** — There's a senior committee of personnel from Finance, and I believe, Gerry, your office is working on that, to come up with a process to be able to track the costs or have an agreement that would cover those things off.

This was just an assumed service that was provided before by supply and services, and when SPMC came into existence the service was just continued. It's the central mail service.

**Mr. Kraus:** — Mr. Chairman, what has happened of course was the user paying. It's a different concept than before, where we would . . . and as a user of these services, we would send our letters to supply and services, and they would run them through their machines and add the postage. And of course, the cost came out of supply and services vote so we weren't particularly concerned. But now that we have to pay for it, it's only appropriate of course that we know exactly what . . . or have some idea as to what we're sending them and how much postage we should pay. And I guess it's fair to say that you'll probably find this concern raised by the auditor in several departments.

What we decided to do is we have a committee we call a financial management committee; it consists of senior people from departments, senior financial managers from departments. We've struck a subcommittee just to determine how we could resolve this problem. I'm hoping we can come up with a solution that will be applicable for all departments, not just Consumer and Corporate Affairs.

**Mr. Anguish:** — So at the current time, Mr. Kessler, you just pay whatever the SPMC would bill you.

**Mr. Kessler:** — That's correct.

**Mr. Anguish:** — Mr. Lutz, do you have an answer to the part about the maintenance charges for the first year of the contract with SPMC under computers or word processors?

**Mr. Lutz:** — Mr. Chairman, the March 31, '88 year, the contract in force in that year required no maintenance charges. The adjustment to include maintenance charges came through in September of '88, but during the year under review there was no requirement to pay maintenance. The contract did indeed say \$0.00 payable for maintenance.

**Mr. Anguish:** — But in fact the Department of Consumer and Commercial Affairs did pay \$30,722.

**Mr. Lutz:** — Yes.

**Mr. Anguish:** — Mr. Kessler, the Provincial Auditor says that you didn't have the authority to . . . or you weren't required to pay that amount. You're saying the contract says that you were required. There seems to be a difference of opinion here.

**Mr. Kessler:** — No, the contract did not specify a dollar amount is what I believe Mr. Lutz is saying. It did require us to pay maintenance charges, and we subsequently negotiated, but the contract I guess had not been amended with the dollar value put in.

**Mr. Anguish:** — It seems to me in the first year if you were leasing some new equipment from, I suppose, almost anyone, that it seems to me that \$30,000 is a little high for maintenance charges in the first year. There must have been several bugs in your system or something. How do you explain in excess of \$30,000 being paid for maintenance?

**Mr. Kessler:** — We're talking in excess of a couple of hundred thousand dollars worth of equipment, and the maintenance contract is basically approximately 7 per cent of the purchase price is what the rate is across the industry, but it varies according to the type of equipment you're supporting.

**Mr. Rolfes:** — Mr. Chairman, quick mathematics, 7 per cent will only be \$14,000 in 200,000, so you must have had well over \$400,000 worth of equipment to pay 30,000 in maintenance. Even having said that, I listened to the Provincial Auditor and he said the maintenance, I believe, was zero zero. Is that correct?

**Mr. Lutz:** — Yes. \$0.00.

**Mr. Rolfes:** — How could you . . . I mean, if that's what the contract said as of September 1988, where did you think you had the authority to pay \$30,722 on maintenance when the contract says zero.

**Mr. Kessler:** — Mr. Chairman, I go back to the clause that was in the contract that says maintenance service is contracted on a yearly basis and is subject to change. The monthly charge will be adjusted accordingly. And this is the amount that we had worked out with them to cover off the maintenance on our equipment that we had. And the

figure of \$200,000 is the type of thing we're talking about the computer. We also had numerous word processors that were separate from that computer equipment. It's an NBI equipment that was very heavily cost in the maintenance.

**Mr. Rolfes:** — Mr. Kessler, could you give us a breakdown as to who this was paid to, the \$30,722?

**Mr. Kessler:** — It was all paid to SPMC.

**Mr. Rolfes:** — All paid to . . . And how did they determine? I mean, they'd just simply send you the bill and you paid it?

**Mr. Dwyer:** — When they submitted the bill, we did go back and look at the contract. We then questioned them and checked, and they referred us to the provision in the contract that Mr. Kessler has noted on a couple of occasions. And they then provided us with the figure and alerted us that they now were just making the yearly adjustment, and we then said, fine, but we would like some . . . you know, we want some documentation. So they subsequently sent us an addendum to the contract with those charges noted, and we paid the bill.

**Mr. Rolfes:** — And what per cent was that?

**Mr. Dwyer:** — I'm not sure of the percentage. I would have to go back and look at specific contracts. But, for example, the NBI word processors, the typical maintenance contract runs you 4 to \$500 a month. And these are . . . the initial acquisition there, I think we purchased three of them for a total of \$49,000. So the maintenance fee can be fairly stiff on some of this equipment.

**Mr. Rolfes:** — For \$49,000 you're paying \$400 a month for maintenance?

**Mr. Kessler:** — That was a contract that was signed some time ago. I think that was prevalent throughout the government. We no longer have those machines, by the way.

**Mr. Rolfes:** — Well, okay, I'm not going to pursue this. Obviously the Provincial Auditor reads one statement saying that it shall be zero, and you find another clause which says that whatever SPMC and you negotiate, that, I guess, is it.

But I don't quite understand that. I would have expected that there would be a formula set down, you know, that it shall be 6 per cent of cost or 5 per cent of cost or whatever. I find it rather strange that there is no formula as such set down that you can say, well look, okay, we got 400,000; you said 7 per cent; okay, we owe you \$28,000.

**Mr. Dwyer:** — I believe that would . . . you know the percentage; the 7 per cent may be an industry standard but it's a ballpark. I would suggest that your maintenance costs are probably determined more by the supplier of the equipment than anything, and it can vary. Like your maintenance contract on an NBI word processor may well be more expensive than the maintenance contract for a Wang processor. So it is supplier driven.

**Mr. Rolfes:** — I don't want to get into that because you deal with them when you buy the equipment and then you make your best judgement as to whether or not the capital costs are lower and your maintenance are higher, or capital costs higher and maintenance lower, and then you negotiate that.

So I don't want to argue with you on that. I'm just somewhat concerned that there is this difference, that how can the Provincial Auditor come up with one thing and you people come up with something else. Either there is a formula or there isn't a formula.

**Mr. Dwyer:** — Yes, we did question that as well, his observation. And that clause was then brought to our attention and we then had an addendum issued.

**Mr. Rolfes:** — No further on this.

**Mr. Anguish:** — Mr. Kessler, how many square feet of office space does the Department of Consumer and Commercial Affairs rent from Sask Property Management Corporation?

**Mr. Kessler:** — That was provided at estimates. We have most of the building that's classified as a revenue building at 12th and Smith, and we currently are renting space in the Sturdy Stone Building in Saskatoon. Now, depending what . . . are you're asking that the time the review was under, or now? Because we've made some adjustments; we've got out of some space and in . . . (inaudible) . . .

**Mr. Anguish:** — In the year under review, if you can just give me a square footage space that you were renting from SPMC.

**Mr. Kessler:** — Okay, the revenue building had . . . do you want it in round figures or do you . . .

**Mr. Anguish:** — In approximate round . . .

**Mr. Kessler:** — There was approximately 2,500 square feet in the revenue building that we had . . . square metres, I'm sorry; we're talking metres. At that time there was an amalgamation of the department of co-operation and the co-ops, and for part of the year there was space rented, 360 square metres in Credit Union Central, which was given up at that time.

At that time we were also in the building called Canterbury Towers in Saskatoon, and it was 340 square metres, as well as a small portion in the Sturdy Stone Building which was the department of co-ops, was 32 square metres. Then the department of co-ops had locations in the E. I. Wood Building in Swift Current, 15; Kramer Place in North Battleford, 14; and Yorkton, a building called Broadcast Place, 16.

**Mr. Anguish:** — Can you tell me then what the average costs were that you paid per square foot or per metre in the year under review to SPMC?

**Mr. Kessler:** — We don't have the breakdown per square foot, and the overall figure was 448,500.

**Mr. Anguish:** — Yes, I know that. That's in the *Public Accounts*. I'm wondering if you . . . like as you require space, do you have the opportunity to negotiate with SPMC, or you say you need space and you're requesting that as their client, and they go out and get you space and you pay for it whether it's \$30 a square foot or \$14 a square foot. What's the process involved there, Mr. Kessler?

**Mr. Kessler:** — We haven't been in a position of taking on more space; we've actually been divesting ourself of space. So I'm not sure how they would work about going out getting space. You'd have to get it from SPMC. Like, we haven't taken on any new space.

**Mr. Anguish:** — Which of these spaces have you moved out of?

**Mr. Kessler:** — Well, for example in our Saskatoon office we've consolidated all our operation now in the Sturdy Stone Building, and the three places in Swift Current, North Battleford, and Yorkton that was the department of co-op space. We no longer required it, so that has been given up. And the Credit Union Central building, of course, was gone.

**Mr. Anguish:** — So you're basically in two locations now. You're in the Revenue Building in Regina, and you're in the Sturdy Stone Building in Saskatoon.

**Mr. Kessler:** — Right.

**Mr. Anguish:** — As you go through the *Public Accounts*, there's a payment on page 64, volume 3 of the *Public Accounts*, to SPMC, and you refer to the one amount for rents, insurance, utility services of \$448,500 that you paid out during the year under review. I see in addition to that you also have . . . oh, you have . . . by particular subvote, you have repairs and maintenance. There's other entries for rents, insurance, utility services. Are those all included in the amount paid to SPMC, or are they in addition to that amount?

**Mr. Kessler:** — Some of them may have been included, but there are several that are in addition to that amount.

**Mr. Anguish:** — Why would that be, Mr. Kessler?

**Mr. Kessler:** — Well they're for different services that we contract for. For example, on the *Gazette* we have to advertise the corporations' information, the business corporations' information in the *Gazette*. And we pay to advertise in the *Gazette*, and there was a cost of \$83,000, for example, that was paid to SPMC for advertising in the *Gazette*.

**Mr. Anguish:** — Well in particular, if you look at the corporations branch, subvote 12, you have payment for . . . it's not a large amount, but you have rents, insurance, utility services of \$300. What would that be? Would that be in addition to what you pay SPMC, or who would that have been paid to? Is it for a meeting room? Why is the expenditure there?

**Mr. Kessler:** — I'd have to provide you with a breakdown of that. I don't have that detail.

**Mr. Anguish:** — On page 65 of the *Public Accounts* you have, right at the bottom of the page, a listing for other expenses, and I see you have a Doug Richardson, 23,251.41. What did Doug Richardson do for the department?

**Mr. Kessler:** — At that time the Gaming Commission was not set up, and Doug worked as an investigator in Saskatoon for us in the gaming area.

**Mr. Anguish:** — Why would you not be listed under the other schedule of payments like the other employees are? Was he on a special contract?

**Mr. Kessler:** — Yes, he was just on a . . . because the Gaming Commission was coming up, we only entered into a contract with him to do it.

**Mr. Anguish:** — Your total payments, if you look on that same page, to Sask Property Management Corporation, were almost a million dollars — 988,439.46. What was that payment for when you've already paid them some \$650,000?

**Mr. Kessler:** — Mr. Chairman, the space rental, as we said, was 448,500. The postage costs were 199,122. There was freight on supplies and equipment of 2,594. The printing in the *Gazette* and advertising in the *Gazette* notices were 83,227.

The fee on the photocopiers and information centre billings was \$1,680. The lease and maintenance of word processors and computers was 193,802. While we were getting the computers, we also employed someone from SPMC as a consultant to assist us and we paid \$16,078. We bought office supplies from the central office supplies for 38,164, and they did some renovations in our building for 5,269. That gives you the total of 988,000.

**Mr. Kraus:** — Mr. Chairman, just to clarify, Sask Property Management Corporation is obviously different than other suppliers and it has its own subvote. And so certain payments that are made to SPMC are in this separate subvote, but they shouldn't be added to the number that's shown under other expenses; they're included in the 988.

**Mr. Anguish:** — So it's 650,000 shown under subvote 20 is included in the 988,000 on other expenses. Is that correct?

**Mr. Kraus:** — Yes, that's right. Yes.

**Mr. Kessler:** — 988 is the total.

**Mr. Anguish:** — The payment to WESTBRIDGE for 32,000. Can you tell us what that was for?

**Mr. Kessler:** — Until we had our own computer equipment, WESTBRIDGE was providing the computer services for the department, and that would have been processing charges.

**Mr. Anguish:** — Was that at the beginning of the year under review and then you went to a system from property management corporation?

**Mr. Kessler:** — We were in a process of switching from one system to another, and we still today, in fact, pay WESTBRIDGE for some, although because we have our own system, it's less now.

**Mr. Anguish:** — I believe in the year under review the department had someone watching the difficulties at Pioneer . . . sorry at Principal. And I'm wondering who did you have in the department that was watching over the developments as they were taking place with Principal?

**Mr. Kessler:** — There was of course our ongoing department staff; Mr. MacGillivray and his staff were monitoring the situation. In addition to that, we paid part of the costs that . . . Mr. Higgs was in attendance at the hearings, and that is shown on page 65, and we were paying part of the expenses. It's on the right-hand column about three-quarters of the way down, there's David Allan Higgs, there was 4,129.89.

**Mr. Rolfes:** — What was that guy's name?

**Mr. Kessler:** — Al Higgs or David Allan Higgs.

**Mr. Anguish:** — Right at the bottom under other travel. Did you pay other costs associated at all to Mr. Higgs, or was that the total amount that you had paid and it was for expenses?

**Mr. Kessler:** — That was our portion of his travelling expenses.

**Mr. Anguish:** — Who paid the balance of that?

**Mr. Kessler:** — I believe it was shared with Justice.

**Mr. Anguish:** — The department, I understand, would approve Principal's licence to operate in the province. Is that correct?

**Mr. Kessler:** — Yes, we issue the licence.

**Mr. Anguish:** — Is that issued annually?

**Mr. Kessler:** — Yes.

**Mr. Anguish:** — And was it brought to your attention in the year under review that there may be some concern with renewing the licence to Principal?

**Mr. Kessler:** — Do you want to just rephrase that again? I'm not sure I understand the question.

**Mr. Anguish:** — Well, it seems to me that if you're issuing a licence, it's not just a rubber-stamping process. I'm sure that the people in your department are very conscientious about the job they do in investigating and approval of the licensing procedure, and I'm wondering if it was brought to your attention as deputy minister of the department that there was some concern with renewing the licence of Principal to operate in the province of Saskatchewan.

**Mr. Kessler:** — No, there was not.

**Mr. Anguish:** — So there was no concern in the

department whatsoever?

**Mr. Kessler:** — There was nothing brought to my attention.

**Mr. Anguish:** — Well, what's the process that they go through? Would it be normal that if the licensing investigation, if they found something wrong with a particular operator in the province, or that they were concerned about it? Are there guide-lines at which point that would be brought to the deputy minister's attention so you could bring it to the attention of the government, or at least for your own information? Is there not a procedure there to do that, or does it totally lie within Mr. MacGillivray's bailiwick to approve or reject, regardless of what his feelings are on it?

**Mr. Kessler:** — The legislation gives the superintendent the power to determine the licensing status of an individual or a company in the province. However, that being said, if there was something that could not be resolved between an individual or a business, between the department staff and that group or that person, which was going to result in the change of the status of the licence, either refusal to license or conditioning on it, it would be brought to my attention, yes.

**Mr. Anguish:** — Well did the licensing investigation branch under Mr. MacGillivray's direction do any investigation of Principal before renewing their licence in the year under review?

**Mr. Kessler:** — The process essentially was one that we inherited from when the licensing was done in another department; was one of ensuring that the annual return had been received, and as such, with no word from the host or prime jurisdiction we would renew the licence.

**Mr. Anguish:** — Well in the legislature I think that we've found that there was word from the host or main licensing jurisdiction in Alberta, there was a problem with Principal.

**Mr. Kessler:** — There was nothing that was advised. Obviously from the testimony, there may have been some problems in Alberta, but Alberta did not advise any other jurisdiction as to those problems.

**Mr. Anguish:** — So you were never advised of any problems with Principal by the Government of Alberta or by a licensing agency within Alberta?

**Mr. Kessler:** — Not until two days before they pulled the licence.

**Mr. Anguish:** — And at that point you had received the annual report of Principal?

**Mr. Kessler:** — Every year before . . . the licence is issued at the end of December, so it was a preceding year's licence . . . or a previous year's return that had to be on file.

So their year end, I believe, was the end of December as well. So, for example, if we were issuing the licence on December 31 '88, the '87 annual return had to be in the

file before the licence would be issued, and they were each year.

**Mr. Anguish:** — So in the situation we're facing here today, this would have been a licence issued as of December 31, 1987, and therefore you would have seen the return that was filed for 1986. And on the basis of that there'd be a new licence issued to Principal to operate in the province. Is that correct?

**Mr. MacGillivray:** — Not quite correct, Mr. Chairman. There was a problem around receiving the up-to-date statement on the relicensing. But Alberta regulators advised us that they were looking at Principal, and then ultimately, towards the end of June 1987, two days before I cancelled the licence, they advised that they were cancelling the licence of Associated and First. And I had 69 or 70 licensed under Associated and First, Investment Contracts Act licences, and I cancelled those immediately after receiving the word from Alberta.

**Mr. Anguish:** — When did Alberta contact you that they were cancelling the licence?

**Mr. MacGillivray:** — I believe it was the June 29 or June 30. It was two days before I cancelled. Because of the holiday, I didn't get them cancelled until July 2.

**Mr. Anguish:** — Of . . .

**Mr. MacGillivray:** — '87.

**Mr. Anguish:** — '87. You just mentioned though, Mr. MacGillivray, something that I don't quite understand. What you were telling me is that you hadn't received all the documentation that you should have had on Principal, or they didn't file a return and Alberta had advised you that there were some problems?

**Mr. MacGillivray:** — In relicensing, because of the problems of the year end of a statute expiring, the licence expiring under a statute that may not coincide with the actual year of the licensed company, this is a common problem. And we exercise judgement in relicensing on the basis that we will anticipate the return of that particular company within the next few months, depending upon the licence year end of the licensed company and the fact that it doesn't coincide necessarily with a calendar year.

So this is not an uncommon procedure in licensing insurance companies, trust companies, investment contract companies. And when the advice from Alberta was simply that they were having problems in getting an audited statement . . .

**Mr. Anguish:** — For what year, Mr. MacGillivray?

**Mr. MacGillivray:** — For '86.

**Mr. Anguish:** — Did their fiscal year end on the calendar year?

**Mr. MacGillivray:** — It's the same as ours, yes.

**Mr. Anguish:** — When did the department in Alberta

advise you that they were having trouble getting an audited statement for '86?

**Mr. MacGillivray:** — It would be sometime during May or June of '87.

**Mr. Anguish:** — I'm wondering, Mr. Kessler, if Mr. MacGillivray could tell us whether or not the licensing investigation department actually do do any investigations during the course of the year in terms of licensing.

**Mr. Kessler:** — I'll just answer briefly, and then you can fill in. Yes, we do . . . we issue numerous licences to various types of individuals and companies, not just in the financial institution area. And based on the forms that come back, there may or may not be individual investigations, even to the extent of going to the police, depending on the type of information that is shown on the forms.

We do have an audit and inspection group that does go out and audit and inspect a variety of businesses and individuals all around the province, whether it be auctioneers, agriculture implements, automotive dealers, credit unions, trust companies, insurance companies, previously insurance and real estate agents. These auditors, inspectors do do that, and from the information on the annual returns and possibly from complaints that we would receive and investigate, that could affect the licensing process of an individual or a firm. I don't know if you want to add anything, Mac?

**Mr. MacGillivray:** — Well yes, we spend a considerable amount of time on the 210, 211 credit unions, and we also spend a disproportionate amount of time on the provincial licence companies of trust and loan, and insurance companies. And we do on those that we have licensed.

We have some 300-plus insurance companies licensed, and those are basically licensed under the Canadian and British Insurance (Companies) Act or the foreign Act if they're offshore, federally, and additionally licensed provincially.

Now the provincial companies that are not licensed federally, we consider them to be . . . we are the primary jurisdiction and of course spend disproportionate amount of time auditing our own provincial companies.

In addition to that, we audit and investigate and assist the real estate commission in those companies that are registered real estate brokers that are registered with the commission.

We assist the insurance counsels in investigating insurance brokers basically on complaints on non-compliance with the trust provisions.

We audit and inspect the motor dealers, the auctioneers, the sale of training course vendors, and The Direct Sellers Act vendors. These are the main ones. Agricultural Implements Board as well, we investigate there on a limited basis, based on a complaint primarily and a claim against the fund.

But we spend nine person-years in this various functions.

**Mr. Anguish:** — You spend nine person-years. Actually how many investigators do you have?

**Mr. MacGillivray:** — I'm talking about the audit staff. And the investigators are separate, in a separate unit. But in the audit inspection staff there's nine person-years.

In the investigation staff they're not primarily involved in the audits or inspections, and it depends on the type of complaint and the type of licensing complaint that they're involved in, but approximately four person-years are spent in that area. The remainder of our person-years in the investigative side are spent on handling complaints and inquiries.

**Mr. Anguish:** — How many . . . In the year under review, actually how many investigations were conducted by your branch?

**Mr. MacGillivray:** — It would be 38,892 inquiries and 2,589 complaints or investigations. That does not include the actual number of inspections, audits.

**Mr. Anguish:** — Four person-years or four people — if I can refer to it as four people — conducted 2,589 investigations in the year under review?

**Mr. MacGillivray:** — No, no. The licensing aspect would take up . . . the licensing investigation and compliance would take up approximately four person-years. That would be basically two and a half persons out of Saskatoon and one and a half out of Saskatoon . . . or two and a half persons out of Regina and one and a half person-years out of Saskatoon.

That doesn't include our investigative staff. The remainder of the investigative staff spend their time on handling consumer complaints and inquiries under The Consumer Products Warranties Act and general statutes, but not related to licensing or inspection or compliance.

**Mr. Anguish:** — But what about . . . Just investigation, Mr. MacGillivray — how many investigators would you have that do this . . . The figure you mentioned to me was 2,589 investigations.

**Mr. MacGillivray:** — Yes.

**Mr. Anguish:** — How many people would do those investigations?

**Mr. MacGillivray:** — Of those investigations, the total investigation staff would be involved, and there's four persons in Saskatoon and seven in Regina.

**Mr. Anguish:** — Out of those investigations, the 2,589, how many of the investigations were done at financial institutions? Do you have that breakdown for us?

**Mr. MacGillivray:** — No, I do not.

**Mr. Kessler:** — For example, we do audit all the provincially based companies. I believe there's 14

insurance companies that we audit on an annual basis and there's four provincial trust companies that we audit on an annual basis. In addition to that, the credit unions, we do between 50 and 70 a year of the credit unions that are of the financial institution nature.

**Mr. Anguish:** — You're talking about ongoing audit inspections? And that would be different from investigations?

**Mr. Kessler:** — Yes.

**Mr. MacGillivray:** — Yes, it is.

**Mr. Kessler:** — Investigations — the 2,500 that we talked about essentially rise out of complaints from individuals or other companies.

**Mr. Anguish:** — But can you not tell us how many of those had to do with financial institutions? Is it possible to . . .

**Mr. MacGillivray:** — No, I don't have that breakdown. It's comparatively few, yes. Maybe 10 per cent.

**Mr. Anguish:** — I want to go back to the case surrounding Principal, and is it still a possibility or is the department contemplating an action, a legal action against Principal or First Investors? I use Principal as the term for the parent company, I suppose. But does the department consider it a possibility of taking action against Principal?

**Mr. Vice-Chairman:** — Mr. Anguish, I'd like to bring it to the attention that we're discussing the year under review. Any decisions that maybe take into the future, if it's the wish of the committee to get into that, fine, but we are dealing with the year under review, '87-88, and those decisions would not have been made in '87-88.

And I'd like you to keep your questions and remarks to '87-88 . . . (inaudible interjection) . . . Well, then he should refer the question, were there any decisions in '87-88 regarding that particular thing. And at that time the inquiry was still going, so I just bring it to the member's attention.

**Mr. Anguish:** — Thank you, Mr. Chairman. In the year under review, were there any discussions concerning filing of charges against Principal Trust or their associated companies?

**Mr. MacGillivray:** — No. The only action that was taken was taken under the Act to cancel the licence.

**Mr. Anguish:** — And when the licence was cancelled, the Principal Trust ceased to operate immediately in the province because they no longer had a licence to operate here. Is that correct?

**Mr. MacGillivray:** — Yes. There was no indication of any operations at all in the province immediately after.

**Mr. Anguish:** — Would it not be in your department's authority or responsibility, I guess, to recommend charges to the Minister of Justice or to the Justice department? Do you not have that authority to do that, if

you feel that there is some wrongdoing which has resulted in the pulling of the licence?

**Mr. MacGillivray:** — There were no indications of any violations of any of the statutes administered by our government . . . by our department, I should say. And so that any advice that we would give would be limited to our own statutes.

**Mr. Kessler:** — They had been operating in the province as a licensed company; therefore there was no violation from that aspect of the Act.

**Mr. Anguish:** — When the licence was pulled from Principal to operate in the province, what were the reasons actually given then to Principal? What did you say to them in the correspondence cancelling their licence? Did you give reasons?

**Mr. MacGillivray:** — We gave a reason that they hadn't complied with the Act respecting the filings.

**Mr. Anguish:** — Can you tell me, what was the actual date that you cancelled Principal's operating licence?

**Mr. Kessler:** — Well there was two cancellation dates. The investment contract companies were cancelled on July 2, 1987, and the trust company of course did not get closed down until, I believe it was about the first week of August is when the licence was cancelled for that.

**Mr. Anguish:** — And you had communication back in May and June with the Government of Alberta concerning Principal.

**Mr. MacGillivray:** — Mr. Chairman, the indication was that they were having difficulty obtaining up-to-date financial reports. It was a late filing problem. It's not uncommon in administering financial institutions.

**Mr. Anguish:** — Yes, I understand that it's not uncommon for an annual return to be filed late. What was the last audited return, audited financial statement that you had from Principal Trust? Did you have one for the year ending December 31, 1986?

**Mr. Kessler:** — Yes, for '86 there would have been one; '87 is the one I'm not sure . . .

**Mr. MacGillivray:** — In '86 we didn't have because that's the one we're talking about.

**Mr. Kessler:** — No, for Principal Trust? You said Principal Trust, you asked.

**Mr. MacGillivray:** — Yes. Well for Principal Trust it's treated differently of course, because it's licensed federally and is covered under CDIC (Canada Deposit Insurance Corporation) and our involvement of a federally licensed company covered under CDIC is less. We work in co-operation with CDIC and the federal superintendent of financial institutions. So as far as Principal Trust was concerned, it's a lesser urgent matter and it has different coverage.

**Mr. Anguish:** — In terms of Associated and First, they

were licensed outside of Saskatchewan as well, were they not?

**Mr. MacGillivray:** — They were licensed under The Investment Contracts Act of several provinces. Several provinces had similar statutes. They were licensed under that provincially, but they were not licensed as such interprovincially or federally under that statute. Principal Trust was, but Associated and First were not.

**Mr. Anguish:** — So Associated and First were the first licences to be cancelled, and then later on in August Principal Trust was cancelled. Is that correct?

**Mr. MacGillivray:** — Yes. In conjunction with Principal Trust, CDIC had obtained a winding-up order under the federal Act and the Alberta Act, and they proceeded with the winding up of Principal Trust separate from, and not in conjunction with, Associated or First.

**Mr. Anguish:** — Then for Principal Trust you had an audited financial statement for December 31, 1987.

**Mr. Kessler:** — No, not '87. They were ceased in '87.

**Mr. Anguish:** — I'm sorry, for 1986.

**Mr. MacGillivray:** — For Principal Trust?

**Mr. Anguish:** — Yes.

**Mr. MacGillivray:** — I can't recall, but we probably did. But in the cases where the companies are federally licensed, we rely . . .

**Mr. Lyons:** — Mr. Chairman, I'm finding it very hard to hear the gentleman speaking because of the activities of Mr. Martin and Mr. Wolfe. I wonder if you would ask them if they want to speak, to send them to the corner or send them outside the room if they want to carry on like that.

**Mr. MacGillivray:** — In the case of Principal Trust, when it is licensed federally we rely upon the federal filing, and we rely heavily on the work of the federal financial Superintendent of Insurance and CDIC. And so I haven't made a point of noting where the reports and financial returns were in respect to Principal Trust.

**Mr. Anguish:** — But for Associated and First you did not have an audited financial statement for 1986. Correct?

**Mr. MacGillivray:** — That's correct.

**Mr. Anguish:** — What about for 1985?

**Mr. Kessler:** — Yes, every year up till the last year.

**Mr. Anguish:** — In the year under review are there changes contemplated to prevent something like this happening again in the future? Was there something you've learned from the experience or was it something you view as being beyond your control?

**Mr. Kessler:** — The formalization of the practice of relying on the primary jurisdiction, negotiations to



establish at least a western Canada agreement to share information on financial institutions, in other words, put it in writing as to what is expected, was undertaken and subsequently signed in 1988, and since then has been signed on a national basis.

**Mr. Anguish:** — One last question. I don't really have anything more at the present time, but one last question is that under these 2,589 investigations that you conducted in the year under review, how many prosecutions were there and how many violations were found?

**Mr. MacGillivray:** — There were 24 convictions under The Direct Sellers Act and 61 rescission rights enforced. There was one rescission under The Pyramid Franchises Act. There was one conviction under the investment contracts Act, and there were three convictions and 13 rescissions under The Sale of Training Courses Act. And the question that was asked awhile ago, Mr. Chairman, and I didn't have it readily available, was the audits, inspections and reviews, and there were 384 under The Agricultural Implements Act, one under The Cemeteries Act, 12 under The Collection Agents Act, 416 under The Credit Union Act, 452 under The Motor Dealers Act, 103 on The Real Estate Brokers Act, 10 under The Saskatchewan Insurance Act, and 20 under the trust and loan companies licensing Act.

**Mr. Kessler:** — In addition to the enforcement under those specific Acts, there were bond forfeiture claims as well, and a number of them resulted in consumers receiving back in excess of \$100,000 that year.

**Mr. Anguish:** — Could we take our break since it's 10:30 . . . or 9:30?

**Mr. Vice-Chairman:** — Just before we do break, are there a lot more questions in regards to this department or should we give Environment a call?

**A Member:** — Give Environment a call.

The committee recessed briefly.

**Mr. Vice-Chairman:** — We'll get on to the speaking list here. You people can suggest whether you're finished here. You had your questions answered. Now, Harold Martens, you had your hand up; did you want to ask . . .

**Mr. Martens:** — No, my question was answered, thanks.

**Mr. Vice-Chairman:** — Okay. Mr. Muirhead, his question must have been asked; he's gone.

**Mr. Rolfes:** — Mr. Chairman, I have just a few questions I want to ask. On the Principal Trust and First Investors and Associated Trust, the year under review, are you aware that there were any difficulties with licensing of these companies in Ontario at the time?

**Mr. Kessler:** — We were not at that time, no.

**Mr. Rolfes:** — But there were some difficulties in Ontario at that time.

**Mr. Kessler:** — In the Code report . . . in the Code inquiry

there was some information that came out that indicated that they had applied for a licence in Ontario and Ontario had refused them.

**Mr. Rolfes:** — But that's somewhat strange because I remember when I was re-elected in '86, a year later a question of that nature was asked by the opposition leader at that time, Mr. Blakeney, of the minister, whether or not he and his officials were aware of difficulties in Ontario, of, you know, licensing these companies.

**Mr. Kessler:** — It just came out in the Code inquiry. We were not aware of it at the time at all.

**Mr. Rolfes:** — Okay. Somewhat strange, but all right.

Can you tell me, Mr. MacGillivray, you were talking about it's not uncommon for companies to file their annual reports late. Can you tell me: were you aware, in the year under review, whether any of these companies had filed their statements late in previous years?

**Mr. MacGillivray:** — I believe, just from memory, that there was an indication that two companies were slightly behind in filing, and generally it had been that that was their track record, is that there were problems in filing. The impression was from Alberta that there were indications of problems, but they really couldn't prove their suspicions.

**Mr. Rolfes:** — Okay. So in May of 1987, the year under review, when you were made aware that the audited report would be filed late, did you not establish, or did you not do any investigation at all; did something not alert you saying, hey, maybe there is a problem here; we'd better have a look at it.

**Mr. MacGillivray:** — No, I feel that in line with all of the other responsibilities that I had, I didn't feel that this one merited special attention, that we were relying on the primary jurisdiction, and we expected to hear from them.

**Mr. Rolfes:** — And that you found out at the end of June?

**Mr. MacGillivray:** — Yes, I received a call from the director of trust companies, trust and loan companies in Alberta, I believe it was June 29, advising me that they were pulling licences.

**Mr. Rolfes:** — And that was the first real indication that you had that there were difficulties?

**Mr. MacGillivray:** — Yes, that was the first official indication that there was a problem, a real problem.

**Mr. Rolfes:** — Mr. Chairman, I have no further questions on that particular aspect, unless somebody else wants to follow up, because I have some others I want to ask.

**Mr. Vice-Chairman:** — Did you have any questions, Mr. Wolfe, on that?

**Mr. Wolfe:** — Go ahead.

**Mr. Rolfes:** — Okay. I want to get off of that one. I've got some other questions I want to ask.

Mr. Chairman, I want to ask some questions on advertising. It seems to me that you spend a fair amount on advertising in your department, and that's not unexpected. A quick calculation, I think, unless I've missed some or duplicated some, am I right in saying about 350,000 was spent in the year under review on advertising — in round figures?

**Mr. Kessler:** — Yes, it's difficult to call it advertising in a sense because a number of our things that we get printed are in the print form. It's not advertising like through the news media *per se*, like on TV or newspaper. It's printing of brochures, of pamphlets, of education kits, that kind of thing

**Mr. Rolfes:** — Can you give me a quick estimate of this 350,000? I won't hold you to . . . but can you give me a rough percentage of what would be spent on pamphlets and what would be spent on direct advertising, percentage-wise?

**Mr. Kessler:** — We have provided you with a breakdown of that at the time of estimates. We could give you another one if you wanted it.

**Mr. Rolfes:** — Oh, no, no. That's fair enough. If you've given that . . . No, don't bother. Don't bother.

**Mr. Kessler:** — If you can't find it, we can give you another.

**Mr. Rolfes:** — We'll have the information. We'll have the information. Can you tell me under year under review, Mercury Graphics Corporation received almost \$12,000. Can you tell me what that was for?

**Mr. Kessler:** — One of the items was approximately \$5,000 for making microfiche of computer printout from WESTBRIDGE that we use for storage of information. They make, you know, the fiche that you put in a reader. We spent \$5,000 on that with them, and I'd have to find the other.

**Mr. Rolfes:** — Was that just a one-year expenditure, or is that an annual expenditure, or . . .

**Mr. Kessler:** — The microfiche?

**Mr. Rolfes:** — Yes.

**Mr. Kessler:** — That's an annual expenditure.

**Mr. Rolfes:** — And is it tendered? Is something like that tendered, or do you just assign a company?

**Mr. Kessler:** — It was there when I came. It must have been at one time. I don't think there's too many companies that have the capabilities in the province to do that.

**Mr. Rolfes:** — Okay. Sask Computer received 129,000. Can you tell me what that was about?

**Mr. Kessler:** — That's the forerunner to WESTBRIDGE, and that does all our computer processing for the department.

**Mr. Rolfes:** — So all that now would be under WESTBRIDGE.

**Mr. Kessler:** — That's right, although we have our own system that we're doing a lot of it on now, so it's dropping dramatically from paying WESTBRIDGE.

**Mr. Rolfes:** — Okay. I want to have a follow-up question on Richardson, Doug Richardson. Is that the former MP?

**Mr. Kessler:** — Couldn't tell you.

**Mr. Rolfes:** — My next question would have been, what was his expertise in this area?

**Mr. Kessler:** — No, this is a fellow from Saskatoon.

**Mr. Rolfes:** — I didn't think so. Wrong politics to . . . Just a joke, you guys. Just a joke. I had one further question here. Let Mr. Wolfe go ahead.

**Mr. Wolfe:** — No, no, I wouldn't think of it.

**Mr. Rolfes:** — Until I find my other question.

**Mr. Vice-Chairman:** — Mr. Lyons, would you like to go ahead?

**Mr. Lyons:** — Yes, I've just got a couple of questions in regards to some of the expenditures. Harris Systems Ltd., can you tell me what it was expended for, and . . .

**Mr. Kessler:** — What was that?

**Mr. Lyons:** — Harris Systems . . .

**Mr. Kessler:** — Harris? Computer terminals.

**Mr. Lyons:** — Harris Systems Ltd., or what was that?

**Mr. Kessler:** — Harris computer terminals.

**A Member:** — Harris Systems Ltd.

**Mr. Lyons:** — What type of computer terminals?

**Mr. Kessler:** — Just the screens and the keyboards that we were using to access the information that was being stored and processed on the SaskCOMP computers in the corporations branch.

**Mr. Lyons:** — Were those . . . what happened to those terminals?

**Mr. Kessler:** — They were just leased, pending us getting into our own system.

**Mr. Lyons:** — Okay, and they've been turned back to . . .

**Mr. Kessler:** — Yes.

**Mr. Lyons:** — Turned back to Sask . . .

**Mr. Kessler:** — To Harris company.

**Mr. Lyons:** — Oh, to Harris, okay. There's a payment to a group here called Information Technology Group.

**Mr. Kessler:** — Okay, that's the amount that was paid to SPMC for computer consulting where they were helping us determine what kind of computer we should get and that kind of thing.

**Mr. Lyons:** — Are those . . . the group are employees of SPMC?

**Mr. Dwyer:** — Yes, they are.

**Mr. Lyons:** — I notice that you've got a payment to Sask Property Management Corporation of 988,000.

**A Member:** — That's been asked before. That's totally.

**Mr. Kessler:** — We gave them the breakdown prior to you coming in, Mr. Lyons.

**Mr. Lyons:** — Okay, I'm sorry. What about Westrock Management Inc?

**Mr. Kessler:** — That was a study done to look at the structure of the Gaming Commission.

**Mr. Lyons:** — And who is Westrock Management Inc? Who are the principals?

**Mr. Kessler:** — I'm not sure of that. It was a contract we'd signed with the company to do the study, or the director of gaming had signed.

**Mr. Lyons:** — Could you provide us with the information of who Westrock Management Inc. is, please?

**Mr. Kessler:** — You could do that through your computer terminal in your caucus office as well, but we will, yes.

**Mr. Lyons:** — Yes, we have to pay for it. This way we'd get it for . . .

**Mr. Kessler:** — No, you don't have to pay for that.

**Mr. Lyons:** — I thought we did.

**Mr. Vice-Chairman:** — Are you finished, Mr. Lyons?

**Mr. Lyons:** — I just want to follow up on that statement, Mr. Kessler. I'm following up on the statement. What do you mean, we don't have to pay for it?

**Mr. Kessler:** — Well you have a computer terminal that will give you direct access to the corporations branch. And as far as I know, there's no charges for doing inquiries through that. There is to outside people, but not to government agencies.

**Mr. Lyons:** — Okay.

**Mr. Kessler:** — So you can look up any company that you want or business that you want.

**Mr. Rolfes:** — I have one question, a very short one, to Mr. MacGillivray. Mr. MacGillivray, have you resolved

the problem with Mrs. Ogilvie?

**Mr. MacGillivray:** — Mr. Chairman, no.

**Mr. Rolfes:** — She has called my office and she has bugged Mr. Myers before me, and she calls my office daily and she feels that you have done her a great injustice. And I need an explanation.

**Mr. Kessler:** — Why don't you two get to get together and discuss that because she's been talking to the Premier and . . .

**Mr. Rolfes:** — I know. No, no. I don't expect an answer. It's something that's been going on for seven or eight years, and it just is not going to be resolved.

**A Member:** — You have Mrs. Ogilvie; I have Mrs. Wilson.

**Mr. Rolfes:** — Yes. No answer required, of course.

**Mr. Vice-Chairman:** — Okay, I'd like to take this opportunity then to thank you Mr. Kessler and Mr. MacGillivray and Mr. Dwyer. And I'd just like to remind the officials that the hearing of the Department of Consumer and Commercial Affairs be concluded subject to recall, if necessary, for further questioning.

Can we get a mover to this motion? Mr. Lyons. Is it all agreed?

Agreed

#### **Public Hearing: Department of Environment and Public Safety**

**Mr. Vice-Chairman:** — Are there questions of the auditor for the Department of Environment and Public Safety before we call in the officials?

**Mr. Lyons:** — Thank you, Mr. Chairman. Mr. Lutz, the remarks — in regards to the department — of the auditor, under 10.07:

Management has indicated that appropriate agreements are now in force commencing April 1, 1988.

Have you verified that those agreements are in force?

**Mr. Lutz:** — Mr. Chairman, we have not yet verified that they are in place, but we will be when we get to this audit.

**Mr. Lyons:** — Okay. On the problem raised under 10.08 under the fire prevention dedication, it seems to me that we've dealt with this once before, if I'm not mistaken, in earlier public accounts where this is a matter of interpretation of the question of dedication of funds to the Consolidated Fund, and whether or not any access to the Consolidated Fund has to . . . or access collected over the cost of administration have to be dedicated to the fire prevention. Where's this matter standing in regards to any kind of negotiations with the department? Are there any negotiations?

**Mr. Lutz:** — Mr. Chairman, the way the Act is worded, I hold the view that this is restricted revenue and should be segregated in the accounts and held there. However, you might have to talk to Mr. Kraus to get his views of how it might, or will be, or is being handled. My view is that the Act . . . we think means what we think it means, and I leave it there.

**Mr. Kraus:** — In our opinion they should amend the Act to clarify the situation. My opinion is that I prefer that they don't create a special fund; however, that mirror may not be the choice. I would just prefer to see the legislation amended so that the moneys can be . . . that there's no doubt that they just flow into the Consolidated Fund for general purposes as is the case in many kinds of taxes and levies. But perhaps the question should be raised with the department as to when they intend to proceed to clarify the situation.

**Mr. Vice-Chairman:** — Any further questions? Do one of you guys want to call in the officials?

**Mr. Vice-Chairman:** — Mr. Sentis? That's . . . okay, you're the assistant deputy minister, I understand. Mr. van Es is not here, deputy minister; and Rick Knoll, I guess probably director of administration, right?

**Mr. Knoll:** — Right.

**Mr. Vice-Chairman:** — Okay. I introduced the members, I guess, so that everyone would be familiar with them this time. I made the mistake before. Before we start, I got to read into the record, I want to make you aware that when you are appearing as a witness before a legislative committee; your testimony's 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 you are required to answer questions put to you by the committee, and where a member or the committee requests written information of your department, I ask that 20 copies be submitted to the committee Clerk who will distribute the document and record it as a tabled document. And all comments please put through the chair, and I ask the committee members as well to do the same.

**Mr. Lyons:** — Thank you very much. Mr. Sentis, Mr. Knoll, we're not going to talk about Rafferty today, by the way. I understand Mr. van Es is on vacation.

**Mr. Knoll:** — No. Mr. van Es will be coming as soon as he is available. He was waiting for an urgent call, so we do expect him probably any time. He will be coming.

**Mr. Lyons:** — Lucien's going to give him a dingle about the licence, eh?

**Mr. Knoll:** — I'm not sure what it is.

**Mr. Lyons:** — Okay. First question I'd like to ask, and I direct it to whoever's going to . . .

**A Member:** — Was it the year under review?

**Mr. Lyons:** — Yes, well, the year under review is . . . lots of it happened in the year under review. I want to deal with the items raised in the report on page 49 regarding the problems. First of all, the first problem is the agreement, the federal-provincial agreement that's summed up in 10.07 that:

Management has indicated the appropriate agreements are now enforced commencing April 1, 1988.

I wonder, are those agreements now enforced?

**Mr. Knoll:** — Yes, they are. They are a three-year agreement, and they started April 1, 1988. Unfortunately they weren't enforced during the '87-88 fiscal year.

**Mr. Lyons:** — Okay, by the terms of the agreement, the same as previously, that is, the 200 per cent surcharge on top of the fee schedule?

**Mr. Knoll:** — No, they are different. There are set fees now in the new agreements, stated right in the agreements, rather than a percentage fee of our other rates.

**Mr. Lyons:** — And what is the department proposing to do with the \$19,400 that the auditor says has been collected without authority?

**Mr. Knoll:** — That money was collected and deposited to the government consolidated account so it is in the government consolidated. We're proposing to leave it there.

**Mr. Lyons:** — Okay, the second issue that was raised under 10.08 to the end, I wonder, where does that stand?

**Mr. Knoll:** — This is an issue . . . this was the first issue that we actually inherited from Saskatchewan Labour when the public safety division came to us a year or so ago. This one has had considerable review in our department, and we now are at the step where we have proposed amendments to the Act that will rectify the situation. These amendments didn't get in in time to get in on the current session, but we expect them to be proposed for the fall '89 session.

**Mr. Lyons:** — You mean the continuation of this session.

**Mr. Knoll:** — However this turns out, right.

**Mr. Lyons:** — I guess you're not in a position to say how precisely those amendments are going to deal with the problem. You can sort of outline the general position of the department in the sense that it will deal with the question of dedication?

**Mr. Knoll:** — Well we probably would like to wait until it is presented to the Legislative Assembly before we would indicate which direction we're taking. Of course there are basically two options. One would be to recognize the dedication and set up a special purpose fund, and the second option would be to remove the dedication note in

the legislation and leave the system operate the way it now does, which would therefore clarify the situation and the Provincial Auditor would no longer be raising it as an issue.

**Mr. Lyons:** — Have you dealt with this matter with Mr. Kraus's office?

**Mr. Knoll:** — Yes.

**Mr. Kraus:** — Yes, and we have stated our opinion on the matter, and it will be taken into account in the drafting of recommended changes.

**Mr. Lyons:** — Okay. I've got no more questions on these two issues. Does anybody else have any questions on this?

Okay, I'd like to turn, if I may, to some of the expenditures made in the . . . as outlined in the *Public Accounts*. The first one I want to ask you about is the Dome Advertising and Dome Media Buying Services Ltd., which together add up close to \$60,000. I wonder if you would outline what those expenditures were for.

**Mr. Knoll:** — Well in general terms the Dome Advertising bill was for department advertising development, and the Dome Media Buying Services was for department advertising placement. Do you want a more detailed answer?

**Mr. Lyons:** — Yes, if you could, please.

**Mr. Knoll:** — Okay. Because there were several projects that were done with Dome Advertising and some of these are small, we did a fire safety brochure for about \$1,142. We did a radon brochure of which Dome Advertising received \$1,359, and an air quality brochure for which Dome Advertising received \$1,444. Those were what we considered the advertising projects.

Dome Advertising also were involved in the development of our department annual report, and actually we did two reports out of that current fiscal year. And the total bill for their development costs was \$25,022. That should equate to the total amount in the *Public Accounts* for Dome Advertising.

Now Dome Media Buying Services were involved in spill response advertisements for \$2,777 and placement of assessment notices for \$10,518. And also Dome Media Buying Services were involved in advertisements for employee recruitment, which totalled \$15,423. That again should come close to the number in the *Public Accounts*.

**Mr. Martin:** — What was that figure?

**Mr. Knoll:** — Fifteen thousand four hundred and twenty-three for advertisements for employee recruitment.

**Mr. Lyons:** — The Dome Advertising one I think fell . . . was about \$4,000 short, but I'm not going to pursue that other than to say: did the department undertake any polling during the year under review?

**Mr. Knoll:** — No we didn't.

**Mr. Lyons:** — . . . hire any pollsters. So no, there were no expenditures made for any polling of any kind.

**Mr. Knoll:** — No, there were no expenditures for polling or market research.

**Mr. Lyons:** — Okay. I wonder now if we can just sort of run through most of the expenditures. I know it seems like a long process. The first expenditure to Anderson, etc., etc., could you tell us what that was for?

**Mr. Knoll:** — Are you now on the pay schedule?

**Mr. Lyons:** — Yes, on the schedule of payments, under other expenses.

**Mr. Knoll:** — Okay. This was a legal settlement payment for a case, Brown vs. Gator. It involved a previous water rights project that finally reached a court settlement in the '87-88 fiscal year, and we were ordered by the courts to pay this amount in terms of settlement.

**Mr. Lyons:** — Okay, this isn't an out-of-court settlement; this is the costs awarded to the plaintiff?

**Mr. Knoll:** — That's correct.

**Mr. Lyons:** — Okay, did that include the legal costs?

**Mr. Knoll:** — I believe that included the total amount, right.

**Mr. Lyons:** — I wonder if you could outline a little bit the background of the case. Mr. Sentis, probably.

**Mr. Sentis:** — I could try. It involved a problem that started back when we had the water rights group within our department. The responsibility for water rights was transferred to Sask Water Corporation, but for some reason we have retained the responsibility for paying this.

My understanding is that it was an illegal dike that was put in that caused some damage to a neighbour. Brown vs. Gator were the two people involved and the water rights people were joined into the action and the courts found the department liable.

**Mr. Lyons:** — So the department had given authorization for the construction of the project?

**Mr. Sentis:** — I'm not that up on the details of it. I think that the file went with water rights. And we were going to review the file but we were unable to find it.

**Mr. Lyons:** — What do you mean, you were unable to find it?

**Mr. Sentis:** — We couldn't locate the file in our department files when we went to pull this.

**Mr. Lyons:** — Was it at some lawyers, or do you mean it was just . . .

**Mr. Sentis:** — I have no idea. It was quite an old action. I think it was about six or seven years old, starting back in the early '80s.

**Mr. Knoll:** — The file would have been transferred to the Saskatchewan Water Corporation along with the water rights branch program materials. In fact, the water corporation were also an involved party. And we had made a point at one time that we suggested they should be making this payment rather than us, as the program was turned over to them later, but the Justice department ordered that it was more fitting for our department to make the payment because that program was in Environment at the time that the incident occurred.

So we were basically following an order from the courts as directed by Sask Justice.

**Mr. Lyons:** — Okay, I won't go into that any more.

Athabaska Airways Ltd., 31,683?

**Mr. Knoll:** — All of that expenditure related to chartered aircraft for our mines pollution control branch officials. They do extensive air travel to inspect mines in northern Saskatchewan.

**Mr. Lyons:** — Is the contract for the northern travel tendered?

**Mr. Sentis:** — No, flying out of Prince Albert they're somewhat limited to the charter aircraft available. Athabasca has provided satisfactory service, and that's the airline they go with.

**Mr. Lyons:** — As a former employee I would agree it probably gives you pretty good service.

**Mr. Sentis:** — Well some of the staff are kind of nervous about flying up North too, so they tend to go with pilots that they have confidence in.

**Mr. Lyons:** — Don't blame them. Battleford's Bag Manufacturing, this . . .

**Mr. Knoll:** — This payment was for sandbags which are purchased through the Emergency Measures Organization, and they maintain a stockpile of these in the province to be prepared for floods.

**Mr. Lyons:** — These are the sandbags, the burlap sandbags. They're made in Battlefords.

**Mr. Knoll:** — Right.

**Mr. Lyons:** — Clifton Associates Ltd.

**Mr. Knoll:** — Clifton?

**Mr. Lyons:** — Yes.

**Mr. Knoll:** — The major portion of that expenditure, \$158,518, was for a project where we removed arsenic from an abandoned mine in northern Saskatchewan. The balance of that was for soils analysis work that Clifton did for the department.

**Mr. Lyons:** — Where's Clifton located?

**Mr. Knoll:** — He's located in Regina.

**Mr. Lyons:** — Okay. And the principals of the company are?

**Mr. Sentis:** — My understanding is there is one, that's Wayne Clifton.

**Mr. Lyons:** — Okay, so when you removed the arsenic from the abandoned mine, Mr. Clifton, he didn't do it all himself though, it was under subcontracting. And who did the inspection for the completion of the work?

**Mr. Sentis:** — We had staff on site through the whole project. It took about two and a half to three weeks from the time they opened the vault until the time the site was cleaned and graded. And we had staff on site for that whole period.

**Mr. Lyons:** — Good, and so we're confident there's no more arsenic in the . . .

**Mr. Sentis:** — We did a soil survey when the site was cleaned, and we're satisfied that it's clean.

**Mr. Lyons:** — Is there naturally occurring arseno-pyrites in the area?

**Mr. Sentis:** — My understanding is that the area tends to be higher in background levels of arsenic.

**Mr. Lyons:** — Okay. Now Curtis Construction, I understand this is for the recycling program for the empty chemicals. Was this program tendered?

**Mr. van Es:** — Yes, that program is tendered. But it's not just for the PCDP (pesticide container disposal program) containers, it's for the abandoned vehicles program we had a couple of years ago.

**Mr. Lyons:** — Now that program's discontinued?

**Mr. van Es:** — That program is discontinued.

**Mr. Lyons:** — Okay. There's Curtis Construction side and the Curtis Industries. The Curtis Construction, as I undertake, is that the one, the abandoned chemical containers? Is that who looks after . . .

**Mr. Sentis:** — It's actually the same company. They just changed their name part way through this fiscal year. So both of those figures represent both programs. It's just that the payments were made to the company . . . I'm not sure why they changed the name. There was a death of a principal that may have involved a reason for changing the name.

**Mr. Lyons:** — And the facilities that Curtis have, do they do everything from the collection to the crushing of the containers?

**Mr. Sentis:** — Yes, the contract calls for the entire program.

**Mr. Lyons:** — Okay. When we had the little, the stockpile of the empty containers out just north-west of here this year, was that part of the program that Curtis had outlined when it was granted the contract?

**Mr. van Es:** — That's resolved itself because over the years the contractor was responsible for disposing of the containers to the steel mill in Manitoba, and almost overnight the steel mill in Manitoba declined to take them.

And so many of the containers that were already on the truck, so to say, had to be deposited somewhere, and Curtis happened to have a site somewhere near Lumsden where he could temporarily stockpile those containers, or the bales of containers, while we were searching for another disposal method. And that's what caused the commotion.

**Mr. Lyons:** — Okay, I'm not going to . . . I won't pursue that any farther, but you say that it was tendered, the whole process is tendered. For how long was the contract granted?

**Mr. van Es:** — One year.

**Mr. Lyons:** — For one year. So every year this . . .

**Mr. van Es:** — Every year it's retendered.

**Mr. Lyons:** — This comes up for retendering. And on what basis are the tenders granted?

**Mr. van Es:** — Primarily on the lowest tender and on meeting the specifications.

**Mr. Lyons:** — Okay, and Curtis was the lowest bidder.

**Mr. van Es:** — That's right.

**Mr. Lyons:** — Henry Driedger and Driedger's Trucking Ltd.

**Mr. Knoll:** — Those were Operation Recycle contractors. Saskatchewan is divided up into several districts under that Operation Recycle program, and we tender out contractors in each district to haul the abandoned cars to the different collection sites. This was one of the contractors.

**Mr. Lyons:** — Management Systems Ltd.?

**Mr. Knoll:** — Management Systems? Okay. This is a . . . they provide us with data entry services for our water quality data program, which is run through the WESTBRIDGE computer system. They provide the entry of the data into the system.

**Mr. Lyons:** — The water quality model is kept at WESTBRIDGE, that's where the . . . that does all the modelling for the department?

**Mr. Sentis:** — Not modelling so much as simply the data base on the water quality data is there.

**Mr. Lyons:** — It's all the storage . . .

**Mr. Sentis:** — All the storage of the data and the handling of the data, but not so much modelling.

**Mr. Lyons:** — Okay, when you wanted to take the data, the data base out and use it in a model for . . . how do you go about doing that?

**Mr. Sentis:** — It depends in what format we require it. We could take it out as a computer disk, or request the data, or take it out as hard copy, depending on how we're going to input it into the other equipment we use for modelling.

**Mr. Lyons:** — Okay. Mercury Graphics Corporation?

**Mr. van Es:** — Printing of the annual report, as well as forms for the department that we use.

**Mr. Lyons:** — Is that tendered?

**Mr. Knoll:** — Printers are allocated through the agency of record, basically. When we do a project that involves printing, there's usually development costs; they're done through the agency of record, and then the printers are allocated through them.

**Mr. Lyons:** — So Dome tells you to go to Mercury Graphics?

**Mr. Knoll:** — Basically, right.

**Mr. Lyons:** — Okay, Milner's — Brett Milner and George Milner?

**Mr. van Es:** — They were both Operation Recycle contractors.

**Mr. Lyons:** — Is Operation Recycle, is that a tendered . . .

**Mr. van Es:** — That's the one that has always been tendered, but we don't have the program any more now.

**Mr. Lyons:** — National Research Council, 44,000?

**Mr. Knoll:** — That's under the subheading Receiver General for Canada.

**Mr. Lyons:** — Yes.

**Mr. Knoll:** — That's a payment to Environment Canada actually, for water quality data analysis that they perform for us. It's a continuing contract we have with them on an annual basis.

**Mr. Lyons:** — So it's actually the NRC (National Research Council) that has the baseline studies . . .

**Mr. van Es:** — That's for the water quality testing.

**Mr. Lyons:** — Yes, okay. I had another couple more here to go. SPMC, Saskatchewan Property Management Corporation, 1,016,000.

**Mr. Knoll:** — That's the total amount that was paid to that corporation during '87-88 for office rental, mail and

postage, and it also included office supplies, computer rental and supplies, and duplicating charges.

**Mr. Anguish:** — Mr. Chairman, if that's the total amount paid to SPMC, why don't the amounts itemized total that same amount?

**Mr. Knoll:** — They do. It's split in two sections in the Schedule of Accounts. This 1,016,689 is in the section for "Other Expenses". There's also a payment to SPMC of 320,087 for CVA (central vehicle agency) vehicle rental that's indicated under "travel, employees" earlier in the schedule.

**Mr. Anguish:** — So the other expenses here would total everything else that's itemized that could be connected with property management plus there would be an additional payment of \$320,086.88?

**Mr. Knoll:** — Correct. That's for CVA vehicle rentals.

**Mr. Lyons:** — The SRC, Saskatchewan Research Council.

**Mr. Knoll:** — Those payments were for lab analysis fees, water quality analysis, I think, maybe even . . . chemical, chemical analysis.

**An Hon. Member:** — Toxic substances as well . . .

**Mr. Sentis:** — Yes, a good portion of those relate to the mines pollution control branch monitoring programs at the uranium mines.

**Mr. Lyons:** — The Souris Basin Development Authority.

**Mr. Knoll:** — This payment involved the Rafferty-Alameda board of inquiry, whereby the authority did handle some functions for this board in respect to the public hearings. It would cover various rentals of meeting halls and such, things like coffee at those meeting halls. And it also covered tours of the site for the board members, for several department officials, and I believe other officials. So this was a contract between the board and the authority for these purposes.

**Mr. Lyons:** — Just let me get this straight. Now the Department of Environment who is to stand in judgement over the proposal by the Souris Basin Development Authority has contracted with the authority to undertake tours of the site and the board . . .

**Mr. van Es:** — No, we were giving the administrators of the funds the expenditures of the board. So the board had contracted here with the Souris Basin Development Authority in terms of meeting halls and places to have their public hearings. And instead of us paying to the board and then the board paying to the Souris Basin Development Authority, in this case the payment went directly from us to the Souris Basin Development Authority.

**Mr. Lyons:** — Why would you be paying the Souris Basin Development Authority in the first place?

**Mr. van Es:** — I guess they provided these contract services for the board.

**Mr. Lyons:** — Okay, but the relationship between the board . . . wasn't the relationship really one between the department and the board as opposed to between the board and the . . .

**Mr. van Es:** — No, the relationship here was that we are purely the bookkeepers for the expenditures incurred by the board of inquiry in this particular instance became the board of inquiry had a contract presumably with the Souris Basin Development Authority for the provision of certain services, meeting halls, etc., and organizational tours that the payment, instead of going directly to the board of inquiry and from the board of inquiry to the Souris Basin Development Authority, it went from us directly to the Souris Basin Development Authority. We had no contractual arrangement with the Souris Basin Development Authority.

**Mr. Lyons:** — Could you provide us with a detailed breakdown of that expenditure?

**Mr. van Es:** — I presume we can. I don't know that I've got it here, but to the extent that we received the invoices as authorized by the board of inquiry, we can do that.

**Mr. Lyons:** — Yes, that's the idea, that any of those payments that total the 28,000 directed to the Souris Basin Development Authority, if you can provide that, and the chairman of the committee will, I guess, advise the officials how many copies we need, etc., as it goes to all members of the committee.

Syntath has an expenditure of \$100,446.

**Mr. van Es:** — Those are payments incurred on disposal of chemicals.

**Mr. Lyons:** — What do you mean?

**Mr. van Es:** — Toxic chemicals that we have collected; even, say, toxic chemicals collected under the household chemical collection program for example. They are put in barrels and they're disposed of. This is the company that disposes of them.

**Mr. Lyons:** — Where are they disposed of?

Mr. van Es: — Mostly down East, in Ontario.

**Mr. Lyons:** — So is this a Saskatchewan company?

**Mr. van Es:** — No, I don't believe it is a Saskatchewan company.

**Mr. Sentis:** — No, I don't think there are Saskatchewan companies that can do this sort of thing.

**Mr. Lyons:** — Okay, so they take these toxic chemicals and take them down East and dispose of them somewhere. Has the department followed up on how they've done it? I mean, is . . .

**Mr. van Es:** — No, we know that these chemical companies are regulated by the province there, and we are not exactly sure of how they are disposed of, mostly



probably in terms of incineration.

**Mr. Lyons:** — Okay. One other question regarding the payment and that is to 573780 Saskatchewan Ltd. First of all, who is 573780 Saskatchewan Ltd?

**Mr. van Es:** — This was one of the operation recycle subcontractors, and all we know that the work was performed and the payment was made. I don't know who the company is.

**Mr. Lyons:** — Do you know who the principals are?

**Mr. Knoll:** — We did check that out. Some of these companies can be registered in whatever name the owner wishes to register them, as you know. He chose to use a number. The owner, and I think he's probably the only principal, is Brian Reimer for this company.

**Mr. Lyons:** — Brian R-e-i-m-e-r?

**Mr. Knoll:** — I believe that's the name, yes.

**Mr. Lyons:** — From Saskatoon?

**Mr. Knoll:** — I think he's from around Saskatoon.

**Mr. Lyons:** — Okay.

**Mr. Rolfes:** — I have a couple of questions on payments to individuals. On page 117, Brennan W. John, travel of 4,175. First of all, could you tell me who the individual is?

**Mr. van Es:** — That's a member of the board of inquiry.

**Mr. Rolfes:** — A member of board of inquiry.

**Mr. van Es:** — Yes, John Brennan, chairman.

**Mr. Rolfes:** — Is he the same John that's Dean of Commerce at the University of . . .

**Mr. van Es:** — Right, right.

**Mr. Rolfes:** — When was this inquiry done?

**Mr. van Es:** — When the public hearings were held, the board of inquiry met.

**Mr. Rolfes:** — And that's for travel in Saskatchewan?

**Mr. van Es:** — That's right.

**Mr. Rolfes:** — Do you remember the months that inquiry was done?

**Mr. van Es:** — No, I don't remember exactly what the month was, but I certainly can give you exactly the dates that the board of inquiry was in place.

**Mr. Rolfes:** — Yes I would appreciate that, okay. I have another one, Michael Hegan.

**Mr. van Es:** — Mike Hegan is the executive director of the Emergency Measures Organization.

**Mr. Rolfes:** — Say that again.

**Mr. van Es:** — He's the executive director of the Emergency Measures Organization, which reports to the Minister of Environment and Public Safety.

**Mr. Rolfes:** — Okay. What qualifications did Michael . . . oh pardon me, when was Michael Hegan hired?

**Mr. van Es:** — Sometime in '83, I'm not sure. Around that period, I think.

**Mr. Rolfes:** — Could you give me the qualifications — not today, I'm sure that you don't have them — but could you give me the qualifications for Michael Hegan for 54,588, under that particular . . . I want to know what his qualifications were for that job.

Okay. Can you give it to the committee in writing. I think that's all the questions I had on individuals.

**Mr. Lyons:** — One more, excuse me. Just Conrad Hild. I notice there a payment made for Mr. Hild. Could you tell us what Mr. Hild does?

**Mr. van Es:** — He is the chief of staff for the Minister of Environment — executive assistant to the minister.

**Mr. Lyons:** — He's the chief of staff for the minister?

**Mr. van Es:** — Yes.

**Mr. Lyons:** — Okay. That's all the questions I have.

**Mr. Vice-Chairman:** — Would somebody move that the hearing of the Department of Environment and Public Safety be concluded, subject to recall, if necessary, for further questioning.

Who so moves? Mr. Beattie Martin.

I'd like to take this opportunity to thank the officials . . .

**An Hon. Member:** — Subject to recall.

**Mr. Vice-Chairman:** — And it's all subject to recall, you betcha. I don't know what will be on Thursday; so is Mr. Van Mulligen around?

We will have to try and set up some sort of an agenda for Thursday. Okay, the meeting is now adjourned. Thank you.

The committee adjourned at 10:33 a.m.