Mr. Chairman: — Before we get to the proceedings there's a couple of announcements, or one announcement. The *Minutes and Verbatim Report* of the last committee contains — or it doesn't contain, more appropriately — has a significant omission, about three pages of testimony. So therefore you will be provided with new copies for a more accurate version of the minutes and verbatim of the last meeting, I would think probably tomorrow or so. Would you please destroy any copies you may have now.

In reviewing it there seemed to be a — for want of a better word — a great discrepancy between a question and answer. And that's no surprise in politics, but in this particular case it was particularly noticeable and it was because there was about three pages of testimony missing between the two of them. So you'll be advised of that.

Secondly, I met the . . . When we're in the committee here we've always taken a position of reviewing any comments the auditor might want to make in addition to the report before us about a particular department that's coming up for review. I'm not clear now whether that's intended as *in camera* or simply intended as a matter of convenience that we don't call the department in while we're discussing this with the auditor. And I'm up to the committee on that.

It seems to have been treated by the *Hansard* people as *in camera* and therefore isn't part of the verbatim. But we have had other people in the room while those discussions are taking place. I have no strong feelings in this regard and I throw it open to you.

Mr. Baker: — I think it works quite well because basically what we do is the members of the committee have an opportunity to kind of get a better understanding of the problems and whether they've been solved. It's probably working fine; I don't have any problem with it.

Mr. Chairman: — The only question is should that be recorded or should it be *in camera*?

Mr. Baker: —It's kind of a briefing situation, and from the auditor, and I don't suppose it matters.

Mr. Swan: — It doesn't help much to have it recorded either, I suppose.

Mr. Baker: — No, I wouldn't think so; it's just getting us dummies up to speed.

Mr. Chairman: — Again, I'm at the . . .

Mr. Hopfner: — We might as well just carry on.

Mr. Chairman: — Do you want it recorded?

Mr. Hopfner: — Not necessary.

Mr. Chairman: — No. Do you want other people then to leave the room while we discuss, have the discussion with the auditor on follow up on his report?

Mr. Anguish: — I think we should record it.

Mr. Hopfner: — They have never been in the room, have they?

Mr. Chairman: — Yes. That's the point.

Mr. Baker: — I haven't seen them. We bring them in after as a rule.

Mr. Chairman: — No, the media and other people have been in the room while we've had *in camera* discussions.

Mr. Baker: — Yes, I think the media was here one day.

Mr. Chairman: — But again, Mr. Anguish is saying it should be open; others are saying that it should be something else and I would just encourage you to . . .

Mr. Hopfner: — Well you get a whole bunch of babble, you know, back and forth, and it really doesn't mean anything, and why have that in verbatim? I mean, like when . . . I think the importance of the verbatim is the direct questions to the department through the chair. I mean the auditor, he's made his report and there's nothing for him to really . . . if somebody wants to read his report, that's fine. We're just doing it all over, rehashing it. Waste of paper and typing and all that kind of stuff. Let's just carry on the way it has been.

Mr. Chairman: — That would then be that you want to carry on *in camera*.

Mr. Hopfner: — Yes, before we bring them in and then we can carry on with the officials.

Mr. Chairman: — Then the next portion of the meeting would be *in camera*, and I would ask any members other than those that have business before the committee to leave the room.

Mr. Anguish: — I want a vote on that. I don't think it should be *in camera*.

Mr. Chairman: — Okay, well then someone will need to make a motion then, one way or another, if there's disagreement on that.

Mr. Anguish: — Well I disagree with it. I don't care to necessarily make a motion, but I think that it should be on the verbatim transcript and I think that it should not be *in camera*.

Mr. Baker: — I kind of view it as a briefing session prior to the actual fact taking place, to get a basic understanding of whether the problem has been corrected or whether it hasn't. Then the uncorrected problems, there's lots of time to deal with that on the record and anything else.

Mr. Chairman: — As your chairman, I would have to rule that the committee has taken a position that it's been an *in camera* briefing with the auditor, and therefore those that don't have any business before the committee should be asked to leave the room while that's going on. And if someone wants to make a motion to the contrary, then I'd be pleased to entertain any such motion.

I will try and get a copy of some motion papers here for Mr. Anguish to do that.

Mr. Anguish: — We can do it another day. I don't want to delay the committee. At least I expressed the desire to have it done differently. but I would lose the motion in any event so let's just carry on.

Mr. Baker: — You may even have difficulty getting a seconder.

Mr. Anguish: — You don't need a seconder in committee, Harry.

Mr. Chairman: — We'll carry on then with the briefing with the auditor, and I would ask anyone who doesn't have any business before the committee at this point to leave. But don't go too far; I don't think it's going to take very long.

Mr. Baker: — . . . talk about it in the House, but I don't know why we, unless you have a particular agreement . . .

Mr. Chairman: — The next portion of the meeting then will be *in camera* and off the record.

Public Hearing: Saskatchewan Property Management Corporation

Mr. Chairman: — Mr. Dedman, I wonder if you might introduce the officials that are here with you.

Mr. Dedman: — On my far left it's Norm Drummond, who's the controller; my left, Shirley Raab, vice-president of finance; on my right, Ken Rankin, vice-president, realty; and behind us here, Les Handford, the director of financial planning.

Mr. Chairman: — Thank you very much. I want to welcome you here this morning.

I want 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 Verbatim Report* of this committee and therefore is freely available as a public document.

You are required to answer questions put to you by the committee. Where the committee requests written information, I ask that 20 copies be submitted to the committee Clerk, who will distribute the documents and record it as a tabled document. And I would ask you to address all comments to the chair. Questions?

Mr. Anguish: — I was wondering if you could tell me what flexibility you have in dealing with your retained earnings. I see in your annual report for '87-88 you had retained earnings of some $22,192,000. I'm wondering, what kind of flexibility do you have in using the retained earnings that you have? Or, on the other hand, what are your restrictions that you cannot spend retained earnings on?

Mr. Dedman: — Mr. Chairman, the retained earnings are available to the shareholders, with the exception of moneys that are set aside to cover off insurance, potential for insurance claims.

Mr. Anguish: — With potentially . . . Do you want to explain that about the insurance claims?

Ms. Raab: — We set aside in our initial years, because we had no insurance policies *per se*, a provision of retained earnings for insurance. It's not a cash fund, just simply an appropriation of retained earnings to cover any unforeseen losses. And that, in the year under review, was $5 million, with the remaining 22 million available to the shareholders, unrestricted.

Mr. Anguish: — Do you self-insure, or do you purchase insurance through SGI (Saskatchewan Government Insurance) or Royal . . .

Ms. Raab: — In the year under review we self-insured, just as the government . . . or we did when we were part of supply and services, and undertook a comprehensive risk management program. There was no insurance purchased during that year because it was our first year of operations. In subsequent years we have an insurance plan, yes.

Mr. Anguish: — So you don't set aside any appropriation for insurance any longer because you're no longer self-insured?

Ms. Raab: — We have in the following fiscal year, yes.

Mr. Anguish: — Who do you consider to be your shareholders — Crown Management Board?

Ms. Raab: — The province of Saskatchewan.

Mr. Anguish: — So who makes the decision then to deal with your retained earnings?

Mr. Dedman: — The board of directors would make the decision for retained earnings.

Mr. Anguish: — The board of directors in the year under review would make the decision as to what to do with those retained earnings.

You had retained earnings also for the year 1987; I guess that's the year that you started, as property management corporation became an entity rather than supply and service. There was obviously no decision made on your retained earnings for that year; they were just carried over to the following year, is that correct?

Mr. Dedman: — Yes that's correct.

Mr. Anguish: — Do you make a recommendation as president or do you have a management team that you'd make a recommendation to the board of directors representing the shareholders as to what you would do with the retained earnings? And if you do make those kinds of recommendations, I'd like to know what you recommended to the shareholders in the year under review.

Mr. Dedman: —If I could perhaps add a piece that might be worthwhile for clarification. The objective is that we will break even in our operations. So while we have had in the first two years of operation, there were retained earnings, there hasn't been much retained earnings, nor an objective to make a profit in the subsequent years . . . or a large profit, I should say. I think the recommendations on the retained earnings, as many presidents would prefer, were that they be left in the company.

Mr. Anguish: — And did you make recommendations to that effect?

Mr. Dedman: — I don't think that the president at that time made that recommendation.

Mr. Anguish: — The income that property management corporation receives, do you receive any revenue from any sources other than the Government of Saskatchewan?

Mr. Dedman: — Yes. An example . . .

Mr. Anguish: — Could you list those for us, please.

Mr. Dedman: — An example would be we, through the central vehicle agency, we provide vehicles to CMB (Crown Management Board) Crowns, for example, and to separate them from the Government of Saskatchewan. And we would provide some space to CMB Crowns.

Mr. Anguish: — Let me rephrase that another way. Do you have any sources of revenue other than the Government of Saskatchewan, government departments or agencies or Crown Corporations — do you have any other sources of income outside of those?

Ms. Raab: — Yes, we do have on a very minor basis. We have the Sturdy Stone mall, for example, some commercial tenants. CSMA (central survey and mapping agency), which is our central survey and mapping, sells maps to the general public. Other revenues are probably 3 per cent maximum of our total revenue base.

Our financial statements indicate in one of the notes that over 90 per cent of our revenues come directly from government.

Mr. Anguish: — Over 90 per cent in a normal year?

Ms. Raab: — So we're in that neighbourhood; I don't have the exact percentage.

Mr. Anguish: — No, I don't think I need an exact percentage. I'm interested in how much commercial space property management corporation has that they lease out to private individuals or entrepreneurs.

Mr. Dedman: — It's very small. We'd be pleased to provide that.

Mr. Anguish: — I'd like to know the list of where the locations are and who your tenants are from the private sector. In the statement of income of retained earnings, the revenues are broken down into four different topics: accommodations, interest, grants, and other services. Is it safe to assume that under accommodations, that's just physical space that you rent to government departments or private individuals?

Mr. Dedman: — Yes.

Mr. Anguish: — Interest would be investments?

Mr. Dedman: — We have third-party loans, so the interest revenue would be payment on those third-party loans.

Mr. Anguish: — What third-party loans? Like to universities and school boards and hospital boards and that type of thing?

Mr. Dedman: — Yes.

Mr. Anguish: — So in the '87-88 fiscal year, from third-party loans you earned $25 million-plus?

Mr. Dedman: — Yes.

Mr. Anguish: — Is any of that $25.222 million interest on any investments that property management corporation had?

Mr. Dedman: — The only interest on that would be on day-to-day bank balances and that kind of thing.

Mr. Anguish: — Do property management corporation make any investments that would generate revenue in terms of say, your retained earnings? Do you at some point say, well gee, maybe we need a little bit more money. We should buy some gold stock, or we should invest in some revenue properties that we're going to rent to the commercial sector. Do you make any kind of investments like that to generate interest for yourself?

Mr. Dedman: — No, we don't.

Mr. Anguish: — So then public institutions, these are all public institutions that you'd have these third-party loans with. Is that correct?

Mr. Dedman: — Yes.

Mr. Anguish: — So then it costs school boards and hospital boards . . . Are there others besides school boards and hospital boards and universities?

Ms. Raab: — Special care homes.

Mr. Anguish: — Special care homes. So it'd be four categories: school boards, hospital boards, universities, and special care homes?

Ms. Raab: — We had originally had funding to provide loans to them, and basically what happened is the government made the decision to revert back, so we simply paid out grants. So we only have three categories

Mr. Anguish: — Hospital boards, universities, and special care homes.

Ms. Raab: — Yes.

Mr. Anguish: — So then those three categories, rather than going into their building and their infrastructure, instead of going into that, they had to rather pay you in interest $25.222 million during the year under review?

Mr. Dedman: — Yes, that's correct.

Mr. Anguish: — I guess that's to reflect the real cost of doing business with the government, or why would you charge that much interest if you're there to provide public accommodation in the province of Saskatchewan for public institutions mainly?

Mr. Dedman: — The figure for the year would be 281 million of loans that we would have outstanding to these institutions. So it would be interest on that 281 million.

Mr. Anguish: — Oh, I understand that. I'm just, I suppose . . . You're doing a job. I just make the observation that $25.222 million would build a lot of additional facilities. But because you have third-party loans with hospital boards, universities, special care homes, there's 25 million-plus that they have to pay back in interest that they can't put into accommodation.

Is it fair to make that kind of an observation?

Mr. Dedman: — Perhaps I could say that if the . . . that the revenue is not profit. So we've 25 million in revenue . . .

Mr. Anguish: — I well know that revenue's not profit.

Mr. Dedman: — So they have to pay us, but that payment matches the use in effect on the assets worth 281 million.

Mr. Anguish: — What interest do you have to pay on your money that you get?

Ms. Raab: — We borrow under the auspices of the province of Saskatchewan, so essentially have the same borrowing rates, and they vary from time to time.

Mr. Anguish: — What was your interest rate in the year under review? Do you have one interest rate that covered the entire loan portfolio that you have out, 281 million, I believe you told me?

Ms. Raab: — No, we had varying rates. If you have the statements in front of you, note seven and eight indicate the debt outstanding and the borrower.

Mr. Anguish: — What page was that please?

Ms. Raab: — It would be page 17. The promissory notes, which are the short-term debt, had an average interest rate of 8.63 per cent; and the long-term debt was 9.75, 10 per cent, twelve and one-quarter, and 13, on the specific notes.

Mr. Anguish: — How do you . . . I don't understand your relationship very well in the third-party loans, when you call it a third-party loan. Does a hospital board, for example, come to you and apply for a loan to build a hospital? How do they access money through you? Are they obligated to deal with you? Do they make application to you, just like they would to any other financial institution?

Ms. Raab: — The decision to construct or not to construct is basically done through the responsible department, and they determine what facilities are needed and where. And basically, construction would be approved, and at that point in time, they would approach the property management corporation for the financing of that capital project.

Mr. Anguish: — When you referred me to page 17, long-term debt, the long-term debt that you have is at two interest rates? Am I reading that correctly?

Ms. Raab: — Yes, two separate issues.

Mr. Anguish: — So 9.75 and 10 per cent is what you have to pay on your debt, the loans that you have out that would be an asset?

Ms. Raab: — Yes.

Mr. Anguish: — They appear as assets? The loan that you have out, you're charging twelve and one-quarter per cent and 13 per cent? Is that correct?

Ms. Raab: — No. Those are separate loans. We had acquired a building from the province and those were the low rates implicit in that particular acquisition. So they are separate debt instruments.

Mr. Anguish: — Well what is the interest rate that you pay on your debt? What is the interest rate that you pay?

Ms. Raab: — On the short-term debt it's 8.63 per cent, and we have for a long-term debt, instruments. And we pay the 9.75 on approximately 50 million; 10 per cent on another 50; twelve and a quarter per cent on 10.8 million; and 13 per cent on the 1.3 million.

Mr. Anguish: — Okay. How do you determine the interest rate that you would charge a hospital board or a university or special care home?

Ms. Raab: — We use our average cost of borrowing, and depending on whether it's under construction or post-construction, and apply a small mark-up.

Mr. Anguish: — How small a mark-up do you apply?

Ms. Raab: — Once the project is complete, it's five-eighths of one per cent, and during construction it is one and a half per cent. And because we set a rate at a specific point in time there can be variations in what we would actually pay.

Mr. Anguish: — Okay. I'm wondering if you can explain to me something that I've asked before during estimates in the House, and I believe in this committee as well, that I still don't understand very well, and that's your participation credit. I'm wondering if you could just give me a concise formula as to how you determine the participation credit of any given department or agency or Crown that you supply accommodation to? Tell me a formula that I could sit down and work out what someone's participation credit would be from the property management corporation?

Ms. Raab: — During the process of developing SPMC's (Saskatchewan Property Management Corporation) budget for an upcoming year, we would determine our revenues and expenses and profit before credit. And the participation credit is really a fixed percentage of profit, as approved by treasury board and cabinet, and it's applied to the estimated volume of services provided to each agency. So it may be 30 per cent or 31 2, or it would vary from year to year.

Mr. Anguish: — Do different departments get different participation credits, or is it all proportionately the same?

Ms. Raab: — Based on the initial estimate, it was proportionately the same.

Mr. Anguish: — Do your private clients, your commercial tenants that you have, are they eligible as well for a participation credit?

Ms. Raab: — No.

Mr. Anguish: — Why is that?

Ms. Raab: — Because if you use the analogy of a co-operative type of dividend, the private sector tenants are not deemed to be part of the related parties of government and are not eligible for the participation credit.

Mr. Anguish: — Well that's the description I've received before, is it's like a co-op dividend, and I have a very difficult time understanding that. So I'd like you to walk me again through the participation credit.

If I'm a tenant of yours, say the Department of Health . . . I don't know exactly; I could look up what they pay, but if I pay you $12 million a year — and it's much higher than that the Department of Health pays you — if I pay you $12 million a year, what would my participation credit be in 1987-88, in that fiscal year?

Ms. Raab: — Just trying to determine, find the number here for '87-88. In the year under review it was roughly 30 percent.

Mr. Anguish: — 30 per cent?

Ms. Raab: — Yes, give or take. I don't have the exact number but it was very close to the 30 per cent mark. The estimate of space occupied by each of our tenants was determined, and the 30 per cent was applied to the government clients, excluding any private sector clients and any commercial Crown corporations, and that became their credit for that year.

Mr. Anguish: — I would have thought that your commercial tenants would be a member of your co-op. How is that 30 per cent determined?

Ms. Raab: — It's determined by treasury board in cabinet upon reviewing our operating budget for the upcoming year.

Mr. Anguish: — Cabinet decides on the participation credit?

Ms. Raab: — I would assume that they would approve the recommendation brought forward.

Mr. Anguish: — The recommendation from treasury board?

Ms. Raab: — Yes.

Mr. Anguish: — Do you have any input to the treasury board? What if you want it to be 25 per cent?

Ms. Raab: — Well, we would like it to be but . . . Yes, we can make recommendations, but ultimately the authority to approve our budget and our wage structure rests with treasury board.

Mr. Anguish: — Do they set your rents as well?

Ms. Raab: — We make recommendations.

Mr. Anguish: — Do they set your rent?

Ms. Raab: — No they do not set our rents.

Mr. Anguish: — You set your own rents?

Ms. Raab: — Based on the philosophy of the corporation, yes.

Mr. Anguish: — What philosophy?

Ms. Raab: — The market-based rent on the accommodation side. Our properties were appraised using market-based rent. And of course we lease space and own some so that rentals would be comparable, and that recommendation was brought forward.

Mr. Anguish: — If you're claiming the market place, I don't know how you get retained earnings like that. I don't know how you make that much profit. I mean, John Remai can't make a profit like that. If you're using market-place rents and you're still able to give back 30 per cent participation credit and end up with a net income of $24 million. I mean, there's no private sector landlord in North America that can make money like that.

Mr. Dedman: — When the corporation was formed, the buildings that the province owned were put into the corporation as an equity contribution, and that represents 430-some million dollars that came into the corporation clear of debt. So that's a significant equity that we have in the corporation.

Mr. Anguish: — If you can make that much money, why do you have to borrow money? I don't understand that part of it. Why do you borrow?

Ms. Raab: — Primarily to finance the third-party loans. We have a retained earnings of 430 million. The bulk of that is really assets like property, the value of property. It's not cash. So to finance construction we really borrow and relend.

Mr. Anguish: — Well eventually if you're making this kind of profit, you shouldn't have to borrow any money. Is that correct?

Mr. Dedman: — By returning the participation credit to our government clients, we in effect turn the profit back to our client. So the profit doesn't stick with us.

Mr. Anguish: — Do you feel obligated to borrow? I mean, if you need to make these third-party loans, why wouldn't you eventually build up a pool to provide capital dollars for construction instead of going ahead and borrowing? I mean, we have a big debt problem already in the province of Saskatchewan. We pay some $493 million a year in interest on the operating debt of the province. It would seem to me that with your philosophy you would want to get out of the situation where you would have to go and borrow yourselves to provide third-party loans to those that are eligible. Why would you want to be paying more interest rate and then you turn back . . . it gets to be very complicated to the unprofessional observer in terms of the participation credit. You get back money but yet you borrow to go into capital construction. Is there any desire on your part to eventually get to the point where you have a pool there so that you don't have to borrow money?

Mr. Dedman: — I guess that isn't our decision as to whether we do that or not. Certainly that would be an option. If we didn't pay the participation credit, that would allow us to build up a pool and reduce our borrowing requirements.

Mr. Anguish: — When do your clients, as you call them, get the 30 per cent back? When do they get their participation credit back?

Mr. Dedman: — On a monthly basis. We take one-twelfth of the calculated participation credit and give it to them as a deduction off their bill every month.

Mr. Anguish: — Okay. I'm the Department of Energy and Mines and I need office space. I'm obligated to deal through you. Is that correct?

Mr. Dedman: — Yes.

Mr. Anguish: — I can't just go out and ask John Remai, say, look it, John, can I rent the top two floors in the Ramada Renaissance? I can't do that. I have to come to you, as property management corporation, and rent my space. I'm obligated to deal with you.

Mr. Dedman: — That's correct.

Mr. Anguish: — And how do you determine what amount of money I'm going to have to pay you for rent? Do I have any choices during the negotiating process? Or I come and I say, I need 50,000 square feet of space; you go out and you find me 50,000 square feet of space; and I say, well I'd like to pay $10 a square foot for this. Do you say, no, you have to pay 15; and I say, well I'll pay 12; and you say, no, 12.50; and we say, deal? Or do you come to me and you say, you're paying $15 a square foot; that's it; but don't worry, because of the cabinet decision, you'll get a participation credit. Tell me how it works.

Mr. Dedman: — The first step in the process is, if you needed 50,000 square feet and you wanted it in a specific location, obviously a city — Moose Jaw, Regina, Saskatoon, whatever — we would have to find what's available on the market and perhaps if we have some in inventory or whatever. So it becomes our role to go to the market and to find the space and to in effect negotiate with the person that holds the space, and then we provide the details to the department. We're in the middle of the process between the department and the landlord.

Mr. Anguish: — Well suppose you go to John Remai instead of me going to John Remai. Does he say to you, I want $14 a square foot; this is what's involved in it; these are the leasehold improvements; you have to make them. I suppose the bottom line for you, if the cost of that space is $14 a square foot, do you then come back to me as the Department of Energy and Mines and say, well we have 50,000 square feet available, excellent, just what you want; it'll cost you $14 a square foot?

Mr. Dedman: — Well we would come back to them and we would provide them a cost that would include everything. It would include the actual cost of the space and it would include the leasehold improvements, as you mentioned, the cleaning, the energy costs. And so it would be an all-in price that we would provide the Department of Energy and Mines in the example.

And so some of those costs that we would provide would come from the landlord; others would come, sort of from . . .

Mr. Anguish: — Yes, but when you come back to me, you would explain . . . it would be itemized. Because I want to get the best value I can for the money I have within the Department of Energy and Mines as well. I don't want to just give you whatever you're asking. So you would give to me an itemized statement of why you want to charge me so many dollars per square foot?

Mr. Dedman: — Yes.

Mr. Anguish: — And that's cut and dried. There is no negotiating on it.

Mr. Dedman: — Yes. That's right.

Mr. Anguish: — That's correct. There is no negotiating on it.

Mr. Dedman: — Yes. You're speaking of negotiating between us and the government tenant.

Mr. Anguish: — Yes. I'm the Department of Energy and Mines.

Mr. Dedman: — That's right. We provide the price.

Mr. Anguish: — When you come and say to me, we got prime space, exactly what you're looking for; it'll cost you $15 a square foot, I can't say to you, well we only want to spend 14.50 a square foot because, you know, we know that we could get it somewhere else if we were able to. I can't say that back to you. When you come to me, that's the bottom line; that's what I have to pay.

Mr. Dedman: — Yes. I mean those discussions do take place, and there are discussions about what the department needs may be determined, because leasehold improvements and how the space is laid out and whatever, does effect the cost. But in general terms we tell the departments what the price is going to be.

Mr. Anguish: — Now when you tell me what price it's going to be, I know that I'm going to get a participation credit every month — in the year under review, about 30 per cent. So if you're charging $10 a square foot, I know that I'm only going to be paying $7 a square foot. Is that correct?

Mr. Dedman: — Yes.

Mr. Anguish: — Or if you'd gone out and negotiated that space for me you're losing $3 on every square foot of property you rent. Is that right?

Mr. Dedman: — Well if I can just back up a second. The participation credit is negotiated based on the whole package of business that we do between us and treasury board when we're putting our budgets in. So we have the revenues and we have our expenses and then we negotiate, and at the end there's a profit that's the difference between the revenue and expenses, and that becomes the participation credit.

So the participation credit doesn't necessarily relate to profit on building space. The profit on CVA (central vehicle agency), the profit on materials we supply, and so on, that is the credit as well that goes back to the department. So the participation credit is calculated on the whole basket of activities, I guess, that we have.

Mr. Anguish: — But you don't determine the participation credit, sir.

Mr. Dedman: — Pardon me?

Mr. Anguish: — You don't determine the participation credit.

Mr. Dedman: — Yes, well we work with Finance to determine what that will be. But it's based on the difference between our revenue and expenses.

Mr. Baker: — Does that credit go back to each individual department or does it go back to revenue and supply or Finance?

Mr. Dedman: — It goes back to the department.

Mr. Baker: — Each individual department.

Mr. Anguish: — But there's not a payment sent; it's deducted from their rent, right? So there's no cash transaction or no asset transaction between you and the department or agency, between you and your tenant.

Mr. Dedman: — That's right.

Mr. Chairman: — So just to follow up on that. The $1.2 million is an example that Executive Council shows as a payment to the Saskatchewan Property Management Corporation for this year for, I assume, accommodation, would then be a net figure, that is gross accommodation costs less the participation credit.

Mr. Dedman: — Yes, that's right.

Mr. Anguish: — Treasury board could come back to you through cabinet at some year and say there's going to be a 75 per cent credit. If they said that, you have no control over that.

Mr. Dedman: — The basis of the negotiations between us and treasury board are on what our profit is going to be. But if treasury board told us 75 per cent, I guess that would be what it would be.

Mr. Anguish: — That would be it. Is there any commercial entity in the world that operates the way that property management corporation operates? Could you refer me to one example in the private sector?

Mr. Dedman: — The co-op example, I guess, except they don't provide the patronage dividend up front. It's provided after the fact.

Mr. Anguish: — To me there's your . . . what we've seen in Saskatchewan, historically anyway, there's the private sector, there's the public sector, and there's the co-operative sector. Now government is the public sector, co-ops are the co-operative sector. And there was a lot of fanfare when property management corporation came into place: it was business-like, it was going to operate like a business, so people in the departments and agencies, your tenants, had a better understanding of what it cost to operate that department or agency.

I'd like to know if there's any example in the private sector as to a commercial entity operating in the way that property management . . . is there another model — not even Canada, North America, anywhere in the world — that operates the way that property management corporation operates?

Mr. Dedman: — I don't think I can give you an example specifically by company, but there are probably some examples of companies that are held in a holding company that may provide services to another part of a large holding company, and that in that company there are no profits kept.

Mr. Anguish: — Okay. Can you just run through with me again now how that participation credit is determined? Initially what I understood — and I know that it's easier to read the transcript the day after tomorrow and see what we've said to each other — but I understood initially that you don't really have much control over what the participation credit is, the amount of participation credit. That's set somewhere else. That was my understanding initially.

I'd like to know . . . repeat to me again the formula that you use to recommend to treasury board or cabinet what the participation credit should be for any particular given year. What did you say to treasury board or to cabinet or to your . . . the minister responsible for you, to arrive — if you have that much input — to arrive at that 30 per cent participation credit?

Mr. Dedman: — Okay. The heart of the discussion is around our budget, what we project our revenues to be and what we project our expenses to be for a particular year. And the discussions that we have with Finance are around whether they agree with our approach and whether they accept the particular things that we have. And there will be arguments and disagreements around what our expenses are on a particular item or our revenue or whatever.

So that's the part that we're involved in with treasury board, sort of as a matter of the way it's worked. That profit is the figure that is targeted to be the participation credit.

Mr. Anguish: — Why don't you just charge them less rent? Why don't you just charge your clients less rent?

Mr. Dedman: — Well that would be another option. The basis of setting up . . .

Mr. Anguish: — Why didn't you do that? If you want to operate business-like, I don't know why you just wouldn't charge them less rent. I mean, you must have to have extra staff at property management corporation just to keep track of the complexity of the system that you have in terms of rebating money.

I come to you and I get space for $10 a square foot, but it's not really $10 a square foot; it's $7 a square foot because you have a participation credit of $3 a square foot. And that has to be worked out for every department and agency based on a percentage. And you have to negotiate what the participation credit should be. It takes up your management time, your expertise. Why? Wouldn't it be simpler just to charge less rent to your tenants?

Mr. Dedman: — I guess the basis of setting up the property management corporation and the establishment of the assets was based on charging market rents.

Mr. Anguish: — Market rents? But you're not charging market rents. In the year under review you charged 30 per cent less than market.

Mr. Dedman: — But the value on the space was based on a market, on a market charge.

Mr. Lyons: — Is that the charge . . . Excuse me, if I can interrupt, Mr. Chairman . . . Is that the charge that the private sector charged you, for example, and when you turn around and rented space for a department? Are you using that as the basis?

And I guess the second part of the question is: do you have any, or a similar arrangement, with those from whom you rent? Do you get a participation credit from the private sector people?

Mr. Dedman: — The last part first. No, we negotiate a rate with the private sector.

Mr. Lyons: — Like you negotiated . . . I can understand that.

Mr. Dedman: — Yes.

Mr. Lyons: — Okay, secondly, on the first part of the question.

Mr. Dedman: — Can you try that on . . .

Mr. Lyons: — I was going to say that the . . . like Mr. Anguish, I'm somewhat lost in the seeming complexities of what's relatively a simply arrangement. Do you have a similar arrangement with the private sector in terms of the setting of the market, of what constitutes the market rent?

You charge all-inclusive costs. You say all-in cost for government service . . . (inaudible) . . . when a government agency that rents space.

Do the people in the private sector who rent space to the property management corporation, do they have a similar situation? Do they determine your costs, if you like?

Mr. Dedman: — We negotiate the rates with them, and so the negotiations with the private sector supplier of space forms a piece of the charge that we make to our government tenants. The percentage of what that charge is can vary, depending on if the landlord, he may just provide the space, he may provide the tenant improvements.

Mr. Lyons: — Maintenance.

Mr. Dedman: — Maintenance. The cost of the utilities may come through him, but in no situation that I can think of would the private sector supplier provide everything because again, it's part of what we do. We provide telephones and a number of other services that are just not part of what a private sector landlord provides his tenant.

Mr. Lyons: — Right. Using Mr. Anguish's example of the Department of Energy and Mines renting space for you and they getting a participation credit back, does SPMC get a participation credit back from any of the public sector or private sector developers that own land?

Mr. Dedman: — No.

Mr. Lyons: — So it's not a practice. It's not a usual practice then.

Mr. Dedman: — No.

Mr. Chairman: — Can I ask more question just in follow-up to this, and that is, you say this participation credit is a general participation credit, as you take all your costs and all your projected revenues and on that basis — to use your term, a basket — and you establish a general participation credit. Am I correct in that?

Mr. Dedman: — Yes.

Mr. Chairman: — And this participation credit is then applied to all agencies that rent space from you, the public agencies that rent space from you, the same credit.

Mr. Dedman: — No, to the government clients.

Mr. Chairman: — To the government clients.

Mr. Dedman: — Separate from, say, the commercial Crowns.

Mr. Chairman: — Separate from the commercial Crowns. Now in part, your costs are a whole lot less than, say, a private corporation would be because you are given some $400-and-some million in equity, buildings free.

Mr. Dedman: — Yes, in assets.

Mr. Chairman: — Yes, in assets, right. So this, in part, sort of would account for the profits that you're making then? I mean, another comparable private corporation and its mortgage and so on, you know.

Mr. Dedman: — Yes.

Mr. Chairman: — But this equity, or this participation credit goes to all departments, government departments. I use as an example, the Executive Council, as far as I know, the only place that they're headquartered, or primarily, is in this building. It's owned and it's part of the deal that . . . or the assets that were transferred to you.

The Department of Social Services rents space in Chateau Tower, but they get the same credit. I guess my comment would be, are you then fairly reflecting what the true costs are, because you're saying, well, we're going to establish a market rent for this building which got to go as one of the higher rents if you calculate it as a market rent — I mean, it's desirable property — and do the same for Social Services, and it might be slightly less as a market rent, they both get the same participation credit. And you look at it, you would say that, you know, you're getting a distorted picture of what's really being paid for here, because this building was given to you and you have no carrying costs.

But in the case of Social Services, you get money from them, but it's being paid to whoever you're renting the space from there, so you're not getting an accurate portrayal in, say, the *Public Accounts*, of who's paying for what.

Mr. Dedman: — In the time of the formation of the corporation, using a variety of techniques, the objective was to establish market rents. Now obviously if we're renting space from a private sector landlord, then that establishes what the market rent was for the government-owned buildings at the time of the formation of SPMC. We tried to establish market rents so that we have a balance across all our tenants, and we didn't take . . . we didn't say, because we received a particular piece of property at no cost as part of the government's equity, that that meant that those tenants should get a very low rent. We tried to establish an equivalent market rent for those tenants.

Mr. Chairman: — What I would suggest then, listening to your explanation, is that where a department . . . or where you rent from a private developer and you give a participation credit to that department, that you are not accurately portraying the rent that's actually being paid. And where you show the rent for buildings such as this, that you are again not accurately portraying, or the department's not accurately portraying the rent that's being paid. Because the taxpayers already have equity in this, and for you to sort of . . . what you're taking is the equity and assets and writing down the rents that departments are having to pay through you to private developers. That would be my assessment of what's happening here.

Anyway, I'd like to suggest we take a five-minute break and then come back and we can . . .

Mr. Baker: — Just a comment on that, Mr. Chairman. Let's take this particular building that's free and clear and has no taxes, and you put Executive Council — you were using that as an example — in this building and you charge them zero rent, then you would not also be reflecting an accurate assessment in *Public Accounts*.

So like I've been trying to think this through, because it's a business that I've been in for many years. And really what I see happening here is that the equity position that's been established over the years that went into the corporation is spread equally amongst all departments. And we now are bringing the rent in this building to a fair market value for Executive Council, but lowering the thing back because of the equity that the province had in the corporation.

Now there could be other ways of doing it, but in fact if you're going to reflect an accurate rent for this building that's paid for, then you must charge the going rate on it. And so if you don't do that, I mean, Executive Council could be sitting here with almost zero rent, the cleaning and the electrical. So it wouldn't reflect it back the other way either.

Mr. Chairman: — I don't want to get into a debate. I suggest we take a five-minute break and then reconvene.

The committee recessed for a short period of time.

Mr. Chairman: — . . . something clarified then before the break.

First, let us take the Social Services example one step further. You rent space in the Chateau Tower from whoever, and the cost of your rent plus cleaning and whatever accommodation services you provide might be, say, $1.8 million as an example. Social Services gets a participation credit of, what is it, 30 per cent? So that would be one-third of 1.8 would be $0.6 million. So their payment to you then, their net payment to you then, would be $1.2 million?

Mr. Dedman: — Yes.

Mr. Chairman: — Okay. But here's the point that I'm making, that your cost of providing the accommodation to Social Services is $1.8 million, but the figure that shows up in *Public Accounts* or estimates as their payment to you is $1.2 million.

Mr. Dedman: — Yes, that's . . .

Mr. Chairman: — All right. Now on the other hand, on the other hand you have Executive Council or Department of Health or someone that's headquartered in, say, a government or a building that came to you as part of the assets that the government transfer to you. Also you calculate, on the basis of market evaluation and so on, that not only is there the actual cost of services provided, but square foot costs and so on, their accommodation is $1.8 million. You also apply then the $0.6 million credit, 30 per cent. Their cost also shows up as $1.2 million.

But on the one hand, you got Social Services. They show accommodation costs of $1.2 million. But it doesn't . . . That's considerably less, a third less than what they actually pay. On the other hand you have a department, their costs are $1.2 million. But it's likely to be significantly higher than their building. So you're equalizing it for all.

And I guess what I'm saying is that it really doesn't tend to show a very accurate picture then for each department as to what their actual accommodation costs are. That's my concern.

Mr. Dedman: — If I maybe could come at it in a little different way. If the participation credit is our profit, and we are into a lot of other things besides this space, then the participation credit is the profit on activities we have, and also the profit on the equity that we were provided by our owners. We are distributing that profit on the basis of the dollars of use, or whatever, evenly across our government customers.

Mr. Chairman: — I understand what you're saying. I hope you understand what I'm saying. I don't know if there's any resolution to that. Anyway, I'll turn it back to whoever . . . Mr. Baker.

Mr. Baker: — The bench-mark that you're using on all properties are fair market value, right?

Mr. Dedman: — Yes.

Mr. Baker: — Okay, so that's where you start from?

Mr. Dedman: — Yes.

Mr. Baker: — Okay.

Mr. Anguish: — Let's go back to using Energy and Mines as an example. In the year under review, they paid property management corporation $1,364,707.52. Can you tell me what their participation credit was during that fiscal year?

Mr. Dedman: — It would be grossed up, such that when you took 30 per cent off, it would be 1.364.

I can bring that exact figure back to you, but this is in effect 70 per cent of approximately the gross figure that we would have charged them.

Mr. Anguish: — So the amount that appears in the *Public Accounts* is not the actual amount they paid; it's the amount they paid less the participation credit.

Mr. Dedman: — Yes. Net off the participation credit.

Mr. Anguish: — What about when the budget is appropriated? When the budget is set for the Department of Energy and Mines, there would have been an '87-88 budget introduced in the House and there would have been an appropriation for payments to property management corporation. That amount that was appropriated by the legislature, is that the actual amount they paid, or the actual amount they pay less the participation credit?

Mr. Dedman: — Well I think those two that you've mentioned are the same, because they get the . . . The appropriated amount is a net amount. And what they pay, because we give them one-twelfth of the participation credit each month, is . . . Those two figures match, unless I misunderstand here.

Mr. Kraus: — Well just to clarify it: the appropriation would be established on the net amount, and the cash they pay would be the net amount. The gross amount would only be appearing on their invoices. They'd subtract the participation credit and the department will pay the net. And that's, as I say, it's the net amount that's appropriated, not the gross. The budget's based on the rent after the appropriation . . . I'm sorry, after the participation credit has been applied.

A Member: — That's the way it should be.

Mr. Anguish: — If you get a 30 per cent credit in a particular year, why, in the following year, would the rate go up for payments to property management corporation? Why wouldn't their rent be reduced?

Mr. Dedman: — Well what they're getting, as a participation credit, is their share, so to speak, of our projected profit for the particular year. And the same process would take place in the following year.

Mr. Anguish: — When does treasury board tell you what the participation credit's going to be?

Mr. Dedman: — When the budget finally gets . . . (inaudible) . . .

Mr. Anguish: — Well the fiscal year runs out in March 31. Therefore a new budget has to come into place and appropriations are made to the legislature. Do you know what the participation credit's going to be before the end of the fiscal year?

Mr. Dedman: — For the following year, yes.

Mr. Anguish: — Was there a date set, or it might come sometimes? Or is it like the budget, like sometimes the budget isn't introduced into the House until after the end of the fiscal year. Take 1986, for example, the fiscal year ended on . . . or was it '87. The fiscal year ended March 31, the legislature never even came in until June, some time. So in a year where that would happen, you would still . . . you can give us your total assurance that even in a year like that where the budget in brought in late, you would know before the end of the fiscal year what the participation credit's going to be?

Mr. Dedman: — No, we know in the budget finalization process, but if that process is delayed, then we may not know either.

Mr. Chairman: — I wonder, Mr. Anguish . . .

Mr. Anguish: — I'm just going to make one final observation. What I'm concerned about with the way you charge your rent to your tenants is that it has the possibility of skewing the public accounts . . . I shouldn't say public accounts, the possibility of skewing the budgetary process whereby — and I don't say this in any political sense; any government could do it once the system is set up — but you might be able to say, well we've increased the amount of money we're spending in this particular department this year because it's a priority for our department, where in fact a large portion of that increase might not go in the program, might not go into the department. It's in because an increase in rental fees that are charged by property management corporation.

So it seems to me that it has the possibility at least of skewing the budgetary process because where it may appear that a department is getting more money, that department isn't getting more money because the money that's being appropriated goes to payments to property management corporation.

Mr. Dedman: — In effect you're speaking if the participation credit or the requirements for the participation credit were reduced, then the department could pay more money to us.

Mr. Anguish: — No. In the year — now I don't have the figures here because I don't have next year's *Public Accounts*, I only have *Public Accounts* for the year under review — but in the year under review there was paid to property management corporation, from Energy and Mines, $1,364,707.52. Now even though they got a participation credit, the next year the government could stand up and say that we're increasing the amount of spending by half a million dollars in Energy and Mines, which to the untrained eye might mean, well there's another half million for program in Energy and Mines, where in fact it may well be that that's half a million dollars more that goes to Saskatchewan Property Management Corporation.

So my concern is that it's very easy for the budgetary process to be skewed in appearing that money is going to program where it isn't really going to program. It's an increase in the amount of money that's charged by the property management corporation. And as I say, I can't pick up specific examples here today, because I don't have the following year's *Public Accounts*. But I want to deal with that when we come back on another day, and I understand that Executive Council are waiting to come in, so I'll leave it at that for now.

But I hope you understand what I'm saying, and I'm going to bring some examples. And I would like you to be able to explain as to why that actually happens to satisfy me that the budgetary process is not being skewed by the fact that you increase rents to your tenants.

Mr. Chairman: — Mr. Dedman, we're going to excuse you at this point and have you come back next Tuesday at 8:30, just to accommodate Executive Council. We think we might be able to wrap up in 15 minutes. They can't be here next Tuesday.

Mr. Anguish: — . . . (inaudible interjection) . . . Yes I do, but if Executive Council want to come in today because they can't come on Tuesday, then I'd be willing to get off this for now and have property management corporation come back on Tuesday, to accommodate Executive Council. But I do have more questions.

Mr. Chairman: — Thank you very much. Does someone want to move a motion that the hearing of department of supply and services and Saskatchewan Property Management Corporation be adjourned to Tuesday, May 1, 1990 at 8:30 a.m.

Moved by Mr. Hopfner. All agreed?

Agreed

Mr. Chairman: — No, there's no need to go *in camera* on Executive Council. The auditor doesn't have any report. It'll be a question of expenditures in the *Public Accounts*. Unless someone can identify a reason, bring him in.

Public Hearings: Executive Council

Mr. Chairman: — Mr. Sojonky, I want to just ask you to introduce your officials.

Mr. Sojonky: — Yes, Mr. Chairman. To my left is Ron Hewitt, associate deputy minister; and Don Wincherauk to my immediate right, who is our administrative director; and Bonita Heidt, who is an administrative officer.

Mr. Chairman: — Thank you. I want to welcome you here this morning.

I want to make you aware that when you are appearing as a witness before a legislative committee, your testimony is privileged in a 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 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 please address all comments to the chair. Questions.

Mr. Lyons: — Mr. Sojonky, in November of last year we received a letter from Mr. Martin, writing on behalf of the deputy minister of the Premier, in answer to questions which were raised in the Committee of Finance of last year, relating to the *Public Accounts* and expenditures by Executive Council, and specifically relating to the question of contracts between deputy ministers and the Government of Saskatchewan and their employment thereof.

I want to ask you a few questions concerning a former employee of Executive Council, Mr. Riddell. We received information that Mr. Riddell received a separation pay-out from Executive Council of $95,263.02. I was wondering whether you would tell us whether Mr. Riddell's separation pay-out was the result of a resignation from Executive Council, or was it a question of the termination of his personal service contract for just cause?

Mr. Sojonky: — My understanding is, Mr. Chairman, is that this individual's departure was mutually agreed to by both parties — the government and he, himself.

Mr. Lyons: — It may have been mutually agreed to. The question, Mr. Chairman, to the deputy minister, was: was it a resignation or was it a termination?

Mr. Sojonky: — My understanding is that it was mutually agreed to, and it would reflect a contract, a personal service contract that's consistent with contracts that deputy ministers have.

Mr. Lyons: — I'll put the question to you again. Mr. Chairman, I'll put the question to the witness again. In personal service contracts, provisions are made for severance of employment, and that those provisions are based on a number of different precepts.

The first precept is if an employee is terminated for just cause. And just cause can be, as you know, sir, a number of different reasonings. There's also termination from employment, or there is resignation from employment initiated by the individual, which is a totally different and separate method of separating employment. Each of them has implications as to personal service contracts.

In the case of Mr. Riddell, he received a separation pay-out of $95,263.02. Was that separation payment a result of Mr. Riddell's resignation from Executive Council?

Mr. Sojonky: — I think, Mr. Chairman, as I understand it, the resignation would be a mechanism. I think that that would be accurate. But it was based, again on my understanding, on a mutual agreement between two parties. But resignation was the mechanism in terms of the service contract being brought to a conclusion, resulting in separation pay which was a condition of the contract.

Mr. Lyons: — That's what I've been trying to get at. It's a condition of the contract, then, of that personal service contract, that an employee who resigns from his position is entitled to — and I believe, and you may correct me if I'm wrong, that the employee who resigns shall be paid on a *pro rata* basis an amount equal to two months salary for each year of service as a member of executive forum and 12 months in lieu of notice.

Mr. Sojonky: — Mr. Chairman, the personal service contracts, the details are held in a confidential manner, and that's true of all of the senior executive service contracts. And all I can say is that they reflect standard remuneration considerations that are true in the public service, indeed in western Canada, albeit there are some differences.

Mr. Lyons: — Would one of those differences be that if a person resigns to take up another position that they are granted 12 months, one year's salary.

Mr. Sojonky: — Mr. Chairman, there would be separation consideration in most senior executive service contracts with this government, as is the case, and they would be relatively similar to senior executive service contracts throughout the public service in western Canada with other provincial governments, but the details are personal. And obviously resignation is a mechanism and separation is a feature of most service contracts.

Mr. Lyons: — Resignation may be a feature, but in the commonly accepted . . . it seems to me that commonly accepted practice is that payment in lieu of notice is given when an employer terminates the employment of an employee, not when the employee terminates or resigns from his position. I guess what I'm asking you is that, is that the particular features of the personal service contracts utilized by the Government of Saskatchewan?

Mr. Sojonky: — Mr. Chairman, our personal service contracts, and I guess I'm repeating myself, are generally consistent with the practices in other provinces, albeit the circumstances vary. But there was a report by . . . I think it's referred to as the Nemetz Report, which was independently done about severance pay in the province of British Columbia. And all I can say is that the resignations or departure of senior executives is handled on a relatively comparative basis.

Mr. Lyons: — Now the question was the question of someone being paid almost $100,000 a year for resigning. Is that a particular feature of personal service contracts in Saskatchewan or, based on your statements, is that a feature common to all personal service contracts for the governments in western Canada?

Mr. Sojonky: — Well, Mr. Chairman, separation pay is not only legally common, it's also practice would be common among the governments, the four governments of western Canada. Ours would not be inconsistent with that, and separation pay would be a feature, but it would be based on the circumstances of the separation. Obviously, if there is just cause, separation pay isn't a factor.

Mr. Lyons: — So just to make it clear, you're saying that most governments in western Canada, that resignations lean to the kind of separation payment paid to this particular minister, or particular deputy minister.

I'm going to ask you a couple more questions concerning this particular contract and find out whether or not the . . . intend to find out whether or not they're common to all the personal service contracts, as well as the separation pay-out of 95,263.02.

That particular deputy minister received a salary of $69,303.83. He also received an SDO payment of $8,881.64. I wonder if you would mind telling the committee what an SDO payment is?

Mr. Sojonky: — Mr. Chairman, that refers to "scheduled days off". For example, out-of-scope people have, and I believe it's 12 days a year, but it has changed over the years, and I can't be precise as to the changes. And also in union contracts with the government, we have a similar kind of scheduled days off but they're greater in number.

Mr. Lyons: — The SDO payment in this particular case, would it be for actual scheduled days off during the year that this person worked or would that be for the 12 months, the 12 coming months that there would be a pay-out?

Mr. Sojonky: — It would be for days that the individual has not taken but was permitted to have.

Mr. Lyons: — Would it relate to . . . getting to the question, Mr. Chairman, once again, did it relate — that SDO pay-out — for days, scheduled days off, in the coming year in terms of the 12 months for which the separation pay was paid, or was it for the 12 or whatever how many days it was for the year during which . . . or the years during which the individual actually worked?

Mr. Sojonky: — Well, Mr. Chairman, as I understand it you can't . . . the days that this person was paid for were those that had accrued to him and had accumulated to him at that point in time.

Mr. Lyons: — Okay. So it wouldn't be for future days, future scheduled days off?

Mr. Sojonky: — As far as I would understand, that's correct.

Mr. Lyons: — I also note that in addition to the separation pay-out, the salary, the SDO pay-out, there was also a recreation leave pay-out of $6,972.29. Could you tell us what a recreation leave pay-out would be?

Mr. Sojonky: — Mr. Chairman, that's a term that's sometimes used, but a term that's more commonly used is vacation pay that would be due all employees, in one manner or another. And this is what had been accrued and had not been paid out and was due to the individual at that point in time.

Mr. Lyons: — Okay. This would be for vacation pay — to use the commonly accepted term — for vacation pay during the length of time that this individual worked with the Executive Council, or was it for vacation time scheduled in the future in terms of the separation.

Mr. Sojonky: — Mr. Chairman, my understanding always is with vacation pay you only get paid for that which is due you, or that you've accumulated up to the point of termination.

Mr. Lyons: — So during the period under review, at the time of the pay-out, had that individual taken any vacation, or had he taken any scheduled days off?

Mr. Sojonky: — I don't know the answer to that question, Mr. Chairman. But I would assume that the payments with scheduled days off and vacation leave would be consistent with how we handle all staff in the provincial service: legally and contractually, that which they are due to get or have accumulated up to a particular point in time.

Mr. Lyons: — I certainly can appreciate that, particularly if somebody hasn't taken a vacation or hasn't taken any time off. What the question was is: to your knowledge, had the individual taken any time off or any vacation?

Mr. Sojonky: — I don't know.

Mr. Lyons: — Could you find out the answers for the committee, please?

Mr. Sojonky: — Yes.

Mr. Lyons: — And provide it to us as soon as possible?

Mr. Sojonky: — Yes.

Mr. Lyons: — Now in addition to the pay-outs already mentioned, there was an economic adjustment pay-out of $1,216. What would that economic adjustment pay-out be?

Mr. Sojonky: — Economic adjustments is just simply a term that when there's a salary increase to a person's salary, that it's applied, and sometimes the decisions are made with an effective date that is prior to the time of action being taken. And I can only assume that this means that there was a pay increase which he was eligible for, and that's what that would be.

Mr. Lyons: — That the individual would be eligible for during the time that he was employed, or an increase for the 12 months for which the pay-out, the separation pay-out, was done?

Mr. Sojonky: — Mr. Chairman, the adjustments are not given for future. They're always given for whatever the person earned and is eligible for.

Mr. Lyons: — So it wouldn't be at all related to the 12 months . . . the 12 months that preceded his resignation?

Mr. Sojonky: — Well to my knowledge it wouldn't be futuristic in any way. It would be that which he was eligible to.

Mr. Lyons: — And finally there's a performance pay-out of $983.88. What is this performance pay-out?

Mr. Sojonky: — Mr. Chairman, the difference between the preceding question and this one . . . I`ll make it as clear as I can, and I'll liken it to union agreements if you like, just to illustrate that periodically there are structural adjustments to the pay range or a rate of pay that people are getting; whereas, if there for example is a range, it's often referred to as an increment within a range, or performance adjustment, or something of that nature. And so the two are separate features of a compensation package, which isn't unusual.

Mr. Lyons: — Well what would be . . . that sounds very interesting, Mr. Chairman. I can understand that . . . When you use collective bargaining terms you're saying that Mr. Riddell was at that time somehow off scale?

Mr. Sojonky: — No. Mr. Chairman, I guess what I'm trying to say — and perhaps I haven't made clear — are periodically, and there's not necessarily consistency with this because of traditional patterns in adjustments to salaries, but it's not unusual to have an economic or structural adjustment which is independent of a performance increase. And it's fairly common with employees from the most junior to the senior, although periodically that varies in how it's applied. Another aspect of economic is sometimes people use cost of living, although . . . and when they do I always deem it to be structural or economic adjustment.

Mr. Lyons: — But performance pay in this particular case, and I want to deal with this particular personal service contract, what would that performance pay relate to specifically?

Mr. Sojonky: — Some people we do review, and this differs in the public service depending on contractual arrangements, but we do review, no less than once a year, a person's performance as to whether it's satisfactory or not. And people would not receive their performance pay increase if their performance wasn't satisfactory for the period under review.

Mr. Lyons: — Well again you're speaking in general terms. I want to be specific in terms of this particular contract. The performance pay, what did that specifically relate to? First of all, was it a percentage of the total salary? Was it a, you know, sort of a little $983 cheque saying, here, Norm, you've been a good guy, or how did it . . . what's the . . .

Mr. Sojonky: — It would be based, Mr. Chairman, on a review of his performance, but it wouldn't be unlike what other employees would be receiving or the performance review would apply to. That would apply to all employees, although obviously within union jurisdiction it's applied differently. But performance pay is a common feature of the public service, and we review it no less than once a year.

Mr. Lyons: — On what basis, what basis is that performance pay evaluated?

Mr. Sojonky: — It would be evaluated on the person that the individual reports to; there would be an evaluation from that individual. And often it's evaluated . . . if one's speaking, for example, of a deputy minister, in my current role I would have some responsibility in that regard as well.

Mr. Lyons: — So you just . . . you make a subjective judgement?

Mr. Sojonky: — Mr. Chairman, all performance reviews would be as objective as possible with the people to whom they report and others who are responsible for the situation. In this particular case, it's for the year, I believe, '86-87, and would be based on objective analysis of what a person has accomplished in the performance of their responsibilities.

Mr. Lyons: — In this particular instance, what was it above and beyond the call of duty, if you like, did this person perform?

Mr. Sojonky: — Well, Mr. Chairman . . .

Mr. Lyons: — Do you have that information?

Mr. Sojonky: — Well, Mr. Chairman, performance pay is not for . . . it could be for above and beyond the call of duty, but it's a normal feature of compensation plans that all employees are handled similarly with.

Mr. Lyons: — If I'm to understand you right, what you're saying, Mr. Chairman, is that there are basically . . . while a person is working, at least at the level that this individual was working, that besides the salary, that there are also two other means of augmenting that person's income. Are those provisions provided for in those other two, in terms of economic adjustments, since a personal service contract, I believe, contains its own terms and conditions; are those two provisions, performance pay-out and economic adjustments, provided for in the personal services contracts?

Mr. Sojonky: — Mr. Chairman, those are normal provisions, albeit they're handled differently in the wider public service. They're handled in union contracts with different terminology, but in principle similarly. Out-of-scope people under The Public Service Act would be handled similarly. And personal service contracts normally include reference to those normal and standard provisions.

Mr. Lyons: — Obviously in this case it did. How much time have we got today here?

Mr. Chairman: — Well not a great deal of time I don't think, Mr. Lyons.

Mr. Hopfner: — You don't want to finish? We might as well break. How long are you going to go for first?

Mr. Lyons: — Fifteen, 20 minutes.

Mr. Anguish: — I just have a few questions.

Mr. Hopfner: — I've got another meeting to get to.

Mr. Anguish: — Well we'd normally adjourn at what time?

Mr. Hopfner: — 10:30.

Mr. Anguish: — 10:30. If we're out by 11 o'clock? I'm willing to wrap up by . . .

Mr. Hopfner: — Eleven?

Mr. Anguish: — There might be other questions.

Mr. Lyons: — Why don't we . . . (inaudible) . . . do it . . . (inaudible interjection) . . . I said why don't we just see what happens.

Mr. Anguish: — I have no more . . .

Mr. Hopfner: — I want a commitment. I mean if we're going to carry on we'll . . .

Mr. Anguish: — Well let's make a commitment to 11 o'clock, subject to recall at some future date.

Mr. Britton: — Well we can call it now. You can recall it now if you want to.

Mr. Anguish: —I want to finish it up. I have a few minutes that I'd like to put some questions . . . What was the effective date, Mr. Sojonky, of Mr. Riddell's resignation?

Mr. Sojonky: — Mr. Chairman, the information would be that he was employed to January 5, 1988.

Mr. Anguish: — Could you tell me what the annual salary of Mr. Riddell was?

Mr. Sojonky: — Mr. Chairman, we treat all personal service contracts for senior executives in a confidential manner and that information . . .

Mr. Anguish: — Well really, Mr. Sojonky, if I had a pocket calculator I could figure it out because we know if his resignation date was January 5th of '88 and his salary pay-out was 69,303.83, very basic mathematics would figure that out. So I would appreciate if you would just tell us what his annual salary was.

Mr. Sojonky, while you're looking that up could I ask you another question? What was the date of Mr. Riddell's commencement to work in the capacity as deputy minister to the Premier?

Mr. Sojonky: — He was appointed associate deputy minister on February 23, 1984.

Mr. Anguish: — Associate deputy?

Mr. Sojonky: — Yes.

Mr. Anguish: — When was he appointed deputy, Mr. Sojonky?

Mr. Sojonky: — That was July 16, 1984.

Mr. Anguish: — July 16, 1984? Is that what you said? Have you got his annual salary there?

Mr. Sojonky: — No I haven't.

Mr. Anguish: — When did Mr. Riddell sign the personal services contract you referred to? Is that when he started as associate deputy, or was it when he started as deputy minister?

Mr. Sojonky: —I think, Mr. Chairman, I'll have to provide that. I don't have it with me, but we can provide it.

Mr. Anguish: — Is it common for associate deputy ministers to have personal service contracts?

Mr. Sojonky: — It is, currently.

Mr. Anguish: — When was the policy implemented? When did that policy come about that associate deputies and deputies have personal service contracts?

Mr. Sojonky: — I can't tell you that because I don't know.

Mr. Anguish: — Could you find that out for us please, and report back to the committee?

Mr. Sojonky: — We could.

Mr. Anguish: — I'd like to also ask you about the amount of travel expense in the year under review that Mr. Riddell resigned from the government. He received under travel in the *Public Accounts*, $15,294.69. Can you tell me if any of that money was money paid to relocate Mr. Riddell to his place of employment.

Mr. Sojonky: — No, Mr. Chairman, the information indicates not, and the major feature would be during constitutional meetings and discussions that were taking place at that time.

Mr. Anguish: — Could you provide this committee —– you don't have to do it today, but provide the committee with a list of the trips that Mr. Riddell took in the year under review that amount to the 15,294.69?

Mr. Sojonky: — Yes, Mr. Chairman.

Mr. Anguish: — Do you have the annual salary yet for Mr. Riddell?

Mr. Sojonky: — No I don't.

Mr. Anguish: — The personal services contract, is there a standard form or does each individual deputy minister or associate deputy negotiate their own personal services contract?

Mr. Sojonky: — The individuals don't negotiate their service contract. Essentially they're standard contracts reflective of the public service in other jurisdictions and they reflect commensurately the responsibilities and the assignments of those positions and obviously there are some differences but in the main they're similar.

Mr. Anguish: — So these are basically no-cut contracts, the personal services contract. I find it . . . I understand the principle of severance pay, but in a case where someone resigns like just to go to another job, then they receive a separation pay-out of $95,000 because they resigned. To me that's a no-cut contract. The only reason that they would not get that, as I understand, you said of a personal services contract, if they're released for cause or terminated with just cause. Is that the only case? Do they . . .

Mr. Sojonky: — Well, Mr. Chairman, the personal service contracts in terms of features wouldn't be unique just to senior executives. Indeed they reflect what normally happens in public services in other provinces and in this province with out-of-scope people. Just cause is something that I think is very common and obviously we understand that. But if it isn't just cause, there's usually provision if separation takes place on certain grounds. And so each case is different in that regard. But most systems of compensations and personal service contracts, I guess I liken them to the public service generally. And I don't know whether the MLAs' contracts were somewhat similar, but these featured are pretty consistent with practices in public jurisdictions.

Mr. Anguish: — Well I don't want to get into a debate whether it's comparable to MLAs' packages or not, but I assure you that it's not comparable. If you want to lay on the table today the personal service contracts of all your deputies and associate deputies, I'd be happy to lay on the table the personal services contract that I have with Saskatchewan people as well, Mr. Minister . . . or Mr. Deputy Minister, and we could compare them. So are you willing to release to the committee some of the personal services contracts so we can make a comparison?

Mr. Sojonky: — Well, Mr. Chairman, the senior executive personal service contracts have always been kept confidential in a confidential way which again is consistent with the kind of practice public service administration that goes on across the country and in western Canada. And normally separation features apply to most staff people today in all walks of public service.

Mr. Anguish: — Mr. Sojonky, do all out-of-scope people that are employed by the province of Saskatchewan have personal services contracts?

Mr. Sojonky: — I think in that respect, Mr. Chairman, the out-of-scope people would be essentially administered under The Public Service Act, and I can't quote you the details but it's been long-standing. And unless there's just cause, usually there's some form of recognition if, for example, the job disappears or something of that nature.

Mr. Anguish: — Do all employees of Executive Council have personal service contracts, Mr. Sojonky?

Mr. Sojonky: — No.

Mr. Anguish: — How many employees in Executive Council have personal service contracts?

Mr. Sojonky: — Well the contracts that I've been speaking of pertain currently to associate deputy ministers and above.

Mr. Lyons: — How many in Executive Council is the question? How many individuals?

Mr. Sojonky: — We would have three in total. There's two associate deputy ministers — Mr. Dimitrijevic and Mr. Hewitt and myself.

Mr. Anguish: — So three that have this type of personal services contracts. Are there personal service contracts with other employees within Executive Council?

Mr. Sojonky: — Not in the context. Mr. Chairman, in which we're discussing at all.

Mr. Anguish: — Well how about in another context? Suppose someone leaves who works in Executive Council but is not an in-scope employee; they're an out-of-scope employee. Would it be safe to say that all of those people have severance pay.

Mr. Sojonky: — Well, Mr. Chairman, the three which I've named we'd still be part of the public service total, but there would be different situations. For example, in Executive Council we have a number of employees, and this has been happening for some time, who are on secondment from other departments and we have some employees who are part of the classified service and then there would be cases where there would be contractual arrangements with people.

Mr. Chairman: — Mr. Sojonky, I think we're going to adjourn at this point. This conflict you have next Tuesday, it's irrevocable?

Mr. Sojonky: — I would think that if we had to meet for a brief time, that we would make ourselves, we would attempt to make ourselves available.

Mr. Chairman: — Can we have you on stand-by, about 9:30 or so?

Mr. Sojonky: — Yes, we will attempt to be here.

Mr. Chairman: — On Tuesday?

Mr. Anguish: — I don't think we should call them in that early. Like I would think that property management corporation would take up the balance of Tuesday, as far as I'm concerned. And maybe if we could have Executive Council rather slated for Thursday.

Mr. Chairman: — Thursday, next week?

Mr. Sojonky: — Well actually Thursday presents major obstacles. Tuesday, our obstacles we could get around at this point and time.

Mr. Anguish: — Then I would suggest the following Tuesday. I would hate to have you on stand-by for this coming Tuesday when, at least, I expect that the balance of our two hours would be totally consumed with property management.

Mr. Sojonky: —I'll try and respond to the three as best I can, Mr. Chairman. Tuesday's obstacles seem the least. And Thursday presents some major obstacles. The following Tuesday I am literally out of the city and it looks as if I can't change that. But we'll do the best we could with your direction.

Mr. Chairman: — This coming Tuesday.

Mr. Sojonky: — At what time, Mr. Chairman?

Mr. Chairman: — At 8:30.

Mr. Sojonky: — 8:30.

Mr. Chairman: — Can we now have a motion that we . . . well we don't need one, they're going to come back. Is there agreement that with respect to the SPMC, that we leave that one to the call of the chair? Mr. Hopfner and I will sort that out. Thank you all for your patience. You try and accommodate and look what happens.

The committee adjourned at 10:55 a.m.