

Report of the Provincial Auditor 1988-89

Mr. Hopfner: — We were going to deal with chapter 2, I guess.

Mr. Chairman: — Yes. I have some questions on that.

Mr. Hopfner: — Yes, I have too on that.

Mr. Chairman: — Go ahead.

Mr. Hopfner: — Under the chapter 2, I guess there is some sort of, I guess, a similarity between chapter 1 and 2 in some of the questioning.

With regards to the 2.05 where: "The Standing Committee on Public Accounts discussed this matter as it pertained to corporations whose shares are 100% owned by the Crown." And it's reported November 3, 1987 a committee recommended:

That the Committee recommend that the Government consider preparing legislation to ensure that the duly audited financial statements for Crown Agencies established pursuant to The Business Corporations Act are tabled in the Legislative Assembly, providing that the competitive position of the Crown Corporation is not prejudiced.

I guess my question to you, Mr. Auditor, is: has that taken place to this point? Have you got agreements with various corporations now that your question in regards to that, that you'd be able to bring to this committee and report to the Assembly in regards to these corporations without jeopardizing their competitive positions?

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, as the next paragraph, 2.06, states: "At the date of this report, legislation has not been enacted" that would require those financial statements to be tabled in the Legislative Assembly.

Mr. Hopfner: — Okay.

Mr. Wendel: — So the recommendation is still outstanding.

Mr. Hopfner: — All right. But now with the corporations, i.e., WESTBRIDGE, would that have . . . You had indicated that you had come to an arrangement. Would those kinds of arrangements have been met without disclosing the competitive nature of, say WESTBRIDGE, for instance?

Mr. Wendel: — Mr. Chairman, and Mr. Hopfner, the arrangements we have with WESTBRIDGE is for us to receive the information like the Provincial Auditor's office. We then assess that information and report accordingly in this annual report.

What this is talking about is there's no requirement here for the financial statements to be tabled in the Legislative Assembly as a matter of course, the same as other corporations. That's all we're dealing with in this . . .

Mr. Hopfner: — Right. But the financial statements, though, from a corporation such as WESTBRIDGE or anyone else would be, being a public . . . a private public company, would be issued regardless. Like SaskTel, for instance, would be entitled to that particular documentation, financial statements. Right?

Mr. Wendel: — Mr. Chairman, and Mr. Hopfner, SaskTel would be a special Act of the legislature, and it has a requirement to table a financial statement and annual report in the Legislative Assembly. Is that the nature of your question?

Mr. Hopfner: — No, no. I meant like they are partner with such as WESTBRIDGE. Right?

Mr. Wendel: — Yes, I believe SaskTel owns the majority of the shares.

Mr. Hopfner: — And being a shareholder, they would be entitled to a financial statement of the corporation. Right?

Mr. Wendel: — Yes, they would.

Mr. Hopfner: — And with that then, information from that particular financial statement would be available to SaskTel, and the information from SaskTel could come forward through the Crown Corporations Committee, I would imagine. That'd be up to the committee, though, I guess.

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, that would be up to the committee to determine whether they were going to call them.

Mr. Hopfner: — When you were discussing The Business Corporations Act and the Act of the legislature, can you enlighten the committee and the new members of this committee as to why this was asked of the Public Accounts Committee of 1987? I guess I hadn't been around and I'd just like to kind of get some idea of how you could come up with a substantial report without providing . . . or without jeopardizing the competitive nature of a corporation. How could you bring full answers to this committee in regarding to . . . regarding your audit, without jeopardizing that position of a company?

Mr. Wendel: — I think when this matter was discussed by the committee some years ago there was some discussion as to competitive position and there was some concern raised. The committee considered those concerns and decided on this recommendation, and I think they left it up to the government to decide which corporations would be coming forward and what would be coming forward. And I guess what's outstanding now is some action on that recommendation.

Mr. Hopfner: — But it is in your report here.

Mr. Wendel: — Yes.

Mr. Hopfner: — Then my question to you is: where would you be satisfied? As a Provincial Auditor, where

would you be satisfied and how would you make your decision in regards to placing before the public information regarding a corporation, private company, under The Business Corporations Act?

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, the recommendation being dealt with here is for corporations that are 100 per cent owned. In other words, they are the same degree of ownership as a Crown corporation under The Crown Corporations Act.

I think, from the office's point of view, that they should have the same degree of accountability as if they were incorporated under The Crown Corporations Act.

For the corporations that are less than 100 per cent owned

Mr. Hopfner: — Yes, that's under The Business Corporations Act.

Mr. Wendel: — There could be both under The Business Corporations Act. There could be corporations that are 100 per cent owned under The Business Corporations Act and some that are less than 100 per cent owned . . .

Mr. Hopfner: — I'm interpreting the one that is less than.

Mr. Wendel: — The corporations that are less than 100 per cent owned, you may or the committee may want a different level of accountability, and I think that's what this report is saying, is corporations that are 50 to 99 per cent owned may have a different degree of accountability than corporations that are less than 50 per cent owned. It would again depend on the wish of the committee. How accountable would the Legislative Assembly want these corporations to be?

Mr. Hopfner: — So you're not basically asking this committee to set that standard? That was basically a recommendation from 1987 then, to ask the Legislative Assembly to set those standards, or to what degree would they set it. Then we'd have to have some sort of input and dialogue in regards to what you would determine as a Provincial Auditor a sufficient amount of information. How would anyone in the Legislative Assembly be able to determine that unless that was reported, or unless you were indicating to what degree you'd want this information.

Do you follow what I'm saying? Like this 1987 recommendation took into regard the competitive position of a corporation. Where would that end? For one person information may be enough, for the next it may not be enough. And then it allows you . . . confusion has set in again. I guess probably that's the kind of . . . I'd like some understanding from what you would think would be sufficient for you without, I guess, prejudice in the corporation that may be before the committee.

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, I would think that from the office's point of view, we would want full accountability. Now the government when it's considering competitive position may want to have a lesser degree of accountability. And that would be for them to determine. And I would think that if they do not

want to present these financial statements to the Legislative Assembly because of competitive position, that argument should be brought back in here by the appropriate official and that information provided to this committee, and they could decide whether or not they were satisfied with that action. That's all I'm digging up at this time. That's what this report is saying.

Mr. Hopfner: — Yes. That was kind of the answer that I thought would be the only appropriate answer you could give. And then when, say an official from a corporation such as that, probably in some essence, some member may take it as refusing to give that information because of competitive nature. Some people, when you take it as maybe being putting them in an awkward . . . putting that corporation in an awkward situation by asking a certain question or two or three. And then the harassment of witnesses or, you know, or the third degree a guy could be put through or a lady could be put through when they come before this committee because an individual doesn't agree with that particular answer.

I would lead me back to the fact is that — could you not as a Provincial Auditor, instead of having that, taking that course — could you not accept the fact that the report from a private auditor, working through a private auditor, getting your questions answered and then reporting to the Assembly that yes, your questions have been answered.

Because we had been discussing the day earlier or last meeting that with the . . . you have come to an arrangement with private auditors in regards, like for example, WESTBRIDGE. Maybe then my question to you is: what kind of arrangements would you have made to satisfy yourself to be able to report to the committee then?

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, paragraph 9 in the annual report. That's in the introduction overview, paragraph 9. What that paragraph is saying is, the Provincial Auditor is required to form these opinions for the Legislative Assembly and to report back to the Assembly on the results of his examinations.

What we've done where there's an appointed auditor is we've written to him and asked him to provide us with reports like this that we can use to form our opinions. So that is the arrangement that we have made with the appointed auditor. He is providing us with those reports.

Mr. Hopfner: — So then there has been proper arrangements made so that you could judge yourself and as well, along with the private auditor that the information that's received, you're receiving, would not put a corporation in a unwanted competitive nature, and therefore that you would be satisfied with those kinds of answers from the private auditor before you reported to this committee.

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, I guess generally I would say that the receipt of the information and if the work is sufficient for us to form our opinions, then we would be satisfied in so far as it allows us to do our job and report to the Legislative Assembly those things we have to report. That is one part of it.

I guess the second part is . . . as part of the accountability

process there's two parts: one part is the Provincial Auditor preparing an annual report and reporting certain things to the Legislative Assembly; and the second part is the executive government providing annual reports on their stewardship. There's . . . like there's two parts, and chapter one deals with the second part which is the annual reports that the executive government tables in the Legislative Assembly.

Mr. Hopfner: — All right. That's why I'm asking the . . . on the corporation side, because like . . . if a corporation, if a private corporation — and it leads to this question — if a private corporation is in business with the government, okay, such as, example, WESTBRIDGE or anyone of those, and that corporation was audited, would the Executive Council of that corporation be able to interfere? I mean, is that . . . with that particular audit, I mean, should there be concern with the Executive Council in regards to the interference of Executive Council in that corporation? Like what are we looking for?

You're saying that we're dealing with two parts here. We're dealing with: one, accountability of Executive Council in reporting to the Legislative Assembly; chapter 2, we're going with corporation accountability. Now that's a dual accountability process.

What I'm saying is, is that — I guess, or asking — is that we're almost having two different audits on one corporation. And I'm just saying is when the corporation is being audited, are there interferences or are those audits done for the likeliness of the corporation, Executive Council, or the shareholders?

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, maybe paragraph 1.05 would help to explain this. Like paragraph 1.05 under the accountability process states:

A large part of the Executive government's accountability to the Assembly is fulfilled by the provision of financial information contained in the Public Accounts and annual reports of Crown agencies, and other information provided to the Assembly.

When you get to chapter 2, that's really just an elaboration of paragraph 1.05.

Mr. Hopfner: — That's why I'm asking that question. But the thing is, you see we're trying to determine whether a proper audit has been done. And because exactly what we're saying here is, is that the only person that could actually do a proper audit is the Provincial Auditor, I guess.

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, chapter 2 is not dealing with the audit. There is no . . .

Mr. Hopfner: — No, it's the business . . . it's corporation accountability. Corporation accountability has got all to do with being accountable and answering to the shareholders.

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, chapter 2 is not dealing with the auditor . . . in so far as the Provincial Auditor's office is concerned. There's been no concern

raised that we have not received the information we needed to do the audit. All we're dealing with here is whether or not the annual report and the operations of companies created under The Business Corporations Act should be tabled in the Legislative Assembly. We have received the information. However, the information hasn't been sent on by the corporations to the Legislative Assembly.

Mr. Hopfner: — But it's been sent to you.

Mr. Wendel: — Yes, I received it.

Mr. Hopfner: — So then you're saying you're not going to release that information to this committee.

Mr. Wendel: — Well, Mr. Chairman, I could not release that. If it wasn't government policy to release those documents, I don't think I would release them.

Mr. Hopfner: — All right. But it can be released through Crown corporations.

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, I don't think I could comment as to whether it could be released through Crown Corporations Committee. That would be . . . The Clerk may be able to help with that or the decision of that committee.

Mr. Hopfner: — No, but as a shareholder such as SaskTel. In the case of WESTBRIDGE that whenever SaskTel's asked a question of their investments and whatever, they have to be accountable in Crown corporations. Right?

And what I'm saying to you is then would it not be proper for the officials and the minister to answer those questions in Crown corporations so as to get the answer directly from them, i.e., the Executive Council or the officials of SaskTel which speak through . . . the officials of SaskTel speak through a minister at Crown corporations. And with the both of them there in Crown corporations they then can ask for the respect of the members of that committee to understand the fact that there may be some of the lines of questioning . . . and to some of those lines of questioning, the answers that should not actually be made public because of the unlikely competitive position it may put that particular corporation. I mean that's what I'm trying to establish.

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, we've reported this matter to the Assembly. The Assembly refers this document to this committee. Where the matter is discussed, whether it's discussed in the Standing Committee on Public Accounts or the Standing Committee on Crown Corporations, I think is a matter for the committees to decide. That would not be a matter that we would decide.

Mr. Hopfner: — No, but you said you were satisfied with the information you were getting from the corporation.

Mr. Wendel: — We've received the information.

Mr. Hopfner: — And are you satisfied with that information?

Mr. Wendel: — Except where noted. As a general statement, we've received the information, and in each and every case we would have to assess that information and determine whether or not we were satisfied on each corporation. If we were, there'd be nothing said. If we weren't, there would be something reported in this annual report.

Mr. Hopfner: — Okay. Then my question would be is, would you draw a line as a Provincial Auditor — would your office use their own judgement then as to . . . if you've come to the arrangements with the private auditor and yourselves as to getting information, could you satisfy yourself without tabling that information in this committee where it would be a problem with the competitive nature of a corporation? Could you satisfy yourself and still report to this committee on a corporation without prejudice?

Mr. Wendel: — Mr. Chairman, Mr. Hopfner, the report . . . we would only report what we're required by law to report, and those are set out in section 12 of The Provincial Auditor Act. Those are the things we would report.

Mr. Hopfner: — Yes I guess I'll pass because I have to get into the other chapter before I can continue on.

Mr. Anguish: — I'd like to ask the auditor what defines a competitive position of a company. I certainly wouldn't want to jeopardize or prejudice any company that had substantial amounts of assets from the province of Saskatchewan. It seems to me that unless you deal with some pretty detailed information and tie it in to margins from your wholesale price to what you're retailing it at, or unless you have a special product or a process or a system, then there is no danger of prejudicing a competitive position. So I'm wondering what the definition of competitive position is that we have been talking about for about half an hour this morning.

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I think as I've stated earlier what would jeopardize competitive position would be a matter for the government to decide and to bring forward and advance their arguments to the Legislative Assembly. It is not a matter for the Provincial Auditor to decide.

Mr. Anguish: — Well, I was wondering if there was a definition of it though. In the generally accepted accounting standards or generally accepted accounting principles, is there a definition for competitive position or competitive nature of the company?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, no, there is nothing like that in general accepted accounting principles.

Mr. Anguish: — So it would be a judgement call by those on this committee or those in the Assembly?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, yes, there would be a judgement call.

Mr. Anguish: — Mr. Wendel, in chapter 2, it starts off by

saying, "A substantial amount of public money is administered through corporate entities." How much is that substantial amount of money?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, in 1988 the Provincial Auditor provided a breakdown in chapter 2 of his annual report. He had listed here a table where he had expenditures under Crown corporations for \$4 billion at March 31, 1988 and under government departments for \$2.9 billion, for a total of \$6.9 billion.

Mr. Anguish: — Has there been some change in that since March 31, 1988? I would assume that that's the year it was reported on, in '88. Up to that point in time, there was 6.9 billion. Has that changed significantly? Or has it changed at all in the year under review?

Mr. Wendel: — Okay, the numbers for 1989, Mr. Chairman, would 7.5 billion.

Mr. Anguish: — Seven point five billion. Is that detailed somewhere, the \$600 million increase of public money that's administered through corporate entities? Is that broken down somewhere in here, or can you in fact tell us where the \$600 million increase can be accounted for?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, that would be in the individual annual reports that are tabled in the Legislative Assembly.

Mr. Anguish: — Can you not tell us which corporation, which entities those are? Is there a list of them somewhere? We get annual reports that would stand as high as these tables if we kept them all beside our desks, and I don't want to review all of the annual reports. I'm sure that some members of committee diligently go through all the annual reports, but I have to confess that I don't read them all.

I'm wondering if there's a list that you have that would account for the \$600 million increase in 1989 over 1988. If a list doesn't exist, that's fine, but if there is a list . . .

Mr. Wendel: — Mr. Chairman, Mr. Anguish, there is no list like that that is a public document. These are just numbers that we have determined out of our working papers.

Mr. Anguish: — Well that's certainly a substantial amount of money that again we have some trouble accounting for.

I'd like to ask you some questions about WESTBRIDGE Computer Corporation, Mr. Auditor. Could you . . .

Mr. Anguish: — Could you tell us, Mr. Wendel, what companies formed WESTBRIDGE Computer Corporation?

Mr. Muller: — Is that the year under review, Mr. Chairman?

Mr. Chairman: — I don't know. Is it the year under review?

Mr. Muller: — When was the corporation formed? I don't

think it was in '89.

Mr. Anguish: — February of 1988, as a matter of fact, wasn't it?

Mr. Muller: — Well then it's not in the year under review.

Mr. Lyons: — Oh yes, because it's an ongoing process. The company's still in existence. There's a continuity.

Mr. Anguish: — Will I have to rephrase that?

Mr. Lyons: — A continuity of interest, no, no, he's wrong, they're wrong. You asked a question. It's a perfectly legitimate question.

Mr. Anguish: — Thank you very much, Mr. Lyons.

Mr. Lyons: — You're quite welcome, Mr. Anguish.

Mr. Muller: — Where do you get your expertise?

Mr. Lyons: — Well because I understand that there must have been continuity . . . (inaudible) . . . or completion, I should say.

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I tabled some information. I believe it was . . .

Mr. Muller: — Point of order. The chairman didn't respond to my question.

Mr. Chairman: — You didn't raise a point of order.

Mr. Muller: — I'll raise a point of order. Is that the year under review?

Mr. Chairman: — Well it's not under the year under review. It's something that transpired some months prior to the year under review. The auditor raises the example of corporations created under The Business Corporations Act, of WESTBRIDGE Computer Corporation.

Although I would not want to encourage inquiry into any and all operations of WESTBRIDGE, because it is only listed as an example, I think it's reasonable to ask about how a corporation came to be, even if that formation took place prior to the year under review. That's business that's been before the committee before . . . or years under review that have been before the committee before. I don't think it's unreasonable to ask for some information. I think that it probably would be inappropriate for members to want to get into great detail into aspects of operations in the previous year without agreement of the committee.

I don't think that a question like this by itself is necessarily contrary to the interests of the committee. I would have some concerns if members started to ask questions about aspects of WESTBRIDGE operations that have only occurred in the last few months and since the year under review. But I think the question as it stands now is in order.

But again let me just reiterate that I would have concerns that if members were to say, well WESTBRIDGE is listed

as an example so therefore I'm going to use that as a way to investigate any and all aspects of WESTBRIDGE Computer Corporation. WESTBRIDGE Computer Corporation is listed here as an example of a certain type of corporation. The auditor makes some points about corporation accountability. And I would hope that all our questions are intended to help the committee deal with that concept and those comments of the auditor as opposed to getting into a detailed review of WESTBRIDGE Computer Corporation. That would be my ruling.

Mr. Muller: — Fair enough, Mr. Chairman.

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I have tabled some documents with the committee — about two meetings ago I think it was — and it listed in there the names of corporations that were reorganized to form WESTBRIDGE. And there's a list in here. I can read them in if you like. There was 100 per cent of the net assets of Secore Computers Inc.; 100 per cent of the outstanding shares of Mercury Graphics corporation, Western Micrographic Inc., and Datacopi Inc.; 100 per cent of the outstanding shares of Leasecorp Western Ltd.; 49 per cent of the outstanding shares of Leasecorp Systems Ltd.; together with the net assets of the data terminal division and the data centre of Saskatchewan Telecommunications — and that information on Saskatchewan Telecommunications is contained in note 8(b) of the 1988 financial statements of SaskTel.

Mr. Anguish: — Could you tell me, when these companies merged to form WESTBRIDGE Computer Corporation, was there actually a cash payment to acquire these companies?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, some of the details on that are contained in note 8 to the SaskTel financial statements.

Mr. Anguish: — Of 1988.

Mr. Wendel: — Of December 31, 1988, yes. Did you want me to read what's in there or . . .

Mr. Anguish: — What I'm interested in right at this point — no, I can read that — what I'm interested in is, was SaskTel actually paid some amount of money by WESTBRIDGE Computer Corporation for the assets from the data terminal centre in the other part of SaskTel that went into forming WESTBRIDGE?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I'll just read a part of note 8 then:

SaskTel contributed net assets of its data terminal division and data centre, having a fair value of \$34,250,000 and a net book value of \$18,000,000, in return for an \$18,000,000 interest-free note and class A common shares of WESTBRIDGE.

SaskTel subsequently acquired \$1,155,000 class B common shares of WESTBRIDGE from a subsidiary of Crown Investments Corporation of Saskatchewan and converted \$16,200,000 of the

interest-free note to \$1,800,000 class B common shares.

Mr. Anguish: — Do you know what the shares were valued at at that time?

Mr. Wendel: — I wouldn't have that information with me, Mr. Chairman.

Mr. Anguish: — What was the arrangement then with . . . say, for example, Leasecorp Western, who was one of the original merger companies. Were they paid cash or were they issued shares or was it a combination, or was there an interest-free note given there as well?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I don't have that information.

Mr. Anguish: — Well would you have that information on SaskCOMP?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, in the 1988 annual report for SaskCOMP there's a heading here called, under operations review, called the merger. And in there it states that on February 23, '88, SaskCOMP sold most of its assets and liabilities to Secore Computers. Secore gave SaskCOMP a 16.5 million promissory note, which represented the fair market value of the net assets sold. Book value of these assets at the time was 9.6 million.

Mr. Anguish: — The book value of the assets was 9.6 million. Secore gave a promissory note of 16.5 million to SaskCOMP?

Mr. Wendel: — That's correct.

Mr. Anguish: — Well was that an interest-bearing note? Or was it interest-free?

Mr. Wendel: — There's some additional information, Mr. Chairman, Mr. Anguish, on that same page, and it states in here:

In December 1988 CIC Industrial Interests Inc. (the successor to Secore) paid SaskCOMP \$9.6 million for the promissory note. SaskCOMP used the funds for:

(1) repayment of equity advances in the amount of \$2.8 million owing to the Crown Investments Corporation of Saskatchewan (CIC); and

(2) payment of dividends to CIC of \$6.8 million.

Mr. Anguish: — Who held the note? Who bought the note from SaskCOMP?

Mr. Wendel: — CIC Industrial Interests Inc.

Mr. Anguish: — CIC Industrial . . .

Mr. Wendel: — Interests Inc. It's a wholly-owned subsidiary of the Crown investments corporation.

Mr. Anguish: — So what happened to the 16.5 million

then? That just disappears? The 16.5 million becomes 9.5 million? So \$7 million just — poof — collapses? Poof economics theory?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, the only information I have on that right now is the information that's before me, and I'm only reading you what is here.

Mr. Anguish: — For what years are you doing the auditing now? You said that WESTBRIDGE Computer Corporation has turned over the documents that you've requested.

Mr. Wendel: — For the year end March 31, 1988 and the year end March 31, 1989.

Mr. Anguish: — And where are you at with that audit? How much of that audit have you completed? Have you completed the 1988 audit?

Mr. Wendel: — No we have not.

Mr. Anguish: — At what stage do you believe yourself to be in completing the 1988 audit?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I don't have that information with me. I know we are working with the appointed auditor and we're not finished yet. That's as much as I have with me today.

Mr. Anguish: — Let's go back to this promissory note then that SaskCOMP was given by WESTBRIDGE Computer Corporation. Or were they given the promissory note by Secore?

Mr. Wendel: — What's stated here, Mr. Anguish, is the promissory note was given by Secore to SaskCOMP.

Mr. Anguish: — And then SaskCOMP sold the \$16.5 million promissory note to Crown Investments Corporation Industrial Interests Inc. for 9.5 million?

Mr. Wendel: — That's correct . . . or 9.6, I'm sorry.

Mr. Anguish: — 9.6 million. How would that appear to you, that \$6.9 million just disappeared? I'm not being flippant about it, I'm asking what would happen to the 6.9.

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I don't have the information with me to know what the \$6.9 million represents or what happened with that, but I could say that both of the corporations that SaskCOMP was dealing with were wholly-owned subsidiaries of the Crown investments corporation.

Mr. Anguish: — Secore Computer was also wholly owned by CIC (Crown Investments Corporation of Saskatchewan)? Is that correct?

Mr. Wendel: — . . . so. So just to be sure it's wholly owned, but it is definitely a subsidiary of Crown investments corporation.

Mr. Anguish: — But it would appear to me, while you're checking that, it would appear to me that it's a write-down of a loan of \$6.9 million for WESTBRIDGE

Computer Corporation.

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I don't have that information with me, but I believe it's a 100 per cent owned subsidiary of Crown investments corporation.

Mr. Anguish: — Does SaskCOMP still exist as an entity?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I'm not certain whether or not the order in council establishing SaskCOMP has been rescinded, but there are no assets left in the company as at December 31, '88.

The note that's in the annual report states, "Because the Crown corporation is expected to be wound up in 1989 . . ." And I don't know whether it has or not. I'd have to go back and check.

Mr. Anguish: — What about Secore? Does it still operate as an entity?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I have here the December 31, 1988 annual report of the Crown investments corporation, and there's a note here under major subsidiaries and investments, CIC Industrial Interests Inc., and it states here:

CIC III is a wholly-owned share capital subsidiary of CIC. During 1988, CIC III was amalgamated with three of its former subsidiary corporations, Secore Computers Inc., (was one of them) Cablecom (Corporation) and 582188 Saskatchewan Ltd.

Mr. Anguish: — Secore? And who were the other two?

Mr. Wendel: — Cablecom (Corporation) and . . .

Mr. Anguish: — Cablecom?

Mr. Wendel: — Yes, Cablecom.

Mr. Anguish: — And the . . . (inaudible) . . . company?

Mr. Wendel: — 582188 Saskatchewan Ltd.

Mr. Lyons: — And that was a wholly-owned subsidiary as well?

Mr. Wendel: — Mr. Chairman, Mr. Lyons, I don't have the information as to whether they're wholly owned in front of me. I'm assuming they were. I'd have to go and look it up . . .

Mr. Anguish: — Okay. CIC III merged those three companies together?

Mr. Wendel: — They amalgamated those three companies, yes, with CIC.

Mr. Anguish: — As CIC III?

Mr. Wendel: — With CIC III.

Mr. Anguish: — With CIC III? To become what? Were they . . .

Mr. Wendel: — Still CIC III.

Mr. Anguish: — When?

Mr. Wendel: — During 1988 is what this note says. I don't have any more information in front of me at this time.

Mr. Hopfner: — There's a lot of that in that . . . (inaudible) . . . that had been tabled in the House. You'd get a lot of that out of there, if you'd read it.

Mr. Anguish: — What's been tabled in the House?

Mr. Hopfner: — The agreements.

Mr. Anguish: — The agreements with WESTBRIDGE?

Mr. Hopfner: — That's all been tabled. Graham Taylor tabled that.

Mr. Anguish: — The agreements with WESTBRIDGE have been tabled in the House?

Mr. Hopfner: — Yes. That's, what, June 22, 1988, something like that — '87, '88. I can't remember. It was tabled.

Mr. Anguish: — What I'm trying to determine is that I can understand fairly well the SaskTel assets. The total value of the SaskTel assets was about \$34.25 million. But I can't determine clearly in my mind is the assets of SaskCOMP going into WESTBRIDGE Computer. When the assets of SaskCOMP were finally turned over, it wasn't by SaskCOMP to WESTBRIDGE, it was SaskCOMP to Secore, and then Secore sold those assets or merged the assets with WESTBRIDGE Computer Corporation. Is that correct?

Mr. Wendel: — That's the information I have been provided with.

Mr. Anguish: — What did Secore receive for their assets in WESTBRIDGE Computer Corporation when they put their assets into WESTBRIDGE Computer Corporation? What did Secore receive for that?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, the fact that the SaskCOMP annual report here for December 31, 1988 and there's another note in here under this merger. It says:

Effective February 24, 1988 WESTBRIDGE Computer Corporation (WESTBRIDGE) purchased all of the assets of Secore \$16.8 million. Payment was in the form of a promissory note in the amount of \$5.2 million and 1,155,000 Class B Common Shares in the new Corporation.

Mr. Anguish: — Do you, eventually, in your office, figure out all these complicated transactions? Is that part of your audit? I'm having a very hard time following this.

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I guess in the final analysis we will have worked through all of these

transactions, yes.

Mr. Lyons: — Mr. Wendel, when you do that analysis, you obviously for example, you have a promissory note in this particular transaction and 1.155 million common shares.

When you do the auditing, do you look beyond the market value of the share? For example, you'd have to fix the shares at a particular value in order to arrive at some kind of net figure for financial transaction purposes. Do you, when you . . . First of all, I guess the question is: do you use a value of the share to assign value to the transaction, and how do you do that?

Mr. Wendel: — Mr. Chairman, Mr. Lyons, our audit would not extend to determine whether or not fair value was received for a particular asset. Our audit would be to ensure there was compliance with the law, the agreements, and that there was disclosure of the transaction.

Mr. Lyons: — I'm not asking . . . no, I'm not asking about fair value. I'm asking on what basis do you assign the value to the 1.155 million shares in this particular transaction?

Mr. Wendel: — Mr. Chairman, Mr. Lyons, if the shares are publicly traded we would use the fair value of those shares at the date the transaction took place. If they're not, we would look to the underlying assets of the transaction to see what fair values they had assigned to them.

Mr. Lyons: — But this is the question I was asking earlier on. Do you, I mean, in this particular case, did you look at the underlying — given that it's a newly created corporation without a history of market value to determine, at least on the stock market — did you look in this case to the underlying asset value of the shares itself?

Mr. Wendel: — Mr. Chairman, Mr. Lyons, it's kind of a long explanation, but we would have examined audit evidence that would have satisfied ourselves that the value being assigned by the corporation to these assets was appropriate, and that could be any number of things.

Now I could go back and have a look and see what it was, you know, what we examined in that particular instance but, you know, could have been appraisals.

Now note 8 to the financial statements of SaskTel states that the class A and class B common shares of WESTBRIDGE Computer Corporation were valued at \$26.398 million.

Mr. Anguish: — Would you repeat that, please?

Mr. Wendel: — \$26.398 million.

Mr. Anguish: — For who?

Mr. Wendel: — Class A and class B common shares of WESTBRIDGE Computer Corporation held by SaskTel.

Mr. Anguish: — At the date of the amalgamation of these companies to form WESTBRIDGE, what was the value of

Secore's assets at that time?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I stated earlier that SaskCOMP sold its assets to Secore for 16.5 million, and Secore sold its assets to WESTBRIDGE for 16.8 million.

Mr. Anguish: — Yes, I figured out that mathematics. But what I asked was what the assets of Secore were.

Mr. Wendel: — No, I don't have the information to know what the assets of Secore were before they bought the assets of WESTBRIDGE. I don't have that with me.

Mr. Anguish: — Well following your logic, which I also tried to follow, you're looking at assets of about \$300,000 if you make that little mathematical computation, but I would like to know what the assets were of Secore at that point in time.

Also key to the questions that we're asking, Mr. Wendel, is the point at time where they amalgamated the companies of Secore and Cablecom Corp and 582188 Saskatchewan Ltd. I'd like to know whether or not those were amalgamated prior to the formation of WESTBRIDGE or whether or not it was after the formation of WESTBRIDGE.

Do you have any information available at all on companies like Leasecorp Western, Leasecorp Systems, Mercury Graphics, Datacopi, Western Micrographics, any of the financial transactions between them and WESTBRIDGE as to what they received for their input into the formation of the corporation?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I don't have any of that information with me today.

Mr. Anguish: — Is it possible for you to bring that with you next day?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, the information I could bring and could disclose is the information that is public information, whatever has been provided publicly. Now I may have other information in my files which I would not disclose unless there is a motion of the committee requesting it.

Mr. Anguish: — On what basis would you not disclose information?

Mr. Wendel: — On what basis? This office receives all kinds of confidential information on public policy, on getting documents, and as a matter of course . . .

Mr. Anguish: — Public policy is a confidential nature?

Mr. Wendel: — Well documents leading to public policy, if you would. And we have never disclosed that information. If we don't maintain confidentiality, it would be very difficult to get the co-operation of the government.

Mr. Anguish: — It seems to me you've had difficulty in getting co-operation of government anyway.

A Member: — That's not nice.

Mr. Anguish: — Well that's the first not nice thing I've said today, Mike, so forgive me. I won't say anything else not nice to you for the balance of the day as well.

Mr. Hopfner: — I'll forgive you.

Mr. Anguish: — Okay.

A Member: — Can I hold you to that?

Mr. Anguish: — I'll give you my undertaking.

Do you suppose, Mr. Wendel, that you could give us the same information for the other companies that were involved in the amalgamation and the merger that finally formed WESTBRIDGE Computer Corporation? Can you give me the same information for those companies that I've been asking you today about SaskCOMP, SaskTel, Secore, those that are in Crown investments corporation or Crown corporations?

Mr. Wendel: — Mr. Chairman, Mr. Anguish, I will look to see what I have in my files. I will then look to see what is a public document that has already been disclosed in some way or another, publicly. If it is a public document, I will certainly provide the information to the committee. If it is not, then I will bring that back to the committee and ask the committee what its wish is, whether it wants me to disclose or not.

Mr. Anguish: — Okay, I think that's fair enough. The other thing I'd like to know is the interest rate on the promissory notes and the term of the promissory notes. In addition to that, I was also wondering if you have any information with you today as to whether or not there have been payments made by WESTBRIDGE in regard to the terms of the promissory notes.

Mr. Wendel: — Mr. Chairman, Mr. Anguish, the SaskTel financial statements for December 31, '88, indicate that there is a promissory note, WESTBRIDGE Computer Corporation debenture for the principle amount of \$1.8 million, and it has interest accruing at nine and three-quarters per cent per annum, payable semi-annually.

Mr. Anguish: — Payable semi-annually?

Mr. Wendel: — Yes.

Mr. Anguish: — Is that the total amount of promissory notes from WESTBRIDGE to SaskTel?

Mr. Wendel: — It appears so. In these notes, it has some other information. SaskTel subsequently acquired 1.155 million class B common shares and converted a \$16.2 million of this interest-free note to 1.8 million class B common shares.

Mr. Anguish: — They converted how much of the promissory note? 16 million?

Mr. Wendel: — 16.2 million of the interest-free note to 1.8 million class B common shares.

Mr. Anguish: — I thought I heard you say something new. SaskTel has a promissory note for 16.2 million, interest free.

Mr. Wendel: — Initially SaskTel had an interest-free note of \$18 million, and class A ... initially SaskTel had an interest-free note of \$18 million.

Mr. Anguish: — And now SaskTel has instead of \$18 million interest-free note, they have a \$1.8 million note?

Mr. Wendel: — They have a \$1.8 million interest-bearing note and \$1.8 million worth of class B common shares.

Mr. Chairman: — I wonder at this time . . .

Mr. Anguish: — I just have one final . . .

Mr. Wendel: — One point eight million class B common shares. I think I said dollars. But it was 1.8 million class B common shares.

Mr. Anguish: — We have some more questions on these transactions. I'd appreciate you bringing the rest of your file with you when you come back on Thursday.

Mr. Chairman: — The meeting will adjourn early to accommodate the meeting of the Regulations Committee, and we'll meet again Thursday morning at 8:30 a.m.

The committee adjourned at 9:50 a.m.