

**Public Hearing: Crown Investments Corporation of
Saskatchewan**

Mr. Chairman: — I'd like to call the meeting to order. Yesterday the auditor passed around a sheet about items or matters that had been resolved. Any further comment with respect to CIC (Crown Investments Corporation of Saskatchewan)? Members have any matters they wish to raise before we bring CIC in? Then we'll call in CIC.

With us today is William Gibson, the president of the Crown Management Board, and he's accompanied by Leslie Wright, the director of accounting services for the Crown Management Board. I welcome you both here today.

On behalf of the standing committee, 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, and where the committee requests written information, 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.

I'd like to begin, Mr. Gibson, by turning to the auditor's report. And it concerns this issue of payments that were made, in the auditor's opinion, without a proper authority. These payments total, I guess, \$2.7 million. With respect to the payment of \$132,000 to a . . . no, the first one, I guess, would be with respect to this consultant who was engaged by you to evaluate and review the overall effectiveness and efficiency of all government departments and to report thereon. Who was that consultant?

Mr. Gibson: — Coopers & Lybrand.

Mr. Chairman: — How did it come to be that you would engage Coopers & Lybrand to carry on a study with respect to other government departments? Where did that fit into the mandate of the Crown Investment Corporation or the Crown Management Board?

Mr. Gibson: — Coopers & Lybrand were engaged by our board of directors, and at that time we felt that we had the legislative authority to engage them.

Mr. Chairman: — This study that . . . or this review that Coopers & Lybrand undertook, is this information that can be made public?

Mr. Gibson: — To my knowledge, no.

Mr. Chairman: — Is there some reason why it couldn't be? I mean it was something that taxpayers paid for with \$2.7 million.

Mr. Gibson: — Well I'd suggest that it might be more appropriate to ask that of somebody that's on our board of

directors since they are the ones that engaged them.

Mr. Chairman: — Such as the minister?

Mr. Gibson: — Well the minister is one of the members of the board, yes.

Mr. Chairman: — Okay. And who's the minister?

Mr. Gibson: — The minister right now is Lorne Hepworth.

Mr. Chairman: — Mr. Hepworth. Has this matter now been resolved in terms of the appropriate department having subsequently accounted for this expenditure?

Mr. Gibson: — No, nothing has changed.

Mr. Chairman: — Nothing has changed from . . .

Mr. Gibson: — . . . from last time we met. No.

Mr. Chairman: — Do you agree with the auditor that the payment was perhaps an inappropriate one for the Crown investments corporation to make or . . .

Mr. Gibson: — Well I don't believe it's a black and white issue, but there's no trouble acknowledging that the Provincial Auditor's position on it does have merit.

Mr. Chairman: — What about this payment to a consulting firm for services provided to the agent-general of Saskatchewan. Can you tell us who that firm was or who the firm is?

Mr. Gibson: — A firm called MBD which stands for Multinational Business Development Ltd.

Mr. Chairman: — MB . . .

Mr. Gibson: — MBD. The initials for Multinational Business Development.

Mr. Chairman: — Is this a Saskatchewan firm?

Mr. Gibson: — No, it is headquartered in, I believe it's London — London, England that is, not London, Ontario.

Mr. Chairman: — Can you tell us anything about the principals of the firm? Do you have any information on that?

Mr. Gibson: — No. Well the managing director that was sort of the head man on this was a fellow by the name of Douglas Robinson, but I don't have any other details on the principals.

Mr. Chairman: — Was this a one-time effort on your part to . . . with this firm, or is this an ongoing service?

Mr. Gibson: — No, it was a one-time effort.

Mr. Chairman: — Do you know if there's anything to show for this investment?

Mr. Gibson: — Pardon me?

Mr. Chairman: — Is there anything to show for this investment? Anything that resulted from it, that you can point to?

Mr. Gibson: — Not that I can specifically tie into the work that they have done. They did do some work for us and there have been some things have happened. Whether you can directly link it to the work that they've done or not is . . . that would be difficult to do.

Mr. Chairman: — Again the concern that the auditor raises is with respect to this — I'm paraphrasing him — that it's an unauthorized expenditure or payment that doesn't have the authority because it's a payment that should be made through the, I guess through the Consolidated Fund. Is this the position that you're taking now too, or . . .

Mr. Gibson: — No, I guess I have a problem with the Provincial Auditor's position on this particular one. These people did do a fair amount of work with the Crowns that are underneath the Crown Management Board umbrella, if you will. They did have meetings with various Crowns and did do some work on behalf of the various Crowns. So I think it was very appropriate for and consistent with our legislation for CMB to pay for it.

Mr. Chairman: — Wouldn't the answer have been then in this case that payment for this firm would have come from two sources — yourself and, I guess, the Consolidated Fund.

Mr. Gibson: — Well I'm not aware what work if any, they did for government departments. What I'm aware of is that they did a considerable amount of work for CMB (Crown Management Board) Crowns.

Mr. Chairman: — There's a third expenditure here, a research company that was contracted to complete a post-budget telephone survey of 600 Saskatchewan residents. Can you tell me where in the mandate of the Crown Management Board, CIC, the question of post-budget reaction of the public to budgets would fall within your mandate?

Mr. Gibson: — Well I guess there are two points of view here. I think the title of that work is not entirely descriptive. Post-budget, I think, it's being interpreted as a survey relating to people's reaction on the budget, but it could also refer to the time of the year. I think in this particular case I have gone back and done a bit of work and reviewed the type of things that the company did look at and there is definitely some things in there that were Crown related. But I freely acknowledge that there are some things in there that were not Crown related.

So I guess that could be one that I could acknowledge that should possibly be split in some way, shape, or form. But it's very difficult when the way these things are done, there's a multitude of questions and I don't know how you appropriately do split them. But certainly there is a portion of that that cannot be directly linked to CMB or CMB Crowns.

Mr. Chairman: — Who is the research company on that?

Mr. Gibson: — It's a firm called Decima.

Mr. Chairman: — Can you tell me exactly when that poll was . . . when it took place?

Mr. Gibson: — I haven't got the exact date of when the survey was done. It was July 1987 was the date of the contract.

Mr. Chairman: — I think you would have had interesting results from any post-budget telephone poll that year. I won't ask you for the results, but I'm wondering if you can table with the committee a copy of the survey instrument and the questions that were asked in that poll.

Mr. Gibson: — I don't think I have the authority to do that. I don't believe I can undertake to do that.

Mr. Chairman: — Let me back up for a minute. This is an undertaking of the provincial government paid for by the taxpayers of the province. We're asking on behalf of the taxpayers to see what it is that was done. I would not go so far as to say that the taxpayers would demand, or necessarily would demand a copy of the results because the results, I suppose, would be privileged information that would go to the minister. I'm prepared to accept any arguments of that sort.

But certainly, I think the taxpayers have a right to know what activity is being carried out on their behalf. And the questions, it seems to me, is fair information for the taxpayers to ask for even if they're not provided necessarily with the results. Just to see what it is that they're spending money on. I'm wondering if you might respond to that.

Mr. Gibson: — Well I don't know that it would be appropriate for me to respond to that. What I'm talking about is something as a matter of policy where these things have not been made public in the past. The policy has not been set by me; all I'm doing is following the policy.

Mr. Chairman: — We asked the minister some questions about this in April and this is Economic Diversification and Trade Minister Grant Schmidt. He's saying that polling is simple and democratic. "Everyone agrees that we should follow the wishes of the people, therefore we have to ascertain their wishes and now we're following their wishes. Time will show we're doing exactly what they want."

The question I have is when will people find out that the questions you were asking is exactly what people wanted, or are you saying that taxpayers' money can be spent without the results or fruits of that ever coming up for public scrutiny?

Mr. Gibson: — Well I don't believe it's appropriate for me to respond to those sorts of questions. My understanding of my presence here is to give you some background and to respond to questions directly relating to things that have been pointed out by the Provincial Auditor and not to defend what the Minister of Economic Diversification

and Trade has said or to expand on his comments.

Mr. Baker: — That last little bit is totally out of order. What Grant Schmidt says is no relation to Mr. Gibson and CIC and it's absolutely totally out of order. I mean Mr. Gibson can't be responsible for what Mr. Schmidt is saying, and when you're asking him questions, it's nothing to do with this.

Mr. Lyons: — I want to maybe . . . in response to Mr. Baker I'd like to quote from Mr. Gibson's own minister in regards to accountability, his boss in regards to accountability as of November 13 of this year under a little section called expenditure scrutiny.

Mr. Anguish: — That's over a week ago though.

Mr. Lyons: — I'd like to quote just one paragraph, "Increased disclosure by government organizations is necessary for the public to hold them truly accountable." The questions that the chairman is asking in terms of public accountability are quite in order. I wonder, Mr. Chairman, if you would . . .

Mr. Baker: — You're not even in the right year. You're talking about something that's . . . (inaudible) . . .

Mr. Anguish: — So in his accountability for the future . . . (inaudible) . . .

Mr. Chairman: — I wonder if we could have order please.

Mr. Baker: — Let's get back to this and resolve it.

Mr. Chairman: — I wonder if we could have order please.

First of all we're asking questions about something that's contained in the auditor's report, we're asking questions that are in the auditor's report. As to when the specific activity took place, it says in July '87, but the auditor has chosen to report on it in this particular case because the previous year he couldn't get any answers to this. So I think it's fair and legitimate that we should be asking questions about this.

Mr. Baker: — Now you're referring to what Mr. Schmidt said this summer and this spring after the year end. You're talking about something that happened a week ago and you're talking to a head of the CIC who has absolutely nothing to do with what the minister said.

Mr. Chairman: — Mr. Schmidt was talking about this specific item and therefore I don't see the point here. I mean he was discussing this particular item which is contained in the auditor's report. I'm simply referring to you what the minister had to say about this particular item. I'm trying to get some clarification here as to what this expenditure is all about. I'm getting stonewalled here. I'm not getting any answers from the minister and now I'm not getting any answers in here. But I feel like I'm getting too much involved in a debate and I'd feel more comfortable if Mr. Hopfner took the chair and allow me to pursue these questions.

Mr. Hopfner: — I have a question, Mr. Chairman. Are we dealing with a point of order or . . . ?

Mr. Baker: — No, I said he was . . .

Mr. Chairman: — That wasn't a point of order.

Mr. Baker: — I have no problem with your questioning either. It's just that we were getting into a week ago. We're getting into something that occurred this summer and we're dealing with 1988-89 *Public Accounts* and auditor's reports.

Mr. Lyons: — That's not the point. This is in the auditor's . . .

Mr. Chairman: — I'd feel better if Mr. Hopfner took the chair at this point. If there is any question about my asking questions then I'd rather have someone else in the chair.

Mr. Hopfner: — Go ahead, ask questions.

Mr. Baker: — I'm not complaining about you asking questions, it's just that you got off the 1988-89 report.

Mr. Chairman: — No. Can I just make it perfectly clear. I'm asking questions about paragraph 7.16 and 7.17 of the auditor's report, auditor's report for the year ended March 31, 1989, in which the auditor chooses to make comments on matters which admittedly took place in the previous year but he was not able to report on in that occasion and has taken the opportunity now to report on that.

The reference I made to Mr. Schmidt — Mr. Schmidt is commenting on exactly these two paragraphs as well. Do you have a directive from the Crown Management Board saying that you can't release this?

Mr. Gibson: — No, I'm going on when the audit work was being done. I believe the auditors asked for a copy of it and the decision was or wasn't appropriate.

If it would make the committee more comfortable in going over this report, we did reconsider our position on having paid this and I acknowledged earlier on today that a point could be made with some legitimacy that this could perhaps be inappropriate for CMB to have paid for this and I have talked to the Department of Finance about it.

And if it's the committee's wish, I have made arrangements whereby CMB can be reimbursed for this from the Department of Finance for a portion or all. So if the committee feels strongly that CMB should not have paid for this then I have no difficulty in undertaking to settle up with a government department.

Mr. Chairman: — That's certainly one question and we're pleased to hear that and I think the auditor would be pleased to hear that. But there is still the question of what it is that people paid for. And again, I'm not suggesting that any information that was obtained from this survey — which is information I would think that would form the basis of confidential briefings for ministers — should necessarily be tabled.

Mr. Gibson: — Well, there's not much I . . .

Mr. Chairman: — Well, it would be confidential but again I can't see how the questions, which is basically what the people of Saskatchewan paid to ask, how the questions themselves should be withheld. Or are the questions in themselves so confidential and of such a sensitive nature that they can't even be made public? Because we have had instances of where departments have undertaken polling and we've asked for the survey instruments and also for information on when and how the poll was taken place and that information has been tabled with the committee. So when you say that you won't provide it, it's a bit of an unusual situation for us.

Mr. Gibson: — Well . . .

Mr. Hopfner: — Another point of clarification or maybe to quicken or hasten this, Mr. Chairman. Would it be possible that you maybe ask the officials to get the answers to your questions that he doesn't feel comfortable with in answering them here without maybe talking to his ministers. So maybe his ministers can give him some written answers to some of your questions so that he's not . . . we're walking a fine line here between politics and civil servants carrying out their duties as directed. And possibly if you have a question to ask that should be asked of a minister, or ask the officials if they can get that information, and let's move on to some other lines of questioning.

I've got no difficulty with the line of questioning, I'm just saying is, is that if he's not comfortable in answering them because he does not have the . . . feel he does not have that right to answer them, I don't think we should be badgering the witness here. We should be asking him then to go back to his bosses and ask them if they would like to send some information as to why they feel they do not want those answers here.

Mr. Rolfes: — Mr. Chairman, I think first of all that that's a very dangerous precedent that the member opposite is suggesting that this committee follow, that if an official is not comfortable in answering a question that he should then go back to the minister to seek permission to answer.

That's not the function of this committee. The function of this committee is for the officials to answer in a responsible fashion for the expenditures of money and has nothing to do with the minister at all. It's the officials and the department that are before this committee to answer to the people of Saskatchewan for the expenditures of money. We are not asking why the money was spent. We are simply asking you to make available to the people of Saskatchewan through this committee the instruments that were used so that the people can determine what the money was spent on. It's not asking why it was spent. We're not asking for the results of it. And we're not saying that you have to answer to this committee as why the government or CIC made the decision to spend the money. We are simply saying after the fact, you have spent this money. The people have a right to know what it was spent on.

And it'd be exactly the same thing if I ask a question in the Department of Health, if you bought some materials in a hospital and it cost \$2.7 million, and you say to me no, I

can't answer what we spent it on because I haven't got the permission of the Minister of Health to answer.

That doesn't make sense. In the political question, certainly those questions must be directed to the minister. And you yourself, sir, said this morning that you have received no directive from your minister not to release this. We've indicated to you that the past practice has been when other instruments have been used by departments to solicit information from the public that those instruments have been made available to the committee and to the opposition and to members of government committees.

It's in the interest of the people and it's their right to know what the money has been spent on. And they can't make a judgement on that unless we are given that information. So I think the chairman is well within his purview of this committee to ask those questions. And I think it's incumbent upon you, sir, to answer those questions.

Mr. Hopfner: — Mr. Chairman, in all due respect to Mr. Rolfes, he's just kind of made a real round big circle here. You know, he's contradicted himself. I think probably what you could find is that the official has answered the questions to the best of his ability, and he does not feel comfortable in giving this committee any further information because it may be confidential information that he's being asked to release here.

And all I'm saying is give him the opportunity to go back and get the answers from his minister as to whether the minister feels comfortable with that information, or the board feels comfortable that that information be released here, or if the minister should be asked those questions on the floor of the legislature, not here in this committee.

Mr. Chairman: — I found this to be a useful discussion, but again I asked Mr. Gibson — I think I asked him — whether he needed to get permission from the minister, whether the minister had said that you shouldn't answer the questions. Let me ask that again then: do you need some authority from the minister, from Mr. Hepworth, before you can answer questions or provide us the information that we're asking for?

Mr. Gibson: — To provide the information that you've asked for, I would have to have some direction from our board of directors, and again the auditor's only assertion here is that CIC do not have the statutory authority to pay for this. I've acknowledged that there may be some truth in that, and if that's the case we are just 100 per cent willing and have already made arrangements to rectify that immediately, if that's the committee's wishes.

It doesn't bother me one way or the other whether the amount stays in CMB or whether or not we reinvoice it out to another government department. So if the committee is in agreement with the Provincial Auditor's position, we can rectify that probably prior to the end of today.

Mr. Rolfes: — Mr. Chairman, on a point of order, I want some clarification here. I hear Mr. Gibson say again that . . . Is he under the misconception or am I under the misconception that we can only ask questions on what

the auditor has mentioned in his annual report, or do we have the power in this committee to ask questions on the expenditures of CIC for the year under review?

It seems to me that it's twice now you've said that, well, the auditor is saying this and well that auditor didn't mention that. Am I correct in understanding that it's within the privy of this committee to ask any questions related to CIC for the expenditures under the year 1988-89, or only those items that are mentioned by the Provincial Auditor in his annual report?

Mr. Chairman: — Well that's a very good question, Mr. Rolfes.

Mr. Rolfes: — Well I'd like to know because I've heard it twice now and if that's a problem then I think we'd better clarify that.

Mr. Chairman: — If any other members of the committee have any comments to make on Mr. Rolfes's question, I'd like to hear them at this point.

Mr. Baker: — It looks fairly straightforward. I mean really, what the auditor's saying here is that he feels that the money was not . . .

Mr. Anguish: — That's not the issue that we're talking about right now.

Mr. Baker: — Well you want to look at a survey or some dang thing. I mean, this is . . . let's get back to the point of what the \$2.7 million that you're commenting on, whether in fact we feel that the auditor is right. I know, we've established that they did a survey and I think Mr. Gibson said that he was in agreement with it and so am I, that we shouldn't be confronted with crown management corporation or CIC.

Mr. Anguish: — And he'll get the money back from Finance. How can we make a determination as a committee whether he should get that money back from Finance if we don't even know what the questions were they asked. We don't know if it's appropriate or not. Does that also mean that he's going to go and get the 2.7 million back that they spent on Coopers & Lybrand?

A Member: — Order, order.

Mr. Anguish: — There's no order; Harry and I were just having a little conversation.

A Member: — Well go outside and discuss it.

Mr. Anguish: — Okay.

Mr. Baker: — I think Mr. Gibson indicated that there was some question that maybe it should be tied someplace else. What happens if 70 per cent of it is pertaining to health care? Do you want to take it out of your Health budget?

Mr. Rolfes: — That's not the question. It's got to be determined whether or not it was an appropriate expenditure.

Mr. Baker: — Yes but by having a look at the survey.

Mr. Rolfes: — That's why you need the instrument. Look at the instrument.

Mr. Baker: — Has it ever been done before?

Mr. Rolfes: — Yes it has.

Mr. Baker: — When?

Mr. Rolfes: — It's been done time and time again in the past, where if Health or Education uses an instrument, the instrument was then supplied to the committee. But the results weren't necessarily given to the committee and I can understand that. I mean if there's something confidential in the results, they might not want to put those out for public perusal.

Mr. Chairman: — I just might give you an interim report that we're having to look at what the objectives for the Crown Corporations Committee are and how they might relate to this committee.

I want to thank Mr. Rolfes for his question.

Mr. Rolfes: — I didn't expect it to take that long.

Mr. Chairman: — As is usually the case there is no simple clear answer. There is no specific guidance for the committee in this respect. The question, we might go back to it, is whether the committee has the right to ask questions about matters in addition to what the auditor raises or can we ask questions on other aspects of agency or departmental operations which might not be reported in the auditor's report.

First of all in terms of the mandate I should point out that the committee operates on the basis of a written statement of role and responsibility which comprise a general statement of purpose which was adopted by the legislature in 1982. And it states that the committee is to examine, assess, and report on to the legislature and follow up with the administration, including the reliability and appropriateness of information in public accounts, the collection of and proper accounting for all taxes, the maintenance of expenditures, the adequacy of safeguards; also the question of the regard for economy in the acquisition of goods and services, the regard for efficiency and operations, and the effectiveness of programs in achieving their stated objectives.

These latter three are not questions that the auditor would normally be asking in the course of his review of a department. He might be asking them but he's not necessarily reporting to us on questions of economy, efficiency. So it seems to me that although the committee . . . in view of the fact that the committee has the right to ask those questions we should not suppose that the auditor will raise those questions and therefore we do follow up questions on what the auditor has brought before us.

It seems to me that we have an obligation to the Legislative Assembly, broadly speaking in the area of departments and agencies, to ask questions on those

matters even if the auditor hasn't reported them because the auditor does not have a clear mandate to ask those kinds of questions and therefore would not necessarily be reporting to us on those particular matters.

The issue becomes more confused however when you consider that this is not a line department but a Crown corporation or a Crown agency which also reports to the Crown Corporations Committee. As I understand it, Mr. Gibson, you will be before the Crown Corporations Committee later this week.

Mr. Gibson: — Yes, that's correct.

Mr. Chairman: — The question then arises, recognizing the intent of the legislature to provide for two committees of the Legislative Assembly to deal with departments and Crown agencies and to treat them somewhat differently, should it be the role of this committee to be delving into matters not particularly outlined in the auditor's report or matters that don't necessarily pertain to the financial administration, and whether those questions should in fact be put in the Crown Corporations Committee. And there's no clear direction from the Legislative Assembly on that point as to where the question should be asked.

I think though that the practice of the committee has been to ask questions of witnesses from Crown agencies. And I emphasize this to the committee, and the committee can at any time say that we don't want to delve into certain questions, we don't want to ask certain kinds of questions, and we feel that those questions are more appropriately put in a different committee. And the committee has the right to make that determination in any instance.

So if there's a feeling that I'm throwing the ball back in your court, well, I've done that in some ways. That's because there is no clear direction from the Legislative Assembly in this regard. That's something that perhaps the rules committee or some committee of the Legislative Assembly may want to take a look at at some point as to where the line is.

But again, I think you also have to remember that we have officials before the committee and therefore it's appropriate to ask officials about their administration of funds that are made available subject to the direction that they have, as opposed to a minister who appears before a Crown Corporations Committee, a minister who would be in a better position to deal with questions of policy and to explain the policy to the committee.

I would affirm, however, that in this particular case that questions of these expenditures which were payments without authority, that the questions are appropriate. The auditor has clearly raised them, and therefore it's appropriate for the committee to be asking questions about that.

But Mr. Rolfes's question of the committee went further, and all I can say to you is that if we get into a line of inquiry and if that raises problems for the committee, then the committee should debate at that point whether that line of inquiry is appropriate here or appropriate in some other setting, or whether the types of questions that are

raised in that inquiry might better be raised somewhere else, even if some questions are appropriate to be asked here.

And again I thank you for your question, Mr. Rolfes. I'm not sure where we were at before you asked your question.

Mr. Rolfes: — I don't either. It took so long that, had I known, I would never have asked the question.

Mr. Chairman: — These things are always as clear as mud, Mr. Rolfes.

Mr. Hopfner: — You did it very eloquently, I must add, you know.

Mr. Chairman: — After a lot of study and practice.

Mr. Baker: — Resolved that this should be done with Mr. Gibson approaching treasury board and looking at in fact where the funds should come from, whether 40 per cent of them should come from CIC or whether there's 60 per cent. And I think that should be resolved and I think it should be resolved with treasury board and cabinet.

And if they were not a proper appropriation of funds and didn't have the authority to do so, then it should be resolved. But I don't think that we can resolve it in this committee, but we can make a recommendation that they take that route. We don't have the power to write the cheque.

And as far as I'm concerned, both sides of the coin are taxpayers' dollars. And I do know that if it's going to come out of departments, and if it happens to be Health, Education, Social Services, or whatever it may be — and we don't know — but I do know that it's going to have to come out of those departments.

So I mean we haven't really accomplished a lot excepting we must, as a government, have proper authority to spend funds. So I don't have any problem with trying to reach a resolve that way at all, and I think it should be dealt with.

Mr. Chairman: — But again, my question is that I'm asking for information which has been asked for of other officials from other departments that have come before this committee at previous times. That information has been provided for this committee. That is to say information concerning polls undertaken by those departments where they have provided us with some of the questions that they have asked and some of the details as to how the survey or the poll was administered. But Mr. Gibson is saying in this particular instance that he cannot provide this information.

Now I want to get it clear why the information can't be provided. Is it because the minister is saying that the questions are of such a sensitive and confidential nature that public accountability will not be well served by providing this information, or is there some other reason why this information cannot be made public. And that's my question to you, Mr. Gibson.

Mr. Gibson: — In reviewing past precedents within CMB

it has been our practice not to disclose internal studies. So while I was not aware that other departments routinely did that, it has not been CMB's practice. If it's your wish that we reconsider that policy, I'll be glad to do that. But at the present time that is not our policy. And without discussing that with a number of people, I'm not at liberty to change the policy today.

Mr. Chairman: — I sense we're going nowhere very quickly in this matter. We've been asking the same question in various ways for some time.

Mr. Britton: — And he's answered it; he's told you he can't answer it, so why do you keep badgering him?

Mr. Chairman: — Well the reason I keep asking the question is that this person has a responsibility to administer money on behalf of the taxpayers and we're here to hold these people accountable. And it seems to me that it's appropriate to ask him questions and for them to provide information.

Mr. Britton: — Mr. Chairman, you asked the question. He has answered it, as far as I can see, to the extent that he can. I think some of the problem we're having is probably a professional difference of opinion between the auditor and the accounting people in his department. Now he has offered to go back and reconsider that policy, but he has to go to the board of directors to do that. So I think we have got to the point where Mr. Gibson can't go any further on his own authority is what he's trying to tell you.

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

Mr. Rolfes: — Mr. Chairman, I want some clarification from Mr. Gibson. Members opposite are saying that there's a difference of opinion between yourself and the auditor in the expenditure of the funds. I recall in last year's, in the '87-88, review of your department, I think — I want to paraphrase — I think what you said, and if I'm wrong in my paraphrasing, would you please correct me, but I believe you said at that time that you really only had authority for about 5 per cent of the expenditures of the 2.7, only 5 per cent of all the questions that were asked pertain to CIC. The rest pertain to different departments of government. Is that correct?

Mr. Gibson: — I did use the 5 per cent number but I think it turned out it was 5,000.

Mr. Rolfes: — You mean \$5,000.

Mr. Gibson: — Yes. But I did refer to 5 per cent, but it was supposed to be . . .

Mr. Rolfes: — So it's even less than 5 per cent.

Mr. Gibson: — That's right.

Mr. Rolfes: — Okay, so virtually, I am then correct in saying that virtually there was almost nil, almost nothing in the questionnaire pertaining to CIC. Is that correct?

If it's 5,000 out of \$2.7 million, am I correct then in saying that virtually nothing pertained to CIC?

Mr. Gibson: — That's correct.

Mr. Rolfes: — Okay. So there is no difference of opinion between the legality of CIC in authorizing this expenditure from your perspective and from what the Provincial Auditor has indicated in his report. Is that correct?

Mr. Gibson: — Are we talking about the Decima or the Coopers & Lybrand one?

Mr. Rolfes: — Coopers & Lybrand.

Mr. Gibson: — Sorry, would you ask me that again then. I'm still thinking Decima.

Mr. Rolfes: — Now I better go back. That \$5,000 . . .

Mr. Gibson: — That's clearly Coopers & Lybrand.

Mr. Rolfes: — Okay that's what I meant.

Mr. Gibson: — I didn't know if that was an isolated question.

Mr. Rolfes: — No. In regards to Coopers & Lybrand, in the auditor's report he simply indicated that you didn't have the legal authority to expend that money because it didn't basically . . . the study didn't pertain to CIC. You have no disagreement with the auditor on that, do you?

Mr. Gibson: — At this point in time, no.

Mr. Rolfes: — Well that's the clarification I want to make. And members opposite are simply saying, well all right now let us then divvy up the \$2.7 million as it pertains to the various departments. How are we going to determine which department pays what per cent unless we have access to the instrument? There's no way that we can determine whether 60 per cent pertains to Department of Health, 30 per cent to the Department of Social Services, 10 per cent to the Department of Education. There's no way to determine that. And that is not the issue; that is not the issue. It's been determined that you didn't have the legal right to do it.

The issue is, was the money expended for the benefit of the public by CIC? I mean the money that was spent by CIC, was that in the best interest of the public? This committee can't determine that unless we have the instrument, and the public can't determine that unless we have the instrument that was used to see whether or not that money was spent with the interest of the public in mind.

And that's why we're asking for the instrument, so that the committee then can look at it, examine it, and report back to the legislature whether or not it was in the best interest of the public, the expenditures of \$2.7 million. That I believe is what we are after. And what could possibly prevent CIC from making that available to the committee at this particular time?

Mr. Hopfner: — Well we could probably debate this all day, Mr. Chairman, in answer to Mr. Rolfes and what he is asking.

Mr. Rolfes: — No, I was asking Mr. Gibson.

Mr. Hopfner: — He's suggesting to Mr. Gibson that Mr. Gibson allow this committee to make the administrative decision as to how it should be divvied up. Well that's what you said. And that's basically our stand here is that those decisions that he has really stated here have to be made at the administrative level, and where it's divided. I guess we will decide later on whether or not that was the right thing by asking department officials whether they had accepted that expenditure or they had a problem with it, or whether the auditor had a problem with it down the road.

I think we've come a long way now where if there are more questions to be asked regarding that particular issue, that those more could pertain to the administration in Crown corporations on Thursday.

Mr. Chairman: — Just on that then, I feel somewhat frustrated in being denied information which other departments have provided to this committee. And I recognize your comment about perhaps questions should be asked in the Crown Corporations Committee. And therefore I'm wondering whether it would be appropriate for me as chairman of this committee to write to the chairman of the Crown Corporations Committee, recognizing that Mr. Gibson and his minister will in fact be appearing there, to simply provide for the chairman of the Crown Corporations Committee's information the fact that we asked these questions but were unable to obtain the answers.

Mr. Hopfner: — Well I'm sure your people can carry that message into the Crown corporations.

Mr. Chairman: — No, I'm saying that as chairman of the committee. Does the committee recognize that the . . .

Mr. Hopfner: — No, I believe that it is the responsibility of any member of this legislature to take those questions to Crown corporations if they so desire. I don't believe for a moment that there's anything that is hidden. I mean the officials recognize that if it's the desire of the auditor and the agreement between both, that it be divvied up through the proper departments, that's the way it's going to be.

I mean like any other way in the decision of how it's going to be divvied up, well that's going to be an administrative decision, and we will be asking the departments of that when it gets divided.

Mr. Anguish: — How do we know it has to be a government department paper? Maybe it has to be the PC Canada fund to pay for the survey. How would we know that unless we actually see the questions?

Mr. Hopfner: — Mr. Anguish, that's just really where you're always in the gutter on this and on anything. And if you'd get your head out of the gutter, you'd let the committee work.

Mr. Chairman: — I wonder if we might move on here at this point. There's a further difference of opinion that the

auditor raises on page 17 regarding the \$63 million reported as income. And there's a question here of professional opinion as to whether or not it is appropriate to accrue the \$63 million in income. The auditor states: "I would have preferred that income earned on the debenture in '87 be recorded in the year cash was received (1988) rather than on the accrual basis."

Is this one of these irreconcilable auditing conflicts? Or do you have anything to say on this matter? Mr. Gibson, do you have anything to say on this so we can report to the Legislative Assembly how we . . .

Mr. Gibson: — Maybe I can make it a little clearer for you. If you want, I'll take a stab at that.

Mr. Chairman: — Okay.

Mr. Gibson: — The sequence of events is management prepared the financial statements including this \$63 million as income. Our auditors for Meadow Lake Sawmill were Peat Marwick Mitchell, at the time I think was their name. And they came in and performed their audit and issued the financial statements with what's known as a clean, unqualified audit report. Subsequent to them having issued those statements, somebody from their Toronto head office in their — I don't know if they call it quality control, but that'll give you the picture — their quality control department reviewed the financial statements and had a problem with what the Regina office had done. The statements were subsequently withdrawn on the instructions of Peat Marwick's Toronto office and they issued a qualified opinion.

Our auditors, who at the time were called Clarkson Gordon, currently Ernst & Young, do the audit of Crown Management Board on a consolidated basis. As such they include in the consolidated statements, the financial statements of the various subsidiary companies of Crown Management Board, of which Meadow Lake Sawmill was one. They reviewed the circumstances behind this issue and concluded in their minds that either management's original treatment of the \$63 million was appropriate or it was immaterial or whatever. But what they in effect did was their own audit work to satisfy themselves that the way management had recorded it did not cause them any problems.

So the bottom line is I think there's a professional difference of opinion between the two auditing firms as to what the most appropriate treatment is, and it's probably something that could be argued at great lengths without any resolution. I think Peat Marwick recognizes Clarkson Gordon have a position, and Clarkson recognized Peat Marwick have a decision, but they just don't happen to agree.

The Provincial Auditor in this report is acknowledging that difference and I guess is saying that if he had his druthers, he would prefer the Peat Marwick treatment. I don't want to put words in their mouth, but they aren't going so far as to say that they have a big problem with the Clarkson Gordon opinion. So that would be my layman's language description of it, the best I can. But they can feel free to comment if they'd like to disagree.

Mr. Chairman: — Mr. Strelieff, any comments on this?

Mr. Strelieff: — Mr. Chairman, Mr. Gibson is correct in his explanation of the situation. We had two different audit opinions and therefore had to examine the situation. We looked at it and, in our view, the recognition of the 63 was a little premature because of the uncertainty of the income. And subsequently it was proven that 53 was actually received, and that's where it stands.

Mr. Chairman: — Do you have any suggestions as to how future matters like this might be dealt with? Or are there any guide-lines that . . .

Mr. Strelieff: — Mr. Chairman, this is an important issue for my office, and it's one that my office will be studying over the next several weeks and there the issue is the relationships with the appointed auditors. When there is different auditors doing work of the same nature, there is a risk of differing opinions and it does cause confusion to all. And it would be a matter that we'll be looking into.

Mr. Chairman: — Okay. I appreciate that. I'm sure Mr. Gibson does too.

Turning on to page 18, again, there seems to be a difference of opinion concerning the consolidated statements of CIC. Mr. Gibson do you have comment? Mr. Strelieff, any comments?

Mr. Gibson: — Well the previous issue was . . . that was a complex accounting issue; this is an extremely complex accounting issue.

Mr. Chairman: — We love those things. Carry on. We just got warmed up yesterday so . . .

Mr. Gibson: — Well if you want, I've got a little briefing note that we prepared some time ago. If you like, I could read it into the record.

Mr. Chairman: — Yes, let's do that.

Mr. Gibson: — It will at least partially deal with the issue, if not totally.

The Provincial Auditor is of the opinion that generally accepted accounting principles (GAAP — as it's referred there) preclude from consolidation the financial results of companies which are not owned through share capital. However, both CIC Management and our auditors (Ernst & Young) are of the belief that even though the designated Crown corporations and CIC's group do not have share capital and CIC's investment is in the form of equity advances, that consolidation of CIC and its Crowns is appropriate.

The rationale behind this is that as long as the criteria for consolidation other than share ownership exists, consolidation is appropriate. These criteria include:

1) control by CIC over the assets of the group

together with an ability to interchange resources within the consolidated group, and

2) the reasonable expectation that earnings of the group will accrue to the parent (in this case, CIC).

It might also be noted that while the CICA Handbook recommendations are limited to a requirement that subsidiaries (with certain exceptions) be consolidated, they do not preclude the possibility of consolidation of entities which do not meet the definition of a subsidiary.

In order to determine whether CIC, together with the designated Crown corporations, constitute a single economic entity which would require the presentation of consolidated financial statements, we have considered CIC's exercise of the powers granted to it under Part II of the Crown Corporations Act. We believe that in recent years CIC has acted so as to provide overall direction and control over the designated Crown corporations, and we note that it has played an active role in planning and executing plans such as the privatization of Saskoil, and the merger of Eldorado Nuclear Limited with Saskatchewan Mining Development Corporation. We also believe that the Government of Saskatchewan looks to CIC to provide governance and to exercise authority over the designated Crown corporations.

Further, our auditors (Ernst & Young) have obtained legal advice concerning the powers of CIC granted under the Crown Corporations Act in the light of other relevant legislation. In summary, these opinions conclude:

1. ". . . that CIC has substantial powers of control and direction in respect of the Part II Crown corporations and, in particular, that it has the power to require that such Crown corporations pay to CIC funds which they are using in or which have been derived from their operations."
2. "(and I further quote) . . . that the boards of the individual Part II Corporations must operate within directions provided to them by CIC within the powers of Section 24 of the Crown Corporations Act. This does not derogate from the continuing responsibilities of the boards of the individuals corporations pursuant to their respective statutes. However, it does highlight the fact that the board responsibilities stated in the individual statutes cannot be read in isolation, but rather must be interpreted within the entire statutory context."

And so that's sort of a formal position statement on the thing. It is an extremely complex thing. It's something that has been a point of discussion between CMB and the Provincial Auditor and the external auditors for a number of years and there's been . . . we've consulted some pretty significant authorities on the issue. And it's something

that just a tremendous amount of effort has gone into to try to come to a resolution which . . . Well I guess from our perspective it is resolved because Ernst & Young do agree that consolidating CMB is appropriate.

It's something that perhaps with Mr. Strelieff now here we can reopen and discuss again in the future. But as I say, it's been a problem that's existed for five years that I know of and there's been, as I say, a considerable effort to try to resolve and that hasn't happened yet. But we're certainly prepared to sit down with the Provincial Auditor's folks and our auditors to continue the dialogue.

Mr. Chairman: — I appreciate that. Mr. Strelieff, any comments?

Mr. Strelieff: — Okay, Mr. Chairman, this is a complex issue that I've been struggling to get my mind around in my initial weeks here. And from an outsider not that familiar with all the issues, it does seem to revolve around what is CIC responsible for. And that usually ends up relating to what does it control. And that is a hard issue to sometimes resolve when there is so much legislation surrounding each of the corporations. And I certainly welcome the opportunity to discuss this issue with Mr. Gibson in the future because it is an important issue in terms of the reporting to the Legislative Assembly.

Mr. Chairman: — What the Legislative Assembly know in our report, that this is a complex accounting question, that discussions on this matter will continue. I might add that there's no danger of this becoming a hot political issue any time real soon. I wonder if at this point whether we might take a break for 10 minutes or so and then reconvene at about 10:35.

The committee recessed briefly.

Mr. Lyons: — Thank you, Mr. Chairman. Directing my question to Mr. Gibson in regards to the . . . I wonder if you would provide some explanation into the financing of the Crown investments corporation. Some puzzlement I have in relation to the CMB annual report and the *Public Accounts*, volume 1, page . . . I wonder, Mr. Gibson, do you have a copy of the annual report with you?

Mr. Gibson: — I've got an annual report, yes.

Mr. Lyons: — I wonder if we could provide Mr. Gibson with the . . .

Mr. Chairman: — Yes. I think we have some extra copies here.

Mr. Lyons: — Okay. The page number is number . . .

Mr. Gibson: — Excuse me. This is '87-88. I think you're on a different year.

Mr. Lyons: — Yes, '88-89.

Mr. Chairman: — Sometimes it doesn't make any difference in this committee. I just might say it did happen that we spent a not inconsiderable period of time questioning a witness about matters in the auditor's report and we had a long and fruitful discussion, and only after

the fact did we ascertain that in fact we had been discussing different years.

Mr. Lyons: — On page 16 of the *Public Accounts*, volume 1, under loans to crown entities. Crown investments corporation, 1,578.890 million; we see that figure here. When I look at the annual report on page 14 and 15, the consolidated statement of financial position on page 15 under liabilities and provinces equity, I can't find a number which is equivalent to the \$1.5 billion. I wonder if you'd explain the . . . if you could provide us with that information, where the 1.5 billion . . . how those are reconciled?

Mr. Gibson: — Well, the major reason would be the CMB annual report consolidated, page 14 and 15. That's as of December 31, 1989. The blue book, *Public Accounts*, is as of March 31, 1989. So these numbers change on a daily basis, so there's no reason why they would be the same because of the differing time periods.

Mr. Lyons: — A note that the long-term debt, under note 7, decreased between '88 and '89 by roughly \$80 million or thereabouts, 4.15 billion to . . . from 4.27 billion to \$4.15 billion. Yet in the *Public Accounts* the amount advanced to the Crown investments corporation from the combined funds from '88 increased from 1.129 billion to \$1.50 billion. What was that roughly \$400 million increase for?

Mr. Gibson: — Well, as I say, you're talking different periods of time. The blue book is nine months prior to the annual report. And also that particular number that you're looking at in the *Public Accounts* book is . . . you'll see CMB or CIC, other references to it. There's no one number. Even if we were measuring the same time frame or the same time period there'd be no one number in the *Public Accounts* that would tie into the CMB statements. You'd have to do some adding up of numbers in different spots. There's a reasonably significant reconciliation that goes into what's in these versus what's in these. But again, the big contributor is *Public Accounts* is nine months prior to the CMB annual report.

Mr. Kraus: — I might be able to add a little light here. And again, I'm not involved in the financing transactions like Bill Jones is. But just to clarify the *Public Accounts*, and you're right, the different year ends, it's just difficult to compare their numbers to ours because of the nine months' difference or three months, depending on how you look at it. But the Sask Mining Development Corporation's ending balance was 364 at the end of '88 and dropped down to zero, and I suspect that's part of the difference. A good part of that \$378 million difference is the 364, the realignment where the investment is with you rather than Sask Mining.

Mr. Wright: — And there were some additional long-term debt proceeds that were received during the year for various financing activities of the corporation.

Mr. Lyons: — But let's just take then the *Public Accounts* number. The difference between the March 31, 1988 — March 31, 1989 — there was an increase in borrowing, if you like, or increase in the advances to CIC from the combined funds. I wonder if you would just give us a brief

outline of what those funds were used for.

Mr. Gibson: — I cannot answer that specifically because I don't have that information. I would have to go back and look at what the transactions were from March 31, 1988 up to 1989. But again, I guess this will probably touch on the discussion that you had earlier on in the meeting that these sorts of things don't deal with the Provincial Auditor's report and therefore we haven't prepared to respond to those things. We don't have that information with us.

Mr. Lyons: — Well it's not just a question of, Mr. Chairman, it's not just a question of the Provincial Auditor's report, it's a question of *Public Accounts* that we're dealing with here, Mr. Gibson. And the combined funds of the province gave to you another \$400 million or thereabouts. I'm asking for an accountability of that money.

Mr. Gibson: — Well we would have to go through and look at the numbers at that period of time. That was some time ago in the past and I don't recall the reconciliation, although there probably is one at some point in time somewhere. The Department of Finance I'm sure would have that since the public account numbers are generated by them.

Mr. Lyons: — Well I find that, Mr. Chairman, I find that surprising. Perhaps we're dealing with here with a situation where there's been a significant increase according to *Public Accounts* of the loans made to CIC by the province, and we haven't got an accounting of it. I just don't accept that, Mr. Gibson.

Mr. Gibson: — Mr. Kraus has already given what I would consider to be a credible guess at what the big difference is, and that's the \$364 million on SMDC (Saskatchewan Mining Development Corporation) and if you add the 364 for SMDC on to the billion one, you're up to pretty close to a billion five. So those two added together would mean there's a \$7 million increase. But I can't get any closer than that today.

Mr. Lyons: — Let's maybe approach this in another way then. On page 20 and 21 of the CMB annual report, we see under item 3, long-term investments. Since you had mentioned SMDC, I presume what you're talking about there is the consolidation of SMDC with Cameco and the increase or the . . . maybe I'll go back a step.

When you refer to the 300-plus million from SMDC increasing the long-term debt load of CIC, I wonder if you would explain what that debt shifted to or from part of the equity in the Cameco agreement?

Mr. Gibson: — When Cameco was formed it was a combination of SMDC and Eldorado being put together and there was an exchange. We exchange the debt of SMDC for equity advances. That's why I think that 364 is part of that difference.

See the difference between the '88 and '89 numbers for Cameco in the annual report is just an equity, the fact that we are equity accounting for the Cameco investment, and that's our proportionate share of the earnings primarily.

It's not related to any sort of a debt transaction.

Mr. Lyons: — Now you exchanged the SMDC, the province's holdings of SMDC, for equity advances, I think were the terms you used. I wonder if you'd explain to the committee what do you mean by those equity advances.

Mr. Gibson: — Well as I said earlier, the Crown corporations don't have share capital. And in lieu of share capital, our financial investment in the Crowns, we label that to the equity advances.

Mr. Lyons: — Right. And those equity advances are basically long-term loans with no interest rate attached. Is that what we're talking about?

Mr. Gibson: — That's correct.

Mr. Lyons: — Okay, so basically Cameco . . . the investment and the equity that was built up in SMDC was transferred to Cameco on the basis of a long-term loan with no interest-bearing provisions.

Mr. Gibson: — Yes. I wouldn't use exactly your words but I think you're probably on the right track.

Mr. Lyons: — Yes, I mean I'm not an accountant but I'm saying that that's basically . . . took our ownership share, plopped it over there. Okay, now I can understand that with Cameco. I don't, I'm afraid, understand the relationship with an entity like NewGrade Energy corporation. I want to refer to note (c), or section (c) of note number 3, long-term investments.

Mr. Gibson: — Mr. Lyons, I'd like to make a comment. When you start on this line of questioning, I have no problem with trying to clarify things for you but we all have our understanding what these various committees do. And as has been noted earlier, we're going to be at Crown Corporations on Thursday. And it's certainly been the custom since I've been around here that the questions like this are dealt at Crown corporations.

So I don't have trouble answering the questions the way you started to ask them but I'm getting increasingly more uncomfortable dealing with the specifics of our annual report because that has always been handled at Crown corps, as far as I'm aware.

Mr. Lyons: — Well, Mr. Chairman, in response, I'm attempting to reconcile in my own mind the statements in the public accounts with the annual report, and because of its financial implications for the province and for the public accounts. I mean, these are all items which are all raised in the public accounts, the financing of CIC and its operation. I would submit that it's within the purview of the committee to be able to seek responses in regards to the operations at CIC as it relates to the financial accountability to the province. And that line of questioning is definitely in order here. I'm expecting a response from the Chair.

Mr. Chairman: — I think that if there is reference in the public accounts to — was it to NewGrade? — then you know, it's fair to ask the questions. If you think that the questions get into areas of policy that are better answered

in Crown Corporations Committee or by the minister elsewhere, then you know, do you have the right to say that?

Mr. Gibson: — Well I think it goes back to . . .

Mr. Chairman: — There is, there is . . . you know I'm looking now. There NewGrade is specifically referred to and I think it's fair to ask for explanation of some of these figures. I think you and Mr. Lyons were just doing that with respect to some other items and that's . . .

Mr. Gibson: — Well as I say I don't mind helping them if I can but it goes back to Mr. Rolfes's question earlier on today on what these various committees do. And my understanding and my experience has been that the *Public Accounts* deals with items that are brought up in the Provincial Auditor's report. All other aspects are dealt with in Crown corporations and all our notes and our back-up in order to respond to the kind of question that Mr. Lyons is pursuing now we'll have with us on Thursday when we're at Crown corporations when we are dealing with a specific annual report.

So it's . . . we have two problems. Number one, I don't have the information probably to resolve his specific questions with us because we won't have it till Thursday. And secondly, my understanding and my experiences in the past have indicated that this will be dealt with at Crown Corporations Committee rather than Public Accounts.

Mr. Chairman: — Again I would just say that I didn't hear Mr. Lyons asking for any explanation of policy. He's asking some questions about items that are contained in the *Public Accounts* and is trying to get a further understanding of that. And that's fair grist for the mill in this committee.

Again if you feel that he's getting into areas of policy that you think that the minister needs to answer as opposed to yourself then you're certainly in a position to say that but I think that until such a time such a question arises you should answer the questions put to him. And again I point out that this is a matter that's referred to in the *Public Accounts* and those public accounts are referred to this committee by the Legislative Assembly.

Mr. Lyons: — Mr. Chairman, I don't intend to ask Mr. Gibson on questions of policy whether it was understanding his position. But I do think that it's important for the committee to understand the disbursement of the funds that were given to CIC in relation to all the activities of CIC. And there's no other option but to refer to both the Crown Management Board annual report as well as the *Public Accounts*. So that's why I'm referring to section C in regards to the NewGrade upgrader — NewGrade Energy. I guess my first question along that line is how much money has CIC invested in total in NewGrade Energy?

Mr. Gibson: — As of December 31, '89? \$175.9 million. It's the last line in the second paragraph.

Mr. Lyons: — Now that is broken down into common shares? Voting on participating shares 100 per cent to the

non-voting participating shares and 100 per cent to the outstanding subordinated debentures of NewGrade Energy?

Mr. Gibson: — That's correct.

Mr. Lyons: — Okay. I wonder if you could tell us on what basis, or what is the relationship in terms of CIC and its 50 per cent of the outstanding voting non-participating shares? By non-participating shares I presume you're saying that no dividends will accrue to the province. Is that correct?

Mr. Gibson: — That's correct.

Mr. Lyons: — One hundred per cent of the non-voting participating shares. I presume by that you mean that the province owns all shares which will produce dividends.

Mr. Gibson: — Yes.

Mr. Lyons: — Would you explain to the committee what are the subordinated debentures?

Mr. Gibson: — Our total investment, and I'm going to have to give you approximate numbers because we don't have all the information here, but approximately \$85 million is in equity and the balance would be in these debentures that you referred to. The funds were basically used to construct the upgrader.

Mr. Lyons: — What is the return on the debentures?

Mr. Gibson: — Oh it's a very low rate. Prime plus two.

Mr. Lyons: — And when is the maturity date of those debentures?

Mr. Gibson: — We haven't got that information with us. I guess it's probably in the early 2000's.

Mr. Lyons: — Okay now, the equity position, 85 million roughly that the province presently has in NewGrade, that represents 100 per cent ownership of the non-voting participating shares?

Mr. Gibson: — That's correct. Yes. I'm speaking a little imprecisely here, but essentially that's correct.

Mr. Lyons: — I wonder if you'd be very precise.

Mr. Gibson: — Well the 85 million is not a precise number. The majority, if you want to stick with that \$85 million number that I gave you as an approximation, over 95 per cent of that is in the participating shares. I don't know if that's close enough for your purposes but . . .

Mr. Lyons: — Where's the other . . . (inaudible) . . .

Mr. Gibson: — Well the rest are in the non-participating shares.

Mr. Lyons: — So the non-participating shares, there's an equity position on the non-participating share?

Mr. Gibson: — Yes. In the first paragraph we own 50 per

cent of the non-participating share and 100 per cent of the participating shares. As I said earlier, that total for those two together is in the neighbourhood of \$85 million, and the bulk of that \$85 million is in the participating shares and a very small portion of it is in the non-participating.

Mr. Lyons: — Okay. During the year under review did the ownership of the non-participating shares . . . or the non-voting, participating shares yield any revenue to Crown investments corporation?

Mr. Gibson: — No.

Mr. Lyons: — None at all? So there would not, under the *Public Accounts*, be any return on that investment?

I'm sorry. I was just saying that there no return on the investment, wouldn't be reflected anywhere in the *Public Accounts*.

Mr. Gibson: — No. It would all go through CMB. The start-up was during 1989 so none was ever anticipated.

Mr. Lyons: — I notice there's a note on the third paragraph down. "CIC has pledged all of the securities purchased from NewGrade as collateral security for NewGrade's loans." I wonder if you'd explain where that has been pledged and under what terms and conditions that security's been pledged.

Mr. Gibson: — Well the legal agreements behind the financing and the financial structure of NewGrade are a couple of feet thick, so my answer will not be very precise. But the essence of it is that Saskatchewan and the federal government together have guaranteed the debt of NewGrade, and it's common when there's a guarantee involved on a debt instrument that the shares are pledged in security. The net effect of that would be that in the case of a default the lender would have as his security against the default and he would have the shares themselves as well as the guarantee, and they can pick which one, if not both, they would like to pursue in order to remedy the default. As I say, that's a four-line answer on several inches.

Mr. Lyons: — But to whom are those securities pledged? Are they pledged to the provincial government?

Mr. Gibson: — No, no, they're pledged to the other people . . . the upgrader costs \$700 million and we're talking about 20 per cent of that here. So the rest of the money was borrowed from outside sources. And so they are pledged to the people that provided those funds from external sources. And as I say it's quite common that that's the way things like that work.

Mr. Chairman: — Guaranteed by the Crown investments corporation or the Government of Saskatchewan?

Mr. Gibson: — They're guaranteed by the governments themselves, the federal government and the province.

Mr. Chairman: — You are administering the province's commitment in this regard.

Mr. Gibson: — That's correct.

Mr. Chairman: — I wonder if I could just at this point . . . I have something that's puzzled me for a long time and that is the exact value of the project, or what it might have been in December of '89?

Mr. Gibson: — You're dancing around some very technical questions here. The value of the project . . . Well at December '89 the project was complete. The construction completion happened within a year of that date. With a project of this nature it's, again, traditional and normal that you don't consider the project complete until it is operating. I guess my view . . . or my answer to your question would be that until the construction is totally complete, it has gone through a start-up phase and a debugging phase, the project is still, from a conversational point of view rather than a legal or an accounting point of view, it is still under construction.

And always when you are building something, until construction is complete it is very difficult, if not impossible, to place a value on it. Ultimately, you value assets such as this based on the revenue generating power that they do have. And until they're completed in a construction sense and as well as an operating sense, you don't have that revenue base with which to come up with a value.

So from an accounting perspective auditors have a problem if they do not believe the investment can be recovered through the financial results of the project. So the inherent assumption in this annual report is that the investments are worth what we've got them stated at.

Mr. Chairman: — I'll give you an example. Like earlier this year you've made a statement in referring to some additional money that was provided to NewGrade Energy for some bridge financing because of cash flow. You said that when you're a \$700 million project, and that was referring to NewGrade, but I keep looking at the figures here and you've got \$360 million guaranteed by the province.

Mr. Gibson: — 325 million.

Mr. Chairman: — 325 million?

Mr. Gibson: — Well, I'm sorry, I'm just looking at the *Public Accounts* books. At March '89 it was 325.

Mr. Chairman: — You didn't go as high as 360 million?

Mr. Gibson: — Well we may have. No, we've never gotten up that high.

Mr. Chairman: — So it was 325 million?

Mr. Gibson: — That's right.

Mr. Chairman: — And the province guaranteed how much? . . . or the federal government?

Mr. Gibson: — Again I haven't got those numbers here, of the debt. There's some decimals which I'll leave off, but the federal government's guaranteed 43-point-something per cent and we've guaranteed 56-point-something.

Mr. Chairman: — You guaranteed 325 million, right? Or the province did.

Mr. Gibson: — The debt on this thing, again, round numbers is \$600 million. We've guaranteed 57 per cent of that.

Mr. Chairman: — Okay. Again, you used the figure 325 million. I understood like initially the province guaranteed loans or debt of up to \$275 million, so that's . . .

Mr. Gibson: — Well it depends what point in time you're talking about, because again during the construction periods the loans are increasing. So they can vary over time as the loans are drawn down. Our annual report indicates the \$360 million number, and that's the maximum that the province is guaranteed up to. But it hasn't achieved that to this point in time.

Mr. Chairman: — But as of the end of that year, you say it was about 325 million?

Mr. Gibson: — Well it was 325 at the end of March 1989. And there may have been some increases from March to December but, you know, it's the magnitude. It was 325 in March; it wasn't 360 at the end of December. So it was somewhere in between. We haven't exceeded that maximum at that time or to date.

Mr. Chairman: — I guess what I'm getting at is that we're talking about something here that depending on the figures you use, is \$700 million or \$900 million. And I'm just trying to get a clarification as to what it was. On December 31 of '89 my figure suggests that you had \$360 million, or the province had \$360 million committed in loans, guaranteed in loans; the federal government had 275 million, for a total of 635 million.

You had equity as of the end of December '89, of a further 175.9 million. That's a total of \$810 million. And there's been further funds advanced since that time to bring it up to closer to 900 million. But I'm just speaking of 1989. I'm curious as to why you would make a statement in September of this year, just a couple of months ago, that this is in fact a \$700 million project.

This is a very confusing thing for the taxpayers of the province to understand exactly how much money is involved here.

Mr. Gibson: — Well I don't have the numbers written down in front of me that you're talking about. The project isn't a \$900 million project. It started off as a \$700 million project which was funded 20 per cent by equity, and that's the \$158 million that we refer to in our annual report, and 80 per cent by debt.

And I think if you take the 80 per cent debt number, if you take our percentage, the 57 per cent of that number, you'll get to the \$360 million number. As you are aware, the project has had a difficult start up and we have had to put some additional funds into the project since the start up. So it depends what period of time you're talking about

Mr. Chairman: — We're talking about . . .

Mr. Gibson: — . . . as to what value because the value has been changing. As some of these debt numbers change on a daily basis, the investment also changes on a daily basis.

Mr. Chairman: — Again, we're talking about December 31, 1989.

Mr. Gibson: — Right.

Mr. Chairman: — It says in your report that you guaranteed indebtedness to a maximum of \$360 million. Now was it 360, or at that point was it 325?

Mr. Gibson: — Closer to 325 than it was 360.

Mr. Chairman: — Okay, 325. We also know from the initial announcements that the federal government was going to guarantee indebtedness to NewGrade as well. My understanding was \$275 million — is that correct? Would it have been that much at that point in time?

Mr. Gibson: — What was the number you said?

Mr. Chairman: — 275 million.

Mr. Gibson: — Yes, that's right.

Mr. Chairman: — You add those two together that's \$600 million.

Mr. Gibson: — Okay, and again . . . that \$360 million is our 57 per cent. Okay? So if you say 360 million is 57 per cent, and you go through the math — I'm just going through it now — that means 100 per cent is \$631 million. So if you take \$631 million, multiply that by 57 percent, which is our share, you get to the 360. If you take that \$631 million and multiply it by the federal government's share, which is 43 per cent, you come up with \$271 million. So you're talking about the maximum guarantees that the government sponsors have agreed to put on this project.

Mr. Chairman: — But you're on the hook . . .

Mr. Gibson: — As of December 31, '89 and as of . . . we did not get up to those maximums.

Mr. Chairman: — But you're closer to 600 million then. You and the federal government are on the hook for 600 million.

Mr. Gibson: — Well, if we say that we were . . . if you stick with that \$325 million number, then again it was probably more than that, but if you say that's the number, then you're talking 570 million in debt, of which we were on the hook for the 325 million and the feds were on the hook for the difference, which would be 570 minus 325. And again these are rough approximations. That would put them out for 245.

Mr. Chairman: — So at that point, at the end of December, you were out . . . you were both indebted or

you had guaranteed indebtedness of NewGrade of 570 million, but your report states that you had made investments in NewGrade of 175 million . . . 175.9 million. Adding that up I get \$745 million.

Mr. Gibson: — That's right.

Mr. Chairman: — Well why would you, a year later, or less than a year later, after even more money had been advanced to the project, why would you refer to it as a \$700 million project? I don't understand this.

Mr. Gibson: — I don't know what context that quote you're reading was taken out of, but it's . . . that's the . . . it's an approximation. The actual dollars, I think, are pretty clearly laid out in our 1989 annual report and they'll be pretty clearly laid out in our 1990 annual report.

Mr. Chairman: — It's also a question of what's to be laid out to the public, I think. You know that's important . . .

Mr. Gibson: — Well, our official reporting to the public is through our annual report.

Mr. Chairman: — But it seems to me that a public statement should sort of correspond to what's in your annual report, and if your annual reports say 745.9 million, you know, what's \$45.9 million here or there? But it is more than the \$700 million project. At that point that you were speaking, it was probably closer to 800 or \$900 million.

Mr. Gibson: — Well you can get technical in this discussion. The capital investment in that project was still in the neighbourhood of \$700 million. The funds that have been put in subsequent to this time period that we're talking about have been of a working capital nature . . . (inaudible interjection) . . . Well at this point in time it would be about \$20 million roughly at the end of December. I wasn't talking in a technical sense, I guess.

Mr. Lyons: — I wonder, Mr. Chairman, because the more I listen I think the more confused I'm getting here. When we talk about the equity position of the \$175.9 million which you referred to, does that include . . . Under the statement in this little (c) section here, CIC has agreed to provide funding to NewGrade to a maximum of 158 million and under certain circumstances a further amount not to exceed 62.5 million, for the purpose of assisting NewGrade in the construction of a heavy oil upgrader. During 1989, CIC further agreed to provide additional amounts to NewGrade, up to 75 million to fund cash deficiencies experienced as a result of start up operations.

I've got a number of questions that relate to that. Is the 158 million and/or the 62.5 million reflected in the equity position of CIC?

Mr. Gibson: — No. The \$175 million consists of the \$158 million in equity. And the difference, the \$18 million difference is the money that's been put in as a result of this cash flow problem they have. The \$62.5 million has not been funded. We're getting deeper and deeper into these thick legal agreements, but the legal agreements have provisions whereby, based on the operations of the project over the first few years, there was a provision

whereby some of the guaranteed debt could be replaced by non-guaranteed debt.

But the overall foundation of the financing was that the debt/equity ratio would be maintained at 20 per cent/80 per cent. So if some of the debt became unguaranteed, that then freed up room for more guaranteed debt to be put in. If you put more debt into the project, your 20 per cent/80 per cent would be out of sync then. It would be something less than 20 per cent equity.

So that \$62.5 million refers to the amount of additional equity that we may put in in return for the project securing more guaranteed and unguaranteed debt at some point in time in the future.

Mr. Lyons: — So you're leveraging your debt then basically with the 62.5?

Mr. Gibson: — Well, the 20/80 is the key thing to keep in mind. That was the ratio that was predetermined by the experts that the project would stay in. So as more debt went in, then more equity had to go in to maintain that balance.

Mr. Lyons: — Okay, and then what about the 75 in addition to all this?

Mr. Gibson: — Well the 75 is, that you're referring to, 18 of which have been funded by the end of 1989. The difference between the 18 and the 75 was funded during 1990 in a subsequent period to these annual reports.

Mr. Lyons: — Okay. And during '89 when you made that decision, is any portion of that 75 million covered by equity? Does it increase the equity position of the province in NewGrade, or is it in the form of a straight loan? Is it a loan guarantee? What is it?

Mr. Gibson: — It's in there secured by I think it's a called a series E debenture. A debenture is a debt instrument.

Mr. Lyons: — Issued by NewGrade?

Mr. Gibson: — That's correct.

Mr. Lyons: — When is the maturity date, and what's the . . .

Mr. Gibson: — Again I don't have the specific dates here, but it would be consistent with the terms of the other ones which . . . the year 2000 and something. It's a . . .

Mr. Lyons: — And consistent with the prime plus 2 per cent.

Mr. Gibson: — No it's got a different rate. I think it's higher. No, it's prime plus two as well.

Mr. Lyons: — But it rests . . . I mean what I'm concerned about is when you have the increase in the amount of money put from the combined funds into CIC — a portion of which I presume has been used to undertake the financing of NewGrade — when I hear what you're saying, it's all the securities relate to the functioning and operations of the heavy oil upgrader itself. In other words,

what we're doing is you're resting a debt load of CIC on the performance of the oil upgrader.

Everything you've talked about in terms of guarantees with the exception of the federal government guarantee . . . okay, let's put it this way. The equity position that you've taken either in terms of shares or debentures is based on performance of the oil upgrader. And that's a decision. I'm not questioning the decision. I mean, that's for CIC to make that decision.

The loan guarantees for the operation, guaranteed by the province of up to \$360 million, I want to just ask a question about this. When you talk about the 57 per cent, 57-43 split, is that relationship maintained no matter what the overall cost of the upgrader is in terms of the guarantee? In other words if there's an escalating cost in the upgrader, does the 57 per cent realize an ascending amount of dollars. In other words, can it go beyond the 360 million?

Mr. Gibson: — No, that was established maximums that our 56-point-whatever per cent it was would not exceed 360 and the feds would not exceed the 243 or 275.

Mr. Chairman: — Can I ask a question just about equity just for a sec? You said in your report that your equity, your voting percentages are 50 per cent. Who would have the other 50 per cent?

Mr. Gibson: — Federated Co-op.

Mr. Chairman: — You attach a value here of \$116 million and later on in the notes it's indicated that you've got investments of \$175, and Mr. Lyons asked about voting non-participating, and non-voting participating, and the like. How was the Federated Co-op equity arrived at? Did they put money into it, or how does that work now?

Mr. Gibson: — Well the upgrader is fully integrated with the Co-op's refinery and is located on the Co-op's land. So the 50 per cent co-operative, they received a deemed value for their contributions into the integration.

Mr. Chairman: — Oh, I see. How did you determine that value? How was that done?

Mr. Gibson: — That pre-dated me so I didn't determine it.

Mr. Chairman: — There's no recollection of how you might have . . .

Mr. Gibson: — Well these things are normally done through negotiation and . . .

Mr. Chairman: — There wouldn't have been somebody from outside that would have valued the project there instead of assets that were deemed to the . . .

Mr. Gibson: — Well I'm sure there would have been some people that would look on the valuation, what the integration with the refinery would bring to the combined operations. As you're aware, NewGrade is the one and only heavy oil upgrader in Canada and the economics of upgrading heavy oil have been very difficult in the past. My understanding is that this integration with the

upgrader into the refinery provided a considerable amount of operating flexibility for the upgrader which helped define the feasibility of the project.

So it would be . . . you value the equity based on what the partners contribute. When you're contributing cash, it's very easy to define what that value is. When you're contributing assets which help on the economics of the project, it's a little more scientific or artful calculation. But that would be a process that the people involved at the time would have gone through.

Mr. Chairman: — So it would have been process of discussion as opposed to getting some independent evaluation of the assets.

Mr. Gibson: — While yes . . . you know, and I'm not saying. There may very well have been a valuation of assets, but the valuation would also, in my mind, depend a considerable amount on what they are bringing to the project and what effect that would have on the future financial results. So it's not something that's easily valued because it's something in the future rather than something in the past. So there's a certain amount of intuition in it.

Mr. Lyons: — Now I mean this is interesting. Federated is 50 per cent partner in terms of the voting participating shares, yet they have absolutely no equity when it comes to the disbursement of dividends. The province of Saskatchewan owns 100 per cent of the non-voting participating shares. If there is value attached to the equity, or to the equity that Federated put up in it, how are they going to . . . what's the relationship between the CIC and Federated in terms of Federated recovering any of the valuation that they put up? Or is there?

I mean it's all the dividends, supposedly all the dividends that are going to arrive from this deal accrue to the Crown investment corporation.

Mr. Gibson: — There's provision in the agreements whereby Federated would get a return from their investment, but again, as I said, that will be in the information that we haven't got with us here today.

Mr. Lyons: — Well come, Mr. Gibson, we're talking a \$700 million project. You've got . . .

Mr. Gibson: — And I'm saying in 48 hours we'll be in Crown corporations, and we'll have that information with us.

Mr. Lyons: — Well I'm asking you here. I'm not dealing with Crown corporations. I'm asking you here. We're trying to do an accountability for the public for the money that was lent to the organization that you're responsible for — \$1.5 billion. Don't give me that kind of nonsense about you don't know.

Mr. Gibson: — I don't have the information here.

Mr. Lyons: — The question is, Mr. Chairman, the question to Mr. Gibson is this: we have got some idea of how the province will get a return out of its investments. The question is: what type of arrangement has been made

with the other partner, and who has primacy in terms of the return out of the upgrader?

How are the people of the province assured that they will get a return on that significant investment that comes from, that is, has been funded by the combined funds — according to the *Public Accounts* documents — of the province? What is the relationship of that agreement that you just talked about?

Mr. Gibson: — I don't have that information with me.

Mr. Chairman: — Can I just ask: is there any provision in the agreements that you've made which provides that Federated Co-op or the Consumers' Co-operative Refineries Ltd. quote, "should not see any change in its financial situation from what would have occurred if the upgrader had not been built."

Mr. Gibson: — Sorry, could you say that again?

Mr. Chairman: — Which provides that CCRL (Consumers' Co-operative Refineries Ltd.) or Federated Co-op, quote, "should not see any change in its financial situation from what would have occurred if the upgrader had not been built."

Mr. Gibson: — What you're asking, if that's a quote out of the agreements?

Mr. Chairman: — Yes.

Mr. Gibson: — I can't. We can go through the agreements to see if we can find that quote in there, but I'll tell you the agreements are very complex. They're very thick. They were completed in 1987-1988, and you'll forgive me if I can't recall a direct quotation.

Mr. Lyons: — Do you have a management agreement with Federated Co-operatives or Canadian Co-operative Refinery Ltd.?

Mr. Gibson: — Do we?

Mr. Lyons: — Yes. Is there a management agreement in place?

Mr. Gibson: — There's a management agreement in place between NewGrade Energy and CCRL.

Mr. Lyons: — I wonder if you would care to enlighten the committee as to the details of that agreement.

Mr. Gibson: — I have no details on that agreement with me.

Mr. Lyons: — Is there a guarantee in that agreement that the co-op will receive a certain portion of money on either a monthly or a yearly basis, whatever the financial position of NewGrade Energy is?

Mr. Gibson: — I said earlier I don't have that agreement with me, and therefore I cannot comment on any aspect of it.

Mr. Chairman: — If I might, I'd like to just turn to a slightly

different aspect here. I note that the report says that during 1989, CIC further agreed to provide additional amounts to NewGrade, up to \$75 million. I think that was reported publicly too. In fact it was money that came from the Consolidated Fund. It was provided by order in council. And again I assume you were sort of the administrative party in the government to look after that. Is that correct?

Mr. Gibson: — That's correct.

Mr. Chairman: — Now it states here in the report that it was fund cash deficiencies experienced as a result of start-up difficulties. Were those difficulties so grave as to cause you to take a more proactive position in terms of management, that is to say, to NewGrade that you would have to review expenditures over certain levels and so on?

Mr. Gibson: — Well the way NewGrade is managed, from our perspective, is through our appointees on the board. They actually have the contact with the operator, CCRL.

I'm not aware of anything specific that we did in addition to what we did prior to the 75 million going in, but as I say, that the representatives that we appoint to the board of directors do that. And I would not necessarily be aware because I do not attend the board meetings. But I'm certainly not aware of anything, any specific change that took place.

Mr. Chairman: — So you don't recall writing then on September 25, 1989 to Federated Co-operatives and the federal government in which you state that NewGrade must get prior approval from your office before committing any expenditures in excess of \$1 million. You don't recall writing that letter.

Mr. Gibson: — Well I suspect I recall the letter that you're talking about because I did write a letter that probably did deal with that. That was a reflection on our part that we wanted to keep control, or not control, to have knowledge of the forward commitments that would have an impact on our investment in NewGrade.

And to that end, since the date that this 75 million started to come out, the operators have provided us with that information and we have approved it.

Mr. Chairman: — So this is in addition to whatever oversight functions your people on the NewGrade board might be providing.

Mr. Gibson: — Well we provide the information that's in that letter. We provide it to our appointees and that's as far as it goes.

Mr. Chairman: — But you would confirm then that, in fact, NewGrade must get approval from your office before committing any expenditures over \$1 million?

Mr. Gibson: — Well I haven't got that letter in front of me, but I know that they do report to us. I can't confirm the million dollars but it sounds to me like you're reading out of my letter and, if that's what you are reading out of, I'll freely confirm it.

Mr. Chairman: — I did read it out of there. One other question on this. You have this agreement with the federal government about guaranteeing indebtedness, each assume certain percentages up to a certain maximum. But since that time, since the project's been built, as indicated in your report, you're providing additional amounts to NewGrade. What additional amounts is the federal government providing?

Mr. Gibson: — They aren't providing anything.

Mr. Chairman: — They're not?

Mr. Gibson: — No.

Mr. Chairman: — So all this additional money for cash deficiencies is just coming straight from the province then, even though the federal government I guess is . . .

Mr. Gibson: — That's correct.

Mr. Lyons: — Yes, I want to go back to the management agreement. During the year under review up to March 31, 1989, did federated or the partner with CIC in NewGrade Energy receive any payments as part of the management agreement?

Mr. Gibson: — From CIC?

Mr. Lyons: — Yes.

Mr. Gibson: — I haven't got anything here with me in front of me, but I certainly don't recall any payments that they received from us.

Mr. Lyons: — Did they receive, to your knowledge, any payments from NewGrade Energy?

Mr. Gibson: — I suspect they probably did, yes.

Mr. Lyons: — And would you have any idea of the amounts that . . .

Mr. Gibson: — No, I wouldn't.

Mr. Lyons: — And where would we find those amounts, Mr. Gibson?

Mr. Gibson: — The amounts that NewGrade paid to CCRL?

Mr. Lyons: — Yes.

Mr. Gibson: — I suspect they would be included in the CCRL financial statements as cash received and in the NewGrade statements as cash disbursed.

Mr. Lyons: — And you have access to those?

Mr. Gibson: — I don't have access to CCRL's, no.

Mr. Lyons: — You have access to NewGrade's?

Mr. Gibson: — Yes, I do.

Mr. Lyons: — You just don't remember how much was paid?

Mr. Gibson: — I don't know what the answer is there, no.

Mr. Lyons: — Okay. I've got no more questions.

Mr. Chairman: — Are there any other questions of . . .

Mr. Anguish: — Mr. Gibson, what do you use as a criteria of whether or not you pay a dividend to Saskatchewan Heritage Fund?

Mr. Gibson: — Well, the board of directors is the one that determines dividends, and dividends are normally based on a number of things. They're paid out of retained earnings, so that would be one important criteria.

Mr. Anguish: — Are there other important criteria?

Mr. Gibson: — Pardon me?

Mr. Anguish: — Are there other important criteria?

Mr. Gibson: — Well in our case the Heritage Fund or the Consolidated Fund is in effect our shareholder. It's normally a matter that is discussed between the shareholder and the company as represented by the board of directors. So the objectives of the shareholder and the objectives of the company itself are normally the biggest factors that are considered. It depends what the considerations are of both of those parties, what's important in the equation, I guess.

Mr. Anguish: — Does the board of directors consult you before they pay a dividend?

Mr. Gibson: — Yes.

Mr. Anguish: — Did you recommend the payment of a \$100 million dividend to the Heritage Fund in 1989 when there was a net loss to the company of 160 million?

Mr. Gibson: — I'm sorry, a net . . .

Mr. Anguish: — Well in 1989 there was a net loss of \$160 million, \$160.704 million. And yet in the year where you had a loss of over \$160 million, you still paid a dividend of 100 million to the Heritage Fund?

Mr. Gibson: — Our income before extraordinary items was \$216 million. The cash flow, which you pay dividends out of cash, was close to \$360 million, and we also had significant retained earnings.

Mr. Anguish: — But you had a net loss that year of 160 million?

Mr. Gibson: — Yes, but that includes a number of non-cash items which . . .

Mr. Anguish: — What were your retained earnings that year?

Mr. Gibson: — We started off at \$731 million and ended up at 470 million.

Mr. Anguish: — What do you mean by deferred revenue in your financial statements?

Mr. Gibson: — Are you seeing that in the balance sheet?

Mr. Anguish: — On page 17, consolidated statement of cash flows. There's an item there that says increase in deferred revenue. Describe to me what deferred revenue is.

Mr. Gibson: — That is revenue that has been received, but from an accounting perspective, has not been earned until some future event or some future period of time. So it's earnings that have been deferred to a subsequent accounting period.

Mr. Anguish: — Why would they do that? Usually that would happen . . . I can see that in the private sector where they do that for taxation purposes. But since you're not taxable . . .

Mr. Gibson: — No, you're referring to deferred income tax which is the same accounting principle but it's a different event. A simple example, it's like a prepaid revenue, if you will. If I were a magazine company and somebody bought a year's subscription that covered half from this year and half of next year, as far as I was concerned, then half of it you would defer until next year.

Mr. Anguish: — What made up the . . . give me an actual example. The prepaying of a magazine wouldn't amount to \$3.78 million. Give me an example of where this occurs within your operation.

Mr. Gibson: — All right. One example would be we have some debt obligations in U.S. dollars. Generally accepted accounting principles would dictate that you would, at the end of the year, calculate those in Canadian dollars. And based on that, part of this deferred revenue is a deferred exchange game which would say that we made a gain on foreign exchange, but we didn't actually make it.

If we had settled it as of December 31, we would have recorded that gain, but we aren't settling it until after and the gain may or may not be there after the year end. So the amount would be set up as deferred revenue, so that it does not blow through our income statement. If the settlement date were December 31, it would show as a profit. But because we haven't completed the transaction, you put it off to the following year.

Mr. Anguish: — Do you do anything to hedge dollars, U.S. dollars in that situation?

Mr. Gibson: — We have in the past. Sometimes we have and sometimes we have not. We sit down with the experts in the Department of Finance and determine together with them whether or not it's appropriate to do that.

Mr. Anguish: — Do you have debts in any currencies other than U.S. or Canadian dollars?

Mr. Gibson: — No.

Mr. Anguish: — What do you use to hedge the U.S. exchange rates?

Mr. Gibson: — What do we use?

Mr. Anguish: — Yes.

Mr. Gibson: — There's a number of mechanisms available. Which ones we've specifically used in these, I don't know. But there are hedges that are available to be purchased.

Mr. Anguish: — Would you do that through a stockbroker or do you have an agreement with the lending institution that you borrowed the money from?

Mr. Gibson: — No, as I said earlier, we work with the Department of Finance who deal with these things on a regular basis.

Mr. Anguish: — So you don't do it yourself. It's the Department of Finance that does it.

Mr. Gibson: — That's right. We decide together whether or not we will do it and then they look after executing it.

Mr. Anguish: — Your long-term debt outside of Canada is all U.S. debt?

Mr. Gibson: — Well if you look on page 23 of the annual report . . .

Mr. Anguish: — That's where I'm looking.

Mr. Gibson: — At the end of 1989 we have I guess approximately — what? — 25 per cent of it is, maybe 30 per cent is U.S. dollar issues, and it's all money that we owe to the province so it's really a provincial borrowing.

Mr. Anguish: — Well why do you break this down in your financial statement that you owe it to the province? That becomes very confusing if you don't really owe this money to some lending institution. If you owe it to the province, why don't you break it down as what you owe the province? Do you owe this money to the Consolidated Fund then?

Mr. Gibson: — Yes.

Mr. Anguish: — You owe the Consolidated Fund \$1,159.895 million — you owe the Consolidated Fund that amount in U.S. dollars?

Mr. Gibson: — Which number? 1159?

Mr. Anguish: — Yes.

Mr. Gibson: — Yes. In U.S. dollars that's what it is at the end of 1989.

Mr. Anguish: — And you owe them 3 billion-plus in Canadian dollars?

Mr. Gibson: — That's right.

Mr. Anguish: — What happens in your Crown

investments corporation where you have no money in the bank at the end of the year? Do you have a line of credit somewhere?

Mr. Gibson: — Yes we do.

Mr. Anguish: — Where do you have that line of credit?

Mr. Gibson: — It's basically through the Department of Finance.

Mr. Anguish: — Do you not issue any cheques yourself?

Mr. Gibson: — Yes, we have bank accounts as well.

Mr. Anguish: — Well who do you have your bank account with?

Mr. Gibson: — It's the Royal Bank. We borrow money from the Department of Finance, put it in our bank and write the cheques.

Mr. Anguish: — What's your line of credit at the Royal Bank.

Mr. Gibson: — I'm not sure that that's ever been made public what it is. But we have a provision to borrow on a line of credit from the bank and from the Department of Finance.

Mr. Anguish: — Well how much is the line of credit?

Mr. Gibson: — Pardon me?

Mr. Anguish: — How much is the line of credit that you've set up at the Royal Bank for Crown investments corporation?

Mr. Gibson: — As I say I don't know if that has ever been made public and if it hasn't been made public there may be a reason why it hasn't been made public and I'm not going to make it public.

Mr. Anguish: — Well yesterday property management corporation made public what their line of credit was.

Mr. Gibson: — Well just because property management corporation doesn't mean to say that CMB will. Again we'll do some work on it and if you'd like to ask that question on Thursday . . .

Mr. Anguish: — I'm busy in public accounts. I thought maybe you could provide it back to us here. Of course if that's confidential what your line of credit is . . . Would it be safe to say that your line of credit must be over \$12 million.

Mr. Gibson: — Yes.

Mr. Anguish: — You have over a \$12 million line of credit with the Royal Bank?

Mr. Gibson: — Just a second. These are the consolidated financial statements for CMB and all the other Crowns under it. So that \$12 million includes SaskPower, SaskTel. This is not . . . we are here representing CMB, the

Crown corporation. You're looking at CMB, the consolidated financial statements.

Mr. Anguish: — I asked you if Crown investment corporation had a line of credit. You said yes they did. I asked if it would be safe to assume that that line of credit was over \$12 million. You said yes, and then you went back to this financial statement. All I'm asking is if you have a line of credit, and if you have a line of credit would it be safe to say that it is over \$12 million?

Mr. Gibson: — Yes it is.

Mr. Anguish: — Is it over \$100 million?

Mr. Gibson: — I've already indicated that I am not going to disclose what it is. I will tell you it's over \$12 million and that's all I will answer on that.

Mr. Anguish: — Is there one line of credit that's set for each of the Crown entities that you represent and another amount that's set for yourself as the entity Crown investment corporation?

Mr. Gibson: — I presume everybody has their own and there's probably different amounts. I don't know what they are.

Mr. Anguish: — Do you also have a line of credit system such as the property management has with the Consolidated Fund?

Mr. Gibson: — Yes, I don't know what property management's arrangements are but we have an arrangement with the Consolidated Fund.

Mr. Anguish: — And how much is your limit on that particular line of credit?

Mr. Gibson: — The same answer as with the bank.

Mr. Anguish: — I'd ask the Provincial Auditor, I don't know how this could be confidential information if the line of credit is offered by a Consolidated Fund which comes under the Department of Finance. We review Department of Finance here in these documents. If that is provided to another entity that comes here and Crown investments corporation appears before us, I don't know how that can be confidential. And I ask the Provincial Auditor: how much is the line of credit that the Crown investments corporation has with the Consolidated Fund?

Mr. Strelloff: — Mr. Chairman, we don't know right now at this time. We could find out, but perhaps Mr. Kraus knows.

Mr. Anguish: — Do you know how much the line of credit is?

Mr. Kraus: — No, I wouldn't have that. I'm not involved in the lending side so I wouldn't know that. Obviously the Department of Finance would know.

Mr. Anguish: — I'm wondering, Mr. Chairman, if the Provincial Auditor could bring that information back this afternoon.

Mr. Strelieff: — Okay, we'll see what we can do.

Mr. Anguish: — I'd like to know, Mr. Gibson, if you require authority of your board before you go into your line of credit or do you have authority provided by the board of directors that you have unlimited use of the line of credit? Is there an accountability process there that happens immediately or is it accountability after the fact?

Mr. Gibson: — No we'll have a resolution from our board which would define these things I believe.

Mr. Anguish: — What does the resolution define? What does it tell you you can do in terms of your . . .

Mr. Gibson: — Well I haven't got those things with me but these things are normally done on a fairly standardized basis. It would delineate who the cheque signers are, who can sign what document, and it would have some borrowing limits on it.

Mr. Anguish: — What's your signing limit?

Mr. Gibson: — Well I don't have that bank resolution with me, so I . . .

Mr. Anguish: — Pardon.

Mr. Gibson: — I don't, I do not have the bank resolution with me.

Mr. Anguish: — You don't know what your signing limit is with Crown investments corporation?

Mr. Gibson: — Well I know that I can sign cheques on behalf of Crown management board.

Mr. Anguish: — Up to what amount?

Mr. Gibson: — Unlimited.

Mr. Anguish: — Unlimited amount.

Mr. Gibson: — But the cheques are usually associated with some transactions which are specifically approved.

Mr. Chairman: — Any further questions? If not, thank you very much, gentlemen, for being with us today. As always it's interesting.

And I have a motion by Mr. Hopfner that the hearing of the Crown investment corporation be concluded subject to recall, if necessary, for further questions. Is the committee ready for the question? Is it the pleasure of the committee to adopt the motion?

Agreed

Mr. Chairman: — We will meet again at 2 o'clock with the Department of Health.

The committee recessed for lunch.

Mr. Strelieff: — Mr. Chairman, we were asked to find out what the line of credit is for CIC, and we have an order in council dated September '87, stating that the line of credit is 600 million.

Mr. Kraus: — Consistent with the order in council I have, it is public information.

Mr. Chairman: — This is more than 12 million.

Mr. Anguish: — Well, he said it was more than 12 million.

Mr. Chairman: — That's right.

Mr. Anguish: — Who is that line of credit with? Was that with the Consolidated Fund?

Mr. Strelieff: — Yes, the Minister of Finance.

Mr. Anguish: — Would the Crown investments corporation also have a line of credit with any private financial institutions?

Mr. Kraus: — I suspect . . . well, I don't know for sure. I shouldn't comment on that. I know a Crown like SPC (Saskatchewan Power Corporation) would have, but whether CIC would, I don't know.

Mr. Wendel: — If they did have, it would have to be approved by the Minister of Finance also.

Mr. Strelieff: — Mr. Chairman, my officials advise me that if they did, it would have to be approved by the Minister of Finance. I remember Mr. Gibson mentioning that he had a bank agreement with the Royal Bank. Now I don't know if that's where it is or not. I just . . .

Mr. Anguish: — Do you know what the line of credit was previous to the '87 order in council?

Mr. Kraus: — Yes, it's in the order in council. If you wish, perhaps I should . . . I don't have copies for all the members. That's the only thing, and maybe that's unfair.

Mr. Chairman: — If you want to give us . . .

Mr. Kraus: — I'll provide you with a few here, if you just want to distribute a few of them. It was \$300 million established in 1984 and then it was up to 600 in September '87.

Mr. Chairman: — Do you want to come back to this after we finish with Health?

Mr. Anguish: — I'll just come back to it at some point.

Mr. Chairman: — Any other matters that members want to raise before we call in the Department of Health?

Mr. Strelieff: — Mr. Chairman, we provided you with the matters resolved on the Department of Health. There's one additional matter that is near resolution and that relates to 14.01 to 14.04. We have an agreement in principle with the comptroller on a method of how to resolve that issue. It seems to be reasonable. We haven't examined the actual workings of it, but the agreement in principle is reasonable and I think it will be resolved.

Mr. Chairman: — This is an issue that pertains to more

than just the Department of Health. It seems to be in a number of departments.

Mr. Kraus: — Yes, we think we have a solution. We were planning on implementing something actually in December, so we hope it resolves the problem.

Mr. Chairman: — Well, if it's concerning a resolution of postal issues, we should send you to Yorkton and see what you could do there.

Any other questions? Any other matters? If not, then let's call in the Department of Health.

Public Hearing: Department of Health

Mr. Chairman: — Good afternoon, Dr. MacDonald. I wonder if you might introduce the officials that you have with you.

Dr. MacDonald: — Thank you, Mr. Chairman, yes. I will do the front table first. To my far right is Mr. Roy West; immediately to my right is Glenda Yeates; to my left is Kathy Langlois; over in the corner is Miss Velma Geddes, Mr. Neil Gardner, and Mr. Lawrence Krahn.

Mr. Chairman: — Thank you. I want to welcome you all here this afternoon. And 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 to 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 I would ask you to address all comments to the chair.

Mr. Rolfes: — Thank you, Mr. Chairman. Yes, Dr. MacDonald, I want to run through a number of the issues as they were noted by the Provincial Auditor. We have noted that a number of them have been reconciled and therefore I will not bother with those.

But I want to immediately turn to page 53, loan agreements, 14.05. I was wondering whether you can inform the committee whether that has been reconciled or action has been taken to satisfy the Provincial Auditor on 14.08.

Dr. MacDonald: — Mr. Chairman, if I may respond. There has been corrective action implemented with reference to the interest payments. The interest rates charged by SPMC (Saskatchewan Property Management Corporation) on the loans were reviewed by the department for reasonableness in comparison to market rates. Effective April 1, 1990, SPMC's external auditors will be providing an annual certificate verifying the accuracy of interest rates charged by SPMC.

Mr. Rolfes: — Dr. MacDonald, in that regard, have you

checked to see whether the interest rates charged by SPMC in the past were higher than the going rate at the time?

Dr. MacDonald: — The specific details for the loans on the interest rates as they advanced and changed, I don't have a specific sheet for. It was a complex thing that we went over with SPMC, and for that reason, that's why we have asked for a . . . to answer that very question, ask for a verifying certificate on an annual basis with reference to those rates.

Mr. Rolfes: — I realize that, Dr. MacDonald. That wasn't quite the question I had asked. My question was, when this came to your attention, did you then do a check to see whether or not the interest rates that had been charged to your department by SPMC were higher or lower than the going interest rate at that time?

Dr. MacDonald: — As I mentioned at the beginning, Mr. Chairman, all we did was we looked at it from the point of view of reasonableness. We did not get the specific interest rates at that time. We can go back and get them. I don't have them with me.

Mr. Rolfes: — Okay. Yes, I would appreciate that, because there's a lot of dollars involved for the Department of Health. I'm not certain just what it is, but it must be somewhere. If you paid \$5 million in interest, you're looking at 60 or 70 or \$80 million, depending on whether you had it all year or just how it was charged but there is a fair amount of dollars involved. I want to come back to SPMC later for another specific question.

What about the Battlefords Regional Care Centre? Not sufficient care was taken here to make certain that one person wasn't performing several functions and therefore a possibility of cover-ups or misrepresentation. Has that been taken care of and have you taken in in that regard?

Dr. MacDonald: — Mr. Chairman, with reference to the Battlefords, during the 1990-91 period, procedures have been implemented for the review of cash receipts, general ledger transactions, and bank reconciliations by the executive director or his designate to further address the issue of incompatible funds. The problem on the year we're looking at was that the individual involved was ill and we did not have this set-up at that time. It's now in place.

Mr. Rolfes: — So the auditor will not have to record that in his 1990-91 report, I assume.

Dr. MacDonald: — Mr. Chairman, I hope not. I would point out that we deal with this item and somewhat similar items to our NGOs (non-governmental organizations) and third parties through their boards. So we have talked to the board to see that it's straightened out.

Mr. Rolfes: — Let me turn to Parkland Regional Care Centre. This item was again noted in the auditor's '87 annual report and I'm just wondering whether an audit is now being done on the capital assets of the Parkland Regional Care Centre.

Dr. MacDonald: — Mr. Chairman, we have discussed this with the board at Parkland. Corrective action, which I will describe, will be implemented in January of 1991. Procedures that are established will be for periodic physical counts of the larger dollar value capital assets and the formula that we will use will be items over \$2,500 will be counted every year, between 1,000 and 2,500 every three years, and items under 1,000 we will not count. The auditor, I believe, has agreed to this.

Mr. Rolfes: — Okay, but we will still see it in the '90-91 auditor's report as a concern I assume because you're not taking corrective action until January 1.

All right, on the item number 14.39, the Saskatchewan Prescription Drug Plan — again there didn't seem to be any reconciliation with the bank statement and the auditor has noted that in his report. Has action been taken on that?

Dr. MacDonald: — Mr. Chairman, there has been action on that, and implementation of an automated on-line claims processing system in 1988 and 1989 has significantly reduced the work-load measures. In addition computerized bank reconciliation procedures are being implemented to further improve timely preparation of reconciliations.

Mr. Rolfes: — Okay. Let's go to the bottom of that. This has been coming up in several years now again on an accounting policies and a procedures manual for the operation of the Prescription Drug Fund. Has action been taken on that?

Dr. MacDonald: — Yes, Mr. Chairman, that is in process. The plan is currently updating its accounting policies and procedures manual.

Mr. Rolfes: — What is the difficulty in doing that? I mean it seems like it's been . . . this is not like the Department of Health from my memory at least. The Department of Health just didn't like to have these things come up and they took corrective action very quickly. What was so difficult about this particular item because it's been brought up several times now?

Dr. MacDonald: — I hope, Mr. Chairman, that this is not brought up again. The difficulty in the 1988-89 period—this was when we changed to develop the on-line claims processing system which subsequently we have in place which makes this sort of audit and accounting much quicker and easier to do. So it shouldn't be a problem.

Mr. Rolfes: — The records destruction on the 918,000 payment for oxygen: did we get that resolved at all? Did we find invoices for that? Were the payments correctly made and were they made?

Dr. MacDonald: — Mr. Chairman, the response is indirectly, yes. And what I'm referring to is that the invoices and claims were available to support all transactions at the time the payments were made, although the invoice and claim documents were subsequently erroneously destroyed. Complete records have been maintained which detail the purpose and

payees for these payments, as well as the cancelled pay cheques to support each transaction. The staff have been advised of proper record retention procedures to avoid recurrence of this problem.

Mr. Rolfes: — I'd like to ask a question here of the Provincial Auditor therefore. If the cancelled cheques were there and some other items, as you have listed, why would the Provincial Auditor then in 14.49 state the following:

Accordingly, it was not possible to verify whether these payments were properly vouchered or certified.

Could I get an explanation on that please?

Mr. Strelieff: — Mr. Chairman, the explanation is that we would have to vouch them or certify them through examination of the invoices and claims and they were not present. They were destroyed. So you didn't know what you were paying for.

Mr. Rolfes: — True, but would you not have the cancelled cheque. Would that not be sufficient to . . .

Mr. Strelieff: — It certainly ensures that the payment was made, but was it the right amount?

Mr. Rolfes: — Oh, I see what you're saying. Okay. Yes, okay. Fair enough.

I want to turn to page 58. Then on the financial statements of 14.54 to 14.57. This pertains to the Souris Valley Regional Care Centre. Oh yes. This is in regards to the accurate financial statements on . . . No, I'm sorry, I've got the wrong one here. All right. This is for accumulated depreciation of assets. Has action been taken on that particular item?

Dr. MacDonald: — Mr. Chairman, action has been taken. In discussion with the centre, it performs standard procedures to adjust accounts for year end cut-off. Two errors noted in the 1988-89 related to unusual non-recurring circumstances, rather than to a failure to apply the standard year end procedures. The 1988-89 financial statements were adjusted to correct the noted errors.

Mr. Rolfes: — Souris Valley. Is that the centre in Moose Jaw, or which one is that?

Dr. MacDonald: — No, in Weyburn.

Mr. Rolfes: — Weyburn. Oh sure, certainly.

Mr. Chairman, I have no further questions on the auditor's report unless somebody else has. I want to go to another item.

I want to turn to SPMC. I've noted here that the department, on behalf of various facilities or agencies or centres, makes payments to SPMC. In the year under review what was the total amount of payments excluding interest if you can — if you can't, if interest is included, fine — but excluding interest, that was made by the

Department of Health on behalf of its various agencies or facilities that hospitals, nursing homes, and whatever total? Payments made by Department of Health.

Dr. MacDonald: — Mr. Chairman, is the question referring to special care home accommodation?

Mr. Rolfes: — No, no. In the Department of Health, wherever you made a payment to SPMC on behalf of your agencies that were under your jurisdiction, I want the total payment made to SPMC under the year under review, excluding the interest, if you can, and then I want the interest after. But I think the interest is here — 5 million some.

Dr. MacDonald: — The figures have just, Mr. Chairman, have just been shown to me, indicate approximately \$18 million.

Mr. Rolfes: — Oh, wow. let me then turn back to page 53. Then there's something I don't understand. On page 53, 14.08:

In my opinion, interest payments to SPMC of 5,363,433 were not properly vouchered or certified.

What was that interest for then?

Dr. MacDonald: — Mr. Chairman, this is interest . . . not interest, it's loans that we're repaying. We no longer . . .

Mr. Rolfes: — Dr. MacDonald, I didn't hear the first part of that statement.

Dr. MacDonald: — I'll turn that over to my financial wizard here.

Mr. Rolfes: — Okay.

Ms. Langlois: — What the interest payment is for is the Department of Health no longer makes capital grants to hospitals. What we do is we undertake with SPMC, they advance the funds to the hospitals and special care homes, and we repay as a mortgage or a loan repayment to SPMC. So we have a principal and an interest portion of payment. So these are for capital projects, renovations, new construction. The 18 million that was quoted is for things like accommodation, mail, office supplies, that we would pay to SPMC. Those are different numbers.

Mr. Rolfes: — Okay, you paid 18 million-and-some to SPMC for rent, mail, etc. What was the exact figure? 18 . . .

Ms. Langlois: — 18.290 million.

Mr. Rolfes: — Two hundred and nine?

Ms. Langlois: — Two hundred and ninety thousand.

Mr. Rolfes: — Okay. And that was for, that's University Hospital, City Hospital, Pasqua Hospital . . .

Ms. Langlois: — No, this is for the operations of the Department of Health proper. This is for rental of office space, for mail costs. That's what the 18 million was for.

Mr. Rolfes: — Okay. So it has nothing to do with nursing homes. Let me ask a further question then. Does the Department of Health on behalf of your hospitals and nursing homes and all the other centres that come under your jurisdiction, does the Department of Health pay to SPMC a fee for accommodations, etc., as you have for the Department of Health proper?

Ms. Langlois: — We only do for special care homes, for the Crown-owned special care homes.

Mr. Rolfes: — Okay. And which ones are those?

Ms. Langlois: — Those would be the Battlefords Regional Care Centre, Melfort Parkland hospital, Parkridge in Saskatoon, Palliser hospital in Swift Current, Souris Valley in Weyburn, and Lakeside in Wolseley.

Mr. Rolfes: — And the total amount there?

Ms. Langlois: — For the special care homes the accommodation charges are 6.1 million.

Mr. Rolfes: — 6.1 million. So that has to be added onto the 18 million.

Ms. Langlois: — Pardon me?

Mr. Rolfes: — That has to be added onto the . . .

Ms. Langlois: — No, it's part of the 18 million.

Mr. Rolfes: — That's part of the 18 million.

Ms. Langlois: — Yes. The other 12 million is accommodation for departmental office space and mail and supplies.

Mr. Anguish: — On page 165 of the *Public Accounts* there's a payment of 12.147 million?

Ms. Langlois: — Yes.

Mr. Anguish: — That's paid in addition to the 18 million?

Ms. Langlois: — No, that's part of the 18 million. The two numbers are the 12 million you see there and the 6 million for the special care home; you add the two together to get the 18 million.

Mr. Anguish: — That's the total amount paid to SPMC in the year under review?

Ms. Langlois: — Yes, excluding the loan repayments.

Mr. Rolfes: — How much was the loan?

Ms. Langlois: — Okay, if you would refer, Mr. Chairman, to pages 148 and 149, you will see detail on repayment of principal and interest on capital loans from property management corporation for hospitals, on page 148, and for special care facilities, on page 149. That is repayment of principal and interest, and I'm afraid I don't have the total loans available. We could certainly obtain them.

Mr. Rolfes: — Let me just ask you further. I guess I don't understand the procedure here. The Department of Health on behalf of special care homes pays directly to SPMC a certain amount of money for accommodation and so on. But on behalf of hospitals, the Department of Health does not do it. The hospitals pay that directly to SPMC?

Ms. Langlois: — In terms of the hospital care homes, the special care homes, Mr. Chairman, that we would pay accommodation for, those are the ones that the province owns.

Mr. Rolfes: — Yes, the Crown-owned ones.

Ms. Langlois: — Right. We're not sure why we don't pay for the hospitals, the Crown-owned hospitals, but we could undertake to find that out.

Mr. Rolfes: — Yes, I guess I'd like to see that there is some conformity, you know, why we do it for the special care homes and we don't do it for the Crown-owned hospitals.

What I am after is this: I want to know how much either of direct grants have gone to the hospitals and then the hospitals pay SPMC, or how much is in your budget that you pay directly to SPMC. That's the total I want.

Ms. Langlois: — I can tell you how much the department paid directly to SPMC.

Mr. Rolfes: — Well you gave me that. It was 18.290-something.

Ms. Langlois: — Okay, and I'm sorry, Mr. Chairman, I excluded the loan repayment numbers that you see on page 148 and 149. You would add those two numbers in addition to the 18.2 million. And the hospitals do not pay SPMC.

Mr. Rolfes: — Okay, so hospitals do not pay SPMC. So are we looking at about 30 million then?

Ms. Yeates: — Mr. Chairman, we can just undertake to add up those four components for you in a moment.

Mr. Rolfes: — Okay, I'll appreciate that.

Ms. Langlois: — 25.9 million is the addition of those numbers.

Mr. Anguish: — Mr. Chairman, if you take the figures from the 18.290 million that you gave us, correct? That excludes principal and interest payments.

Ms. Langlois: — Yes, it does, Mr. Chairman.

Mr. Anguish: — And then on page 148 and 149, to take into account for that, we added in \$10,859,186; and on page 149, \$1,011,380 gives the total of \$11,870,566.

Ms. Langlois: — I'm sorry, Mr. Chairman, I'm confusing the issue a little. The payments to Sask Property Management Corporation that are shown on 148 are included in that 18 million number I gave you. They are part of the 18 million, and there are some other payments

coming out of other subvotes as well that are made to SPMC. So when I was referring to page 148 and 149, I meant only the loan repayment numbers.

Mr. Anguish: — I'm sorry; I don't know how you arrived at your total figures.

Ms. Langlois: — Okay. You take the 6.7 million, that is the grants to the hospitals, repayment of principal and interest . . .

Mr. Anguish: — Page 148?

Ms. Langlois: — Yes, 6.7 million. You take the 1 million on page 149; that's the grants to special care facilities, repayment of principal and interest in that case. And in other subvotes throughout the book, including the 10 million that you see clearly identified there for SPMC, that included with other payments in other subvotes, there is a total of 18.2 million.

All of the payments to SPMC are not included in the 10 million number.

Mr. Anguish: — Just tell us how much do you pay to SPMC in here. Just tell me one figure. How much do you pay to SPMC?

Ms. Langlois: — 25.9 million.

Mr. Anguish: — 25.9 million?

Ms. Langlois: — Yes.

Mr. Anguish: — Good, thank you.

Mr. Rolfes: — Mr. Chairman, I'd like to just ask a question on Parkridge. Can you tell me, Dr. MacDonald, when was Parkridge completed? Was that completed in the year under review? Was that the first full year?

Dr. MacDonald: — Mr. Chairman, it was completed prior to the year in review.

Mr. Rolfes: — Prior to.

Dr. MacDonald: — Yes.

Mr. Rolfes: — Can you tell me on a per-patient — you don't refer to them as patients, clients, patients; all right let's use patients then — on a per-patient basis what is the cost of Parkridge nursing home? I assume it's a level 4 nursing home. Have you made comparisons between Parkridge and other level 4 nursing homes that you have to calculate what the costs are?

Dr. MacDonald: — Mr. Chairman, we have those figures at the office, not here, but I can in general terms tell you that it is higher cost and it is because it's a higher level of care that is offered. There's a rehabilitation component there that is not in the routine nursing home function.

Mr. Rolfes: — Well I won't quite buy that. That may well be part of the answer, but surely you would not want me to go away from here saying that there's no rehabilitation taking place in the other level 4 facilities. I know you

don't want me to come away from here thinking that.

Dr. MacDonald: — Mr. Chairman, the point here is that, and I say it's a higher level of care there, is level 5 patients as well and it requires a heavier rehabilitation responsibility. We can calculate that out and give you the . . .

Mr. Rolfes: — I was wondering if you could do that for . . . how many level 4 facilities are there that the government owns?

Dr. MacDonald: — Including Wascana which has level 4 beds, there are five facilities, Mr. Chairman.

Mr. Rolfes: — Could you give me the comparison of all five, the costs per patient on all five of those? It shouldn't be too difficult I don't think.

The other question I would like to also ask: since Wascana hospital is also a new hospital, would it be possible for you to incorporate in that to see what the costs of the capital, what percentage of the costs per patient is because of the capital costs. I don't know what it costs to build Parkridge or what it cost per square foot for Wascana, but I would certainly like to see what per cent of the actual cost is due to the capital cost of the building itself.

Dr. MacDonald: — We will put that together for you, Mr. Chairman.

Mr. Rolfes: — I would like to now turn to, since I have very limited time left here, I would like to turn now to a few questions on individuals that I have selected here that I'd like to have some information on. The year under review, I notice that payment was made, page 157, of \$111,463 to Walter Podiluk. Was that his actual salary as the deputy minister?

Dr. MacDonald: — Mr. Chairman, that is his salary. He continued on a salary when he went in to sit on the Murray commission. He was paid on a continued salary basis rather than on a retainer as other commissioners were. So that is the salary for the 12-month period.

Mr. Rolfes: — So that was the deputy minister's salary at the time. He was the deputy minister at the time, I believe.

Dr. MacDonald: — That's correct, yes.

Mr. Rolfes: — On page 59, Stan Sojonky, 59,940. What was his position at the time?

Dr. MacDonald: — That was when he came in and was deputy minister in that period — September 1 of the year and to the end.

Mr. Rolfes: — Oh that was only for partial.

Dr. MacDonald: — Correct.

Mr. Rolfes: — Can you tell me for how long was he there? I mean how long was he there for that year?

Dr. MacDonald: — September 1 to . . . seven months.

Mr. Rolfes: — Seven months. Okay, I can calculate the rest myself.

Catherine Topping. What was her position in 1989?

Dr. MacDonald: — In 1988-89 she was ministerial assistant in the minister's office.

Mr. Rolfes: — Has it always been customary to put that under the Department of Health budget? I assumed that it was under the appropriation of the minister, but that goes under the department. I stand to be corrected on that. I didn't realize that.

Is she still in that position?

Dr. MacDonald: — She's with the associate minister, but she's still in the minister's office.

Mr. Rolfes: — Fair enough.

John Yarske — 37,418.1 assume that that was because he left during some part of that year.

Dr. MacDonald: — That's correct.

Mr. Rolfes: — Okay. Amber Rodine — or I believe it is Rodine — R-o-d-i-n-e on page 162. The reason I'm asking is there's no salary but there's \$3,551 in travel for a number of people.

Dr. MacDonald: — Mr. Chairman, her salary was not enough to show up in the salary schedule. That's why she shows up on having travel but not on the salary side, although she was on a salary. But it doesn't show up on the . . .

Mr. Rolfes: — Was she full-time employed?

Dr. MacDonald: — I understand she started late in the year so it didn't add up.

Mr. Rolfes: — What was her position?

Dr. MacDonald: — We'll have to get back to you on that.

Mr. Rolfes: — Nobody seems to know who she is.

Could I ask a question on the Saskatchewan Property Management Corporation on that same page. It says for travel, \$1.965 million. That seems like an awful lot of money.

Dr. MacDonald: — That would be primarily air ambulance. It would be a CVA (central vehicle agency) aircraft rental, and air ambulance would be the majority of that.

Mr. Rolfes: — Oh I see. I thought somebody would have to drive along . . .

Okay, let's turn to page 163. Associated Respiratory Services Associates Ltd. Who are these people and what was that for?

Dr. West: — Mr. Chairman, Associated Respiratory are the major supplier of oxygen, which comes under the SAIL (Saskatchewan Aids to Independent Living) program.

Mr. Rolfes: — And are they located in Saskatoon or Regina?

Dr. West: — They have several plants around the province and deliver not only in Saskatoon and Regina but also distribute for the program throughout the province.

Mr. Rolfes: — So it's not just for the oxygen. It's for the people they employ.

Dr. West: — Sure, and also for maintenance of equipment. For instance, if a person's regulator plays up on their oxygen cylinder, Associated Respiratory will go out and repair it and so on.

Mr. Rolfes: — I don't know where else to ask this question, so I'm going to ask it here. Under the year under review — and if we weren't in this stupid situation, I mean I'd be asking it differently, so — but in the year under review, did Department of Health give any consideration to establishing a school for respiratory individuals so that they can get their schooling here? We are really short of these people. In the year under review did you give any thought to establishing a school?

Dr. West: — Mr. Chairman, over a number of years there has been ongoing discussions on the need for a school for respiratory technology in Saskatchewan. The problem is that currently — and the number is an approximate number — the number employed in Saskatchewan is somewhere around 20 to 25 individuals, I think, throughout largely the base hospitals within Saskatchewan. And the problem is, if a program were to be established in Saskatchewan, the financial viability of that program would mean that there would need to be an agreement with other provinces with regards to training respiratory technologists for other provinces. At this time that has not been negotiated.

Mr. Rolfes: — Dr. West, I don't have the numbers here right now. I thought there were about 49 employed right now.

Dr. West: — I stand to be corrected.

Mr. Rolfes: — That's what I thought. And I thought the requirement was about 117 in total if we were going to meet the Canadian, sort of the medium of the Canadian standards. My understanding is that we could easily put out 25, 30 respiratory technologists. And they wouldn't all stay here, that's true. But certainly . . . what I was thinking about if the department had given any thought of establishing a program like that, let's say at one of the campuses at SIAST (Saskatchewan Institute of Applied Science and Technology), so that we can make certain that we have sufficient respiratory technologists in this province to meet our own needs, which we are obviously not doing right now.

Dr. West: — The discussions have been with both SIAST

and the department of respiratory medicine in University of Saskatchewan in Saskatoon, but obviously no decision has been made at this time.

Mr. Rolfes: — Okay, I'll be back next year. Well, okay . . . (inaudible interjection) . . . Oh, I'll be back but I'll be sitting on that side.

I'd like to just ask a question about Brigdens Printers & Publishers. Where are they located, number one, and who are the principals of the company, and what was this for?

Dr. MacDonald: — Mr. Chairman, I'm sorry I can't give you all the principals in Brigdens. They are in Regina and are involved in publishing and printing in this community.

Mr. Rolfes: — Would you provide it to the committee?

Dr. MacDonald: — Yes, we will get that.

Mr. Rolfes: — And there's one further one, Brown & Associates Advertising Inc.

Dr. MacDonald: — I don't know the principals, Mr. Chairman, of Brown & Associates. They did publishing in Saskatoon for the Saskatchewan Commission on Directions in Health Care putting together posters and public hearings information and announcements, and ads for dental care.

Mr. Rolfes: — Okay. I want to turn to 164 on the College of Dental Surgeons of Saskatchewan of 9 million 200-and-some-dollars. What was this for?

Dr. MacDonald: — That, Mr. Chairman, is the capitation fee paid for children to the College of Dentistry for the children's dental plan.

Mr. Rolfes: — How does that compare to the previous year? While you're at it, could you tell me the number of people that were serviced at the time?

Dr. MacDonald: — Mr. Chairman, the program was changed during the course of the year, so — of the previous year — so it's difficult. We can't compare the figures of one to the other that we paid out to them, although the payment in '87-88 was 6.4 million and 9.2 million in the year under review. But it's a partial year.

Mr. Anguish: — So it would be more than if it was a full year?

Ms. Yeates: — No, it was 9.2 as full year, the previous year. I understood the question, Mr. Chairman, to be comparing it to the previous year. The 6.4 was half way through starting . . .

Mr. Rolfes: — Let us then go to . . . How does it compare to '86-87? You have a full year there.

Ms. Yeates: — We have a comparison to 1985-86 as being the full year of the children's dental plan and that was 13.7 million.

Mr. Rolfes: — Okay. How many students or children received service in each of those years? In 1985-86 how many people received service? How many participated?

Ms. Yeates: — I have here 1986-87 . . .

Mr. Rolfes: — Pardon me.

Ms. Yeates: — In 1986-87 123,000 children received service.

Mr. Rolfes: — Okay. And then in 1988-89?

Ms. Yeates: — 119,792.

Mr. Rolfes: — Was '86-87 a partial year though?

Ms. Yeates: — No. It's the year that we're not citing —'87-88 is the partial year, and we've given you two: '86-87 on the one side and '88-89 on the other. So those are both full years. We've excluded the year in between when it was half and half.

Mr. Rolfes: — Okay.

Ms. Yeates: — I have a number for 1987-88 as well.

Mr. Rolfes: — Okay.

Ms. Yeates: — Which was 114,842.

Mr. Rolfes: — 842. Okay.

Ms. Yeates: — And that was the year where it split between the two programs.

Mr. Rolfes: — Okay, thank you. Coopers & Lybrand, what was that study on?

Dr. MacDonald: — Mr. Chairman, the Coopers & Lybrand payment was for planning and implementation of plastic health cards and preparing a request for the proposal.

Mr. Rolfes: — That was in '88-89?

Dr. MacDonald: — That's correct.

Mr. Rolfes: — That was the first year they came in, the plastic health card?

Ms. Yeates: — January 1, 1989.

Mr. Rolfes: — I heard so much of it that I thought that it was much longer than that. It shows that advertising pays, eh? That's why they changed it. Very popular, the guy said; that's why they changed it.

Can you tell me on page 164, a K. Julian was paid \$193,238. Who was the individual and what was it for?

Dr. MacDonald: — He is a physiotherapist and that was for physiotherapy services.

Mr. Rolfes: — Okay. Not a doctor?

Dr. MacDonald: — No.

Mr. Rolfes: — No, I don't mean a physician; I mean why he wouldn't have a Dr. K. Julian. Did he not have a doctorate degree?

Dr. MacDonald: — I don't believe so.

Mr. Rolfes: — Usually when they do that kind of contracting they get someone with a doctorate degree. I was wondering why this particular individual is a physiotherapist. Why would he be employed?

Could you provide me with . . . Okay maybe . . .

Dr. MacDonald: — I was just going to comment. This is in Moose Jaw and it's a clinic managed by Julian. I'm not aware of any Ph.D. physiotherapist in the province.

Mr. Rolfes: — Is that right? Okay, stand corrected. First mistake in 30 years. Darn it.

I have Kays Ltd. for 14,943. Who's the individual and what's this for?

Dr. MacDonald: — Kays Ltd. provided clothing for Saskatchewan Hospital in North Battleford for patients.

Mr. Rolfes: — 14,943?

Dr. MacDonald: — For patients.

Mr. Rolfes: — Oh I see. Okay. Could you tell me the payment to the Saskatchewan prescription drug plan of 943,000? What was that for? Was that for prescriptions in hospitals or special care homes?

Dr. MacDonald: — This is a payment supplementary health plan pays for drugs and medicines and pays it to the prescription plan on behalf of social assistance.

Mr. Rolfes: — Oh, I see. Okay.

On the physiotherapy, is it still the policy of the Department of Health to really employ the services of very few physiotherapists or do we try and spread it around? Seems to me there are fairly big sums of money made to a couple of clinics.

Dr. MacDonald: — New private clinics were added in that year in P.A. and North Battleford in order to obtain a physical therapy service in those communities.

Mr. Rolfes: — Well I noticed for example Saskatoon, I believe it's Smithwick's Physiotherapy. Are there any others in Saskatoon that we use as extensively as Smithwick's?

Dr. MacDonald: — I can't give you the names, Mr. Chairman, but there are at least two fairly large groups in Saskatoon, and in Regina as well.

Mr. Rolfes: — It can't be that many. Could you provide the committee with the ones that you are using in the province and the amount that was paid to them in the year under review?

Dr. MacDonald: — Yes. We'll do that.

Mr. Rolfes: — Okay. The University of Saskatchewan, 2.4 million, what was that for?

Dr. MacDonald: — The University of Saskatchewan contracts for us to run a TB (tuberculosis) clinic. That is one part of that. The physical therapy program at the university is used by Health and some of the psychiatric research that we put in is through there.

Mr. Rolfes: — All right. I have one more that I would like to ask on that. J.T. Wasylenko was paid \$199,960.

Dr. MacDonald: — That is, Mr. Chairman, a private physiotherapy clinic in Regina.

Mr. Rolfes: — Okay. Would he be included under the ones that you're going to be giving me?

Dr. MacDonald: — Yes.

Mr. Rolfes: — All right, Mr. Chairman, with the indulgence of the committee, I would like to ask one other question but not on this because I have to leave. In the year under review, what were the expenditures on the construction or renovation of the three major hospitals in Saskatoon?

Dr. MacDonald: — In 1988-89 year, 21 million on St. Paul's; 5.6 at City; and 3 at University for a total of 29.6 million.

Mr. Rolfes: — These expenditures, were they the . . . at St. Paul's, was that part of the expenditure of the renovations of the 52.3 million, that total? I think it was around 52 or 53 million?

Dr. MacDonald: — That's correct, part of their major expansion.

Mr. Rolfes: — Was there any consideration being given in '88-89 of the possibility of overbuilding at St. Paul's? I mean was there any reconsideration being given that . . . my understanding is that some of the building that was done in the year under review now is being left vacant because it's not needed. And they're not occupying those areas.

Dr. MacDonald: — Mr. Chairman, that expansion at that time in '88-89 related to a fair bit of pressure on the health system for waiting-lists, particularly at Saskatoon. As a follow-up to that, I would point out that that probably more than anything else put a pressure on the practice of medicine in Saskatoon to develop a changing philosophy which was starting to develop across North America in the last few years, with the stressing ambulatory care and day surgery, thereby reducing the demand on beds. But at that particular time, the philosophy still was that we needed beds in '88-89 because there was fairly long waiting-lists.

Mr. Rolfes: — I haven't got time to debate this today, but I would like to record that I don't entirely agree with that because we were talking of day surgeries way back in the

late '70s and did make some drug moneys available to reduce the waiting-lists at that time, which totalled at that time, let me say, about 2,400 in the three hospitals — 24 to 2,600. And we at that time certainly recognized the advantages of day surgery and ambulatory care and so on.

I don't buy the argument that the department or the government could not have foreseen that the huge expansions at St. Paul's increasing the number of beds, and the brand new hospital at City and the expansions that have occurred at University Hospital, that they would not, once they were all completed, that the government wouldn't have a problem. I think right now we're not proceeding with the eighth floor, or my understanding is, at City Hospital. And a number of beds that were built at, or supplied, at St. Paul's are simply not being used. They're standing vacant. I stand to be corrected, but I'm told by officials that that is correct.

Dr. MacDonald: — The beds that are not in use at St. Paul's are in the old section and are being . . .

Mr. Rolfes: — Are what?

Dr. MacDonald: — Are in the old part of the hospital that remains. It was difficult at that time . . . this again isn't probably as satisfactory as you'd like, but at the time until the new expansion came on it was difficult to establish day surgery at St. Paul, although they already had it at City Hospital because of the use of their old nurses' residence.

So when the construction in St. Paul's came on line and was available then it not only provided beds, but it also opened up the day surgery, and there was a rapid decompression requiring a minimum number of beds.

Mr. Rolfes: — Well I don't have the time today to discuss this further. The other opportunities, I'm sure, will arise in the future to . . . I guess the point I wanted to make — it's really not part of the Department of Health not to have a long-range plan. It's just not like it. I mean they can tell you exactly where they're going, not just next year, but in five years and ten years. They know exactly where they're going. I've been there. That's one of the things I marvel at the Department of Health.

And I was surprised — and must admit when I read about this, of the overexpansion at Saskatoon — that there were no long-range plans. But I don't want to discuss this further today. I just don't have the time to discuss it further but other opportunities, I'm sure, will avail themselves if we can discuss this further.

Thank you, Mr. Chairman, and thank you, Dr. MacDonald, and your staff.

Mr. Chairman: — Thank you, Mr. Rolfes. Dr. MacDonald, I have a question on page 133, a grant to something called Lifestyles '89. Can you explain to me what that's for?

Dr. MacDonald: — I'm sorry, what page was that on?

Mr. Chairman: — Page 133 of the *Public Accounts*.

Dr. MacDonald: — The Lifestyles '89 is held at fairs in Saskatoon and Regina promoting health and well-being for the community.

Mr. Chairman: — What about the grant to the Mackenzie Infant Care Centre?

Dr. MacDonald: — This is a grant for pregnant teenagers and their babies on an education and support basis. It is through the schools in Regina.

Mr. Chairman: — As I understand it, they set up a day care centre.

Dr. MacDonald: — That's correct.

Mr. Chairman: — They receive funding from Social Services, but you would not normally provide funding for centres such as this?

Dr. MacDonald: — Normally we wouldn't. I believe that's right.

Mr. Chairman: — Why was funding provided in this case?

Dr. MacDonald: — I'm told it would be related for health counselling activities for the teenage mothers on proper care and protection of the babies.

Mr. Chairman: — Is this a program that you will be extending or making part of your ongoing operations?

Dr. MacDonald: — There's no plan to expand it. I think it would be looked at and reviewed on an as-need basis. What happens in the city is somewhat different than some of the rural communities where this same activity would be picked up and handled by community health nurses.

Mr. Chairman: — Who would have been the director of the Mackenzie Infant Care Centre during the year under review?

Dr. MacDonald: — I'll supply that for you when I can get it. I don't know.

Mr. Chairman: — This is the one that operated in conjunction with Balfour Collegiate? Any idea where this is located, this Mackenzie . . .

Dr. MacDonald: — My staff believe that it was Balfour, but we'll have to confirm that.

Mr. Chairman: — This is not the one that Shirley Schneider was involved with?

Dr. MacDonald: — It might have been.

Mr. Chairman: — Do you have anywhere in the *Public Accounts* expenditures with respect to family planning matters? Where would I find that?

Dr. MacDonald: — We no longer have grants for family planning.

Mr. Chairman: — You don't?

Dr. MacDonald: — No.

Mr. Chairman: — Can you tell me under the year under review the teen pregnancy rate in Saskatchewan as compared to other provinces in Canada?

Dr. MacDonald: — We'll have to get back to you with that number.

Mr. Chairman: — Could you provide me with that information? I'd like to have that. But there's no grants whatsoever for family planning?

Dr. MacDonald: — That's my understanding, yes. I'll confirm that.

Mr. Chairman: — Yes, I'd like to have that confirmed. I have no further questions at this point.

Mr. Anguish: — On page 162 of the *Public Accounts*, Mr. Rolfes asked about this earlier payment to property management corporation, \$1,965,909. And you mentioned that's in connection with air ambulance service? I'm wondering if you can tell me if the total amount was for air ambulance service, and is this the amount that SPMC, when they send out the air ambulance out of Saskatoon, is this the amount they charge you back over the course of the year for that one plane and the flights it makes as an air ambulance?

Dr. MacDonald: — It is more than the one plane involved. If it's necessary there will be other aircraft rental. That's managed through SPMC, but we pay for that, and also for CVA aircraft rental for executive air.

Mr. Anguish: — Can you provide us with a breakdown of that \$1.9 million?

Dr. MacDonald: — Yes, we will do that.

Mr. Anguish: — Do you know offhand what percentage of that would be private chartered aircraft?

Dr. MacDonald: — I believe it's fairly small, but I'll have to break that out for you in detail to be precise. It also includes CVA vehicle rentals, the ground vehicles, that is to say.

Mr. Anguish: — For departmental employees?

Dr. MacDonald: — Yes.

Mr. Anguish: — I'm in particular interested in the air ambulance aspect of it, not in terms of ground transportation for employees.

Dr. MacDonald: — Well that is part of the 1.9, but we will give you that specifically for the Crown-owned aircraft and for private aircraft.

Mr. Anguish: — The private aircraft that would be chartered from time to time to provide air ambulance service, do they all fall under the 1.9 million in that appropriation or that expenditure?

Dr. MacDonald: — All of the private aircraft are not included in that. Some of them are contracted directly by branches. But it does include, as well, the cost of nursing — the nurses that go with the government aircraft.

Mr. Anguish: — Some are, some aren't; some have nurses, some don't. Do you have a breakdown of all that, or the 1.9 million?

Dr. MacDonald: — We will attempt to bring that together. I don't have it here.

Mr. Anguish: — Who has control over the use of air ambulance then? If I'm in Pinehouse and I have a compound fracture of my leg and the best way to get me out is to fly me out by air ambulance, but the air ambulance is busy flying in somebody from Climax into Regina and the other executive aircraft are busy flying whoever has to be flown about the province, so somebody charters a plane from a private charter company to fly me out of Pinehouse. Who has control of that? Is that the Department of Health?

Dr. MacDonald: — Northern health, in that particular example, would be in charge of that, yes. They'd have control of that.

Mr. Anguish: — Northern health is a branch of the Department of Health?

Dr. MacDonald: — Yes, that is correct.

Mr. Anguish: — What if this happens in Goodsoil?

Dr. MacDonald: — What would happen in Goodsoil or anywhere in the province is the doctor in the community who saw you would determine that an air ambulance would be best. They'd contact the air ambulance service, which is a government service, and in that sense, from there on the decision is controlled by the Department of Health.

Mr. Anguish: — Okay, so the initial determination as to whether or not I need an air ambulance is made by the physician who would be attending my injury.

Dr. MacDonald: — Yes.

Mr. Anguish: — And then there is a call placed to the air ambulance service. If they don't have a plane available that they own, or have access to an executive aircraft, then air ambulance would make the determination as to who they contact to provide the charter service.

Dr. MacDonald: — That's correct.

Mr. Anguish: — Do the charter services have nurses in attendance?

Dr. MacDonald: — They do use a . . . If it is deemed that a nurse is required and there is not a government nurse or ambulance service nurse there, they can obtain one through the hospital system. So nurses can be made available for private aircraft as well, if it's deemed necessary.

Mr. Anguish: — The doctor again would make . . . the attending physician would make that determination?

Dr. MacDonald: — That would be his decision, yes.

Mr. Anguish: — Are any of the chartered aircraft equipped with medical devices that would be necessary such as the air ambulance itself has?

Dr. MacDonald: — If you said are they equipped with medical devices, I would say yes, but as well as the government air ambulance, no. There is some variation between aircraft and it's not standard.

Mr. Anguish: — I saw recently, I know it's not in your annual review, but Southern Aviation, I understand, has quite an elaborate set up in one of their charter aircraft. Did the Department of Health participate in assisting for payment of that or is that a private venture?

Dr. MacDonald: — Their more elegant aircraft is used for out-of-province travel. The equipment on board we contract with them. The equipment that they have on board is not supplied or funded by government.

Mr. Anguish: — Okay. I have number of expenditures to private air charters that are listed that I do not believe would fall within the 1.9 million that's paid to SPMC for air ambulance service. West Wind Aviation Inc. received \$126,133 in the year under review. Can you tell us what that was for?

Dr. MacDonald: — West Wind Aviation is used where we can't afford or can't . . . the distance is too great for our aircraft to take patients for, say, transplants or that sort of thing. And this listed figure here is for air ambulance services here by West Wind.

Mr. Anguish: — Could you tell me how many trips that was and what the destination was?

Dr. MacDonald: — We can get that for you. I don't have it here.

Mr. Anguish: — Well I'd like to know. I'm going to ask you that for a number of air carriers and I'd like to know the number of trips they made, the destination of the trip, and I'd like to know the rate that they charge to the Department of Health. I suppose an appropriate question would be: do you negotiate a rate with the air carriers or do you pay their set tariff that they used to have to file — no longer have to file anywhere?

Dr. MacDonald: — The rates are not all identical and we'll provide that information with the information you have asked for on the number of flights and destination.

Mr. Anguish: — Do you tender this service for air carriers?

Dr. MacDonald: — It's not done on a tender, it's done on a roster basis and also relates to the particular company and the type of aircraft that they have that we might need for our specific trip.

Dr. West: — Mr. Chairman, with regards to northern

Saskatchewan, aircraft travel is largely tendered simply because in northern Saskatchewan aircraft travel is used to move staff around the North as well as for med-evac purposes. And there are three major air companies based out of La Ronge and the main tender is tendered every year, particularly with regards to staff movement within the North. And then with regards to med-evac the tendered company is the primary company of contact, but if they do not have an aircraft available we go with one of the other two companies in the North.

Mr. Anguish: — When you talk about the North you're talking about the old northern administration district?

Dr. West: — Yes, that is correct.

Mr. Anguish: — That is the same boundary for your purposes . . .

Dr. West: — Yes, that's right.

Mr. Anguish: — Who are the three companies that . . .

Dr. West: — Those are Athabaska Airways, Pinehouse Airways, and La Ronge Aviation.

Mr. Anguish: — Pinehouse, Athabaska?

Dr. West: — And La Ronge Aviation.

Mr. Anguish: — And La Ronge Aviation. Are C & M Airways not out of northern Saskatchewan? The reason I ask that . . . I see that you say that those three are your main carriers in the North. Athabaska Airways is \$134,718; Pinehouse Airways, 14,257; La Ronge Aviation Services Ltd., 26,172. And I understood that C & M was a northern carrier as well, and yet if they're not one of your main carriers then you've paid them more than the other three combined.

Dr. West: — I beg your pardon, Mr. Chairman. C & M became part of Athabaska Airways in the North.

Mr. Anguish: — In the year under review they were two different companies and now they are one?

Dr. West: — For part of the year, and then for part of the year they were one. I don't have exactly what date that the two companies merged into one company.

Mr. Anguish: — Okay. Can you tell me, Snowbird Aviation Ltd., was that all for . . . when you say med-evac do you mean air ambulance med-evac, those terms are interchangeable?

Dr. West: — Yes.

Mr. Anguish: — I say air ambulance, you say med-evac? We're talking about the same thing?

Dr. West: — That is correct. Yes.

Mr. Anguish: — Can you tell me about Snowbird Aviation? They received \$27,884 in the year under review. Is that for med-evac?

Dr. MacDonald: — That's for med-evac. Yes

Dr. West: — I'm sorry they are a small company in the North. I gave you the three main ones but there is . . .

Mr. Anguish: — Millardair. Is that an air company? They received \$15,839 in the year under review.

Dr. MacDonald: — That one is for freight charges that were flown into the North.

Mr. Anguish: — C & M Airways, \$245,001 in year the year under review.

Dr. West: — As I say, C & M are part of Athabasca.

Mr. Anguish: — Yes. In terms of staff that would travel throughout the North, how do you determine between staff trips and med-evac trips? Does a different carrier carry staff, then another carrier will carry med-evac?

Dr. West: — Largely the tendered contract would carry staff plus wherever possible if an aircraft is available, do the med-evac. But if an aircraft were not available, obviously that is where they would turn to another company because of the urgency of transportation.

Most of the staff travel is done on a schedule which has been set up with the tendered companies though. For instance there is a standard trip taking staff up the east side of the province one day a week and back the next day; the same on the west side of the province, and so on.

Mr. Anguish: — Canada Jet Charters Ltd., \$15,811.

Dr. MacDonald: — That's air ambulance.

Mr. Anguish: — Where do they operate out of?

Dr. MacDonald: — We don't have their base. I'll get it for you.

Mr. Anguish: — You're going to provide me with the information, destinations as for these . . .

Dr. MacDonald: — Correct.

Mr. Anguish: — Air North Ltd., \$11,874.

Dr. MacDonald: — That's for staff. That was rental of aircraft for northern health services and that would be staff movement.

Mr. Anguish: — Air-Sask Aviation Ltd., \$92,730.

Dr. West: — That is part of Pinehouse.

Mr. Anguish: — It's now Pinehouse?

Dr. West: — It's now Pinehouse aviation.

Mr. Anguish: — Was that air ambulance med-evac?

Dr. West: — That is part of the northern package that we have spoken about, Mr. Chairman.

Mr. Anguish: — Athabasca Airways, that's now with C & M combined?

Dr. West: — That is correct.

Mr. Anguish: — Buffalo Narrows Airways Ltd., \$68,328.

Dr. MacDonald: — That would be for all three purposes including med-evac.

Mr. Anguish: — Business Flights, \$14,147.

Dr. MacDonald: — That's air ambulance record.

Mr. Anguish: — Pinehouse Airways, you mentioned that that's now merged with Air-Sask Aviation. Parsons Airways Northern Ltd., \$11,743.

Dr. MacDonald: — That's for med-evac.

Mr. Anguish: — Southern Aviation, \$33,454.

Dr. MacDonald: — That's air ambulance.

Mr. Anguish: — La Ronge Aviation Services Ltd., 26,172.

Dr. MacDonald: — Northern med-evac and northern health.

Mr. Anguish: — Did you not do any business with S & M airways in the year under review. I didn't see anything in the accounts.

Dr. MacDonald: — It might have been under \$10,000 and not listed here.

Mr. Anguish: — How often do you tender, like if someone starts a new air service and say they're specializing in air ambulance or med-evac. Do you tender on an annual basis?

Dr. MacDonald: — We don't tender with a specific firm, because it depends on the aircraft they have available as to what we need, depending on distance and sophisticated equipment required for ambulance. And a new company would advise us of what equipment they have, and we would have it on our list for consideration.

Mr. Anguish: — Well if they're on the list and they've got comparable equipment, do you rotate on the list? You said you had a roster system. Do you go to the top and say that's their call and the next one's theirs and so on down. Do you rotate over the top?

Dr. MacDonald: — That's correct.

Mr. Anguish: — So there's no preference to anyone airline given in that type of system.

Dr. MacDonald: — Not except for equipment where required.

Mr. Anguish: — Where special equipment's required.

Mr. Lyons: — I'm just going to ask one question, Mr.

Chairman, on this. For northern air services the contract is put up for tender every year. Do I understand you correctly?

Dr. West: — For staff, yes.

Mr. Lyons: — For the staff movements. Is it properly advertised or is it just distributed to the air companies in the North?

Dr. West: — I would need to confirm that, but I believe it is distributed to the air companies in the North.

Mr. Lyons: — With all the same specifications for each of the air companies.

Mr. Anguish: — On page 164 of *Public Accounts*, Decima Research Ltd., \$144,468. Could you tell us what that was for.

Dr. MacDonald: — The \$144,000 to Decima was involved primarily in our Everyone Wins program but also looking at public attitudes towards health care.

Mr. Anguish: — You didn't say it, but I assume that that was for a poll? It was an attitudinal survey that was conducted?

Dr. MacDonald: — That's correct, it was a poll.

Mr. Anguish: — Could we get a copy of the questionnaire, the instrument that was used to do the poll?

Dr. MacDonald: — That's for internal departmental and ministerial policy. We aren't releasing that.

Mr. Anguish: — We don't want the results of the poll. Certainly I can understand why the ministerial responsibilities would want to keep the results. All I'm asking for is the questions that were asked. I don't see what confidentiality there'd be involved in the questions.

Dr. MacDonald: — The questions themselves would reflect government thought and policy, and we would not release for that reason.

Mr. Anguish: — The questions reflect government thought and policy? I thought that was the purpose of the questions was to determine the policy. Basically you're saying that you won't release the questions. Have you reviewed the results of the survey?

Dr. MacDonald: — I haven't reviewed it; I wasn't here at the time.

Mr. Anguish: — How big was the sample?

Dr. MacDonald: — I don't know.

Mr. Anguish: — Do you have a copy of this survey on file in the Department of Health somewhere, or is it turned over to Executive Council?

Dr. MacDonald: — In all probability we have one; I honestly don't know. And it would have to be the

minister's decision as to whether it was released.

Mr. Anguish: — Who's S.J.M. Communications? They appear on page 165 of the *Public Accounts* expenditures. S.J.M. Communications Services Ltd., \$24,635. And sorry, \$6,000 in addition to that in travel, my colleagues point out to me.

Dr. MacDonald: — S.J.M. Communications did work for the Saskatchewan Commission on Directions in Health Care, did logistics and facilitating services at public hearings. That is an error of the travel; it should have been coded with this as a total package.

Mr. Anguish: — So the total was 30,000, or it was 24,000 and the six should have been in with that?

Dr. MacDonald: — It'd be 30,000 travel and . . .

Mr. Anguish: — It's correct to add those two numbers together. One was just quoted in the wrong place.

Dr. MacDonald: — That's correct, yes.

Mr. Anguish: — Are S.J.M. Communications not a Manitoba firm?

Dr. MacDonald: — We're not certain of their base. We thought there was a Regina component.

Mr. Anguish: — Well, could you tell us if you have it on file and maybe what the Regina component would be. And maybe you can check at the same time if whether or not this Manitoba firm — I believe it's a Manitoba firm, I can't be 100 per cent sure on that — but also if one of the principals with that firm is a Bud Sherman.

A Member: — No, we wouldn't have Bud Sherman.

Mr. Anguish: — Yes, he was a minister with Sterling Lyon's government.

A Member: — We wouldn't have that guy.

Mr. Anguish: — If you could check that for us please.

Dr. MacDonald: — We'll check that for you.

Mr. Chairman: — Could you provide on that a list of any and all of the principals that you are aware of?

Dr. MacDonald: — Yes.

Mr. Anguish: — Yes, and the Saskatchewan connection if there is one. There's also in here somewhere Corporate Strategy Group, \$163,756. Can you tell me what the Corporate Strategy Group did for the Department of Health?

Dr. MacDonald: — Corporate Strategy Group developed a communications program for Saskatchewan Health.

Mr. Anguish: — Where are the Corporate Strategy Group out of? Are they a Saskatchewan-based company?

Dr. MacDonald: — Toronto.

Mr. Anguish: — Associated with Decima Research?

Dr. MacDonald: — Yes.

Mr. Anguish: — Was this Corporate Strategy Group headed up by Nancy McLean so that they helped you develop some kind of strategy based on the Decima poll for \$144,468?

Dr. MacDonald: — The specialized services that they provided were on the healthy life-styles initiative, that's the Everyone Wins program and the implementation of the computerized health card was the work that they did for us.

Mr. Anguish: — So it did have some connection to the Decima poll.

Dr. MacDonald: — Yes.

Mr. Anguish: — Because I think when you mentioned to me that that was Everyone Wins as well. And are the principals of that Nancy McLean and associates?

Dr. MacDonald: — I believe that's right, yes.

Mr. Anguish: — How many polls did the Department of Health do in the year under review and how many strategies were contracted as a result of those polls?

Dr. MacDonald: — There were two polls done during the year in question. The work of Corporate Strategy, however, related to what I mentioned — the healthy life-styles, the Everyone Wins program, and computerized health card.

Mr. Anguish: — Who did the second poll?

Dr. MacDonald: — Decima.

Mr. Anguish: — Decima did two polls for the \$144,000?

Dr. MacDonald: — That's correct.

Mr. Anguish: — The work that flowed from that with the Corporate Strategy Group, was that decision made internally within the Department or did you tender for this work to be done? Or was it by ministerial directive that Corporate Strategy Group out of Toronto ended up doing a major portion of work with the Everyone Wins program?

Dr. MacDonald: — It doesn't require tendering but it was a ministerial decision.

Mr. Anguish: — So how does that work? Would the minister at that time just say to the department, we want you to hire the Corporate Strategy Group to do this particular work?

Dr. MacDonald: — It's my understanding that Corporate Strategy approached the minister with the proposal to do the work.

Mr. Anguish: — Did they approach the Executive Council or the minister in particular after Decima had

completed their work in polling, do you know?

Dr. MacDonald: — I don't know.

Mr. Anguish: — Was the polling that Decima did by ministerial directive, or was it tendered and put out by the department?

Dr. MacDonald: — The polling company that is used . . . we use the one that is chosen for us by Executive Council.

Mr. Anguish: — Were these polls initiated by you or by ministerial directive?

Dr. MacDonald: — It was really a combination because we needed the information to develop our Everyone Wins program.

Mr. Anguish: — Dome Media Buying Services Ltd. — 1,128,586. Have you made any attempt to do a cost benefit analysis of giving Dome Media Buying Services in excess of a million dollars?

Dr. MacDonald: — The major expenditures in the Dome Media Buying Services were Everyone Wins TV and radio and print ads, Safe Grad radio and TV advertising, the Christmas drinking and driving program, and recruitment of staff. These things we do periodically evaluate for their value.

Mr. Anguish: — What kind of value did you get?

Dr. West: — From the point of view of the value of the program, in the health education area, there is no doubt that there are many values that we are getting from the overall health education component, which of course, Everyone Wins is one part. There are several health education initiatives both by the government and by the non-government sector.

But I think it is true to say that we believe for the amount of money that we are spending on health education, to promote wellness and to take people away from the reliance on institutions, that we are getting extreme value for money.

Mr. Anguish: — Do you have statistics that document that, or is it just a feeling? I'd feel it's good, too, to have some of these programs, but . . .

Dr. West: — There are certain specific things that one can point to, such as the continued drop in the rate of people smoking, such as the decrease in hard liquor sold in Saskatchewan. There are certain elements such as those that we believe are clearly showing that the message is getting through from the point of view of health education.

Mr. Anguish: — Are Dome your agency of record, so to speak? Or do you tender for work like that to be done?

Dr. MacDonald: — In the year under review it was Roberts & Poole as the agency of record, and there was a switch half-way through the year to Dome.

Mr. Anguish: — Oh, I see. Roberts & Poole

Communications, they also received \$1.127 million in the year under review. Were you unhappy with Roberts & Poole? Did you express some concern? Did you retender to get an agency of record for the Department of Health?

Dr. MacDonald: — I don't think there was any unhappiness. It's a periodic change of agencies. The work that they did was somewhat different on the education side. The Dome Media Buy was more on the media side as opposed to what Roberts & Poole were doing. This is more development of program by Roberts & Poole.

Mr. Anguish: — Roberts & Poole were developing a program for the Department of Health?

Dr. MacDonald: — The creative work for our ads, perhaps I described that . . .

Mr. Anguish: — They're both involved with the media though?

Dr. MacDonald: — Yes.

Mr. Anguish: — It's for you to inform the public about what your concerns are, what your programs are.

Dr. MacDonald: — Yes.

Mr. Anguish: — The purpose of both companies is the same.

Dr. MacDonald: — The Department of Health decided the message that it wished to give to the public. The company such as Roberts & Poole and Dome, because of their business, gave us advice on the best way to deliver that message.

Mr. Anguish: — So was it your request that you changed from Roberts & Poole to Dome? The department requested them?

Dr. MacDonald: — As I understand it — and I wasn't here — we did not ask for the change. It was policy to periodically change.

Mr. Anguish: — Whose policy to periodically change, Department of Health's policy or the ministerial directive?

Dr. MacDonald: — Government.

Mr. Anguish: — The government made a decision to change so that's who you use. So if you wanted to do something, year under review, for the first part of the year you were obligated to deal with Roberts & Poole, and in the rest of the year you were obligated to deal with Dome.

Dr. MacDonald: — That's correct.

Mr. Anguish: — So when I go back to you, you don't really know whether or not you're getting your best value for your advertising dollar because you don't have the opportunity to tender it, do you?

Dr. MacDonald: — That is a correct statement from the point of view of evaluating two companies against each

other. As I say, from the point of view of evaluating whether we're going in the right direction with health education, yes, we believe that we're getting value for money.

Mr. Anguish: — Yes, I believe you're going in the right direction too, but you don't know whether you're getting good value for your dollar that you're spending in terms of what you're getting out there in public impact because you don't have the opportunity to tender it. You're told by Executive Council who you're going to advertise with. That's the point that I make. I'm not saying that it's your fault. It's not for you to defend or confirm or deny or anything else, actually.

Another place where I want to examine just for a few moments before we break off is on page 166, WESTBRIDGE Computer Corporation, an expenditure of \$2,751,781.

Can you tell me if you have a long-term contract with WESTBRIDGE Computer Corporation, or do you have the opportunity to tender that computer work annually, or is there a set term contract with WESTBRIDGE Computer Corporation?

Dr. MacDonald: — In the year in question, we did not have a contract with WESTBRIDGE. We continued with . . . this was the continuation from SaskCOMP during that period of time when they did services for developing computer systems, rental and processing of equipment, but we did not have a contract with WESTBRIDGE in the '88-89 year.

Mr. Anguish: — You paid them though 2.7 million, almost 2.8 million. Why did you pay that to them if you had no contract, it was on a day per day fee-for-service basis?

Ms. Yeates: — Yes, we have all of our major systems for paying physicians and hospitals and pharmacists on what was the SaskCOMP mainframe and became the WESTBRIDGE mainframe. So yes, we purchased the processing from WESTBRIDGE because they have . . . it's our data but they have it on their mainframe, and we pay them for that.

Mr. Anguish: — Do you have any flexibility in the future if you're unhappy with . . .

Ms. Yeates: — Yes, we . . .

Mr. Anguish: — And I'm not indicating you are, but if you become unhappy with the service provided, do you have the opportunity to tender that out elsewhere, the contract elsewhere?

Ms. Yeates: — Yes. We currently have a contract with them and that is something we can go elsewhere, and we have done that in other contracts.

Mr. Anguish: — Okay. Although you don't have a contract in the year under review, you do now have a contract?

Ms. Yeates: — Yes, we do.

Mr. Anguish: — I'm interested in one other thing that Mr. Lyons brought to my attention, I'd like to pursue. But you made a payment in the Department of Health to . . . (inaudible interjection) . . . I'm sorry, it's something else.

Mr. Chairman, that I think concludes the questions that I have. I'd like to thank the deputy minister and his officials for their time with us here today.

Mr. Chairman: — I just have one question. I was interested to hear the beneficial effects of advertising the healthy life-styles and the like. If you feel that that is resolvable into some gains in terms of public health, why wouldn't that extend to the whole area of family planning, given teen pregnancy rates in Saskatchewan?

Mr. Anguish: — Good question.

Mr. Chairman: — Given the concerns that society expresses about unwanted, unneeded pregnancies, abortion and the like, why would we not spend more money on encouraging people to be familiar with family planning matters?

Dr. West: — Mr. Chairman, I didn't want to give the impression or we didn't wish to give the impression that we were totally devoid of programming in the family planning area. You asked with regards to contracts, and we answered that question.

However from the point of view of family life education in the schools and the role that community health is playing in that family life education, we have public health nurses giving family life and sexual education in the schools. And involved in that program is counselling of teen-age people with regards to teen-age pregnancy. Equally that program extends now we have set up a program whereby public health nurses work with young women who find themselves pregnant. But I would like to stress the part that there is an education component which our health professionals are part of.

Mr. Anguish: — I do have a couple of other questions. I'm sorry, I missed a couple of things. Page 132, what I'm concerned about, I think the only other thing I have left and want to talk about just a bit are relocation expenses. You seem to . . . I know you have a very large staff in the Department of Health, but you have a very large amount of relocation expenses that are paid throughout the course of estimates, I think percentage-wise, likely higher than any other department.

On page 132 under general administration, there's relocation expenses of \$3,437. Could you tell us what that payment is associated with?

Dr. West: — We can give you exact detail, but we cannot give it to you today. But equally I would point out from personal experience, a relocation expense of \$3,000 is relatively small. When I moved to Saskatchewan in 1981 to become provincial epidemiologist, I believe the department's contribution towards my relocation expense at that time was 8 or \$9,000.

Mr. Anguish: — Well, I appreciate that. Wait until I'm

done with the relocation expenses, okay? There's one under general administration on page 132 of \$3,437. There's another one on the same page under human resources of \$16,457. There's another one on the following page, page 133, relocation expenses under community health services, of \$23,723. Page 134, relocation expenses, \$2,279; that's under the Saskatchewan hearing aid plan. The following page, page 135, relocation expenses under laboratory and disease control services amounting to \$8,397.

Page 136, mental health services, relocation expenses, 70,296. And on that same page if you could also tell us, there's compensation payments under mental health services of \$2,288. I'd like to know what that compensation payment or payments were for.

So although I do agree with you, sir, that the initial one is very small, when you accumulate all those, I think the relocation expenses in that year are quite high for the Department of Health. So if you could provide us with a breakdown of those.

Dr. MacDonald: — We will give you a breakdown, Mr. Chairman, but I would point out that it's done with the standard provisions of government allowance for travel. There's no special travel. The relocation policy, there are regulations that we are adhering to here. But we'll break them down by individual.

Mr. Anguish: — Whose regulations are you adhering to?

Dr. MacDonald: — Public Service Commission, for relocation of employees.

Mr. Lyons: — I have one question somewhat along the . . . or not along the lines but on the sort of same format that Mr. Rolfes asked earlier on. I'll put it this way. In the year under review, was there any consideration by Department of Health as to the development of a program which would obligate doctors who are trained in Saskatchewan to remain in rural communities in Saskatchewan, somewhat along the lines, for example, of the Newfoundland outpost doctors' program. Did the Department of Health discuss that or have any kind of discussions internally within it whatsoever?

Dr. MacDonald: — I'm not certain of the detail that year; we weren't in here. But I can tell you that in the last two years that I'm aware of there's been an ongoing discussion in our manpower planning of looking at methods and ways of encouraging our students to stay within the province which include bursaries, other ways of obligation that we would attempt to get.

Quite frankly, certainly in Canada, experience of holding individuals with bursaries has been abysmally poor. It's very easy for them to get out of these contracts.

Mr. Lyons: — I can understand that, but the Newfoundland program was somewhat different and that's why I referred specifically to that, in which there was the obligation that your way was paid through medical school, you obliged yourself one year of service in a designated community for each year of education that you received. And has the department looked at any

type of program based on the Newfoundland model?

Dr. MacDonald: — Not specifically on that model. We've looked at that, we've looked at what Quebec is doing. We obviously have a captive audience. It's easier for them to deal with their positions than we do. But I'm very concerned. I share with you the concern about methodologies to do this.

Mr. Lyons: — Thank you very much, Dr. MacDonald.

Mr. Chairman, if I may add this comment while the officials are here. I just would like to bring to the committee's attention and to your attention the open and forthright manner in which the officials answered the questions, and contrast that to the witness who appeared before the committee this morning. And I would like to thank personally the officials for the answers.

Mr. Chairman: — It's not necessary to contrast, but thank you very much, Dr. MacDonald, and all your staff for being with us.

A motion by Mr. Hopfner that the hearing of the Department of Health be concluded subject to recall if necessary for further questioning. Is the committee ready for the question? Is it the pleasure of the committee to adopt the motion?

Agreed

The committee recessed for a short period of time.

Mr. Chairman: — . . . the Saskatchewan Housing Corporation.

Mr. Lyons: — Yes, Mr. Chairman, thank you. I notice that we're dealing with the year which has ended December 31, 1987, and I was wondering why the report only goes to December 31, '87 as opposed to December 31, '88.

Mr. Strelieff: — Mr. Chairman, that's a good question. I was just asking my officials that just two seconds ago. As it states in the '88 report, we determined that we could not rely on the appointed auditor's work on compliance with legislative authorities and therefore had to go back in and do that work. So as a result we're reporting on the '87 work in this report. In addition the '88 and '89 work gets delayed and apparently . . . or with the resources that we do have, this is where we're at.

Mr. Lyons: — Okay. I notice, Mr. Chairman, also that under the little report by the Provincial Auditor on the things which are raised in the report that there were no matters resolved for the Sask Housing Corporation. I take it that's again because of the backlog of work being done at SHC (Saskatchewan Housing Corporation) or . . .

Mr. Strelieff: — Mr. Chairman, these issues relate to instances of non-compliance and therefore there's no resolution related to them. They're just stacks and that's it.

Mr. Lyons: — Okay. Under the issues that have been raised in 30.01 — before the Housing Corporation comes in — has there been any ongoing discussions to try to resolve these matters or is the auditor's office at a

standstill in regards to the different interpretations of section 13 of the Act.

Mr. Strelloff: — Mr. Chairman, the matters recorded are, in the opinion of the Provincial Auditor . . . they did not comply with legislative authorities. Apparently the appointed auditor in some of these instances formed another opinion and we have a difference of opinion on it. And that's where it stands.

Mr. Baker: — Who was the auditor — the appointed auditor?

Mr. Wendel: — Peat Marwick.

Mr. Lyons: — Mr. Chairman, perhaps, and this is to you for clarification, the year under review in this case: will the committee take it that we are free to ask questions concerning the Sask Housing Corporation up to March 31, 1989?

Mr. Chairman: — Yes, I mean Sask Housing is the beneficiary of expenditures on the Consolidated Fund in the public accounts and we've . . . especially because it's a treasury board Crown, we've taken the position that questions can, should be encouraged with respect to Sask Housing for the year under review.

Mr. Baker: — . . . (inaudible) . . . completed an auditor's report on the '88-89 year yet have you?

Mr. Strelloff: — That's correct.

Mr. Baker: — I don't know whether we're going to get into where money spent or whether in fact we're going to get into areas of concern of the auditor. I don't have any objections either way.

Mr. Chairman: — No, I don't know what Mr. Lyons has in mind . . .

Mr. Lyons: — No, I mean we're dealing with the *Public Accounts* for '88-89, but the auditor's report there is none in essence for that particular year. I just wanted to make for the clarification for the committee that the year under review would include not only those things mentioned in the auditor's report but also the items in the *Public Accounts* that relate, and in the annual report of Sask Housing that relate to work of the committee.

Mr. Chairman: — Are you asking a question?

Mr. Lyons: — That's my interpretation of what you just said.

Mr. Chairman: — I'm saying that, look, they're in the *Public Accounts* and you can ask whatever questions you think are appropriate under the circumstances. It's always helpful to have an auditor's report or any comments of the auditors in addition to what's in the *Public Accounts*, but that need not necessarily deter the committee from asking questions. There may well be instances of departments which the auditor has no comments, but we still want to bring before the committee because there are questions about specific expenditures as outlined in the *Public Accounts*.

Do you want to bring them in then at this point?

Mr. Lyons: — Go for it.

Public Hearing: Saskatchewan Housing Corporation

Mr. Chairman: — Good afternoon, Mr. Styles. Can you introduce the officials that are here with you today.

Mr. Styles: — To my right is Mr. Larry Boys, he's the executive vice-president; to my left is Maureen Yeske, she is the executive director of policy and intergovernmental services.

Mr. Chairman: — Thank you very much. I want to welcome you here today and 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, 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. Will you please address all comments to the Chair.

Mr. Lyons: — Well thank you, Mr. Chairman. We notice from both last year and again this year in the auditor's report that there seems to be a fairly major difference of opinion regarding some of the operations of SHC. And I was wondering, what is the viewpoint of Saskatchewan Housing Corporation as to the resolutions of the issues as defined by 30.01 on page 92 of the auditor's report for '88-89?

Mr. Styles: — I assume you're referring to the three items 30.05 to 30.09, legislative authority, and there's two subsequent to that. The issues, I guess, in question are ones of professional judgement, and there's differences, I guess, in the legal opinions that have been provided by the lawyers that we retained versus the lawyers retained by the Provincial Auditor. There also appears to be a difference of opinion between our external auditor and the Provincial Auditor. It's a matter of professional judgement.

Mr. Lyons: — What's the position of the housing corporation regarding the difference in opinions between the Provincial Auditor and the external auditor — Peat Marwick I believe, isn't it?

Mr. Styles: — With respect to the issue of improper legislative authority — opinion of the legality of the home improvement plan — the corporation, when the plan was implemented, obtained legal opinions. We had an internal opinion at the time plus external opinions. Those advised us that we were within our Act in terms of the program.

In regards to 30.10 and 30.14, improper application of

appropriation, the corporation again had obtained legal opinions and had consulted with the Department of Finance, okay, on the appropriate accounting policies. They were also . . . the accounting policy in question was also based upon other programs that we have in operation, and is very similar to those policies.

With respect to the no order in council for term bank loan, 30.15 to 30.17, the corporation agrees with the comment and unfortunately an OC has not been pursued since it could not be retroactive. What we have done is we have now board approval and it's a matter of what we agree with the comment.

Mr. Lyons: — Sorry. I just missed that last part. You now have board approval from the board of directors of Saskatchewan . . .

Mr. Styles: — There was board approval for the loan.

Mr. Lyons: — But there still isn't any approval from the Lieutenant Governor in Council.

Mr. Styles: — Unfortunately our understanding is that an OC (order in council) cannot be made retroactive, before it would not address the concern.

Mr. Lyons: — And what was the loan for?

Mr. Styles: — In March of '86, the corporation took out a \$950,000 loan in connection with the sale of the 1800 block Albert Street infill site and a guaranteed lease arrangement for the developer.

Mr. Lyons: — The 1900 block of Albert?

Mr. Styles: — That's right. It's called Saskatchewan Place.

Mr. Lyons: — That's that terraced building.

Mr. Styles: — That's right.

Mr. Lyons: — Where the labour standards office is and the business development centre and some other development centre and so on and so forth.

Mr. Styles: — That's right.

Mr. Lyons: — Why would Sask Housing involve itself in that?

Mr. Styles: — The corporation originally owned the piece of property in question. We consummated a sale arrangement with a developer in Regina. As part of the arrangements, the government agreed to lease back 50,000 square feet. The arrangement that was put in place in terms of leasehold improvements was the corporation would fund those.

Mr. Lyons: — So SHC financed the leasehold improvements on Saskatchewan Place.

Mr. Styles: — For SPMC. SPMC now leases out the . . .

Mr. Lyons: — And who was the developer that you dealt with there?

Mr. Styles: — It was a joint venture between Denro and Canadian pioneer.

Mr. Lyons: — Canadian pioneer management?

Mr. Styles: — We'll look it up for you. We can undertake to get the exact name of the developer. I don't believe we have it with us right now.

Mr. Lyons: — I wonder if you could tell us, in the year under review, how much money was provided from the Saskatchewan Housing Corporation to the co-operative building sector in the province?

Mr. Styles: — In 1988 there was no additional increment. There are incremental units provided to the Co-op Housing Association. The present arrangements are that the federal government delivers the co-op housing program unilaterally. However, up to 30 per cent of the units can be used for social housing in conjunction with our programming. It is part of the original arrangements negotiated with the federal government. In 1988 the federal government did not deliver any units into Saskatchewan.

Mr. Lyons: — Was there any request by the Co-operative Housing Association of Saskatchewan for assistance from Sask Housing for the construction of co-operative housing units?

Mr. Styles: — There was no requests underneath any of our programming vehicles for units involved in a construction-type project.

Mr. Lyons: — You say there was no requests. Were there any discussions between the Sask Housing and the Co-operative Housing Association?

Mr. Styles: — The Co-op Housing Association has had ongoing discussions with our federal partner concerning the number of units being allocated here in Saskatchewan and the percentage of units that are devoted towards social housing. From time to time we've had some involvement with those discussions since they have some impact on us.

Mr. Lyons: — Were they raising concerns as to the small number of units that were being delivered through the co-op housing program?

Mr. Styles: — The Co-op Housing Association has raised a number of concerns with the programming vehicle that the federal government has. It is a new program vehicle, originally built in 1986. It has a five-year term to it so it actually expired in 1990. There is an ongoing consultation process right now to address those concerns and I believe that the Canadian co-operative housing association is tied up in those consultations.

Mr. Lyons: — Can you tell us in the year under review how many public housing units were built by SHC?

Mr. Styles: — Five hundred and twenty-one units in total, including the units we allocated to group homes and nursing homes here in Saskatchewan.

Mr. Lyons: — How many units were outside group homes and nursing homes?

Mr. Styles: — 421.

Mr. Lyons: — Out of those 421, what percentage would be designated as seniors housing?

Mr. Styles: — 295 out of the 421.

Mr. Lyons: — 395?

Mr. Styles: — 295 out of 421.

Mr. Lyons: — So it was 126 a family?

Mr. Styles: — Yes.

Mr. Lyons: — What's been the . . . in the year under review, was there a greater demand placed on Sask Housing? Or I'll put it this way: were there more requests for family public housing than there had been in the year before?

Mr. Styles: — We operate basically on a competitive proposal call basis and a number of proposals that came in, I believe, were approximately the same between '87 and 1988.

Mr. Lyons: — Could you explain what you mean by competitive proposal call basis. Somebody's single mother earning \$11,000 a year — who is she competing with?

Mr. Styles: — We provide an opportunity for municipalities, private developers, the private non-profit sector, municipalities, municipal non-profits to put in proposals for the development of social housing. The proposals can be ones that have a component of both social and market housing. They can be ones that have a health care orientation such as Pioneer Village.

So we provide an opportunity for anyone that's out there to come forward with their ideas and effectively compete amongst them. What we try to do is allocate, based on the cost effectiveness of the proposals that have been put forward, in order to deliver the largest number of units possible.

Mr. Lyons: — In the year under review, did you do any kind of research into the public housing needs in the province?

Mr. Styles: — On an ongoing basis our research and policy in the corporation continues to conduct research in conjunction with our partner, CMHC (Canada Mortgage and Housing Corporation) on housing needs. In the year in question I don't believe it was any specific projects. But we monitor and keep track of what's out there and what type of proposals are on the table.

Mr. Lyons: — How would you then determine whether or not there was a greater or lesser need for public housing expenditures and public housing if you didn't have any particular instrument to determine that?

Mr. Styles: — Within the agreement with the federal government there is a concept referred to as core housing need. It is an academic definition, I guess, of someone who is in need of housing for affordability, suitability, or adequacy problems. In the recent past, SHC, in fact all the provinces in conjunction with the federal government, worked out a model in conjunction with numbers provided by StatsCanada to determine what the need was on a relative basis across Canada. That, in conjunction with the types of proposals that are presented to the corporation, allow us to monitor what the level of need is in various areas in the province and in the province as a total.

Mr. Lyons: — If you look in your annual report on page 33, maybe you can help me out with this. We see two years under investment housing projects — 1988 and 1987. The category is cost accumulated amortization, net book value. Can I make a comparison? Would it be fair to make a comparison based on that particular graph, as to the investment in public housing by SHC?

Mr. Styles: — In 1986 we saw new agreements with the federal government that I guess redirected some of the activity towards the private, non-profit sector, groups such as the Legion, Lutherans, Mennonite groups. In those areas the groups themselves, okay, own the asset; we simply provide the subsidies. So in terms of the capital value, the comparison becomes difficult. In the past we owned and financed directly; at the present time the ownership and the financing comes through groups that already out there.

Mr. Lyons: — Okay, now just above . . . just in the table just above it, under grants receivable (unexpended) — province of Saskatchewan, (thousands) under co-operative housing there's a net figure, perhaps if you could explain this, as of . . . the balance of January 1, 1988 was minus 75 — I presume it was minus 75,000 — and the balance at the 31st, it was minus 68,000. Could you just explain that table to me?

Mr. Styles: — The money question is a carry over. The program was one that was developed during the 1970s and it had a sunset clause on it, so it terminated I believe in the early 1980s, maybe 1980-1981. We still carry the accounts though; they were mortgage accounts. And in 1988 we still had 44 accounts with . . . we had 44 accounts anyways in 1988.

The 75,000 that's listed in the table at the top is simply a carry over to account for the subsidy that the province is still paying on those accounts.

Mr. Lyons: — Okay, and what you're doing basically is paying off those past mortgage accounts with that money?

Mr. Styles: — The mortgage accounts are actually held by individuals, not by the corporation, where the acting is the financier in those situations.

Mr. Lyons: — But I mean you were acting as the . . . (inaudible) . . .

I notice that on the consolidated balance sheet, page 28,

there's been a drop in the assets of Sask Housing. Is that because of the sale of some of the units that were previously held?

Mr. Styles: — It's primarily a combination of two things: continued amortization of the existing portfolio that's out there; plus reduction in some of the mortgage loans balances, individuals deciding to move their loans to the private sector, for interest rate reasons; there's a variety of reasons why it would occur.

Mr. Lyons: — But there's been a decrease; would it be fair to say that there was a decrease in the activities of Sask Housing Corporation during that year?

Mr. Styles: — The reduction of the . . . I guess of the asset value as portrayed in the consolidated balance sheet is only a result of the amortization, the ongoing amortization okay, for the public housing assets that we own and for the payout of the mortgage loans balances.

Mr. Lyons: — Okay, but you look onto the next, the consolidated statement of operations on the next page, page 29, you see under expenditures, cost of land sales example, was almost half in 1966 as it was in 1967; 3.6 million versus \$6.3 million. So that would suggest to me that we're buying a lot less land in '66 than you did in '87.

Mr. Styles: — The corporation actively has not been involved in land acquisition for a number of years. The land in question that this pertains to is really land that was acquired during the mid and latter part of the 1970s. The balances that are being compared there refer to the land sales that we have been, I guess, involved in with the municipalities over the past number of years. It simply reflects the different level of land sales in each of the two years.

Mr. Lyons: — I haven't got any further questions, Mr. Chairman.

Mr. Anguish: — Just a few quick questions. Who does the Saskatchewan Housing Corporation do their banking with?

Mr. Styles: — The corporation itself uses the CIBC (Canadian Imperial Bank of Commerce). Some of our housing authorities, I think, use the Royal Bank for some of their transactions, but the corporation directly uses CIBC.

Mr. Anguish: — Do you have a line of credit with CIBC?

Mr. Styles: — Yes, we do.

Mr. Anguish: — Can you tell me how much that is?

Mr. Styles: — \$5 million.

Mr. Anguish: — Do you also have a line of credit with the Consolidated Fund with the Minister of Finance?

Mr. Styles: — No, we don't.

Mr. Kraus: — Whether there is or there isn't, you use the

Consolidated Fund for it.

Mr. Styles: — We draw what's been approved as per the blue book but we don't have a line of credit that we're aware of.

Mr. Anguish: — So you can't go past what's been appropriated through the estimates process?

Mr. Styles: — We have in the past interim-funded while special warrants were being approved. We have a certain amount of capital cash on hand within the corporation.

Mr. Anguish: — So if you wanted to make an expenditure that wasn't approved you would have to have cabinet approve it; you'd have to have an order in council to do that.

Mr. Styles: — Yes.

Mr. Anguish: — During the home improvement program you paid an administration fee to financial institutions to process applications. Is that correct?

Mr. Styles: — Yes, we did.

Mr. Anguish: — Was it the same amount for all financial institutions whether it be credit union, Canadian Imperial Bank of Commerce, Royal Bank? Was it the same amount?

Mr. Styles: — It was a standard policy for trust companies, chartered banks, or credit unions.

Mr. Anguish: — And what was that amount?

Mr. Styles: — 250 for loans underneath \$5,000 and \$125 for loans in excess of \$5,000 — It had two tiers.

Mr. Anguish: — \$250 for loans up to 5,000?

Mr. Styles: — That's right.

Mr. Anguish: — And over 5,000 loans would be \$125.

Mr. Styles: — That's right, that was the administration fee.

Mr. Anguish: — And the matching grant applications came directly in, so there was no administration fee paid to anyone for that?

Mr. Styles: — That's right. The matching grants were processed directly by the corporation.

Mr. Anguish: — Can you tell me up to the . . . your fiscal year end is December 31?

Mr. Styles: — That's right. We operate on a calendar basis.

Mr. Anguish: — Up to December 31, 1969, I guess, because that's the public accounts year we're in — up until December 31, 1969, how much had you paid out in administration fees?

Mr. Styles: — If I can, I'll read by year. So for the year

1986, we paid \$1.2 million in admin fees. In the year 1987, we paid \$4.5 million in admin fees. The year 1988, we paid \$3.7 million in admin fees and for 1989 we paid \$3.5 million in admin fees.

Mr. Anguish: — In a situation where someone applied for the loan program, the 6 per cent up to \$10,000, and then decided not to take it — they turned the funds back over to the bank; there was never any funds drawn on it — what authority do you have to collect the administration fee from the client?

Mr. Styles: — We have for the very instance you're talking about, okay, we have obtained legal opinions that indicate we have the authority.

Mr. Anguish: — Could you provide us with a copy of that legal opinion?"

Mr. Styles: — Sure, we can undertake to provide a copy.

Mr. Anguish: — Because it seems to me that when I look through the brochures or anything that the client signed, they signed nothing to say that they were responsible to pay you \$125 if they decided not to take the loan. I can't find that there in the documentation anywhere. That's why I would find it surprising that you could get a legal opinion that would say that you can collect \$125, not back from the financial institution, but in fact you can collect from the client themselves. I don't know what basis that legal opinion would be on.

Mr. Styles: — The admin fee is considered in the same light as the subsidy, okay. If an individual drew the \$10,000 and then repaid it six months down the line, we reclaim the subsidy as well. So it's considered to be in the same light. The authorization for both the admin fee and for the subsidy are based upon the person's use, okay, of the funds for the purposes intended.

Mr. Anguish: — Aren't you really penalizing people for being conscientious about their own financial affairs, sometimes worried about paying it back? Like if I take the \$10,000, you don't charge me the administration fee. You don't charge me \$125 administration fee. But my neighbour who maybe just lost their job and decides they don't need this money because they're worried about paying it back, they have to pay the \$125 because they may be in a poorer financial situation than I am, yet they're being penalized by being asked to pay the \$125 back.

Mr. Styles: — At the time the loans are provided, individuals have a six-month time frame in which to complete work. When they take out the loan they are expected to provide a series of estimates, okay, indicating that they have priced out the work and have full intentions to continue with the work. I guess our view and the legal opinion we've obtained is that there is a certain element of good faith in the transaction.

Mr. Anguish: — Then you feel if you ended up in small claims court you would win a case based on your legal opinion, collect the \$125?

Mr. Styles: — Our legal opinion would suggest we

would, yes.

Mr. Anguish: — Is that from the Department of Justice or from a private practice lawyer?

Mr. Styles: — It's a private practice lawyer.

Mr. Anguish: — What's the total cost of the matching grant program in terms of actual money disbursed to the end of the program?

Mr. Styles: — To the end of 1989, \$237.6 million.

Mr. Anguish: — 237?

Mr. Styles: — \$237.6 million to the end of 1989.

Mr. Anguish: — And what do you project the cost of subsidizing the \$10,000 maximum loans at 6 per cent, what do you project that cost to be?

Mr. Styles: — For which period are you referring to?

Mr. Anguish: — To the end of the program. You must have some projection of what you expect it to cost you.

Mr. Styles: — We can undertake to provide that.

Mr. Anguish: — If you could please, I'd appreciate that.

Also while you're providing that, could you provide us what you've accounted for in terms of your loss provisions for those people who may not be able to pay it back, default for one reason or another?

Mr. Chairman: — Are there any further questions of the officials? If not, thank you very much, Mr. Styles and company.

A motion by Mr. Hopfner that the hearing of the Saskatchewan Housing Corporation be concluded subject to recall if necessary for further question.

Agreed

Mr. Chairman: — Stand adjourned until tomorrow morning at 9 o'clock.

The committee adjourned at 5:05 p.m.