

STANDING COMMITTEE ON PUBLIC ACCOUNTS
January 8, 1992

Mr. Chairman: — I think it looks like we've got enough here to roll, so perhaps we should have a motion to go in *in camera*.

Mr. Van Mulligen: — I'll move, Mr. Chairman, that we go *in camera* to consider the auditor's comments with respect to the Saskatchewan Liquor Board.

Mr. Chairman: — Agreed? Carried.

Agreed

The committee met *in camera* for a short period of time.

Public Hearing: Saskatchewan Liquor Board

Mr. Chairman: — Mr. Weber.

Mr. Weber: — Yes.

Mr. Chairman: — Would you introduce your officials to the committee, please.

Mr. Weber: — On my left, Holly Alexander, the financial planning analyst with the board; on my right, Mr. Ray Ritsco, the vice-president of finance.

Mr. Chairman: — Thank you. I have a small piece of official business we need to do here before we can get going. On behalf of the Standing Committee on Public Accounts, I want to welcome the officials of the Liquor Board to the committee's hearings this morning.

The officials should be aware that when appearing as a witness before a legislative committee, the testimony is privileged and it cannot be used against the witness as a subject of a libel action or any criminal proceeding. Witnesses examined before a legislative committee are entitled to the protection of parliamentary privilege in respect of anything said by them in their evidence. However, all that is said in committee is published in the Minutes and Verbatim Report of this committee and therefore is freely available as a public document.

A witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I ask that 20 copies be submitted to the committee Clerk who will then distribute the document and record it as a tabled document. You are reminded to please address all comments through the chair. Thank you.

Do you have a statement at all Mr. Weber that you wish to give to the committee before . . .

Mr. Weber: — No, I have not got any prepared statement.

Mr. Anguish: — Thank you, Mr. Chairman. I want to first turn to the notations made by the Provincial Auditor in the *Report of the Provincial Auditor*, year ending March 31, 1990. And he expresses a concern in here regarding the amount of remuneration paid to the chairman of the board.

The chairman of the board was supposed to have been

paid by order in council, a salary of \$60,000 per year, and this salary was reconfirmed at \$60,000 a year by order in council 793/90 and yet by a memorandum signed by the minister in charge at that time, the chairman's remuneration was \$115,000 per year effective January 1, 1989 and \$119,600 per year effective July 1, 1989.

And I'm wondering why the Liquor Board would not take steps to make sure that the appropriate order in council was passed to give authority for the payment made to the chairman of the board.

Mr. Weber: — Mr. Chairman, in the position that occupied at the time, I wasn't privy to the process of the orders in council; however it is my understanding that an order in council would be required. And I'm not aware of the circumstances leading to the lack of an order in council, other than the fact that the authority given at the time for payment from the chairman of the day to the vice-president of finance was a memorandum from the minister. This process has been corrected, and any changes to the salary or the setting of the salary of the chairman's position will be done by order in council.

Mr. Anguish: — Well I appreciate that the situation is corrected. I still feel that something has to happen in regard to this overpayment, an overpayment of, let's see, \$55,000 for a portion of a year; and then if you look at the salary that became effective July 1, you're looking at almost a \$60,000 overpayment. And the minister who signed the memorandum, the minister in charge at that time is no longer a minister, and I don't think he would have the influence to get the new minister to forward an order in council to the Executive Council to correct the situation. And if you accept that, I want to know what actions the Liquor Board plans on taking to collect this overpayment to the individual in question.

Mr. Weber: — At this point in time the board is in the process of investigating a number of financial transactions that occurred during this period of time, and we are trying to determine the downfalls and looking at measures to correct. At this point in time I'm not aware of any results from those investigations; they're still ongoing. Once that occurs, recommendations will be made to the minister in charge for corrective action. At this point in time I'm not able to comment on what the corrective action will be or the results of the investigation going on.

Mr. Anguish: — Well I'd be interested in knowing what other items are being looked at that the auditor didn't find to make notations on. If there's other instances similar to this, I'd like you to come forward and tell us about it at this time.

Mr. Weber: — Okay, there are some instances with ministerial assistants that are being investigated. One Judy Bellay, being paid as a ministerial assistant after the minister that she was the assistant for ceased to be a minister and the lady was working in the constituency office, and there's a question there of the authority to pay that individual as a ministerial assistant. That's one example of things that we're taking a look at for improprieties or potential improprieties. And at this point

in time we're still investigating the legal implications and how we can go about correcting some of these situations.

Mr. Anguish: — Who was the minister that had the executive assistant working in the constituency office? I certainly don't know where that authority would come from to hire from public purse beyond what we get as members of the Legislative Assembly. Who was the minister?

Mr. Weber: — The minister at the time was Pat Smith.

Mr. Anguish: — In my original question to you this morning, we were referring to the chairman of the board, in remuneration for that position. Who was the chairman of the board at that time?

Mr. Weber: — The chairman of the board at that time was Mr. Ted Urness. And Mr. Ted Urness is obviously no longer with the Liquor Board, and as I said, there's an ongoing process. What the result of that process will be, I don't know at this point in time. I know that there is information such as this that's been provided to the minister, and there is an ongoing investigation. And when we have those results and when we know what action will be taken we'll be able to provide that to you.

Mr. Anguish: — It makes the committee nervous when we hear investigation. Yesterday there was the talk of investigation which virtually shut down from asking questions of other witnesses that appeared before the committee. Who's conducting this investigation?

Mr. Weber: — It's being conducted through the minister's office. And investigation . . . I guess the intent is we're looking into it to gather the facts so that we are in a position to deal with the situation. While the auditor's report makes a statement that is there, we're now in the process of gathering the legal information in order to proceed if we have grounds to proceed, to recover, or deal with the situation.

So from an investigation point of view, it's simply a case of these changes took place about three weeks ago. And we're in the process of uncovering all of the relevant data in order to make sure that we're on firm ground legally before we proceed. And that's the context of the investigation.

As things come to light, as we talk about the individual concerned, all we can do is gather the information provided to the minister and the lawyers concerned, and then I'm assuming some action will be taken. What that action is, it's premature to comment on.

Mr. Anguish: — What is your position on . . .

Mr. Chairman: — Mr. Anguish, if I might . . . if we couldn't first deal with the year under review, the auditor's comments, and then go into more general discussion. The auditor may in fact have comments in his next report which will be tabled in March which may in fact deal with some of the things that Mr. Weber is talking about. And we're getting into supposition about some things that may occur in the future, and that's really not the duty of the committee here today.

Mr. Anguish: — Yes, I certainly understand that. I thought that I had . . . I didn't know anybody else was on your list, Mr. Chairman. I thought we'd covered the auditor's remarks. The only remarks the auditor makes is the inappropriateness of the overpayment to the chairman of the Liquor Board.

Mr. Chairman: — I don't know if any other members had remarks or not. No one had the opportunity.

Mr. Anguish: — I'm sorry. I should have stopped at that point. But if not, I'll continue. What is your position right now with the Liquor Board?

Mr. Weber: — I'm the acting chairman of the Liquor Board.

Mr. Anguish: — You're acting chairman of the Liquor Board? Are there any further comments that you wish to make in terms of the auditor's report itself?

Mr. Weber: — From what I've seen of the auditor's report and the comments that are there it appears that the auditor's comments are valid. There are a number of circumstances that complicate the situation, such as an employment contract that was entered into with the board and Mr. Urness. All of those things are going to have a bearing on what kind of action is taken and it certainly is not the intent to not provide information. It's simply that we don't have any further information than that to provide to the committee at this time.

Mr. Anguish: — You used the term several times, investigation, and I'm wondering how the Liquor Board is equipped to do an investigation. I understand the term review, but investigation means to me that there was some wrongdoing during some period of time within the Liquor Board. I'm wondering that, if you're using the terms so that we both understand them, if you'd had any communication with the Department of Justice or had any conversations with the Department of Justice concerning the investigation that you're doing, because I don't think it's the job of the Liquor Board to be doing an internal investigation. It seems to me that someone else is better equipped to do that than you are.

Mr. Weber: — I concur, and perhaps the investigation was a wrong choice of word. What is happening is the board is simply reviewing the facts and providing the facts as we now have access to them, okay. I think you must appreciate the situation. The chairman of the board had access to, and controlled, all of this information and it was not available to a person such as myself in the position I was in prior to becoming the acting chairman.

So we are in the process of reacting to and providing information on the situation, the factual information. It is not intended to be a judgement or an accusation — it is simply providing the facts from there. Steps will be taken, I assume, but I cannot tell you what those steps will be and who will take them. My task at this . . .

Mr. Anguish: — To whom are you providing . . .

Mr. Weber: — To the minister's office.

Mr. Anguish: — Okay, I'm sorry for interrupting.

Mr. Weber: — To the minister's . . . I'm providing that information to my minister at the request of his office.

Mr. Anguish: — And you won't be making recommendations, you're just on a fact finding mission?

Mr. Weber: — Correct.

Mr. Anguish: — And it will be then up to the minister to make recommendations based on his consultations with you and his staff?

Mr. Weber: — Correct.

Mr. Anguish: — Is there any justification in your mind or authority in your mind for payment over and above the \$60,000. Do you have any kind of a differing view from the Provincial Auditor? Do you accept what the Provincial Auditor has stated in his report?

Mr. Weber: — From what I'm seeing in the Provincial Auditor's report, they're not questioning the amount of salary. They're questioning the fact that it was set by an order in council and in order to change that remuneration, it would have to be changed through an order in council. As far as the level of remuneration is concerned that there has been a study done . . . there was a study done of the senior executive positions at the Liquor Board and the remuneration, I believe, they set at the time was \$113,000 as a maximum for the chairman's position.

However, that's not the issue the way I read in the auditor's comments. It simply a question of authority to pay the salary and that is what's not there.

Mr. Anguish: — And the Liquor Board had no authority to pay that salary so why did it get paid to him?

Mr. Weber: — Good question. I don't have an answer for you at this point in time. The authority, as it's laid out, the facts that we've presented are as the auditor has commented. And the question as to whether or not that was improper, illegal, or otherwise will be decided by the appropriate authority once all of the information is provided to them. Who the appropriate authority is, it could be Justice. And I'm assuming again that the minister's office will provide some direction once they have the facts, saying we have a case and we will now proceed through the legal process to deal with it.

Mr. Anguish: — Is there any documentation on file at the Liquor Board that shows that whoever is responsible ultimately for authorizing the payment to the chairman questioned the minister's authority on this?

Mr. Weber: — Not to my knowledge.

Mr. Anguish: — Who would that person be who's responsible for that? Because this is not the first year this is mentioned in the auditor's report.

Mr. Weber: — There would be two mechanisms, actually

three, where this should come to light: one would be through our internal audit department; the other would be through our vice-president of finance position; and the third would be through the external audit done by Deloitte & Touche as part of their mandate to audit the books of the board. To the best of my knowledge, these comments . . . other than the auditor's comments, there is nothing on file that indicates or questions the authority to pay these amounts.

Mr. Anguish: — Well I would think in an internal review, the people who ultimately authorize the cheques should be apprised that they want to make sure that the cheques, before they're actually issued, that there's some authority there to back them up. Because in this case, there's absolutely no authority for the Liquor Board to have paid this amount of money to Ted Urness, and I would like you to have your officials within the Liquor Board do a check of the files in your accounting process, your administration process, and bring forward or send back to this committee, as the 20 copies I requested, any documentation that questioned the minister in terms of the payment in excess of the \$60,000 that was authorized.

Mr. Weber: — We will do another check. But as I said, to date there is nothing that has come to light of that nature that has questioned the authority. We will do certainly another check. And if there are documents that do in fact question the authority from an official of the board, we will provide them to the committee.

Mr. Johnson: — If I remember correctly, in some of your initial remarks, you had indicated that the cheque had been issued . . . basis . . . an internal memo in the corporation of some nature?

Mr. Weber: — A memo from the minister.

Mr. Johnson: — A memo from the minister.

Mr. Weber: — Authorizing the payment of, I believe at the time it was \$115,000. There's a letter from the minister dated December 30, '88 authorizing the payment from January 1, '89 to June 30, '89 of \$115,000 for the chairman's position.

Mr. Johnson: — Could you include that in the papers as . . .

Mr. Weber: — Certainly.

Mr. Chairman: — Mr. Weber, in the year under review, did Mr. Urness hold two positions with Saskatchewan Liquor Board?

Mr. Weber: — He was the chairman of the board and, by virtue of The Alcohol Control Act, also then the chairman of the Liquor Licensing Commission.

Mr. Chairman: — Was Mr. Urness paid separately for those two positions?

Mr. Weber: — To the best of my knowledge, no, he was not. It's all included in the one remuneration.

Mr. Chairman: — So this particular order in council designates specifically that both of those positions would be included in that salary?

Mr. Weber: — Correct.

Mr. Chairman: — I seem to recollect that there was some discussion at the time because of being chairman of the board and not the actual CEO (chief executive officer) of all of the operations, that there was some reason to question the remuneration of 60,000. And that's why some adjustment was made to it.

Mr. Weber: — That is my understanding as well, that there was a review of the salary level. But again the way I understand the question is, is the authority to increase the salary level was through an order in council which was not there. And as far as the remuneration was concerned, it was reviewed through a senior management study, salary study review done at the board and set at a maximum of 113,000. However — and that was taking into account, the chief executive officer capacity that was included — the chief executive officer has been eliminated, and the reason it has been is it's basically redundant. At one time there was a general manager and chief executive officer of the board and then a chairman of the board and chairman of the Liquor Licensing Commission. That ceased to exist when Mr. Urness came on board.

And to be quite frank there, the purpose of this chief executive officer designation is unclear. It's not required by the Act nor does it, not having that designation, does not limit the authority and/or power of the chairman's position.

When that review was done and set at 113,000, subsequent to that a letter from the minister was received, authorizing \$115,000. The other increases after that were basically economic adjustments that were processed across the board; one done on July 1 of '89 which increased the salary from 115,000 to 119,600; and the other done on July 1 of 1990 which set the salary at \$124,380 up and from that point in time until Mr. Urness left the board.

Mr. Chairman: — And those increments would have been also accruing to senior vice-presidents, that type of people, within the Liquor Board?

Mr. Weber: — All out-of-scope personnel.

Mr. Chairman: — All out-of-scope personnel within the Liquor Board?

Mr. Weber: — Yes.

Mr. Chairman: — When Mr. Urness assumed the multiple positions, it in effect then was a sort of cleaning up of the upper management structure of the Liquor Board. Then you would . . .

Mr. Weber: — There was a reorganization, yes, in late '88 and took effect January 1 '89.

Mr. Chairman: — So a number of positions were rolled

into one position in effect?

Mr. Weber: — Yes, in effect, yes. Two positions, the general manager's position was rolled into the chairman's position and there resulted in the title chairman, chief executive officer.

Mr. Chairman: — Mr. Weber, in the year under review, what would have senior vice-presidents with the Liquor Board have been paid?

Mr. Weber: — Senior vice-presidents, there were two levels. There was an executive vice-president of operations that was paid at a higher level and off the top I don't have the . . . The scales, depending where they were set, would range anywhere from it looks like 50 — 70,000, sorry, through to 88,870 is the range from . . .

Mr. Chairman: — That would be in the year under review?

Mr. Weber: — Yes.

Mr. Chairman: — And with the increments that have accrued since . . .

Mr. Weber: — It would be July of '89, that would be.

Mr. Chairman: — That would be considerably higher then.

Mr. Weber: — Correct.

Mr. Chairman: — Okay. Mr. Weber, would you not think it reasonable that given the rate of remuneration for senior vice-presidents and the fact that Mr. Urness had a number of roles rolled into one that the salary structure arrived at by an internal study is indeed reasonable for that type of position?

Mr. Weber: — Yes, I would. The level of salary was not in my mind in question.

Mr. Chairman: — So in other words the auditor's report has clearly singled out that there was something amiss in the . . . shall we say the bureaucratic structure of the realignment — when the reorganization took place within the Liquor Board, that some of the necessary adjustments to the bureaucratic structure did not correspond with some of the management changes then.

Mr. Weber: — Correct. It appears that the implementation of the salary review was done without going through the proper process, i.e., an order in council for the chairman's position.

Mr. Chairman: — And that order in council would normally be generated from within the department up to the minister and then into cabinet?

Mr. Weber: — Correct.

Mr. Chairman: — Anyone else got any questions?

Mr. Anguish: — Yes, just before we close off on the auditor's report and get into a number of other items for

the year under review, I want to make it very clear to you I don't question the amount of salary. The issue that I'd try and bring to your attention is the former administration's blatant disregard for due process.

And the Liquor Board had no authority to pay the amount they did to Ted Urness, even though it might have been a justifiable salary. I want to point out that it's blatant disregard for due process of the previous administration. And I would hope that in future, officials within the Liquor Board, if there's something that's not done by due process, that's brought immediately to the minister's attention.

I'd like to turn now if I can, Mr. Chairman, to items that are outside of the Provincial Auditor's report, if there are no further questions on the report itself.

Mr. Chairman: — Doesn't appear to be. Go ahead, Mr. Anguish.

Mr. Anguish: — Some time on or around October 16 in the year under review there was a party held at Government House. Can you tell us the nature of that party?

Mr. Weber: — To the best of my knowledge that was a farewell party for the then minister, or departing minister, Mr. Graham Taylor.

Mr. Anguish: — And was that totally absorbed by the Liquor Board, the cost of that?

Mr. Weber: — To the best of my knowledge, yes.

Mr. Anguish: — Would you care to tell us how much it cost?

Mr. Weber: — The total cost for the catering was \$1,532.

Mr. Anguish: — Were there other costs associated with it?

Mr. Weber: — There are other costs. There was no charge, for example, for alcoholic beverages noted on the receipt coming from the caterer. However, there was a transfer out of our warehouse to the minister's office on October 2 for \$2,635.20 which I'm led to believe went to that function. However I have no substantive . . .

Mr. Anguish: — Is that retail value?

Mr. Weber: — That's retail value, yes.

Mr. Anguish: — So the retail value of the liquor exceeded the value of the food that was served at the function.

Mr. Weber: — It appears so, yes.

Mr. Anguish: — Under liquor licensing in the province, would that be an acceptable practice?

Mr. Weber: — If you're referring to the food and alcohol ratio of a licensed premises, yes, but this does not apply in this case because it was done under a special occasion licence. And the ratio is not applied in that situation.

Mr. Anguish: — So what then do you estimate the total cost of this farewell party for Mr. Taylor to be?

Mr. Weber: — The total cost would be the 1,532 plus the 2,635 less a return on the alcohol of about \$1,500. So about \$1,000 was spent. You're looking at about 25, \$2,600 without adding it up.

Mr. Anguish: — How did Property Management Corporation become involved in something like this? I was somewhat surprised when I got this documentation, it seems to me that the set-up and take-down for the party was done by Saskatchewan Property Management Corporation, is that correct?

Mr. Weber: — I believe that is correct. They would have been under the same . . .

Mr. Anguish: — What did they charge you for that? They must have charged back to someone because Property Management Corporation charged back . . . they're supposed to be in place to make people realize the value and the cost of their office space and services.

That wasn't the case when we had the Department of Supply and Service. So I'm wondering what the Saskatchewan Property Management Corporation charged you for their services.

Mr. Weber: — I have not been able to determine exactly the charge to Property Management, in the sense there is no documentation that shows a separate charge for that particular function.

Mr. Anguish: — Well it seems to me that Saskatchewan Property Management Corporation contracted Blueline Moving Ltd. and there was an invoice sent to a Ms. Sue McLaughlin at Property Management Corporation stating the hours required and the number of people required to do the set-up and take-down but no dollar amount on it.

Mr. Weber: — That's information I don't have access to. I haven't seen anything to do with that.

Mr. Anguish: — You were never billed by Saskatchewan Property Management Corporation?

Mr. Weber: — We're billed by Saskatchewan Property Management Corporation on a number of other issues, and whether or not that was built into that, I can't say.

All I'm saying is I have no knowledge nor documentation that shows a separate bill coming from Saskatchewan Property Management for this particular function.

Mr. Anguish: — I would ask the auditor in terms of the authority in the operating guide-lines of the Property Management Corporation, are they not to charge back their time to someone for providing such a service?

It was a service provided for setting up for a party function at Government House and then taking down from the party function after it was over and remove items, I understand, from Government House. Is it not required that the Property Management Corporation charge this back to someone; in this case I would think the Liquor

Board?

Mr. Strelloff: — Mr. Chair, and Mr. Anguish, I'm not sure whether there's a law requiring them to charge back those costs. But my understanding is that's the way they normally operate, is that the cost they incur they'll charge to their clients.

Mr. Anguish: — So I would think that the auditor would want to be somewhat concerned about this. It might be a rather small item, but if the Saskatchewan Property Management Corporation can use their discretion as to who they want to charge and who they don't want to charge, I find that an unacceptable practice.

Because if you're a friend of the Property Management Corporation people you can obviously get something at a zero cost, because the Liquor Board has no recollection of paying it. Whereas if you're not a friend and you want to have Saskatchewan Property Management frame that picture that's hanging on the wall there, they'll charge you 50 or \$60 for it.

So I find that practice unacceptable and I'd ask that the auditor have a look at Saskatchewan Property Management Corporation when you do your audit as to who they charge and who they don't charge. Because I don't believe they should have the discretionary power to charge some people and not charge other people for services they perform, especially when they contract Blueline Moving Ltd. of Regina to perform the service for them.

So I would think there had to be an expenditure from Property Management Corporation to Blueline Moving Ltd., but yet Saskatchewan Property Management hasn't tried to recover this cost from the host of the farewell party, which was the Liquor Board.

Mr. Weber: — I should say again that I'm not saying Saskatchewan Property Management didn't bill us for it. I'm saying that I cannot identify a separate billing for that particular function. Okay?

So we pay Saskatchewan Property Management for a number of different things that we do through them — lease premises, etc. And if that was to be tacked on or added into one of those other services that they provide to us, I have no way of identifying that. That's all I'm saying. I do not know whether they billed us or whether they did not.

Mr. Anguish: — Someone should be able to finance it. Your vice-president of finance is here with you today. Is this not the vice-president of finance?

Mr. Weber: — Correct. Yes.

Mr. Anguish: — Well I'd ask you to seek his assistance in terms of determining whether you were charged for this. It seems to me that the item that you say about your lease and many things to do with Property Management Corporation are built into a yearly budget, and I don't think that the Liquor Board in their yearly budget projected there'd be a farewell party hosted for the minister.

Mr. Weber: — Correct. And all I'm saying is that we have not seen that documentation and you've made us aware of it. We'll go back and take a look and see if there is something untoward. At this point I'm not aware of anything untoward or anything billed for services that were unjustified or unusual.

Mr. Anguish: — If the Liquor Board cannot provide the documentation that they've paid for that service, you will make note of this and when you look at the accounts of Property Management Corporation you will pay particular attention to this?

Mr. Strelloff: — Mr. Chairman, Mr. Anguish, yes we will.

Mr. Anguish: — Okay, thank you.

A Member: — I suspect Property Management covered the cost.

Mr. Anguish: — Well I suspect that too but I don't know that. We'll wait and see if the Liquor Board will come back to us with some documentation that they actually paid for that service. If they didn't pay for that service, I would have to assume that Property Management Corporation absorbed the cost of that because I don't think Blueline Moving would absorb the cost of hosting the farewell party for the minister.

In the year under review can you tell us the retail value of liquor provided to ministers' offices from the Liquor Board?

Mr. Weber: — The retail value provided was \$15,035.25.

Mr. Anguish: — \$15,035.25?

Mr. Weber: — That's correct, Mr. Anguish.

Mr. Anguish: — How does this operate? If the minister wants some liquor they phone the Liquor Board and the executive vice-president of operations just arranges it and the liquor appears at the minister's office?

Mr. Weber: — The process was the transfers were authorized by either the executive vice-president of operations or the chairman, under their authority, and then the transfer would be made to the minister's office. That's correct, and charged to an overhead account under executive administration.

Mr. Anguish: — Would that be similar to a public relations account that someone would have in the private sector? The account that you charge it to?

Mr. Weber: — The account we charge it to is simply the account that we charge all of our expenses related to executive administration including executive salaries, those kinds of things.

Mr. Anguish: — What is the purpose of the liquor going to the ministers' offices?

Mr. Weber: — I'm not aware of specific purposes. I know

there were receptions and other entertainment. Other than that we were not given the details as to what the liquor was used for. It was simply a transfer to the minister's office. And looking through our documentation there are transfers that are destined for the minister's office. In the year that we're talking about there were four transfers where we don't know where it went to. It was not specifically slated to the minister's office. It was a transfer done under the authority of the executive vice-president or the chairman and disposed of by them.

Mr. Anguish: — You don't keep any classification whether it was for the minister's personal use or whether it was for a reception or whether it was for a gift for someone?

Mr. Weber: — We have found no records that have any indication as to the purpose of the alcoholic beverages other than to go to the minister's office.

Mr. Anguish: — Would your records be set up in such a way that you could determine that, or it's not possible to determine the purpose?

Mr. Weber: — It's not possible to determine the purpose.

Mr. Anguish: — For example, on December 18 I have a memo here and it says . . . It gives a long list of liquor to be delivered to a minister's office and it says: also please have delivered one case of Elevators for the minister's personal use — I assume that's the Alberta distillers' special bottle that they created — and one case of Roughrider decanters for the minister to give as a gift to coach Gregory.

But that wouldn't be normal to have some way of tracking it like that as to what the use is for. This would be . . .

Mr. Weber: — No, those were special gift-type items and were specified in that particular memo, but normally it would simply list the products. For example, one 1140 of Smirnoff vodka, and list the products accordingly, the type of wines that were required, if wines were required, and then those would be delivered by the board to the minister's office. And where they went from there, what purpose they were used for, we have no record of.

Mr. Anguish: — Do members of the Legislative Assembly have the same ability to get liquor for gifts to other people as is the case where we see here that \$15,000-plus went to liquor just to go to cabinet ministers for their discretionary use?

Mr. Weber: — I'm not aware of whether they have that ability or not. I know that it has not been done in the past.

Mr. Anguish: — Well what gives the authority? The decision of the board to let ministers have liquor at their discretion?

Mr. Weber: — I'm not aware of any authority that says the minister does not have the . . . you know, his department to do that with. But I don't know the answer to that.

Mr. Anguish: — So what would your response be today if each of the MLAs (Member of the Legislative Assembly)

that sit on this committee asked you for a case of Roughrider decanters so we could give them out as gifts to football fans in our constituency? Would you say yes to that?

Mr. Weber: — No, I would not.

Mr. Anguish: — Why?

Mr. Weber: — I don't feel it's appropriate, from the cost point of view, to do that in the position I'm in now.

Mr. Anguish: — Why is it appropriate to give it to ministers?

Mr. Weber: — I'm not saying it is appropriate to give it to ministers.

Mr. Anguish: — Is this one of the items being reviewed, to recommend to the minister?

Mr. Weber: — Yes, it is. This information has been provided to the minister.

Mr. Chairman: — I wonder if I might, Mr. Weber, on the same topic. Mr. Anguish said "ministers." Were there more than Mr. Taylor, who I believe was the current minister of the Liquor Board?

Mr. Weber: — The other ministers of the Liquor Board have done the same thing after Mr. Taylor has left, but it has only been the minister in charge of the Liquor Board where these transfers have been processed.

Mr. Chairman: — To your knowledge, has this been a practice of ministers in charge of the Saskatchewan Liquor Board over a longer period of time than what Mr. Taylor or . . .

Mr. Weber: — To my knowledge, no it has not.

Mr. Chairman: — It only started with Mr. Taylor?

Mr. Weber: — To my knowledge, yes.

Mr. Chairman: — All right. You said that the Roughrider decanters were given to coach Gregory. Were they given as a gift from the minister to the Roughrider team on the Grey Cup victory?

Mr. Weber: — That is my understanding, yes.

Mr. Chairman: — So there would've been probably one of those particular items given to each and every player plus their staff and that type of thing or how was it . . .

Mr. Weber: — My understanding is there was one case only. Twelve units were given to coach Gregory. Now for what purpose other than as a gift to coach Gregory and what was done with them after that, I don't know.

Mr. Chairman: — I see.

Mr. Weber: — But there certainly wasn't enough in the case to give one to each player. To the best of my knowledge, one was not given to each player.

Mr. Chairman: — So to your knowledge, never before has a minister in charge of the Liquor Board ever received liquor from the commission?

Mr. Weber: — To my knowledge, yes. However, I would preface that with, I have not gone back and looked, and I was not in a position to deal with those in the past. So I would not . . .

Mr. Chairman: — And what was your position in the past?

Mr. Weber: — In the past I was the district manager for a district in retail operations. But as the general manager of retail operations, which I assumed in 1989, the practice has been ongoing from there because I was responsible for . . .

Mr. Chairman: — But before that, because of your position, you have had no knowledge of it.

Mr. Weber: — I would have no knowledge of it, no. I can certainly check back if you wish, to determine whether that happened.

Mr. Chairman: — I appreciate that you qualified your statement then. Good. Thank you.

Ms. Haverstock: — Mr. Chairman, Mr. Weber, have there been any secondments from the Liquor Board to other departments or Crowns?

Mr. Weber: — Secondments of what nature?

Ms. Haverstock: — Some staff who are under the employ of the Saskatchewan Liquor Board being seconded to other departments or Crowns.

Mr. Weber: — I'm aware of people that are on our payroll working outside of the board or not working at the board.

I haven't seen any documentation as far as official secondments going from department to department, but I am aware of a number of staff that were being paid by the Liquor Board and not employed at the Liquor Board doing Liquor Board business.

Ms. Haverstock: — In the year under review then, are you able to let this committee know who those people are, and as well, what their roles would be?

Mr. Weber: — I would be able to provide that information. I do not have it with me at this point in time, but yes, we have . . . That's part of our review that I mentioned before. And that information has been gathered and is available. And I would certainly be able to provide it to the committee.

Ms. Haverstock: — Thank you. Would it be appropriate, Mr. Chairman, for there to be perhaps a recommendation made by Mr. Weber, based on who and what these people's functions are, if in fact in your view it has been to the detriment of your own budget that these people are paid by the Saskatchewan Liquor Board and carrying on another function elsewhere, which in your opinion may not be perhaps in the best interest of your fiscal

responsibilities.

Could you make a recommendation how perhaps this could be put to an end — those kind of secondments — if in fact it reflects some difficulty for expenditures from your budget that you view wouldn't be appropriate.

Mr. Weber: — I would be able to make a recommendation based on what the effect was on our budget. In some cases I have no documentation to indicate what the individual was doing, period. So it would simply be that we're paying a salary and not getting a benefit for it.

Ms. Haverstock: — Thank you. One more question. This is a bit . . . conversely, actually. Has your department in the year under review ever been told to increase your budget in order to accommodate staff which you haven't actually requested?

Mr. Weber: — Again to the best of my knowledge there are individuals that arrived on the payroll during this year. Again I was not privy to the circumstances under which they arrived on the payroll. Obviously that increased our budget to accommodate them. I'm not aware of anything

Ms. Haverstock: — Would you be able to provide us with again the names of these individuals and what their specific role was, the costs incurred by your department?

Mr. Weber: — Yes I would be able to provide that. Are you looking at costs being salary and benefits alone?

Ms. Haverstock: — Yes.

Mr. Weber: — Yes, I would be able to provide that.

Ms. Haverstock: — And from where they came, if that's at all possible?

Mr. Weber: — If that's possible, we will provide that.

Ms. Haverstock: — Thank you very much.

Mr. Chairman: — Do you want both in scope and out of scope, Ms. Haverstock?

Ms. Haverstock: — Yes.

Mr. Van Mulligen: — Yes. Yesterday it was reported to us that, if I'm correct, that a George Young was on the payroll of the Saskatchewan Liquor Board, but that in fact he was seconded to then Executive Council. And the question I have for the auditor: would you say in your opinion that that expenditure was for the purposes for which it was appropriated by legislature, and would you normally not comment on that?

Mr. Strelieff: — Mr. Chairman, Mr. Van Mulligen, the Liquor Board doesn't receive appropriations. But if we came across a payment where there didn't seem to be any services provided or any proper authority for the payment, we would be concerned. We would also be concerned that the payments were in fact approved and made.

Mr. Van Mulligen: — I guess we had instances yesterday of many officials who were being paid by one department and yet working in another department. And it would appear that as much as a quarter of all the salary expenditures for the Executive Council were being paid for by other departments. And I'm wondering if that raises concerns for you in terms of whether or not money is being appropriated, or assurances be given to the legislature about money being used for particular purposes, but in fact going elsewhere and that it's being done on a scale that raises a concern.

Mr. Strelloff: — Mr. Chair, Mr. Van Mulligen, yes that does raise concern to our office. We understand the people employed in the Executive Council were paid by various Crown corporations and departments. And in our examinations of those departments and Executive Council or departments and Crown agencies, apparently we didn't run across those payments. But now that we hear about these services being provided, we certainly are concerned.

Mr. Anguish: — Mr. Chairman, in answer to the chairman's question about the gift of the case of Roughrider decanters to coach Gregory, you said it was for winning the Grey Cup?

Mr. Weber: — No, I didn't say it was for winning the Grey Cup. I believe that was Mr. Chairman's comment.

Mr. Anguish: — I'm sorry.

Mr. Weber: — I simply said that the decanters were developed as a result of the Riders' Grey Cup win, and it was an opportunity to have a gift item and provide it for sale to the public.

Mr. Anguish: — Okay, I'm sorry. I thought you had confirmed that it was in fact for the Grey Cup, and I was going to point out it was a year late if that was the case.

Is it also the practice of the Liquor Board in the year under review not only to provide liquor, but to provide mix to ministers' offices as well?

Mr. Weber: — My understanding is mix and ice were provided, yes.

Mr. Anguish: — You put on the whole spread.

Mr. Weber: — That is my understanding, yes.

Mr. Anguish: — I want to turn now to expenditures made in connection between the Liquor Board and the Big Valley Jamboree. Is it standard practice each year that the Big Valley Jamboree has been on, that the Liquor Board makes virtually thousands of dollars of expenditures associated with that event?

Mr. Weber: — Again to the best of my knowledge it's been going on since 1989. Prior to that I was not privy to that information, and I can go back and verify that. But to the best of my knowledge, it was not.

Mr. Anguish: — I see things like weekend passes. There's

an invoice from the Big Valley Jamboree. And I don't know why it would be done quite this way, but invoice no. 40 . . . and there's another invoice that doesn't have a number on it. One is for 140 weekend passes; total cost was \$7,790.03. And also paid for by the Liquor Board, 28 more weekend passes to the minister, another \$1,498.

Mr. Weber: — Is this in 1989, or are we talking more recent?

Mr. Anguish: — Well I don't have the examples from 1989, but I suppose I place this to you, and actually the same thing happened in the year under review.

Mr. Weber: — It did, not to the same extent. In 1989 there were 21 weekend passes and 14 day passes issued, and the total cost to the board for the passes was \$1,011.

Mr. Anguish: — Who do you issue these passes to?

Mr. Weber: — The passes were given to the minister's office, and where they went from there, again I don't know.

Mr. Anguish: — So is this a decision . . . or did the minister request those passes?

Mr. Weber: — The minister requested the passes.

Mr. Anguish: — And you felt that was appropriate authority to purchase the passes, the minister's request?

Mr. Weber: — I assume it was felt was appropriate authority because they were paid.

Mr. Anguish: — Is that appropriate authority in terms of expenditures for a minister to get a hold of the Liquor Board and say I want X number of passes for the Big Valley Jamboree, and the Liquor Board goes out and purchases the passes?

I mean, I'm concerned about the debt situation of the province. I'm concerned also about the authority, Mr. Auditor, and I'm wondering what authority a minister can have to just phone up and say I want so many passes. And then what authority does the Liquor Board have to go out and buy those passes and turn them over to the minister to use at his discretion?

Mr. Strelloff: — Mr. Chairman, Mr. Anguish, there's a general issue here, and that is if the minister asks an employee in the Liquor Board to make a payment or purchase something, what protection does that employee have if that employee says no? It's a very difficult issue that perhaps the committee should consider in a general sense. I don't know what the answer to that is.

One could be the freedom of information legislation that is moving through, but still that's a very difficult issue. And maybe there is a general recommendation or policy that needs to be considered on this because it's a pretty difficult circumstance that you're putting the employees into.

Mr. Anguish: — I think unions refer to it as whistle-blower legislation, which would have the same effect. But

nevertheless the technical question is that: technically does the Liquor Board have the authority to make such a purchase?

Mr. Kraus: — Can I raise one point here. You're into an area that's I guess the public relations, promotions, business expense area. And policies established for that probably vary from one organization to the other. You know they aren't always as well defined as they might be.

I mean I'm not aware of what policy the Liquor Board might have in that regard. I guess I shouldn't be speaking for them, but I suspect that that might be the way in which they would feel they had authority for that. And whether they did or they didn't, I don't know about that.

Mr. Anguish: — Do you have a written policy on this?

Mr. Weber: — We have a written policy as far as corporate relations expense. I think to put this in the proper context, this was a joint effort between the Liquor Board and Tourism. And it was done to provide a presence at Big Valley. And the passes, there were some from the Liquor Board to our minister, some to Tourism as well. And how they were paid for, I'm not sure.

But certainly we have a corporate relations expense that allows us to entertain the industry or entertain business associates and then claim expenditures for that entertainment.

The actual expenditures as far as what you can and can't do, no they're not delineated. It is based on a budget for overall corporation relations expense, and each department head and each department would have a separate budget for corporate relations, and then a budget of course for travel expenditures and those kinds of things incurred in the process of doing the business of the board.

Mr. Johnson: — Mr. Chairman, in the sense of these particular expenditures, then, is there documentation that shows the approval all the way down to where the cheques were issued?

Mr. Weber: — There would be documentation approval coming from the chairman to make these expenditures.

I have some letters or examples of letters that were sent to individuals from Tourism inviting them to Big Valley and giving them a pass, which would have come through our organization in some cases and in some cases through Tourism themselves.

But there is a trail of documentation authorizing the payment from the chairman down, from the minister to the chairman and so on down. And I would have to go back and get that documentation. I don't have it with me.

Mr. Anguish: — Do you have an invitation list?

Mr. Weber: — I know there was a list prepared. Whether that list still exists, I would have to go back and check.

Mr. Anguish: — Why would the list still not exist?

Mr. Weber: — I don't know. I'm saying it may well exist,

but sometimes those lists are prepared on an *ad-hoc* basis and given saying, here's the total number we need. Now whether that list was given as part of the documentation and the approval, I don't know the answer to that.

Mr. Anguish: — Well if you could look for the list and provide it, the committee would be very interested in seeing who the passes were given to in terms of public relations, because as I understand your answers, it was the minister who handed them out and not the Liquor Board themselves. You turned the passes over to the minister, and that's where I question Mr. Kraus's policy. If it's for the corporate entity to do that, fine. But I see no reason to just *carte blanche* hand over several passes to the minister for his discretion.

Mr. Weber: — Bearing in mind that the minister is part of our corporate organization, in the sense of the final authority, in the sense of he would do these kinds of things and have an obligation in some cases to do some entertaining in his capacity as minister responsible for the Liquor Board.

Mr. Anguish: — How many . . . Mr. Chairman?

Mr. Chairman: — You're still on the same line?

Mr. Anguish: — Yes.

Mr. Chairman: — Oh.

Mr. Anguish: — Well the line that I was on the Big Valley Jamboree, so we continue. How many motor homes did you rent for the year under review for the Big Valley Jamboree?

Mr. Weber: — For the year under review, it appears there was one trailer rented for a cost of \$700. Or was it two?

A Member: — Two.

Mr. Weber: — Two trailers, I'm sorry, at \$350 each.

Mr. Anguish: — I guess with the growing of the Big Valley Jamboree the costs for the motor homes also grow. You're paying substantially more than that now for costs associated with the Big Valley Jamboree. Do you need bigger space in the trailers or what's the reason that you're spending more on motor homes now than you did then?

A Member: — Holly, would you speak to that?

Ms. Alexander: — In the beginning we were renting trailers. During 1989 trailers were rented from Hunters Trailer & Marine Ltd. In 1991 they no longer rented out trailers of any sort and trailers had to be rented from individuals, and they charge substantially more. It was about \$500 to \$600 . . .

Mr. Anguish: — What do you do with these trailers out at the Big Valley Jamboree?

Mr. Weber: — The trailers were there for the staff who were asked to go out and host the VIPs (very important person) that were invited to the area. And the staff would stay in those trailers and then they would be used as rest

stops for the VIPs who were invited to the Big Valley.

Mr. Anguish: — The staff that were there, were they paid overtime?

Mr. Weber: — In one instance there was in-scope staff there. Yes, they were.

Mr. Anguish: — And the out-of-scope staff, of course, would be expecting to receive overtime.

Mr. Weber: — No, the out-of-scope staff did not receive overtime payment at all.

Mr. Anguish: — I don't think I have any more questions on the Big Valley Jamboree, Mr. Chairman.

Mr. Chairman: — Mr. Weber, did the Liquor Board have a physical presence there?

Mr. Weber: — In the sense we had trailers and staff to host. Yes, we did.

Mr. Chairman: — And were the chairman and other officials of the Liquor Board present during that week?

Mr. Weber: — Mr. Chairman, they were present during the week. It is to the best of my knowledge. I was not there personally, so I can't say I saw them there. But yes, they were invited and had passes to go to the Big Valley.

Mr. Chairman: — So the best of your knowledge, the chairman and other officials of the Liquor Board were there meeting with various people, guests of the province, that type of thing.

Mr. Weber: — That's correct.

Mr. Chairman: — And that display or physical presence . . . and I do believe the size of trailer, there was a flat deck trailer, was there not?

Mr. Weber: — One year it was a flat deck trailer, yes.

Mr. Chairman: — One year it was a flat deck trailer. And that people were on duty there for morning till night.

Mr. Weber: — Yes, they were.

Mr. Chairman: — Greeting people. Any idea of how many people would go through that physical display over the course of the Jamboree?

Mr. Weber: — No. Holly, can you speak to that?

Ms. Alexander: — In 1989 the numbers were a lot less than in, say, 1990 and 1991. 1989 we only paid for 35 passes, but there were many complimentary passes received through Big Valley. I would suggest in the neighbourhood of 80 to 100 people in '89. And that's kind of a guess of my part, with up to 200 in most recent years.

Mr. Chairman: — Mr. Weber, how much income does the Liquor Board derive from the Big Valley Jamboree?

Mr. Weber: — There is no revenue side to the Big Valley Jamboree. No . . .

Mr. Chairman: — Who provides the beer for the beer garden, that sort of thing?

Mr. Weber: — The beer for the beer garden . . . sorry, revenue from the Big Valley as far as total sales are concerned, off the top of my head I don't know the answer, but I can certainly provide that to you.

Mr. Chairman: — Would you consider that to be one of the better weeks for the Liquor Board in Saskatchewan?

Mr. Weber: — Yes, it's a substantial sales week for the Liquor Board.

Mr. Chairman: — So the Liquor Board is fairly justified in having a corporate presence at an event of that nature?

Mr. Weber: — Yes, we don't sell product at the event, and we are justified in the sense of entertaining guests who are there. I don't see a problem with that. As far as the direct correlation between whether we have a presence and whether we're going to continue to sell the product or sell a less product would be questionable.

Mr. Chairman: — No, I don't think you'll sell any less product.

Mr. Weber: — No, nor do I.

Mr. Chairman: — Thank you. Mr. Muirhead, you have some questions?

Mr. Muirhead: — Thank you, Mr. Chairman. Just a comment on this having minister's office having access to tickets to give away or whatever. I remember back in 1978 to '82 where we were questioning the government how come they had free tickets for football games from several different . . . season tickets.

Mr. Anguish: — Who was in government then?

Mr. Muirhead: — I don't know. Figure it out. Anyway I also questioned to be fair, I also questioned it after '82 because it did the same thing. Several Crown corporations were doing the same thing, and I tried to find the answer, but I never did find out why they did it, but I guess it's the same thing here.

Because it was done and it was a big practice. All the Crown corporations were buying dozen, 15, 20 season tickets for football games and there would be no revenue whatsoever ever come back except supporting the Roughriders. And I suppose the same thing here is you sell them more beer and you sell them more booze so . . . I just want to . . . maybe that the minister, the member from North Battleford would like to hear that comment that the past government was quite capable of giving away free tickets.

Mr. Anguish: — I appreciate your honesty, sir.

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

Mr. Anguish: — I have a question concerning the estimates for the year under review. The '89-90 estimates suggested that the Saskatchewan Liquor Board would provide \$215 million in revenues to the province during the year. Actually the revenues produced by the Saskatchewan Liquor Board during the year were only 135 million or 37 per cent lower than the estimate that was turned over to the government. How do you explain this? How do you account for that?

Mr. Weber: — My understanding is that the \$200 million figure was a request from the Department of Finance, and we did not have that amount of revenue to provide and we provided the \$135 million figure from that. So that when it was all said and done, the revenue and expenses, the net income was not there to provide.

Mr. Anguish: — Are you saying the Department of Finance didn't consult with you in advance? Just somebody, the minister of Finance or the department all of a sudden said we're going to get \$215 million this year?

Mr. Weber: — No, Mr. Anguish, I'm not saying that at all. I'm simply saying that the revenue that was requested from the Department of Finance was based on volume projections and sales and expense projections, and we were not able to meet that projection. It's not uncommon, I wouldn't think, to make a projection at the beginning of the year and then, due to circumstances or unforeseen circumstances, revenues not reach that level or expenditures exceed what you budgeted for, resulting in less net income to provide.

Mr. Anguish: — Mr. Weber, we're almost talking about the same thing, but not quite. At some point the Department of Finance, as far as I know, wouldn't just say that you're going to provide \$215 million. So within your own internal projections you must have projected that you could generate \$215 million, right?

Mr. Weber: — I would assume so, yes.

Mr. Anguish: — Well, you're out by 37 per cent. What were the factors? Like it ultimately lies with you unless the minister said we've got to put this figure in there. You substantiated the Department of Finance at the beginning of the budget cycle that you could provide 215 million, right?

Mr. Weber: — That is my understanding, yes.

Mr. Anguish: — How could you be out by 37 per cent?

Mr. Weber: — Well without going through a line-by-line analysis of the annual report, I think if you look through it and take a look at the comparison between sales projections, our budget projections and what sales actually were and our expense projections and the actual expenditures . . . I'm not in a position at this point to give you a detailed analysis, but I can certainly provide one to you as to where the shortfalls occurred and . . .

Mr. Anguish: — How close was your revenue side?

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Mr. Weber: — This gives me a comparison between the two years, and we're looking at a reduction here of \$10

million in sales between '89 and '90. And as far as the budget projections, I don't have those figures here. Sales are . . .

Mr. Anguish: — Just on the revenue side, I'd like to know what it was you told the Department of Finance you would have in revenue and what the revenue actually was. I want to know how far you were out on your projection on revenue.

Mr. Weber: — I do not have those figures with me but I can provide them to you.

Mr. Anguish: — And I'd like to also have for expenses, because I understand you can't control your revenue very much because it depends on the market and how much people are going to buy to consume, right?

Mr. Weber: — Correct.

Mr. Anguish: — Expenses you should be able to control. It's your decision as to . . . Mr. Kraus, you're waving your hand.

Mr. Kraus: — Well, the Department of Finance does control to a great extent how much they are going to take from the Liquor Board. And I don't have their figures in front of me, but I suspect their net profits are relatively consistent. There may be some variations but I wouldn't think it would move, for example, from 200 million down to \$120 million or something like that.

And it's been a practice for some years for the Department of Finance to draw on those profits as required, as some years they might let them build up; in other years they'll drop far more than they've earned because they haven't drawn prior years.

And for whatever reason, during the budget process it was decided that they would be taking 215, but when it came right down to it they only took the 135, which would mean there would be profits earned by the Liquor Board that were not taken as a dividend. I'm not involved in that myself.

Mr. Anguish: — So the Department of Finance — in the debt situation of the province, Mr. Kraus — you're telling us that the Department of Finance drew less from the Liquor Board than what they could have?

Mr. Kraus: — What they do though, and I think perhaps the deputy minister maybe even talked about it during his orientation — although I can't recall specifically, Mr. Chairman, and Mr. Anguish — but for the most part, the Liquor Board receipts are kept on deposit with the Government of Saskatchewan. They may keep their money for a while, but it isn't very long and over it comes. And so they're using the cash whether or not they reported it as a dividend transfer. And that's been the practice for a long time.

Mr. Anguish: — Well let me see if I understand this correctly. In the year under review, the Department of Finance told the Liquor Board they were going to draw \$215 million from them to balance their unbalanced budget. That's what they projected, right, 215 million?

Mr. Kraus: — Yes.

Mr. Anguish: — It was a deficit budget. The last 10 budgets have been deficit budgets. And they didn't draw the 215 million. They chose to only draw 135 million even though the 215 million was there in the Liquor Board to draw it from?

Mr. Kraus: — I can explain the process, Mr. Chairman, but I can't give you the reasons why they decided to draw out 135 and not 215.

Mr. Anguish: — Did the Liquor Board ask the Department of Finance not to draw the full 215 million?

Mr. Weber: — Mr. Chairman, to the best of my knowledge, that was not the case. But if you take a look at the financial statements, the payments to the minister of Finance were 135 million, which left the retained earnings in the board's account at \$163,000,500, the total coming to almost \$300 million. So that there was money there to be drawn. Again, why it was not drawn, I don't know the answer to that.

Mr. Johnson: — Mr. Chairman, the retained earnings, I believe, are what is used to maintain the stocks.

Mr. Weber: — No, not necessarily. We have a pretty positive cash flow in the Liquor Board and we run it on a day-to-day basis. Normally the retained earnings is what's available to be drawn by the Department of Finance, is my understanding. Whether the Department of Finance chooses to take all of the retained earnings and leave us with nothing there or whether they choose to take less is a decision by the Department of Finance. And how they arrive at the decision on what they draw, I'm not able to comment on.

Mr. Anguish: — Mr. Kraus, I still find it strange that in the situation the government found itself or finds itself in in terms of the debt, the problem we have in terms of revenue versus expenditures on the overall budget of the government, what logical reason there could be for leaving \$85 million sit at the Liquor Board when the money was there. Why wouldn't that money be used to reduce the amount of the debt that we have to incur?

Mr. Kraus: — The money would've been used to reduce the amount of the borrowings, because what happens is that when the cash comes over, it is taken into our books as cash. We take it in as cash clearly, and then set up a liability to the Liquor Board Corporation. Therefore the cash is available to be used and reduces the borrowings the province has to make.

When they decide to take a dividend, which is normally done towards the end of the year, the amount of the dividend reduces the liability to Liquor Board. And so it'd simply reduce the liability and record the dividend that's to be taken for the year. But why again it would not have been the amount of the estimate, I cannot answer that question.

Mr. Anguish: — If they had done that, would it not have reduced our indebtedness by \$85 million?

Mr. Kraus: — It would have reduced the reported deficit but it would not have reduced the amount of debt because as I say, at the end of any given year it's possible we have quite a bit of . . . well I would say the majority of the Liquor Board's cash, whether we've taken it and called it a dividend or not, is in our bank account and been used to reduce debt. There's a difference between the cash flowing and whether or not it's called a dividend.

Mr. Strelieff: — Mr. Chairman, and Mr. Anguish, from our perspective one of the problems here is the basis of accounting used by the government. They did get the cash right away and used it to retire the debt. What they're deciding is how much revenue should they recognize in the year regardless of what actually is happening.

So if the Liquor Board earns \$135 million one year and \$135 million the next year, that cash is used right away to retire the debt. When they go to the budget and determining the annual deficit they decide, well should we recognize 135 in each year because that's what happened, or should we recognize 270 in one year and zero in the next year. Or should we recognize in this case 100 in one year and 170 in the next year.

Now a better accounting would be, well they made \$135 million in the year. That's what should be recognized in the budget and the statement of expenditures of the province during that year.

Mr. Anguish: — So it in fact allows any government, regardless of who is there, any government to be able to manipulate those figures.

Mr. Strelieff: — Yes.

Mr. Kraus: — I'd like to answer that. The Liquor Board has been used to assist the government of the day balance its budget. Someone suggested earlier, at least 25 years. And if you were to look at schedule 11 for example on page 23 of the volume 1 of *Public Accounts* . . .

Mr. Anguish: — But it didn't work for 11 years, it didn't work to balance the budget, Mr. Kraus. I'd point that out as well. The other portion, the other 15 or 25 years it did work to balance the budget.

Mr. Kraus: — This schedule does show that the government had on hand in its fund, \$130.6 million of Liquor Board moneys which it hadn't taken in as a revenue dividend. It had the cash though, and it did use it to reduce the cash deficit.

Mr. Sonntag: — Thank you, Mr. Chairman. Through you and to the acting chairman I would request the same as SPMC (Saskatchewan Property Management Corporation) if I could. I know I could follow other avenues, but if we could get a list of the board of directors and their positions I would appreciate it as a new member just so I know who's on the board. As I say, I could go through the minister but . . .

Mr. Weber: — Board of directors for . . .

Mr. Sonntag: — The Liquor Board, like yourself and . . .

Mr. Weber: — The Liquor Board is comprised of, at this point, myself and one alternate. The alternate is Mr. Don Ching. And that comprises the board. And that is something normally that the Liquor Board has been comprised of one member, that being the chairman.

Mr. Sonntag: — Could we then get a list then of the people that are working with you, or is just the finance?

Mr. Weber: — The executive of the Liquor Board, sure, we can provide, Mr. Chairman, provide you with an organization chart if you want.

Mr. Sonntag: — Thank you.

Mr. Chairman: — Mr. Weber, I'm a little bit surprised as chairman of the Liquor Board, in Mr. Anguish's line of questioning, that the comptroller, Mr. Kraus, had to step in and explain the retained earnings aspect. That has been a fact of life in the Liquor Board since before I was born.

And I'm wondering, sir, why you as chairman would not explain that to a committee member, knowing full well that that was the case, and being the most senior officer of that corporation, your duties would require you to know that and why it was with great difficulty that you would not explain that to Mr. Anguish.

Mr. Weber: — Mr. Chairman, my area of expertise is not financial, it's on the retail and personnel side of it. And I confess a certain amount of ignorance to the process. And having been in this position for a period of three weeks I would depend on my finance officials to provide that information and ensure that the proper procedures are followed.

The learning curve at this point is fairly steep in a number of areas, given that my background is in the retail operations side of it. For example, in the licensing area, in the finance area, the generalities are there, the processes are there. I know what has to happen as far as the details. Then that's what I would depend on my vice-president of finance and officials to provide.

Mr. Chairman: — Because as you go into the budgetary process this year where you have retained earnings to deal with you will have to advise your minister on those very facts. And that budget process I presume is probably under way, given my past experience.

Mr. Weber: — That budget process is under way and we liaise directly with the Department of Finance as provided for in our Act. And then once we have consolidated the presentation, I would apprise my minister of what we're able to do.

And in addition to that of course it's our responsibility to advise the minister of revenue-generating opportunities and cost-reduction opportunities, which is the majority part of the budget process as you're aware. As far as the retained earnings and the functioning on a day-to-day basis, as I said, that is done by my finance officials.

Mr. Chairman: — Thank you, Mr. Weber. Are there any other questions? Thank you for appearing before the

committee.

Mr. Van Mulligen: — Mr. Chairman, I move:

That the hearing of the Saskatchewan Liquor Board be concluded subject to recall if necessary for further questions.

Mr. Chairman: — Is the committee in agreement with the motion?

Agreed

Mr. Chairman: — It being 10:30, how about we take a 10-minute stretch.

The committee recessed for a short period of time.

Mr. Van Mulligen: — I'll move we go *in camera* to consider the auditor's comments with respect to the Department of Social Services.

The committee met *in camera* for a short period of time.

Public Hearing: Department of Social Services

Mr. Chairman: — Good morning. I believe, Mr. Hnatiuk, you will be introducing the officials to the committee.

Mr. Hnatiuk: — Yes, to my left is Bob Blackwell. Bob is the assistant deputy minister, and Elizabeth Smith, the executive director of support services for the department.

Mr. Chairman: — Thank you. Before we get going I'll get through some official business here. On behalf of the Standing Committee on Public Accounts, I want to welcome the officials of the Department of Social Services to the committee's meeting this morning. The officials should be aware that when appearing as a witness before a legislative committee that testimony is privileged in that it cannot be used against the witnesses as the subject of a libel action or any criminal proceedings. Witnesses examined before a legislative committee are entitled to the protection of parliamentary privilege in respect of anything said by them in their evidence.

However, all that is said in committee is published in the *Minutes and Verbatim Report* of this committee, and therefore is freely available as a public document. The witness must answer all questions put by the committee.

When a member of 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.

You are kindly reminded to address all comments through the chair.

Do you have a statement of any type, Mr. Hnatiuk, that you wish to give to the committee before we proceed?

Mr. Hnatiuk: — No, I think we're ready to proceed to answer questions, Mr. Chairman.

Mr. Chairman: — Thank you. Perhaps then we'll go to chapter 22. There are some 16 items and perhaps we'll deal with it section by section. None of these particular areas have been resolved to the satisfaction of the auditor, so I'll open up the first section from .01 to .05 for comment by members.

Mr. Serby: — Thank you, Mr. Chairman. Mr. Hnatiuk, in the first sections .01 to .04, there's an indication that — in the auditor's report — that the cost-sharable portion of refunding under family income and the income security have not been recovered to the tune of \$1,850,000, and I'm just wondering where the . . . for our benefit, what has been done in terms of recovering those funds?

Mr. Hnatiuk: — Mr. Chairman, the 1.85 million reported on claim for the period '85 to '89 was an estimate. In May, 1990 the department claimed back \$1,954,969 from the Government of Canada. It actually was an over-claim, and in July '91, 1.445 million was refunded to the Government of Canada as a result of the adjustments required for the period '87 to '89.

These case-loads are often estimated. Some provinces actually get an advance and there's a reconciliation. So there can be over-claiming or under-claiming and adjustments are made at the end of the year.

The '89-90 claim was submitted at a revenue of 570,000; 790,000 was received in July '91.

I'm not sure whether it's appropriate to state the '90-91 claim, but the claim for '90-91 of \$439,437 was submitted and received in July '91.

The department actually receives on its entire income support programs almost a total of 50 per cent refund on cost sharing; it's 49-point-some per cent.

Mr. Serby: — My follow-up question, Mr. Chairman, to Mr. Hnatiuk would be in the area of . . . The two areas that were identified here is the Family Income Plan and the Saskatchewan Assistance Plan, as to where the underpayment had occurred. I'm wondering if there are some cost-share dollars in the areas of family services, residential services, and employment support. Were any of those, any of that underpayment in that period from '85 to '89 in any of those family support areas?

Mr. Hnatiuk: — Mr. Chairman, I'll attempt to answer the question as fully as I can. I'm going to have to rely on some of my officials to complete the answer.

First of all, a client receives benefits under both the Saskatchewan Assistance Plan and the Family Income Plan for the first six months. After six months, only the Saskatchewan Assistance Plan benefits are received. During the six-month period, the FIP (Family Income Plan) benefits are deducted from SAP (Saskatchewan Assistance Plan).

During '89-90 it became apparent that the computer-generated, cost-sharing reports for clients — there was a process of automation going on in the department — receiving both FIP and SAP were faulty. The problems with the computer programs had not been

detected earlier because prior to that year those particular claims were based on manual records. This has now been corrected.

The problem didn't affect other shareable costs, and during '89-90 the department received a total of 155.6 million from the Government of Canada. The unclaimed amount identified with the Provincial Auditor represented .4 per cent of the total claims for '89-90.

So there are some cost-sharing claims that do not . . . We don't get back the full 50 per cent because they exceed the Canada Assistance Plan guide-lines or they're not needs-tested programs.

So if you looked at the total other programs of the department, we receive about 43 per cent cost-sharing back. On all the income support programs we receive 49-point-some per cent back.

Mr. Chairman: — Further questions in that section? Perhaps we could go to sections .06 through .08.

Mr. Serby: — I just have one question, Mr. Chairman, in this section, and it's paragraph .08, and it speaks to the department's ability to develop a plan where they might be able to track this in a better fashion. And my question, I guess, is has there been a process in place or have we established a process for the future where we might be able to track these kinds of recoveries in a fashion that we wouldn't incur these kind of. . .

Mr. Hnatiuk: — Mr. Chairman, a point of clarification. You're talking about .08, the event of a major loss or destruction of records and the inability then to have the information.

Mr. Serby: — That's right, yes.

Mr. Hnatiuk: — Mr. Chairman, the department agrees with the comments regarding the importance of a disaster recovery plan, and currently is actively involved in a subcommittee of the Information Technology Management Agency which is exploring disaster recovery options for the government. The department had in the past attempted to develop disaster recovery plans along with other departments, and is now proceeding to attempt to do that.

The WESTBRIDGE Computer Corporation, now ISM (Information Systems Management) Corporation, provides computer services to the department. And we believe that WESTBRIDGE had taken all reasonable precautions to secure their facility. The timing of the recovery is dependent on the extent of the disaster and the availability of an alternate site. Recovery could take from 4 weeks to 12 weeks if an alternative facility had to be obtained.

Currently the firm guarantees immediate recovery in production, but only to clients who subscribe to their recovery service at an annual cost of approximately \$150,000 per year, which the department had not been able to secure funding for. So at the present time the disaster recovery plan is somewhat lacking. We are proceeding, attempting to develop that with the

information technology management agency.

Mr. Serby: — Thank you.

Mr. Chairman: — No further questions, we'll go to sections .09 through .12.

Mr. Serby: — My first question, Mr. Chairman, is in relationship to paragraph .09, that speaks to the fact that the minister needs the approval of the Lieutenant Governor in Council for expenditures under the agreement that are in excess of \$10,000. And then paragraph .10 goes on to say that there have been agreements that were executed in excess of that amount.

I wondered if the department could provide for our information, or identify the projects that might have been approved by the minister during that period, and whom they were awarded to.

Mr. Hnatiuk: — Mr. Chairman, while my officials look up the specific list of projects, I'll attempt to answer the first part of the question in that the department was operating under the belief that The Department of Social Services Act was sufficient to make fee-for-service payments without order in council authorization. Since that time, the department has agreed and obtained orders in council for payments in '90-91 fiscal year.

Mr. Chairman, I believe the projects in question . . . and I'll perhaps proceed by just listing them and the amounts.

I think that will answer the question. Mr. Chairman, Lloydminster Training and Employment Centre, Incorporated, '89-90 payments of \$73,050; Native Co-ordinating Council, Prince Albert, \$95,414; Parkland Education & Employment Co-ordinating Committee Incorporated, Yorkton, 87,000; Prairie Employment Program Incorporated, North Battleford, 37,596; Prince Albert & District Community Service Centre Incorporated, 110,250; Regina Work Preparation Centre, 205,875; Regional Employment Development Committee Incorporated, Saskatoon, 163,125, for a total of \$772,310.

Mr. Serby: — Just a follow-up question, Mr. Chairman, to Mr. Hnatiuk. What input does the department have in the recommendation or the approval of those projects?

Mr. Hnatiuk: — Mr. Chairman, I'm going to ask permission for Mr. Blackwell to identify the process. I believe he's just a bit more familiar than I am, given my tenure in the department of late. Would you please answer that, Bob.

Mr. Blackwell: — Mr. Chairman, those payments that we're speaking to are payments to work preparation and placement centres, and those centres provide employment rehab services to social assistance eligible clients to lead to stable employment opportunities in the private or public or non-government sectors.

The services they provide are counselling, information, referrals, assessment, placement, some subsidies assistance in arranging support services, and co-ordination of employment and training resources.

These are almost an ongoing type of NGO (non-governmental organization) annual contractual arrangement the department enters into with these agencies to provide sort of a resource to social assistance clients who we believe have multiple barriers to gaining gainful employment.

So it's an annual contract that's negotiated with them to provide that resource to the department. Clients are referred to them based upon their individual case assessments as to whether we believe that that resource would be in the best interests of the client into gaining gainful employment.

Mr. Serby: — Just as a follow-up, does your department do any review or an assessment on people who go through the program to see what kind of employment opportunities they might be able to ascertain after they completed some of the training in each of these centres?

Mr. Blackwell: — On an individual basis I would say yes, Mr. Chairman, we do, based on individual case files, to see how well the client is received and progressed through the situation. It might be a matter of that the client simply might receive some counselling and still remain on assistance, or they might gain employment that would still require them to have continued support because their employment opportunities would not provide them with say sufficient resources to live fully independently. But it would be an ongoing process through that.

Mr. Serby: — Just as a further follow-up, would you have any idea of how many people might be successful in obtaining some type of employment in the private and public sector after they're finished some of the training that they've been involved?

Mr. Blackwell: — Mr. Chairman, I don't have that information available but I clearly undertake to provide that if we have it.

Mr. Serby: — I have no further questions of this section.

Mr. Chairman: — Mr. Hnatiuk, under the subvote 54, Saskatchewan Works program, would any of the organizations mentioned by your deputy also appear in that subvote?

Mr. Blackwell: — Yes, they would, Mr. Chairman. Subvote 54, although entitled Sask Works, actually encompasses the funding for the Sask Works employment program, payment to work prep centres, and I believe, some training funds as well.

Mr. Chairman: — So all of those then would appear in that subvote?

Mr. Blackwell: — Yes, and there might be additional funds in some other, another subvote as well.

Miss Smith: — The way *Public Accounts* is set up, if it was grant funded, it is recorded in the listing of grants that you see under Sask Works beginning on page 369 of *Public Accounts*. To the extent that they were paid as a contract, they are recorded in the schedule of payments at the end of the section. So these payments that were in question . . .

some of the payments had a grant component, others had a contract component. So they're a little split but they are all recorded in one fashion or another.

Mr. Chairman: — Thank you. Anyone else in this section? Perhaps we could move on to .13 through .16.

Mr. Serby: — One question, Mr. Chairman. It's paragraph number .15 where the auditor speaks to the payment totalling 5.8 million made under the program without authority. The question would be . . . the department is doing or has done to ensure that this kind of expenditure could or would be made within the proper auspices.

Mr. Hnatiuk: — Mr. Chairman, the department has been working with the Department of justice to draft regulations for the Saskatchewan skills development program under The Saskatchewan Assistance Act. I think the issue here related to what assistance meant in terms of rehabilitation. So the lack of clarity of regulation . . . the regulations are being prepared with the Department of Justice to clarify that.

Mr. Chairman: — If there are no other questions on the sections perhaps we could now open it up to general comment.

Mr. Serby: — I have one other question, Mr. Chairman, for Mr. Hnatiuk which relates to the whole area of Sask Works, and I am looking at page 369 of the third volume of the auditor's report. And I would ask, Mr. Chairman, if members from the department might provide some understanding, at least for me, in what the mandate of Sask Works is and who is eligible for funding under the Sask Works program?

Mr. Hnatiuk: — Mr. Chairman, Saskatchewan Works program is part of the government's overall strategy to develop a more productive welfare system. In conjunction with the Saskatchewan skills development program, Sask Works provides training and employment for persons who would otherwise be receiving social assistance.

Approved sponsors are eligible for subsidies to assist with salaries: that's \$4.50 per hour and in some cases higher for supervisory or skilled employees, an additional 12 per cent for mandatory benefits, and for local government bodies and non-profit organizations some essential overhead expenses. Sask Works' employers are encouraged to top up government wage subsidies, and those top ups can range anywhere from 25 cents to \$4 per hour.

Eligible projects must create jobs which otherwise would not be created and which do not displace existing jobs — in other words, new jobs. The job must provide work experience and skill training which will assist the employee in later job searches, and finally the project must contribute to the betterment of the province and the community.

Priority is given to proposals which include wage top ups and a contribution to overhead expenses, have the potential for ongoing employment and provide 20 weeks

of continuous employment. The program is not intended to subsidize normal, ongoing, or previously planned activities, prevent lay-offs or risk displacing other workers or volunteers. Persons hired must be a Saskatchewan Assistance Plan recipient.

An initial payment of at least 25 per cent of the approved project cost is paid at the outset. Subsequent payments are advanced on the basis of actual project expenditures reported. And up to 10 per cent of the total project cost can be withheld, pending receipt of final project expenditure documents.

In 1989-90, Sask Works committed 4.5 million for 1,010 jobs. Turnover of clients for reasons such as returning to school or locating to other employment result in 1,150 actual participants throughout the year.

The program is currently under some review by the department to look at the business of how long clients stay off assistance and whether the jobs that they go to are the most meaningful and pay the most money possible.

Mr. Serby: — Thank you. I have some questions in respect to those questions, Mr. Chairman, and they're in this order. In your description of the mandate you indicated that the approval of sponsors tends to be local government, like non-profit organizations. And by and large, is private enterprise as well a part of that mandate?

Mr. Hnatiuk: — Yes it is, Mr. Chairman.

Mr. Serby: — Okay. I'm wondering what sorts of training experiences or opportunities people who are on the program might receive, for example from a business like Bernard Stewart, the tire company. It's a limited company. What sorts of training experiences or opportunities would one of our recipients receive in that kind of a job placement?

Mr. Hnatiuk: — Mr. Chairman, I'm going to answer the first part of the question and ask Mr. Blackwell to answer the second part. Just for the record, the sponsorship by sector is: the community service sector 60 per cent or 183 projects; the business sector is 27 per cent or 82 projects; and non-profit, 13 per cent or 41 projects.

And I'll ask Mr. Blackwell to talk about the specific skills that the client would receive working in the particular organization under question.

Mr. Blackwell: — Mr. Chairman, it's unfortunate I don't have the details of many of these individual projects with us today, but we could provide those if necessary.

But just as an example, the jobs that are created could provide basic skills such as being able to work in a work environment. Many of our clients have been out of the work-force for some time and in fact just simply going to work each day provides them a skill to get back into the employment sector. It could be working in a situation where they have to deal with a supervisor, where in the past they haven't had to take instructions or directions from someone. It could be working in a group atmosphere.

So on the specifics I'm afraid I can't specifically answer what type of skills they would get working in that one particular job opportunity. But it could be a variety of things from simple as having an employment opportunity that requires them to get back into the employment sector.

Mr. Serby: — Mr. Chairman, I'm looking specifically on page 370, mid-way down, I think it's Methy Construction & Maintenance Corporation, an amount of \$54,058 was paid to that organization for some skills training.

Could you tell me what the business of that particular company is and what kinds of work experience, training, our placements or the placements that you approved might have in fact received?

Mr. Blackwell: — I don't have those details with us today, Mr. Chairman. But if the member would like to give us a list of any ones that he has in question we can certainly provide them to the committee.

Mr. Johnson: — Mr. Chairman, as well could you provide who these . . . some of these are corporations, which is based on who the main owners and that are of the corporation?

Mr. Blackwell: — Yes, we could, Mr. Chairman.

Mr. Johnson: — The same exists for 589208 Saskatchewan Ltd.

Mr. Serby: — If I might, Mr. Chairman, I've prepared a list of individual . . . a list of businesses or organizations that are included in the audited statement. If I might, at the conclusion of our meeting, pass this on then to the department and they could provide us with that information and its detail.

Mr. Chairman: — Do you wish to read those into the record, Mr. Serby, or are you content to just pass them on to the department?

Mr. Serby: — I might just read them into the record then I have his full number. Bernard Tire, Prairie Lily Greenhouse Ltd.; C.K. Confectionary; Melrob Enterprises; J.A. Dog Grooming & Supplies; All-Tan Salons; Exquisite Enterprises Inc.; Business Services Inc.; Mankota Tire & Livestock Supply; Gebe's Kitchen; Gilberte-Odile Mary Lines; Glen Alldred-Green Gold Jewellers; Prairie Cab services; Transmission and Differential Services; Al-Bar Hotel Holdings; J & E Sports Goods Ltd.; Kosior Meats; Kyplain Contracting Ltd., Kyplain, George; Inn on the Lake; K.C.'s Kids Casuals Ltd.; Regina Body Reform Ltd.; Lemieux South Side Services, Levesque Enterprises Ltd.; Roland Hill Farms; Moose Jaw Alpine Ski Club Inc.; Marple Holdings Ltd.; Melville Concrete Ltd.; Methy Construction & Maintenance; Nature Berry Inc.; Diplomat Development Ltd.; Northern Truck & Tractor Services; Excel Fiberglas Manufacturing; First Choice Auto & Truck Parts; Four Seasons Catering; Petracek's Greenhouse & Nursery; Prairie Industrial Chemicals; Silver Pine Resort; Joe-Lin Plumbing & Heating; Wagner's Flooring Ltd.; Bob's Used Auto Sales & Radiator Repair; Prairie Oak Custom Furnishings; 589208 Saskatchewan Ltd.

Mr. Hnatiuk: — Mr. Chairman, we'll provide those.

Mr. Chairman: — Good, thank you.

Mr. Serby: — A further question, Mr. Chairman. In the year under review, the amount spent on Saskatchewan Works was \$7,780 million-and-change. I'm wondering how many people benefitted from that program through that particular year.

Mr. Hnatiuk: — Mr. Chairman, the number of participants in Sask Works in '89-90 was 1,150 recipients.

Mr. Serby: — This is follow-up. Is there any way that you might be able to tell me or our committee how many of these people might now or might have been employed after they had finished, or received employment or stayed on employment with a particular employer that they were with, after they finished the program?

Mr. Hnatiuk: — Mr. Chairman, we can undertake to provide that. We don't have that information here. It might require some evaluation follow-up of the specific clients, and we can do that on some basis and provide that information to you.

Mr. Serby: — Satisfactory. In that review, Mr. Chairman, I wondered if they might also provide for me the number of people who might have become eligible for unemployment insurance benefits, and how many people in fact went on the unemployment insurance benefits after completion of their work projects under Sask Works.

Mr. Hnatiuk: — Yes we can undertake to do that. Mr. Chairman, just a point of clarification to the question being asked in terms of how many got work. Is the question acceptable to be answered to the committee regarding how many stayed on assistance or are on assistance now as opposed to tracking each individual client to see where they went. Just a point of clarification in terms of the information being requested.

Mr. Serby: — My interest, Mr. Chairman, would be to know the number of people who in fact after the job training received full employment.

Mr. Hnatiuk: — Thank you. As well, Mr. Chairman, as well as how many went on to UI (unemployment insurance).

Mr. Serby: — That's a given, yes.

In the *Public Accounts* there's a figure of payment to the Receiver General in the amount of \$2,780,770. Could you explain that payment.

Mr. Hnatiuk: — Mr. Chairman, a number of years ago the province of Saskatchewan entered into an agreement with the federal government along with other provinces where moneys that would have been spent under the Canada Assistance Plan for welfare were directed into a fund to pay recipients' wages and salaries through programs like the ones we're discussing. That was a

cost-matching program. And this is the province's share of what was called the SAR's accord or Saskatchewan assistance recipients agreement. So this was Saskatchewan's contribution to that program. The federal government would have made an equal cost-sharing contribution.

Mr. Serby: — I have no further questions at this point.

Mr. Chairman: — Mr. Hnatiuk, obviously there are several hundred communities, organizations, non-profits, that type of thing, that have taken advantage of this particular program both in the year under review and afterwards. Do you receive any correspondence on an ongoing basis from these people about whether they're pleased with how the program worked out with them or didn't, sort of their perceptions of how their local community has reacted to this program?

Mr. Hnatiuk: — Mr. Chairman, my knowledge is that there is a variety of correspondence, particular . . . some communities and organizations and individuals like seniors who might benefit from some of these projects, liked the programs very much and speak very well of it. Some recipients who end up becoming employed or get skills that they previously didn't have before and improve their resources, their incomes, are pleased with it.

A good number of recipients are not pleased in that they may not have met through this program their expectations. I would think it's fair to say that for those who would end up a project . . . finish a project and would end up on unemployment insurance because no job was available in the community, that their expectations would not be met.

So for . . . the responses are dependent on whether they're better off or not than they would be on welfare and whether it was voluntary and meaningful, something that they wanted to do. There is a whole variety of responses.

Mr. Chairman: — Would you say that most of the correspondence from the towns, villages, organizations, that has come in to you would be positive in this regard?

Mr. Hnatiuk: — I'm going to have to ask my officials, who would have a better sense of that, if they can answer that.

Mr. Blackwell: — Mr. Chairman, I think we should differentiate whether we're talking about correspondence from the individual participants who would be the individual recipients gaining employment through the program or in fact the employment sponsor. If your question is, would you suggest that the . . . or asking whether the employment sponsors, the communities themselves, are happy with the program, I would say yes, they are.

Mr. Chairman: — And that would cover the spectrum from organized municipal units through non-profits through actual limited companies.

Mr. Blackwell: — Yes.

Mr. Chairman: — By and large, the vast spectrum of them would view it as a positive program.

Mr. Blackwell: — Yes.

Mr. Chairman: — As I understand, this particular program, from Mr. Hnatiuk, is under review. Given that the response from what I see in *Public Accounts* is a very wide-ranging group of Saskatchewan society, will that be taken into account in the evaluation of this particular program or are there other things that are being weighed?

Mr. Hnatiuk: — Mr. Chairman, that fact will be taken into account in the review. What also will be taken into account in the review would be the issue as to whether people would go on to lasting and better jobs and not have to come back onto assistance, in that the quality of the job was such that we could find some ways to further improve the skills that they would acquire and create for themselves the ability to be more competitive in the labour market.

So that's the other side of it. Mr. Blackwell answered the question regarding the organizations and the sponsors. What we are reviewing for is the other side of it, is the satisfaction of the users and the consumers of the service. We want to avoid the recycling of people and continued dependency on short-term programs.

Mr. Chairman: — In your view, Mr. Hnatiuk, if this program had not been available to these various communities, would most of these people have remained on social services anyway?

Mr. Hnatiuk: — I would have to say that most of them would. They have no choice but to participate in employment afforded to them or training opportunities, or they would be cut off assistance. In order to meet their basic needs they would have to, if not getting assistance, would need to get help from the community in one fashion or another.

Mr. Chairman: — So the associated costs to put these individuals either under social services or through this particular program — which would be greater?

Mr. Hnatiuk: — Mr. Chairman, my recollection of evaluations of programs like this is that the short-term costs of keeping people on assistance is probably the cheaper. The long-term human costs and the costs of losing productivity and contribution to the community are, of course, an entire other issue.

So for some clients given the . . . depending on the level of welfare rates, one can argue that it's cheaper to keep people on welfare from a dollar perspective. We don't believe it's cheaper in the long-term, in terms of loss of productivity and ongoing dependency and what that does to individuals and to families.

So it's not an easy question to answer. What we're trying to do in the review is to look at the longer-term benefits in terms of meaningful and adequate employment, to ensure that there isn't continued recidivism and that people are more equipped to participate on a long-term basis in the labour market.

Mr. Chairman: — I can appreciate Mr. Hnatiuk, that you

are taking that view. I know some people tend to look at the very short term, and that obviously isn't the way to solve the problem.

I personally have had some experience with some of these particular projects, and I look on page 371 of the same subvote — Wakamow Valley Authority which I know is a community organization in Moose Jaw which I believe over the last 3 or 4 years has employed about 16 individuals with a very good success rate. I believe at one time, as minister responsible, that 15 of the 16 had gone on to other employment.

I can tell you, sir, that that particular organization is quite worried that their ability to access individuals in the community, to help with a community project, may indeed be hindered by your review. They take a great deal of pride in the fact that they've been able to help people in their community become full-time employed individuals, taxpayers, people who are not a burden on our society. And I would hope that you would take their views into consideration.

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

Mr. Van Mulligen: — Mr. Hnatiuk, in 1988 it was revealed to the Legislative Assembly that many non-government organizations which were signing agreements with the Department of Social Services were being required by them to agree to a new clause in their funding contracts to the effect that the non-government organization further agrees to treat as confidential any policy information of the Department of Social Services. That was in 1988. Many people referred to that particular clause as a gag order. My question is, during the year under review, was this gag order provision still in effect?

Mr. Hnatiuk: — Mr. Chairman, I can't answer that question. My officials . . . I'm sorry; we can't answer that question. We'll undertake to provide an answer to that.

Mr. Chairman, the question is — for clarification — was the policy that was in effect previous to the year in review in effect for the year in review?

Mr. Van Mulligen: — That's right. Was it still in effect at that time, and can you also let the committee know whether or not this gag-order provision prevails today or is still in effect today?

Mr. Hnatiuk: — Mr. Chairman, we'll undertake to get the contracts from the year in question, the year under review, and a copy of the current contract to demonstrate whether that provision, those provisions, are still in the contracts or whether in fact were changes for the year under review as well as the current year.

Mr. Chairman: — I'm wondering, Mr. Hnatiuk, in the auditor's report— I believe it was the year previous to the year under review — notations were made as to the problem with collecting of overpayment. The auditor has told the committee that your department has set some fairly substantive goals and have in fact, over the last four or five years, been able to achieve, I believe, those goals of about a 4 per cent loss rate. I think your officials are to be commended for following up on the auditor's report.

I notice in this year that there is no mention of it. My question to you would be, given that you have diligently worked at this problem and through mechanization, computerization, and obviously some tightening up, been able to achieve an acceptable rate in the view of the auditor, do you foresee any changes in the way that social assistance would be paid that perhaps would jeopardize that record?

Mr. Hnatiuk: — Mr. Chairman, I don't foresee any changes relative to the standards for accountability. There are some imminent changes that may be required due to a challenge before the Supreme Court of Canada regarding overpayment issue. The case in question is called Finlay and it's a case out of Manitoba that questions the collection of overpayments from basic rates. And that's before the courts, expected to be heard either this spring or early this fall.

Those court decisions may require some changes in legislation and in the programs. There is no plan or intent of the Department of Social Services currently to in any way lessen the accountability for the dollars that were provided to ensure that those in need and qualify get the amounts that they're entitled to.

Mr. Chairman: — I ask the question because given that you have made this type of progress . . . and one looks at other jurisdictions around the country — I see Ontario with a direct deposit system, some other changes made that would make it very difficult for your department to ascertain certain things — I would find that type of system very incompatible with what you have achieved, given the auditor's comments over the years in bringing yourself to the level that you are now. And that's why I wondered if you were contemplating changes to something that you've obviously fixed.

Mr. Hnatiuk: — Mr. Chairman, the . . . oftentimes the error rate and overpayment rate province by province differs due to whether the program is simple, understood, or extremely complex. I think that the experience of most jurisdictions across Canada, from the information that I've studied over the good number of years in the past, is that if the program is simple and understood and equitable, there is a lessening chance of overpayments and error rates.

So those are some of the principles that we'll be continuing to adhere to as we look at the future programming for people in need.

Mr. Chairman: — Thank you.

Mr. Johnson: — In this particular area of . . . and you said that there's a thin . . . it's a Finlay case that's for collection out of . . . What is the policy of the department as to the percentage of the payment now that they will take off to recoup overpayments? Is there a policy, a standard form of how things function; or would I assume that if someone was being paid \$200 and there was an overpayment of 175, that it could be a \$25 cheque issued for a coming month?

Mr. Hnatiuk: — Mr. Chairman, I believe my officials will

have the specific policy here for me.

Mr. Chairman, the recovery rules are that . . . I'll provide information regarding the rates for recovery. These rates are to be used for recovery from future entitlement and are not intended to preclude recovery by other means such as legal action, lump sum payments, or liquid assets . . . is the current policy.

The overpayment recovery table is 60 per cent of the exempted earnings plus the appropriate rates that I'm just going to read out.

Now let me explain a little bit about 60 per cent of the exempted earnings. The recipient has a job, and they're being subsidized. They get to keep a portion of the money that they're earning — I believe it's \$25, the first \$25 — and then a percentage. I don't have the details before me, but I think it's something like 20 per cent of the next amount of earnings plus 20 per cent of the next amount and so on.

And so the 60 per cent of the exempted earnings would be the first place that recovery would be taken, of 60 per cent of the 20 per cent that they're earning. So the bottom line is, if a client has an overpayment and is working and there's a collection back, the first moneys that's taken is the 60 per cent of the portion that they're exempted on.

Following that, if the net Saskatchewan Assistance Plan payment is under \$250, the recovery amount is \$15 per month; from 250 to \$400, it's \$25 per month; from \$400 to 550, it's \$40 per month; from 550 to 700 it's \$55; 700 to 850 it's \$70; from 850 to 1,000 it's \$85 per month. And if the SAP payment is over a thousand dollars, it's \$100 per month.

There is a discretionary provision under that that allows for a higher recovery rate if requested by the client or in situations where the client incurs repeated payments. A lower recovery rate or a deferral may be approved by the director and considered for cases who receive room and board or level of care payments and under cases where a lower rate of recovery is warranted so that an extreme hardship is not created.

The Department of Social Services is engaging in a review of the Saskatchewan Assistance Plan regulations, will be consulting with client groups and community groups regarding this particular policy. We'll be getting those consultations in the next few weeks and we'll be taking into account the matter of Finlay relative to any court decision in this matter as well.

Mr. Johnson: — So what you have said is if somebody is basically . . . has a job that covers part of their needs, then the collection is much more aggressive?

Mr. Hnatiuk: — That's correct.

Mr. Johnson: — So those individuals approaching me as an MLA and telling me that they are better off not to work at all and to either go all the way on social services, the rules that are in place actually keep doing that, passing that impression on to them. Because if they have variables that occur, you will be very aggressive at collecting back

an overpayment; and if they were on full social assistance, less aggressive. So they would say their neighbour down the road being fully collected was overpaid the same amount and it was \$10 a month that you asked back from him and from me it was \$175 all in one time; I am foolish to work. That's the impression that is out there. And I'm wondering if that is being included into your review so the impression is not that that's occurring — because it does occur.

Mr. Hnatiuk: — Mr. Chairman, the philosophy behind this policy, as I understand it, is that the income exemption amount is over and above what is considered to be the basic need and therefore it is discretionary money available for the client, and therefore those with earned income should have a greater capacity to pay back.

The result of that is as described, that for a client who has incurred a situation where there's an overpayment, they must pay back public moneys. They can in fact see no net benefit on a month-to-month basis until their overpayment is paid back, and therefore the impression that the committee member has described is prevalent amongst people in the community who receive these benefits, and it is subject to review.

Mr. Johnson: — Prevalent among those that have some employment.

Mr. Hnatiuk: — That's correct.

Mr. Johnson: — The auditor's statement on what's taking place and has been discussed is basically that your overpayments have dropped to a lower level over the period of years so he's no longer reporting them. I'm not sure if I'm stating it correctly, but recoveries. Or you're not losing as much. You've dropped to 5 per cent from 10.

Okay, I'll state what I'm . . . really the balance to that is the clients . . . Is there an increase that's occurred in delayed payments to clients that are eligible? Has that been the offsetting occurrence to meeting the auditor's . . . what the auditor had indicated was a problem with Social Services, and Social Services has basically met the . . .

Mr. Hnatiuk: — Mr. Chairman, the reduction in error rates and subsequent overpayments . . . Error rates can have no dollar cost to them. There are other error rates that create an overpayment. There are also overpayments, not because of error, because of misinformation or a client unreporting certain income and so on.

But a number of measures have been introduced in the program. First of all, the program has been automated and so therefore the actual calculation of the program, the administration of the program, is more consistent and therefore it provides for less opportunity to create error. Secondly, the program has been simplified to some degree, and any simplification prevents overpayments and errors. Thirdly, that staff have received some training to enable them to meet these kinds of targets.

The other element that has been introduced is much more discretion by administrators of the program at the local

level and therefore providing assistance at less risk. And therefore if there's some uncertainty that the client is eligible, by exercising discretion you may prevent some overpayments or errors by denying or delaying the provision of assistance. There's a combination of factors.

Mr. Johnson: — Okay so in essence what you're saying is yes; there is a delay. There is potential at least, if it is not occurring. Is that being tracked in any manner to recognize it in numbers or in some statistical manner so that it can be used?

The reason that I ask the question is that as an MLA, that is the nature of some of the calls that I am receiving, and when they are . . . (inaudible) . . . to the end, the recipient is correct in saying that there's been a delay for what they perceive is no reason but which there usually is a reason of some nature but not able to back it up.

One suggestion is that the person is now of age to receive spouse's allowance, and they've never been married. But they have reached an age where if they were married, spouse's allowance should cut in. That's 60, I believe, is what it is.

And so automatic cut off, go through a whole bunch of . . . And I'm not sure whether that's just the lack of information on the individual or what it is, but these type of calls are coming in.

I'm wondering is there anything being tracked so that that's being recognized as the off-setting costs?

Mr. Hnatiuk: — Mr. Chairman, the review that's being undertaken at the current time, at the beginning is going to be addressing or asking those kinds of questions and soliciting input from clients and the groups that represent clients.

The correlation of the delay for some individuals relative to the decrease in error rate and overpayment is not as obvious because this could be a whole combination of factors. But what we will be looking at in the review is the way that we administer the program in tracking and ensuring that the standards for overpayments and error rates are still maintained while addressing the business of an efficient and a timely service to recipients at the same time.

I can't answer your question directly in terms of identifying the direct correlation between what may be perceived as a delay and the reduction in actual overpayments.

Mr. Johnson: — But you will recognize that that's there and that it's being looked at, is what you're saying.

Mr. Hnatiuk: — Yes, we will be looking at that through the review.

Mr. Chairman: — Mr. Hnatiuk, during your review process will, first of all, members of the public have the opportunity, the ordinary taxpayer have the opportunity to comment on what you're reviewing? And secondly, would the Provincial Auditor be consulted on any new type of system that you might implement before you went

off and spent a bunch of money and did something?

Mr. Hnatiuk: — I think that, Mr. Chairman, yes, the other government agencies — the Department of Finance and so on — central agencies will be involved in anything that we'll be taking forward for approval and looking at assessing the impact. The public will have input on an ongoing basis through the community meetings, through the kinds of reviews that we'll be doing.

We have not yet fully determined the full terms of reference and the process. There are a number of problems that have been identified over time from the recipients' perspective, from the public perspective — affordability, adequacy, and so on. And we'll be attempting to address those all over a period of time. Our review is beginning very specifically to look at the Saskatchewan Assistance Plan regulations.

Ms. Haverstock: — Yes, Mr. Chairman. I'm just wondering if perhaps the year under review — and it I think has applications to other years as well — if you could comment on how it is the department could deal better with the differentiation between those people on social services as a result of being unemployable for reasons such as mental health. I mean this is one of the areas, for example, that often is not identified in a specific way. It has implications because of course there would be cross-overs with the Department of Health. We know that people who are often on the streets are those who suffer from mental illness, and they do present very special issues. Do you have any comments to make on that?

Mr. Hnatiuk: — Mr. Chairman, just a comment that the entire issue of provision of income support or income security has changed very dramatically over the last decade to 15 years. The Canada Assistance Plan and the Saskatchewan Assistance Plan were put into place in the mid-'60s to move away from what was considered to be a means-based program. You had to be disabled or you had to be blind or you had to have a means, and so programs were categorical.

Those were changed as the result of the introduction of the Canada Assistance Plan in the mid-'60s to be a program based on need. Governments, provincial governments, would establish what a minimum adequate need would be for clients. And based on eligibility, their income would be discounted against the need and the province would provide the difference, with that difference being cost-shared 50-50 with the federal government.

Those programs were designed at a time when unemployment rates were about two and a half per cent or less. We now have tremendous fluctuations in unemployment; that minimum wages a number of years ago used to be set relative to the average industrial weekly wage. So there were ongoing adjustments.

One might argue that there was some harmonization between programs, between fiscal taxation, income transfer, and labour standards. Whenever you began to touch one program then it affects all kinds of other programs, whether you de-institutionalize people from institutions and put them into the community or whether

you have a federal government that begins to change the rules around the unemployment insurance.

The changes in the unemployment insurance rules have right across this country caused tremendous swelling of public assistance case-loads in absolutely every jurisdiction, so that not only do people have to work longer at a time when there's less employment, they also are eligible for less money and for a shorter period of time. And that has been an off-loading directly on to the provincial social assistance rolls.

Certainly we know that the economic order is restructuring itself. And the jobs that are being created in the service sector are not necessarily right across this country paying the kinds of wages that enable people to remain independent, to work. So that the demographics of our case-load are changing very, very dramatically. It no longer is just people who are mentally ill or disabled on assistance or have some short-term need. Many people have never relied on assistance. And in every province across this country you have more and more people attaching themselves to public assistance programs for a period of time.

So if you take a snapshot picture in any community today you will see a certain dependency rate. And those are people that come on for one month or two months, increasingly that are staying on for longer periods of time.

But if you took a picture over a period of time, for instance five years, you will find that a substantially higher population of the community, a percentage of the community, at one time or another relied on safety net programs like this. The other major contributing factor is family breakdown, that whenever you have family breakdown you have attendant costs and requiring more support.

So I'm sorry to take so much time to attempt to answer the question.

Ms. Haverstock: — In fact it leads into what it is that I am also interested in. This is one of the reasons why I think that I hear from a number of people who think that there should be a way of differentiating between those people who are going to be chronic, in other words, long-term, versus those who are in quotes — and I use this word because I can't find another — more salvageable, before they get into the system which through feelings of degradation and humiliation and otherwise makes it more difficult for them to find employment, besides just the employment atmosphere.

And if in fact there is a way in your view of taking people and dividing them up into those people who can be helped most in the short term through training, etc., to get them involved in whatever way possible to keep them in the system of employment . . . even if it's through a different way from what we currently have or perhaps have even thought of at this point.

And then there's that next group. And then there are people like the letters that I have here which are truly tragic. And it's very evident from some of these individuals, one in particular, this gentleman who has

suffered from mental illness for most of his life and is on welfare and is also 56 years of age, having been sick for 25 years, and he thinks he's getting a little better now. But what he is saying here in very difficult grammatical way of interpreting is that — this is a sentence: need more money from welfare. It would be only for as I am still sick, but only get \$375 monthly, know that I need 500. Would be good if it was possible through your parliament for me to help me.

Now this individual is a different set of circumstances from many others to which I refer. You're making reference to those people who are in fact, because of economic conditions far outside their own control, are going to need some interim assistance. And perhaps we . . . my view is we should be looking at ways in which we can facilitate getting them out of the welfare system in a hurry.

This gentleman will be on welfare for the rest of his life. And I think that people need to be treated differently perhaps under different circumstances.

And the reference was made earlier about potential changes to the system, of automatically debiting or looking toward ways that some states in the United States have of taking actual cards, credit card type of situations that we have to take moneys out of an automated teller.

People on social assistance even have difficulty cashing their own cheques. Sometimes portions of their cheques, as you know, are gone by cashing them early. Going to and using the kind of systems we have available to us by having people get perhaps things into their accounts once a week rather than having go and try to cash a cheque somewhere, and controls in that way might be very helpful.

And I've had numbers of native people who have said to me that they would feel much more like everyone else if they could have their welfare moneys come through by using an automated teller card than the way that it presently is.

So I just throw this out for your comment because you have great expertise in this area and I have limited. But I do know that from the people with whom I've dealt for many years in my previous profession that there are ways in which I think that we need to try to conceptualize these different groups of people within the population we serve.

Mr. Hnatiuk: — Mr. Chairman, the comments made are appropriate and certainly will be taken into account as we go through the reviews. It has become clear that differential treatment of people is often based on more deserving and less deserving. And even in that kind of an approach across this country there are people who suffer the consequences of poverty more than others because they have even less opportunity. And so the kind of approaches will need to be flexible.

If you're an employable person and you do get a job, you do have some income exemption. So the debate then is, well is it adequate and what does the income exemption program do? For those who are not employable, who

don't have a corresponding ability, they do just get the minimum. And the costs have been increasing for them to be able to meet their shelter needs and food costs.

It would be a wonderful society if we were able to reduce costs for shelter and food was obtainable and available and we had more employment, and we could redirect some of our resources to the kinds of cases that the committee member has just described. And we wouldn't have to deal with the magnitude of support that we currently have to deal with.

The real issue here is one of harmonization and putting the energies where they need to go, and adequacy of benefits to be maintained in the community.

The comments that the member has made will be certainly considered in our deliberations as we look to the future.

Ms. Haverstock: — Thank you very much.

Mr. Chairman: — No other questions. I'd like to thank you, Mr. Hnatiuk, and your officials.

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

Mr. Van Mulligen: — Mr. Chairman, I move that the hearings of the Department of Social Services be concluded, subject to recall if necessary for further questions.

Mr. Chairman: — Is that agreed?

Agreed

The committee recessed for lunch.

Mr. Chairman: — I wonder if we could call the committee to order. I believe we have the necessary number of members present to . . .

Ms. Murray: — Mr. Sonntag had to run into Regina. He said he'd try and be back within 10 minutes of now.

Mr. Chairman: — Perhaps we could have a motion to go *in camera*.

Mr. Van Mulligen: — I'll move, Mr. Chairman:

That we move *in camera* to consider the auditor's comments with respect to Department of Economic Diversification and Trade.

Mr. Chairman: — Agreed?

Agreed

The committee met *in camera* for a short period of time.

Public Hearing: Department of Economic Diversification and Trade

Mr. Chairman: — Good afternoon. I understand, Mr. Volk, that you are ringmaster today, so if you wouldn't mind introducing your officials to the committee.

Mr. Volk: — That might be an appropriate description, given the number of people I have here.

Good afternoon, Mr. Chairman, committee members. Maybe a quick introduction of the people that are here to give some organizational context because what we are talking about is some pieces of possibly four departments that were consolidated; so we've tried to assemble some officials that may have had involvement in the other areas other than the Economic Development and Tourism *Public Accounts* book to prepare ourselves.

That gives us about . . . We have people here from three of those areas. The one area that we don't have people here from, just for your information, is the Science and Technology area, so that I would not be prepared with any information in that area.

If I can start, anyway my name is Bob Volk. I'm chairman of the projects co-ordination unit in the department now which is called Economic Diversification and Trade. To my right is Sharon Roulston, who's the executive director of internal operations. In the background somewhere is Jim Zatulsky, who is the director of the investment programs branch; Bruce Walker, who is the manager of the northern revolving fund — the people are identifying themselves — Bryce Baron, who is director of our industrial opportunities branch. We have Lyle . . . Lyle Pederson is not here, I don't believe. He's absent. And Darryl McCallum, who is in the tourism development area of the department. That would be in accordance with *Public Accounts* book, Department of Economic Development and Tourism.

The other individuals that are here would reflect the Trade and Investment. Since it didn't exist, I guess they're not there. But parts of what are around are Bob Perrin, who's the executive director of our international division which is the trade side of the activities; and Gerry Adamson also on the trade side; and Matt Troniak who's had some involvement in this project himself on the investment side. And in addition to that we have Graham Parsons who is the chief economist and co-ordinator of the community bond office now, with Public Participation past experience.

So that's the order of officials I have here. I apologize for the large numbers. We knew no other way of organizing it, depending on the questions that would be asked.

Mr. Chairman: — Thank you. I have small bit of official business to dispense with here before we begin. On behalf of the Standing Committee on Public Accounts, I want to welcome the officials of these various departments related to Economic Development and Tourism to the committee's meeting this afternoon.

The officials should be aware that when appearing as a witness before a legislative committee the testimony is privileged and it cannot be used against the witness as a subject of a libel action or any criminal proceedings. Witnesses examined before a legislative committee are entitled to the protection of parliamentary privilege in respect of anything said by them in their evidence.

However all that is said in committee is published in the

Minutes and Verbatim Report of this committee and therefore is freely available as a public document. The witness must answer all questions put by the committee.

Where a member of 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 kindly remind you to please address all comments through the chair. Thank you.

Mr. Volk, do you have any opening remarks or statement that you wish to make to the committee before we open it up to the auditor's report?

Mr. Volk: — Nothing more than just the description that there is some four different departments that get consolidated. So it's not necessarily that clean in terms of officials around the table.

Mr. Chairman: — Well perhaps we'll go to the auditor's report then and we'll deal with it by section. The auditor has informed us that the points covered under .07 to .12 have basically been resolved. Members will be free to make generic comments if they wish, but we'll go back from .01 through .06.

Mr. Serby: — My first question, Mr. Volk, is to do with paragraph .01 of the auditor's report which addresses itself to the expenditure of \$175,495 with the expenditure and then the receipt of the income without the appropriate sort of account really being set up to deal with that. I wondered if you might explain the process of how you expended the money and received it without opening the account.

Mr. Volk: — Mr. Chairman, this — to add some context to it — the \$175,000 in the issue and comments and observations made by the auditor, there's an issue of the BOS (business opportunities show) program, working in conjunction with central agencies, Department of Finance. It was the creation of an account where funds were deposited jointly in a joint-venture agreement between the department and SEDCO (Saskatchewan Economic Development Corporation) who were co-sponsors of the show.

My understanding of this is that the technicality is that the legal legislative authority is not in the department to create the account. We assumed through the central agency assistance of Department of Finance in our joint-venture sponsor that SEDCO was handling that part of it.

We in fact pursued that, recognized that we were in fact in error by as a line department not having the authority in the legislation. But it was through the department of . . . sorry, through SEDCO Crown corp that was doing it.

We have since corrected that, and in fact in the next budget put it in order by in fact budgeting for it with the authority so that in fact we could operate the BOS show in accordance with the legislation. That's my interpretation, in a layman's way of trying to respond to what the auditor in fact pointed out to us.

Mr. Serby: — Just as a follow-up then. Are you suggesting then that in the year that we're reviewing, this and all the funding wasn't budgeted for, for the trade show? Is that right?

Mr. Volk: — Well in the year that we're reviewing, the BOS trade show in fact generated revenues and was co-sponsored with SEDCO, so it's a matter of the revenues that it generated actually end up then getting expended to put the show on. So it's a technical matter if we did not have the legal authority to open up a bank account outside of line department. And we assumed because SEDCO was a joint sponsor of this as a Crown corporation, that that was in fact . . . I guess we thought it was perfectly legitimate technically in terms of financial administrative procedures. We have since corrected it. It was a technical change.

Mr. Serby: — I have no other questions on that section.

Mr. Chairman: — Okay, can we move on to the next section. I said this area has been resolved to the satisfaction of the auditor. Anyone wish to make a generic comment in this area at all? If not, could we perhaps go to .13 through .22 then.

Mr. Serby: — The question, Mr. Chairman, is to do with possibly the department explaining this sort of whole issue from paragraphs .13 onward to .22. Because certainly I don't understand them well enough. I appreciate that they're somewhat complex, but would appreciate the opportunity of you sort of taking us through that, sort of commencing with what paragraph .13 speaks of, and that is the auditor's statement which says that:

In our opinion, due to an error in applying the rules of The Venture Capital Tax Credit Act, the Department did not recover a tax credit resulting in a loss to the Crown of \$101,576.

Mr. Volk: — I think I'm clear and I'm prepared, Mr. Chairman, to respond. The bottom line to this one in its simplest form is conflicting legal opinion in terms of definitions in the regulations of the Act.

The observation hinges on the difference of opinion in the definitions of stated capital, equity capital, and shareholders' equity. This becomes an accounting definitions issue.

The legal opinion of the Provincial Auditor's solicitor is that the stated capital and equity capital includes appraisal increases. The legal opinion of the Department of Justice interprets the definition as stated capital and equity capital to be the same as the accounting definition, i.e., the consideration paid for equity shares which does not include appraised increases.

The formulas for recapture which are provided by The Venture Capital Tax Credit Act are dependent upon the above definitions. And in short, I mean we, as the procedures followed, agreed to with the opinion of Justice . . . it's the department's view that there was no loss, therefore there will not be any to recapture. So it hinges on the definition of whether or not this is the

auditor's solicitors defining capital or whether it's Justice who in fact gave us an opinion on it.

Furthermore the VCC (venture capital corporation) in question on this particular comment has maintained and increased its investment into eligible small businesses over the years. So it becomes a legal debate and then almost an eliminated debate anyway because of the investments that were made within the regulations.

Mr. Chairman: — Mr. Strelloff would like to make a comment.

Mr. Strelloff: — Mr. Chairman, Mr. Volk, or Mr. Serby, he's right. There's two different legal opinions. But the net result is that an individual gets a tax credit for making an eligible investment and then pulls the money back out. Part of the program is that if you pull the money back out you should have to pay the tax credit that you got. Well the person pulled the money back out and didn't have to pay back the tax credit; and then, by the way, put the money back in and got an additional tax credit. And certainly when you go through the legal complexities it becomes very difficult to sort out what happened, but when you sort of see through it, there is something questionable going on.

I understand the department, I think in our last paragraph, paragraph .22 said that in the future they'll not allow the use of the appraisal increase credit to avoid the recovery of the tax credits.

Mr. Serby: — I guess I'm at a bit of a loss, Mr. Chairman, particularly when we have two conflicting legal opinions. And I guess I . . .

Mr. Chairman: — How many lawyers are in the room?

Mr. Serby: — I don't know, but I think that we need to have some sort of resolution or some direction on this in terms of the opportunity to look at the recovery if in fact there is, and if there is on the part of the Provincial Auditor . . . that there is a loss to the department in the sum of \$101,000 — or benefit, I mean — to an individual, and then a reinvestment again and then another benefit. I would be concerned, I suppose, then as to the appropriate protocol that we might follow here in addressing the issue of how to deal with the recapture, I suppose, for a better term, of that particular . . .

Mr. Chairman: — Mr. Volk, maybe to help clarify this. What in the department's view would constitute double-dipping in the program? I mean you've got these two varying legal opinions. If this individual had done this a little bit differently, would you have considered that double-dipping?

Mr. Volk: — Mr. Chairman, we also have concern in trying to define, and that's why this turned into a legal discussion around movements of money and what is share capital, equity capital, and have as much concern. I mean we have tried to reconcile that I think, as the auditor has spoken, to ensure that this doesn't happen, but I'm not about to undergo legal debates on this. I'm not a lawyer and don't feel prepared to address it. And since it's been ongoing, I'm not sure that those who've been addressing

can do it.

But our sense of it has been to try and remedy it by avoiding it, and as has been explained that if you go through it detailed legally, there is no tax credit to collect. But as was explained, if you stand back and it looks like someone's putting money in, taking money out, putting money back in, it now becomes something that gets viewed: are you tracing a dollar that goes through, it comes back out, and it looks like double-dipping as, Mr. Chairman, you've described it.

So I'm not sure I can give you any more clarification on that other than our attempts would clearly be to avoid that. And I guess in a sense of where we've gone with it, we've attempted to do that. I mean we have no objection to trying to fix this and are as serious about trying to fix it as anybody. It's a legal debate.

Mr. Johnson: — Mr. Chairman, this is one incident that was picked up. Is there anything to assume that there was more than this one particular case?

Mr. Volk: — This is not an isolated incident although it was not a common practice. And the only time it was in fact recognized, permitted, and allowed to happen was after consultation with Department of Justice. I mean it was not something that was happening that we didn't know was happening. It was always a question of when we found it happening, we got legal opinion on it And based on legal opinion, it in fact was agreed that it could happen. But it was not common throughout the program, but there were . . . It is not an isolated incident.

Mr. Johnson: — It's not an isolated incident. And the problem that you had is that when you asked if you could take a legal action, indications were that it wasn't advisable to do so because you'd probably lose.

Mr. Volk: — Well I would word it this way: we sought legal opinion from Department of Justice on what our response should be if someone were proposing to do this.

Mr. Chairman, the corporations who in fact engage in this practice, checked with us before they went into the action and invested in that way. So it was a discussion and became a debate on the definition of capital within the legislation.

Mr. Johnson: — Has the legislation since been altered?

Mr. Volk: — Mr. Chairman, the answer is that this is what's happening. Legislation that created the first VCCs became dormant, inactive, as the program was shut down and a new Act on small-business investment program was brought in which specifically reworded this area to in fact clear the problem up. I mean, they are not the same problem. It was a different program. But the program in fact . . . The Act is dormant and the program was shut down.

Mr. Serby: — A question, Mr. Chairman. Can you provide for us the name of the corporation that was involved in this particular exercise?

Mr. Volk: — Mr. Chairman, the name of the corporation

and the amount of investment is public information and we can make that available. I don't know if we have it here though.

Mr. Chairman, the files we have with us on the legal opinion do not . . . Yes, the name of the corporation is the Frank Remail Venture Capital Corporation.

Mr. Anguish: — I beg your pardon.

Mr. Volk: — Frank Remail Venture Capital Corporation.

Mr. Serby: — Mr. Chairman, to Mr. Volk. I think that in your previous statement you indicated that there might have been other companies that were involved in similar sorts of issues. I wondered if you might provide for us who they were and over what period of time . . . I expect that would be preceding this year review.

Mr. Volk: — Mr. Chairman, we do not have the names of the corporations that would do that. And as a matter of fact we would have to trace some of the capital flow investments of the venture capital companies to then give some sort of a judgement, and that in fact would be a value judgement. Because we're basing this on a Department of Justice legal opinion that what they're investing, and how they're investing it is legal.

So I mean for us to start giving opinions and listing numbers of companies that, as the auditor said, if you stand back over time, are moving money in and out of investments, we could do it. I mean there's some 200 VCCs that were created. There would be considerable sort of tracing of moneys in and out.

Mr. Chairman: — If I might, Mr. Serby, once again for clarification with the committee.

Mr. Volk, you said in your earlier statement that a lot of these people solicited opinion from the department before entering the venture capital corporation because of this issue?

Mr. Volk: — Well there was this . . . I'm led to believe from officials that there was discussion, specific discussion on these investments in terms of the legality of them, in terms of the definition of the capital moving money back and forth. We sought legal opinion from Justice.

Mr. Chairman: — And it was those discussions which you in turn went to the Department of Justice with.

Mr. Volk: — Yes.

Mr. Chairman: — And they in turn gave an opinion back to you.

Mr. Volk: — Right. And our Department of Justice advice would be that we are now left in a position of trying to convince the auditor's legal opinion that they are more accurate . . . or are accurate, if I can use that term, in the definition.

Mr. Chairman: — Then Justice did not place any wrongdoing on anything. They just said this is our

opinion.

Mr. Volk: — Correct.

Mr. Chairman: — All right.

Mr. Anguish: — Just for clarification, who sought the opinion of the Department of Justice?

Mr. Volk: — As a department we would have sought the opinion of the Department of Justice.

Mr. Anguish: — Did you seek that opinion from the Department of Justice on one occasion concerning many venture capital corporations, or once to cover the issue?

Mr. Volk: — It was an opinion we sought based on the legislation and the regulations, if that action and that practice would be acceptable within the legislation or regulations of the Act. So it was an opinion of the Department of Justice on the application of the Act.

Mr. Anguish: — Did it pertain to one company that you were in doubt about?

Mr. Volk: — It would have been a response to an inquiry, a general inquiry, not a specific company's investment, I believe. That's what I'm led to believe.

Mr. Anguish: — Can we have a copy of that legal opinion from the Department of Justice?

Mr. Volk: — Mr. Chair, we can provide the legal opinion from the Department of Justice as it pertains to this through the appropriate channels. I'm just not sure what the appropriate channels are for Department of Justice legal opinions. I guess I'm saying that there's no sensitivity from our side of it. It's a matter of the debates and definitions legally.

Mr. Johnson: — Mr. Chairman, after this was the legal interpretation of how the Act functioned, was that information widely disseminated or would it have been held very close in the department so as the numbers of people that would have had the opportunity to make use of it were only those that were using . . . had some very sophisticated understanding of what the technicalities of accounting were?

Mr. Volk: — Mr. Chairman, I'll try and answer it this way. If we were seeking legal opinions ourselves on the application of the Act, I mean it would have been . . . the program administrators obviously were trying to in fact provide information of themselves so they could respond to any of the VCC companies that may have been seeking information and approval on where their investments could go.

So the answer I'm giving is that we had opinions from Department of Justice that we would have made available to any VCC that would be asking the questions on whether or not this is an eligible investment or not in terms of the dollar amounts and what was going into them.

So it would be generally available information. It was not

... I'm guessing, Mr. Chairman, and I don't know if I'm going out on a limb, but I'm assuming that different venture capital companies with different lawyers were probably pursuing different types of investments in different ways and in an interactive way in clearing those investments.

It becomes a definition around capital and what accountants will use and what the lawyers will say follow the regulations.

Mr. Johnson: — Okay, the question is whether it would be an answer ... a response to a question or whether it would be in material that was made available to venture capital in actual advance ... just disseminated the information.

Mr. Volk: — The actual probably most effective way and what happened in this case is the discussion around, Mr. Chairman, around the definitions of this is really ... it's disseminated through all the tax accounts because this becomes a tax advisory sort of option in how you invest those moneys.

So we did not have ... I mean, we did not go out with a public sort of information-disseminating process, but for those VCCs that are registered in investing it was a discussion that probably travelled pretty quickly through the investment community around this issue.

Mr. Anguish: — What application was before you, which venture capital corporation was before you that spurred you on and motivated you to seek legal advice from the Department of Justice?

Mr. Volk: — We would have to check, but the VCC that I referred to was one of them that was involved.

Mr. Anguish: — Frank Remai Venture Capital ...

Mr. Volk: — Corporation, yes.

Mr. Anguish: — What was the purpose of the venture capital corporation? What was the project or what was the intent of the investment?

Mr. Volk: — Mr. Chairman, I wonder if it might be permitted, if I have our people here who are in fact chartered accountants to respond to some of this around the regulations and the investment, if you might. In trying to relay that technical information I wouldn't want to lose something in the terms of definitions here.

Mr. Anguish: — Well it's not very technical. I just want to know what project was that they intended investing the capital in.

Mr. Volk: — Well I'll try and respond to that. The VCC that gets registered registers itself with an intent to do something can raise money and at that point in time may not have a project yet. It then is required within time frames to invest that money. So at this point in time, I mean the projects that they invested in is what you're asking.

Mr. Anguish: — What was their intent then at the point of

the application kind of, what was their intent? What was the intended investment that they wanted to raise the venture capital for?

Mr. Volk: — On applications they don't have to state the project or their intention at that point. They'll then have to have it meet regulations and clear it when they make the investment.

Mr. Anguish: — I think you better walk us through this slower because I don't understand it well enough obviously. If I come to you and I wanted to start, at the time of the year under review, a venture capital corporation, I wouldn't have to tell you what I wanted to raise money for but I would have to provide other information that would allow you to register me so I could raise money under venture capital.

Mr. Volk: — Mr. Chairman, might I allow Mr. Zatulsky to ...

Mr. Chairman: — By all means.

Mr. Zatulsky: — A venture capital corporation would apply to the province to be registered under The Venture Capital Tax Credit Act. Only once it's done a number of things — first of all it has to be a separate corporation with specific things ...

Mr. Anguish: — It has to be a what corporation?

Mr. Zatulsky: — A separate corporation, okay. It can't be one that you've already got. Its sole purpose is to be a venture capital corporation. It has to raise a minimum amount of money as defined in the legislation — typically that's \$100,000. It can raise no more than 5 million unless cabinet so decrees. It has to raise that money and meet all the requirements of The Securities Act.

Once it has that \$100,000 it can apply to be registered. If it has met the criteria for registration, it will then be registered. At that point in time the shareholders of that venture capital corporation are eligible for a tax credit.

To safeguard the province, to ensure that the tax credit is not lost, prior to an investment being made, the corporation establishes a trust account jointly with the province in which an amount of 30 per cent of their equity capital is put in trust. They then have 18 months to invest 40 per cent of their capital. They must invest 70 per cent at the end of 30 months. They must maintain an average of 70 per cent of their equity capital in eligible businesses. And those are defined in the legislation — things like manufacturing and processing, research and development, and the like.

Mr. Anguish: — But not at any time indicating to the department what the venture actually was.

Mr. Zatulsky: — No, not initially. They have to meet other criteria. They have some specific areas that they would be targeted at. But they don't have to tell us up front, no.

Mr. Anguish: — So they can actually make the investment, people can receive their authorization for a

tax credit for the money, and the public, through you at least, through your department, not knowing what the investment is for.

Mr. Zatulsky: — That's right.

Mr. Anguish: — So you could be in the similar situation where an FBDB (Federal Business Development Bank) funded strip clubs in some provinces?

Mr. Zatulsky: — Pardon me? I missed that one.

Mr. Anguish: — You could be in a similar situation to where the Federal Business Development Bank apparently funded strip clubs in some provinces?

Mr. Zatulsky: — Not necessarily, because there a venture capital corporation could only invest in specific areas — manufacturing and processing, research and development, tourism, and in communities of . . . smaller communities, retail and service. So there are very limited areas in which they could invest.

Mr. Anguish: — Let's go to the Frank Remai situation then. Was there actually venture capital raised from investors?

Mr. Zatulsky: — In this particular case I believe the corporation raised \$4.8 million over its life.

Mr. Anguish: — Raised \$4.8 million. And you'd have to assume that one-third of that would be eligible tax credit to the investors?

Mr. Zatulsky: — That's right. Until such time as the venture capital corporation makes an investment, a similar amount is held in trust for the safety of the province should that venture capital corporation not make an eligible investment.

Mr. Anguish: — Who holds that money in trust?

Mr. Zatulsky: — A trustee would hold it. The trust account is set up in such a way that moneys are not released without the specific written approval of the province.

Mr. Anguish: — So on \$4.8 million there would be an eligibility of a potential \$1.6 million tax credit.

Mr. Zatulsky: — That's right.

Mr. Anguish: — \$1.6 million would have to be held in trust by a trustee until you were assured that the . . .

Mr. Zatulsky: — You're making the assumption that 5 million approximately went in at the same time. This is over the life of the program it grew to that amount.

Mr. Anguish: — What difference does it make when it went in?

Mr. Zatulsky: — Because as you make an investment a proportionate amount of money is released from trust.

Mr. Anguish: — So there were actually investments made

under this particular corporation.

Mr. Zatulsky: — Most definitely. This corporation in particular made good . . .

Mr. Anguish: — What were the investments, or what was the investment?

Mr. Zatulsky: — I don't have a list right now, and I'm not even sure if that's public information. I do know . . .

Mr. Anguish: — The taxpayers have several dollars at risk. I would think that if we have money in it, I can't see why that wouldn't be public information to this committee. I think if we ask you for the investment or investments that were made, because public funding went into it, we have every right to know what those investments were.

Mr. Volk: — If I might, the question of commercial confidentiality and what we release on either the specifics or the investment, I believe that the name of the company, the dollar amounts are public information because of our involvement.

The regulations then would govern the 30 per cent which gets held in trust, does not get released until approved to make sure they meet the regulations of the statute. So the question you're asking is . . . and I have no problem provided that we are not in violation of some specifics of their investment and . . .

Mr. Anguish: — What violations could they be? The way I look at it is if they wanted access to this lucrative deal for the investors, and as long as the investment turned out good, it was a very attractive deal because you got one-third of your investment back from the taxpayers. And if it was a good investment, you stood to make a capital gain plus profits over the years.

Now I can't foresee anything that would block you from releasing that information to us. If the venture capital corporation, in this case the Frank Remai Corporation, wanted funds then to be held in confidence, they should have gone to the Royal Bank or they should have gone to the local credit union or they should have gone to SEDCO that doesn't release that information.

But I don't think you have any reason to protect the confidentiality of the investments because it's our taxpayers' dollars that are at risk with those investments.

Mr. Chairman: — I don't want to take away from the line of questioning, but I do remember similar lines of questioning in other committees, Mr. Anguish, with commercial aspects of confidentiality. And I know your opinion on it.

Mr. Anguish: — No, you don't know my opinion on it, Mr. Chairman. You may assume my opinion, but you don't certainly not know my opinion.

Mr. Chairman: — Okay, I don't know your opinion, but I have heard the similar lines of questioning and similar types of arguments placed, and there's been this problem. And I think we may get ourselves in a bind here over this

until ... and the clarification has never entirely to my knowledge been given, even under the new conflict of interest guide-lines which are coming down. There is a section under client confidentiality on commercial items. And I would perhaps seek guidance from the Clerk on this, so we don't get ourselves in a rut and we can't move forward.

Mr. Anguish: — While you're seeking guidance from the Clerk, I certainly wouldn't want to get us into a rut where we couldn't move forward. But in terms of conflict of interest guide-lines that you refer to, Mr. Chairman, there's also something called the freedom of information Act that was passed by your government.

The other time that I recall in *Public Accounts*, the committee getting into a situation where you had trouble getting answers to some of these questions is when the former government had the majority on the committee. And if it got to a sense that varied politically for them, they would, by the majority of the committee, block access to other members who had asked the questions.

But I want to know the authority that the officials here today would cite that would stop them from providing the nature of the investment and what the actual investments were that were spurred on by a substantial amount of taxpayers' dollars.

Mr. Volk: — The control and release of information is actually within the legislation, I'm advised. We're more than prepared to provide everything under the legislation that we're allowed to provide, if I can put it that way.

Mr. Anguish: — The statutes are up here. Can you have one of your officials find the statute and read that to us please, so we know.

Mr. Volk: — We can attempt that, Mr. Chairman, sure.

Mr. Anguish: — While we're getting that, if I understand, investments were made and then the money was withdrawn by the venture capital corporation.

Mr. Volk: — Several investments in VCC ... a VCC can have several investments. I have to rely on the definitions of what Department of Justice and the debate around the legal opinion of the auditor's department and Department of Justice and then what accountants use as definitions around equity capital, investment capital, etc.

Mr. Anguish: — So some of the investments under this venture capital corporation were withdrawn.

Mr. Volk: — I don't have the specifics of trying to trace the money. I'm surmising at this point.

But as Mr. Zatulsky has explained, that a VCC, over a period of time, although they may be at 4.8 — or whatever it is hypothetically — amount of money, that that is not a pool of money that's raised in one amount and then invested. I mean it's a moving transaction where they have a percentage that they must meet when they collect money. Money goes into trust to protect the Crown for the 30 per cent that we might give up as a tax credit. The whole intention of course is to lever against

our 30 per cent credit investment out there in projects that then meet regulations within the Act.

So I mean we're governed in detail. The discussion, the debate here, is now between the lawyers around how you define stated capital, equity capital, and whether you include appraisal increases in terms of number of dollars that are moving in and out of investments.

Mr. Anguish: — Well the debate isn't between lawyers here today, unless you're a lawyer. I'm not.

Mr. Volk: — I'm not a lawyer and that's why ...

Mr. Anguish: — And the debate is between you and I in trying to determine what happened with this situation that the Provincial Auditor has noted in his annual report.

And I suppose I'd ask the Provincial Auditor, at the point of Frank Remai Venture Capital Corporation making an investment or some investments, it seems to me that some of those investments must have been cancelled but yet funds released from the trust account that should have been held there until the tax credit had cleared. So I'm wondering from that point, what is the problem? Was there money that should have been held in a trust account that was not held in a trust account and subsequently an investment was-withdrawn; people got tax credit but the investment was never actually made?

Mr. Strelieff: — Mr. Chairman, Mr. Anguish, that's not the point that we made in our report. We didn't question whether the investment had been made.

Mr. Anguish: — Okay, the investment had been made then. But you don't know that.

Mr. Strelieff: — Mr. Chairman, Mr. Anguish, my advisors advise me that the investment had been made.

Mr. Anguish: — It had been made?

Mr. Strelieff: — Yes.

Mr. Anguish: — Okay, thank you.

Mr. Volk: — Yes, Mr. Chairman, I think to bring it back to the comments, that this becomes a discussion of value and appraised value and increased value of appraisal over time of an investment that went in.

So now you end up, I think, with discussions around, do you recognize the face values and/or grossed up values and then can you apply credits back to that. So it becomes a definition and legal opinion.

Now I've been advised, and have never had discussions directly, that our legal opinion from Justice was very definite and pointed on this one in terms of how we acted and what we did. I mean they made it very clear to us in terms of what our options were.

Mr. Anguish: — What was your legal opinion based on? Was it based on the fact that yes, the investment had been made and therefore the eligibility of the tax credit was all right?

Mr. Volk: — I'm led to believe that it's a legal opinion on the definitions of what capital amounts can be used.

Mr. Anguish: — The capital, pardon?

Mr. Volk: — What the capital amounts were and the definition of those capital amounts.

Mr. Anguish: — So is the debate over appraised value? Is that your concern?

Mr. Strelieff: — Mr. Chairman, Mr. Anguish. Yes, that's part of the concern. It's a hard one to explain because as . . .

Mr. Anguish: — Well it's very hard to follow.

Mr. Strelieff: — In a general way the individual invested . . . I don't know. Just take for illustrative purposes, a person invested a million dollars; that was the investment in the corporation, and he got a tax credit of, say, 30 per cent. The rules are if he withdraws any of that \$1 million, he needs to or she needs to pay it back.

Now the million dollars one could call stated capital. Once the million dollars is put into the company, the person then bought some equipment say. And the equipment cost a million dollars. And then a couple of years later, the individual went to an appraiser and said, what's the current market value of that equipment? And the appraiser said, well the current market value of the equipment is \$2 million.

So now you have a capital investment in the corporation of \$2 million. So then the investor says well, let me pull out a million dollars and use it for another purpose. So you're down to, in an accounting sense, a million dollar investment left over.

Now according to a technical interpretation of the program, that million dollars is there, and therefore there is no trigger of a repayment of the venture tax credit program. Now the reason there's no retrigger in a technical sense is because of the appraisal increase of the value of the equipment that was purchased from one year to the next.

Now we take issue whether that appraisal increase should be considered as part of the underlying capital investment in that corporation, and we think that when the individual withdrew say the million dollars, what he was really withdrawing was the original million dollars and therefore it should retrigger a payment back of the tax credit. Does that . . .

Mr. Anguish: — Yes I understand.

Mr. Chairman: — Mr. Anguish, could I ask the auditor a question . . . (inaudible) . . . to that? That million dollar capital gain then that accrued on the appraisal, would that be considered under normal taxation as a taxable capital gain? Would it be viewed as a . . .

Mr. Strelieff: — Mr. Chairman, there was no disposition, there was no sale, so there was not a taxable capital gain.

Mr. Chairman: — No, but it could be . . . could you not also include in that scenario, you could possibly have a sale or a portion thereof which then would be considered capital gain, would it not be subject to normal taxation?

Mr. Strelieff: — Mr. Chairman, if . . . I'll bet you there's some people out there that might know tax better than I. My understanding would be that if they did sell the asset in excess of the cost, if it was a million dollar asset that they purchased and they sold it for \$2 million, there would be a taxable gain.

Mr. Anguish: — My question back to the witnesses then. When you based the increase in the appraised value, did you base that on a financial statement prepared by auditors for the company in question?

Mr. Volk: — Mr. Chairman, based on the auditor's comments on that and if you'd follow the paragraphs . . .

Mr. Anguish: — Which auditor? I asked you about the auditor's report from the company. Are you talking about the auditor's report, the Provincial Auditor's report now?

Mr. Volk: — Right. I'm saying that the comment that was made in your report would suggest that there was an appraisal, an actual appraisal done of these properties to determine the values. And then the debate and the discussion starts evolving around the increased value of the \$333,000 and the tax credit of the 101,576 is . . . So I'm assuming that the numbers — and I'm assuming, Mr. Chairman — that this would be third-party appraised value.

Mr. Anguish: — Was there an appraisal?

Mr. Volk: — I'm advised that there was a third-party appraisal, and we do have that on hand in this discussion.

Mr. Anguish: — We'd like a copy of that appraisal.

Mr. Volk: — Again, Mr. Chairman, and Mr. Anguish, I have no problem pursuant to whatever the legislation allows us to release on the individual commercial investments and what might or may not be disclosed. Your earlier question to seek out what guides us in terms of what we can make available, section 3(1) requires . . .

Mr. Anguish: — Just before you do that. Who paid for the appraisal — the venture capital corporation, or is it your responsibility to have the appraisal done?

Mr. Volk: — I'm advised it would not have been us.

Mr. Anguish: — You would have required it but the venture capital corporation would have had to pay for it?

Mr. Volk: — We can only assume that it would either be the VCC that would pay for it or the small business that the money is being invested in, somebody that would have an interest.

Mr. Anguish: — An interest into the investment.

Mr. Volk: — Pardon?

Mr. Anguish: — The recipient of the investment.

Mr. Volk: — Right. The proponent who's having money invested in it.

Mr. Anguish: — Who did the appraisal?

Mr. Volk: — An independent appraiser, Mr. Chairman.

Mr. Anguish: — Who?

Mr. Volk: — We have the information; we don't have it here.

Mr. Anguish: — Okay. And now can read me a section of the Act, I assume, that says that you can't release information to us on investments or appraisals?

Mr. Volk: — Well, the section of the Act states what we must do and what we can release. It states we must keep a register of venture capital corporations and list all the corporations registered pursuant to the Act, and that this register must be made publicly available. That's the governing guide-lines that we have to use in terms of the statutes.

Mr. Anguish: — How do you hide behind that piece of that section of the statute and say, you can't tell us what the investments are and you can't release to us the appraisal that was done? I don't hear anything in that that I could even vaguely interpret that would stop you from releasing that information to us.

Mr. Volk: — Mr. Chairman, and Mr. Member, the response I have to give on that one is the guidance we get on commercial confidentiality that has been applied in this committee and other committees around the individual and specific investments and details of individual company activities.

I mean I can only speak to that from a policy perspective. The attempt is not, of course, to either disrupt and create either unfair . . . or disadvantages in terms of any of the investment activity that might be taking place around the details. And I don't think I have to belabour that.

Mr. Anguish: — Well I think you do have belabour because we're not going to drop it right there. I don't know what authority you have other than your experience in working government that you can't give that information to us. You said it was in the statute; it's not in the statute. What you read to me from the statute does not stop you from releasing the information I've asked from the committee, and that information being this particular company that we're discussing here today, what the investments were. And the second thing we've asked for is what was the . . . Give us a copy of the appraisal. We want to see a copy of the appraisal.

And I see nothing in . . . That's the law. That was passed by people like us who sit in this room on this committee as legislators. And regardless of how seriously some people take it, we are the people who set the laws in the province of Saskatchewan.

Your department then from that statute would create

some policies in terms of the regulatory aspect that brings the statutes into force.

And I submit to you that if this committee requests from you the investments and the appraisal, that there is no law anywhere that stops you from doing that. It's a value judgement on your part. And I'm asking you why you won't today provide us with that information to the committee.

Mr. Volk: — Mr. Chairman, I have absolutely no qualms providing that, and I will do what we have been directed to do, which will be to seek legal opinion to ensure that there aren't damages occurring in terms of any of the information we release. Because there is liability that can be attached to information we release that we do not have specific authority to release.

So I have no argument with this in terms of clearing what can be legally released. But, Mr. Chairman, I would have to say at this point in time I will provide all or any of the detail within the legal requirements if you so request it, and would actually seek first of all some legal opinion from our Justice lawyer on this in terms of what we could release to avoid damages . . .

Mr. Anguish: — You'll seek legal opinion from the Department of Justice?

Mr. Volk: — Yes.

Mr. Johnson: — Mr. Chairman, in seeking that, in essence to indicate that the information being requested is cold by probably two years, so that this is not something where information is being requested in a manner that would allow someone else to purchase and make money on it, that it is information that is probably available, if it is actual land purchases, through other avenues but not . . . because we do not hold the knowledge of where it's gone, is not that easy to assess.

Mr. Volk: — Mr. Chairman, it in fact could be information that goes back to '84.

Mr. Johnson: — '84? Okay.

Mr. Volk: — You could have seven- and eight-year-old information. I'm prepared to in fact make that point, when we get legal opinion, that I'm not sure that time might release us as being void from being liable for any damages we create or for information released.

That's what drives what we are permitted to do in any business transaction. We can't do anything that will create damages to anybody, and that's the opinion we're seeking.

Mr. Anguish: — While you seek your legal opinion, I would want some flexibility to move outside of the year under review, because the next time we talk to officials from this particular department would be another year under review. It won't be the same *Public Accounts*, and I want the agreement of the committee that we can ask questions pertaining to this in the next year under review, if that's agreeable to the committee members.

Mr. Chairman: — I think, Mr. Anguish, we've always been able to refer back; it's referring ahead that causes the problems.

Mr. Anguish: — Okay. I have one final question before, and I don't want to belabour this any more than we have already, but I'm wondering in this particular instance of the venture capital corporations, how many times is money invested then withdrawn? Did it happen once, did it happen twice, did it happen fifteen times?

Mr. Volk: — Mr. Chairman, if I might. I notice the . . . I don't know whether this is a question of money being withdrawn. This is a question of someone . . . a third party . . . If I can use layman's terms, and I don't want to be trying to play the lawyers who have debated this one. If someone has used a third-party appraisal to create a dollar value, that company then does something based on its equity base and its appraised value with money in terms of relating to what it should then qualify for in terms of a tax credit as it moved money through its company.

So how many times . . . I mean you're assuming that you've got a dollar that you've traced. It's the same million that goes in. The investor, I'm assuming, is arguing that the company has improved its value, and that has been referred to as some increased value in the company's capital gains. In other words, they would argue that their million dollars is still in the company. They've met every requirement of the Act and that's . . .

Mr. Anguish: — And the auditor . . .

Mr. Volk: — So I mean how many times as it goes in and out?

Mr. Anguish: — What are the other options . . .

Mr. Volk: — Which is saying it's not going in and out.

Mr. Anguish: — What are the other options besides a withdrawal? I mean the appraisal to go up in value wouldn't have that impact on it. The appraisal would have to drop dramatically in value. So I see no other option other than to have a withdrawal of funds from a venture that would create this situation. If there is, explain it to me. It's just my lack of understanding. You obviously understand the venture capital corporation Act much better than I do. You said to me that it wasn't necessarily a withdrawal. I've been assuming that it has been a withdrawal. What other act by the venture capital corporation could create this situation other than a withdrawal?

Mr. Volk: — Mr. Chairman, if I might . . . Mr. Zatulsky, I'd prefer if he tried to answer.

Mr. Zatulsky: — I think one of the things that keeps getting mixed up here is that we're dealing with two separate corporations.

And I like your analogy. If we've got a million dollars in a project put in by this venture capital corporation, the asset of the project company increases in value, say the \$2 million. The audit is done on the project company. The financial statements show that there is an appraisal

increase. That appraisal increase is booked; therefore the value of the investment of the VCC is increased. The VCC then books that increase on its investment. Its retained earnings has increased. Its block of share capital has increased.

So if it has sufficient funds in the VCC, what has happened? They actually pay out money out of the VCC. But the legislation, in our opinion, was maintained because when the increase was booked in the VCC, it went up to \$2 million. They took out a million. There is still the million dollars on which the tax credit was paid. So our opinion was that while money did go out, there was sufficient assets in that VCC to maintain its equity at the prescribed level.

Mr. Anguish: — I understand that example very well that the auditor gave me. You just reiterated it. But to create the concern that the auditor has in his notation there must have been a withdrawal of funds, whether it's in the situation you describe or in some other situation I'm not aware of. There must have been a withdrawal of funds.

Mr. Zatulsky: — There was a withdrawal of cash. Our opinion is that there is sufficient retained earnings in shareholders' equity to cover the tax credits on which it was paid. The auditor's opinion says there wasn't. And it's the two lawyers that are now arguing on this.

Mr. Anguish: — Did this happen in other venture capital corporations? Are we being unduly harsh in using this as an example?

Mr. Zatulsky: — I believe there may be at least another instance, but I'd have to go through the records to make sure.

Mr. Anguish: — If there are other instances we'd appreciate if you can respond back to the committee once you've got your legal opinion on the other information as to how many other venture capital corporations were in similar situations, and their names, depending on your legal opinion.

Mr. Johnson: — Mr. Chairman, was there a time requirement that would release everything? In The Venture Capital Tax Credit Act there was a time limit of maintaining it for over . . . at the end of three years or so this type of an audit basically, this wouldn't occur no matter how much money was taken out of it because you meet the obligations of the Act by having the money in for a time limit.

Mr. Zatulsky: — There is a five-year period at which time the corporation can apply to the minister to receive a waiver. And once that waiver is given, there is no recapture on the corporation.

Mr. Johnson: — Okay. And this occurred then prior to that time limit?

Mr. Zatulsky: — I'd have to check that to make sure.

Mr. Johnson: — So if it occurred prior to that time limit, then this is a very fast, very fast flipping situation that was occurring here.

Mr. Zatulsky: — It could have occurred in 1986; 1991 the corporation could have applied for a waiver and received that waiver.

Mr. Johnson: — And this was at four years, because this is '89-90.

Mr. Zatulsky: — Well then this particular transaction would still be caught by the . . . (inaudible) . . .

Mr. Sonntag: — My question, Mr. Chairman, would relate to the analogy that was used earlier regarding the \$1 million. It would certainly be, in my estimation, in the VCC's interest then to have the appraisal done when they see the assets as showing an increase in value.

Who at that time, Mr. Chairman, would determine . . . or when would it be determined that an appraisal would be done? Would it be at the VCC's discretion?

Mr. Volk: — No, Mr. Chairman. That would be at the discretion of the small business and/or in conjunction with the VCC investor. There's two parties. And if they were going to change some of that transaction, if there was to be money moving out of one company to the other . . . I mean it depends on who might want to take that action.

The suggestion here is that . . . I mean the creation of the VCC to lever money is why we give credit if it's successful. I mean it's interesting that we're debating such a successful company here. What's happening is that someone obviously took some money, levered it. And it was successful and increased its value, which was done — we're assuming here — in good faith, third party.

That now you create the problem that where it has created value and someone starts moving money around, is the value that was created what we're taking out? Or are they still qualifying because they have in fact invested their million, if we can go back to the hypothetical example.

If I can put it in my layman's terms, is that after all is said and done between the accountants and the lawyers, they're saying clearly the million is still in the company. It has that value. They have met all the requirements of legislation. What they're working with is the increased value. And what's being debated here is, can that increased value be moved around depending on how they want to move it around as a company.

And then it probably gets into the argument of, if it goes back in as new created value, what can they do with it? I think that's the debate we're getting into in terms of does the appraised value have any impact on what you can use to define the equity.

But both, I think both sides, are agreeing that this is a case of where the company does not lose value and disappear and that someone then starts using the same amount of money in another investment. The debate ends up being around where the increased value is going and how are you tracing the dollars through, Mr. Chairman, if I can try that angle.

Mr. Sonntag: — Okay then, using the same analogy. If that money was withdrawn subsequent to that, if it was determined that there was a decrease . . . if there was a subsequent appraisal done and there was a decrease, what would be the requirement on the VCC then?

Mr. Volk: — Let me try and answer. If a company failed with VCC money in it, the statute and the regulations we have is that the 30 per cent tax credit that we're going to give, it's held in trust until they make an eligible investment, okay? That's our check on the system. We keep in trust the equivalent of what somebody who . . . it might be a third party, by the way.

I mean you may be a shareholder in VCC, that on your thousand dollars of the million that was invested, you get your 30 per cent. So the accumulative 30 per cents get held. You get your credit because it's an eligible investment. If that investment goes bad, you lose your 70 per cent. You in fact did get to keep your 30 per cent tax credit, but as an investor, you're out your 30 per cent . . . I'm sorry, your 70 per cent. We do not control that balance of the legitimate investment. I mean that's the venture capital concept — that there is high risk. That's why we give the incentive. And that's why we've put it into the manufacturing sector to do it.

Mr. Sonntag: — That wasn't the question I was asking, I don't think, unless I misunderstood you. I'm simply asking . . . I'm not talking about a VCC that would have failed. I'm simply asking about a VCC that would've dropped in value, just dropped in value where the . . . I'm using the analogy of the million dollars worth of funds where, even using your suggestion that the funds would've stayed there, and they withdrew their own million dollars. Now the VCC drops in value. A subsequent appraisal is done and it drops in value. What is the responsibility of the VCC now? Do they have to put money back, their money back in?

Mr. Zatulsky: — There would be probably two solutions to that. The VCC could top up additional moneys and not get a tax credit to bring them back up to their required level, or they could repay the recapture on the portion of depreciated value. So if you had the million dollars, it dropped down to 700, they could put in another \$300,000 to bring them back up or they could pay \$90,000 in tax credit back.

Mr. Sonntag: — And my final question then would be — to begin using that analogy — how would it be determined that any kind of a subsequent appraisal would be done or when would it be done?

Mr. Zatulsky: — While we don't have in place a particular procedure that you'd say annually we would reappraise anything that's been appraised, we do have two systems that we rely on. One is internally we run compliance on selected VCCs to ensure that requirements in the legislation have been met, which include maintaining investments. That's the internal version.

We had the practice, and continue to have a practice, of having independent reviews done in any cases that there

might be some questions as to independence. For instance, if we've been working closely with developing a project, there's no way we could then go in and review it. We will bring it an independent third party to look at that. Any time there was an indication there that something was awry we would then look at the issue and decide whether or not an appraisal would be necessary.

Mr. Van Mulligen: — Mr. Chairman, I apologize if I'm going over some ground that's already been covered. I was out of the room for a few minutes. But did I understand you to say that you're going to review your files to see if there were other instances of this nature and provide that information to the committee?

Mr. Zatulsky: — Yes, that's right.

Mr. Van Mulligen: — Okay. I was interested in the wording in this because in paragraph .13 he says due to an error which applies . . . from which one might conclude that because the auditor terms this an error that this method of application in this particular case is different than others. So I'm curious to know how others were treated, given similar circumstances. So when you provide that information, I'd like to know how others were treated.

And I also want to get some confirmation . . . in paragraph .22 of the auditor's report, you say that:

Management told us (that is told the auditor) that in the future they will not allow the use of appraisal increase credits to avoid recovery of venture capital tax credits.

Is that correct?

Mr. Zatulsky: — To answer that last question, in December of '89 the branch informed all interested parties that the policy of treating appraisal increments as part of shareholders' equity for purposes of the Act was no longer in effect.

Mr. Van Mulligen: — Okay. So contrary to the circumstances surrounding this particular case you will in future not allow the use of appraisals.

Mr. Zatulsky: — As of December '89, everyone has been informed that regardless of what our previous policy, the practice will no longer be allowed.

Mr. Van Mulligen: — Can you remember off the top whether or not, without reference to specific files, whether this particular case, the treatment of it, was at variance with how others might have been treated?

Mr. Zatulsky: — If there were others that had appraisal increments, the treatment would have been identical.

Mr. Van Mulligen: — Okay.

Mr. Johnson: — Mr. Chairman, in the year under review, how much tax credit would have become available for companies in total?

Mr. Volk: — Mr. Chairman, we don't have the detailed

information. We can provide that. That's easily obtained, I guess.

Are you looking for an estimate on this?

Mr. Johnson: — Okay. The cost of the program then is not found item by item in this blue book then?

Mr. Volk: — No.

Mr. Johnson: — It is found basically in the Department of Finance not collecting funds.

Mr. Volk: — Right.

Mr. Johnson: — The question I'm wanting is figures, because in essence it means the deficit. This is a program of no cost in the books, but it is a substantial cost to the province.

Mr. Volk: — You're correct in that it becomes a reduced revenue element for government as a credit.

Mr. Johnson: — Yes, it's a tax expenditure. The auditors have an . . .

Mr. Volk: — Its tax is not eligible to be collected.

Mr. Johnson: — Yes, so you've spent them.

Mr. Volk: — No, they're not eligible to be collected. That's why we give a credit on it. Mr. Chairman, just an estimate. I think we have an estimate on what the numbers might look like. I think that's your interest. And we won't be accurate on this, if I could ask for your indulgence.

Mr. Zatulsky: — Over the life of the program The Venture Capital Tax Credit Act raised \$100 million, so that would be a \$30 million cost. The second and third year of the program were its maximum amounts, and we paid out about \$9 million in those two years. And from that point on it's decreased substantially. We can provide that year by year.

Mr. Johnson: — That's close enough.

Mr. Anguish: — Maybe we could move on to the northern Saskatchewan economic development revolving fund now if there's no other questions, Mr. Chairman.

Mr. Chairman: — By all means. We'll go to the items .24 through .29, or actually .23 through .29, which would involve the northern Saskatchewan economic development revolving fund.

Mr. Serby: — My question, Mr. Chairman, in this area is in respect to the person who made an unauthorized representation of a particular payment. And I'm wondering if you might explain to the committee who authorized the individual to do that, firstly. And I have a series of other questions that I'd like to ask.

Mr. Volk: — Mr. Chairman, if you might, before we start this, Mr. Bruce Walker is the manager of the northern

revolving fund and knows more detail, and it might be more expedient if I just have him respond directly to the question.

Mr. Chairman: — By all means.

Mr. Walker: — Would you care to repeat the question, sir?

Mr. Serby: — Yes, I'm looking at paragraph . . . number .25 in the auditor's statement is what I'm following, and I wondered if you might respond.

The person made unauthorized representations to the creditors of a loan recipient. The creditors were told that the Department would cover certain business debts incurred by the loan recipient.

I'm first wanting to know, I suppose, is who authorized the individual to proceed with that transaction?

Mr. Walker: — It was the unauthorized actions of this individual who went out to the unsuspecting suppliers and said these expenditures will be covered by the department. So that forms the essence of the background to that \$25,000.

Mr. Serby: — Who would that person then be accountable to?

Mr. Walker: — That person was accountable to myself. He was a member of management. His working title was manager of the credit and collections unit of the revolving fund, sir.

Mr. Serby: — Paragraph .29 talks about the department ending the person's employment and that there has been an investigation that was commissioned, I believe in the year that we're reviewing. What has been the outcome of that?

Mr. Walker: — Mr. Gach put himself out to creditors as being an authorized agent of the department and more specifically the revolving fund and that those particular expenditures would be covered by the department. When it came to my knowledge that that had transpired, that raised of course professional misconduct. And I then consulted with our human resources managers and briefed them on the situation. And the decision was taken that effective February 1, the individual was suspended without pay and he had a departmental investigation.

During the month of February while the individual was on suspension without pay, it was determined that his actions were indeed unprofessional and his actions were unauthorized. And as a culmination of that internal department investigation, his services were terminated where he was dismissed for cause on the February 28, 1990.

Mr. Serby: — Has there been any recovery of the amount that had been authorized by him?

Mr. Walker: — The assets of the particular company were repossessed and have been disposed of, yes, sir. So the

total amount that had been charged to the loan has been reduced by the amount that was recovered on the subsequent disposition of the asset.

Mr. Serby: — No further questions.

Mr. Van Mulligen: — Could I just ask you this. What was the final result of this police investigation? Was there . . .

Mr. Walker: — There still is no conclusion to it.

Mr. Van Mulligen: — The police investigation is ongoing then at this time?

Mr. Walker: — Yes, sir. The general investigation division of the RCMP (Royal Canadian Mounted Police) continues to have the file and continues to pursue their evidence.

Mr. Van Mulligen: — Okay.

Mr. Chairman: — No other questions on this section, then we will open it up for general comments.

Mr. Serby: — Mr. Chairman, I'd like to refer the committee to page 80 of the third volume of the *Public Accounts*.

My first question, Mr. Chairman, if I might proceed, to the department, Mr. Volk, it's in respect to Impact Packaging Systems. There was a study conducted, I understand, and if you might provide for the committee who actually did the feasibility study and what were the results of this study.

Mr. Volk: — Mr. Chairman, the Impact Packaging, I'm assuming on page 80 you're referring to the \$37,000 amount?

Mr. Serby: — That's right, yes.

Mr. Volk: — This was cost-shared, 50-50 cost-shared with the proponent, feasibility study which I don't have the name of the firm that did this. This was done — because it's 50-50 cost-shared — was done in conjunction with . . . is in fact the project, it's a \$40 million packaging Swift Current plant that has recently opened in November. I mean that was the feasibility study and that was our 50 per cent contribution. It would have been an expert firm related to some of the biodegradable packaging that they do.

Mr. Serby: — That's what the study was. What was the results of the studies then?

Mr. Volk: — Well the results of the study, without getting into the detail, contributed significantly to us pursuing the project, and in fact they're investing significant dollars and operating the plant at Swift Current.

Mr. Serby: — Could you provide for the committee along the way just the name of the person who did the study?

Mr. Volk: — Yes, no problem. We can provide that.

Mr. Serby: — Do you want me to just proceed on, Mr.

Chairman?

Mr. Chairman: — You might as well, Mr. Serby, right through your stuff.

Mr. Serby: — The In-Fisherman Inc., the amount there of \$108,609. What was this?

Mr. Volk: — Mr. Chairman, this is payment for in the In-Fisherman magazine. It's our tourism promotion, part of our tourism promotion package. It was an adventure travel insert. It included both the production, printing, and distribution of 2.33 million inserts in their magazine. In short what it is, it's part of our promotion campaign that we buy for promotion inserts in an existing tourist-type and promotion-type magazine.

Mr. Serby: — What would that say?

Mr. Volk: — Mr. Chairman, if I might, I would ask some of our tourism people to help us with the details.

Mr. McCallum: — Basically, Mr. Chairman, it would encourage readers of these publications to visit Saskatchewan and basically come fishing here and spend some money. And the magazines in question were of the type that our industry advertised in and we put together an umbrella advertisement and advertised. Basically it's fishing and hunting type of material to encourage visitors to come to the province.

Mr. Serby: — Promoting Saskatchewan.

Mr. McCallum: — Yes.

Mr. Serby: — The other one is the Media House Productions.

Mr. McCallum: — Media House Productions, Mr. Chairman, that's general order forms for application kits and duplicating of existing promotional tapes and that type of thing. It's a combination of very small invoices that were provided to us that totalled over 11,000. That's part of our normal operating form — printing and that type of thing; tape reproduction — in the department.

Mr. Volk: — If I might, Mr. Chairman, the \$11,000 here would be an accumulation of possibly several smaller jobs and activities that Media House would have done for us in part of our promotion campaigns, which might be part of reproduction of some of our tourism promotion video cassettes. The total of this comes to the \$11,000 in this review year, '89-90.

Mr. Van Mulligen: — If I might, on a related question on tourism while you're here before you go on to other items in *Public Accounts*, would this have been the year that you would have put together a proposal for the government to consider employing Maxwell Smart for advertising Saskatchewan?

Mr. McCallum: — No, it was not. This year we ran a quite successful, everybody's favourite hideaway campaign, using the Mounted Police as the lure. The *Get Smart* element came into question in the next fiscal year.

Mr. Van Mulligen: — You wouldn't have begun planning during this fiscal year for that particular campaign.

Mr. McCallum: — No.

Mr. Serby: — My next question would be in relationship to Mr. Sinclair. There's the amount of \$10,000 that was paid. What was that particular study for?

Mr. Volk: — The Sinclair \$10,000 was feasibility. It was study work that covered three areas of business opportunity that were being looked at. Without getting into the detail, one was an auto glamorizing operation that was being considered. The other was some textile production business in relationship to some other potential investors that were dealing with . . . actually it's part I think . . . if I can rely on memory here, Mr. Chairman, I think some of the third plan of action there was some Chinese potential investment in either some feather industry, down-filled . . . and we did some preliminary work.

So he covered off the three areas of some work there, the auto glamorizing and the third one . . . I'm sorry, that's right — the third one was some elk farm opportunities that were being pursued.

Mr. Serby: I wonder if you might table those reports for us.

Mr. Volk: — One moment. Yes, Mr. Chairman. We don't have them here, but we'll table them.

Mr. Serby: — Thank you. Just a follow-up to that particular area. Did anyone else work on those studies with Mr. Sinclair?

Mr. Volk: — The dollar amounts that we would be referring to here would have been for services provided for by Mr. Sinclair. But there were . . . I do believe he was doing some work in conjunction with some other potential investors who, they themselves, may have seen themselves as pursuing some of their opportunities.

Mr. Serby: — Would you know who they . . .

Mr. Volk: — No, I don't at this point. Mr. Chairman, I'm informed that one of the people that was involved was a Mr. Don Ross.

Mr. Serby: — I'm wondering, Mr. Chairman, when the department tables the studies, if they might provide as well . . . if you have some information regarding anyone else who was involved in the studies, could provide that information for us.

Thank you.

Mr. Volk: — A point of clarification. To be involved, your question of being involved in the study, I can assure you that for the . . . what we paid for as part of the studies, that this was for Mr. Sinclair's services. So definition of involvement in potential other parties that may be investors in the project are . . . if there was any joint . . . some obvious joint linkage to this.

Mr. Serby: — That's my thinking.

The SRP Associates, could you tell us what that particular study was?

Mr. Volk: — The SRP \$11,000 contribution — this again is one of our 50-50 cost-shared feasibility studies for . . . we were looking at the establishment of a fastener manufacturing plant in Saskatoon. So this would have been our contribution of the total amount of the costs of the study that was done by a third party.

Mr. Serby: — Just for my benefit, what sort of a fastener?

Mr. Volk: — This is small nuts and bolts, I believe.

Mr. Serby: — Were there . . . who were the other principals then involved in SRP?

Mr. Volk: — Mr. Chairman, it was a Regina company who is presently in the distribution of fasteners. We don't have the names of the principals of the company, but it was an existing distribution company that was in business. It was then looking at, should we in fact or could they in fact then manufacture some of these.

I'm informed that the study itself was not positive in terms of the feasibility of this.

Mr. Van Mulligen: — Did you say who the principals were of SRP?

Mr. Volk: — Mr. Chairman, no, we don't but they're from . . . Mr. Baron.

Mr. Baron: — The principals of SRP, the consultant that did the study was from Winnipeg. The company that raised the other half of the study was a Regina-based company.

Mr. Van Mulligen: — Would it be possible to provide the committee with the names of all the individuals who are involved in this?

Mr. Volk: — Yes, the name of the company that was pursuing the opportunity was the Avanti Construction and Supply Company. And our contribution to the project was the \$11,000.

Mr. Serby: — The other project is Zetetics. Is that the way it's said? Zetetics? What is that?

Mr. Volk: — Mr. Chairman, if I might. Mr. Baron may as well speak to this directly.

Mr. Baron: — Zetetics is a small company, Mr. Chairman, in Toronto who specializes in doing surveys of the hospital . . . across Canada of the usage by hospitals of various medical devices. And the two expenditures listed here, the second one for \$5,000 we were, the department was, pursuing and still is pursuing trying to generate some industrial activity in the production of health care related products. The \$5,000 expenditure was to purchase one of Zetetics survey of hospital purchases of various devices.

He does the audits of hospital purchasing records,

compiles all of this data into a report then he sells the reports. We purchased one of those reports.

The other expenditure, \$12,000, was to have him do some additional work for the department in gathering additional data on some specific products that we identified and asked him to gather more information on for us.

Mr. Serby: — Where is this firm from?

Mr. Baron: — He is based in Toronto.

Mr. Volk: — Mr. Chairman, if I might, I think that our purpose here is in pursuing definitions of markets and the magnitude of markets, in that there are data bases for them; which really what we're trying to do is circumvent doing one-off sort of reviews with probably very higher significance or costs to get the same market information.

So it was one of our pursuits of opportunities in that medical supply area. We bought the information and then had the expert pursue some of the specifics that we wanted further work on.

Mr. Serby: — No further questions on that section.

On page 85, Mr. Chairman, in *Public Accounts*, I'm interested in the expenditure under advanced technology development, the grant that went to High-Line Manufacturing Inc. Could you provide me with some information on what that . . .

Mr. Volk: — Mr. Chairman, if you might, we are now into the Department of Trade and Investment, and if I can switch people who were then involved in that to make sure I have the right information on it.

Are you referring . . . I'm sorry, a point of clarification here. Are we in Science and Technology?

A Member: — Science and Technology, that's right.

Mr. Volk: — I'm sorry. I won't have anybody here that can answer it. I have a response but it's clearly not my area, and I should not probably try and answer it at this point in time. We can cover it in the Science and Tech side as agreed to earlier.

Mr. Chairman: — Well you can always get the stuff for Mr. Serby by written . . .

Mr. Serby: — I'm interested in knowing, Mr. Chairman, what the project is and the outcome of that particular . . .

Mr. Volk: — I can give you a basic without trying to go into the details. This is funding approval for marketing . . . from our marketing support program for strategic market work for an active seat suspension system for off-road vehicles.

The study evaluated the market need and potential for the product, technical requirements, and the specifications and design work. The study indicated that it would be difficult to market a seat suspension system as an end product. I mean it was something we pursued with

High-Line Manufacturing of Vonda as a product that they might use and diversify it. This is my understanding. And this would be extent of the information I have.

Mr. Serby: — Okay. The other project that I'm looking is the Hunter's Manufacturing Ltd., an expenditure of \$50,000.

Mr. Volk: — The \$50,000 again is a Science and Tech expenditure which was part of a potential — if I can try this by relying on memory — part of the agreement with the Vanguard location in Saskatchewan had a component for research and development in it where I believe there was a potential of \$400,000 if certain conditions had been met to do additional research and development that we would have committed ourselves to. And I do believe that in pursuing what did happen and where it went that there was \$50,000 of the 400 that we ruled was eligible for what we had considered to be the research and development side of that.

Mr. Serby: — On the exploration of research and development of the project, do you recall what was their recommendation on the project? Do you have any idea?

Mr. Baron: — The funding . . . what had happened was that the province had agreed to, after Hunter's acquired the Vanguard name and started to manufacture the Vanguard line of recreation vehicles in North Battleford, they had anticipated the need to do some major redesign of the vehicles. And the province had indicated a willingness to consider funding research and development work as part of that major design if the work that was to be done was eligible under the Science and Technology program.

There was a considerable amount of preparatory work done which the department agreed to provide up to \$50,000 for. When that preparatory work was done and the whole application was evaluated, the department concluded that it was not eligible, that the ongoing work that was proposed was not eligible as legitimate R&D (research and development) work, and therefore no further funding flowed. That's the gist of it.

Mr. Serby: — When I look at page 81, economic diversification and investment fund, under Hunter's Manufacturing Ltd. I see an expenditure of \$3 million.

Mr. Volk: — Yes, Mr. Chairman.

Mr. Serby: — What is that expenditure for?

Mr. Volk: — I'll just give a quick summary. The \$3 million is the agreement that was in fact negotiated and approved in terms of the funding. It's basically driven as a performance-based agreement that was tied to numbers of jobs at \$15,000 a job, and certain numbers of dollars of capital invested in the project. And the formula . . . (inaudible) . . . times the 15 which was a \$3 million pay-out after the fact of creating the jobs.

Mr. Serby: — And what were the jobs for? What was the intent of the project? What were they doing?

Mr. Volk: — This is the manufacture of the Vanguard

motor homes in North Battleford, Mr. Chairman.

Mr. Serby: — It's for the manufacture of the Vanguard motor home?

Mr. Volk: — Yes, it's the manufacturing plant that they built and operate in Battleford — the manufacturing part of it. Yes, Mr. Baron can, will speak to the detail of this.

Mr. Baron: — If you're familiar with it, Vanguard is the name of a line of recreation vehicles, formerly manufactured in Kelowna, British Columbia, owned by the Pattison group of companies; Jim Pattison who was the individual who ran Expo '86 in Vancouver used to own the company. It was shut down in the early . . . early 1985 I believe it was and a deal was struck to sell the assets of the company to Hunter's of North Battleford. Hunter's is a very large retailer of recreation vehicles.

Hunter's subsequently liquidated most of the inventory and were trying to decide what to do with the rest of the company, and they had two choices: one was to sell the assets and the names and designs to someone else, or to bring them to Saskatchewan and manufacture those recreation vehicles here.

They approached the government and said that we would like to do this in Saskatchewan but we don't have the resources to do it. So after some extensive negotiations an agreement was reached whereby the province provided them with some financing and some job incentives to set up this plant in North Battleford to manufacture those recreation vehicles there. The agreement was approved by cabinet and order in council and so on.

The \$3 million was the incentive portion of that agreement, which was paid out based on . . . The plant opened in early 1987 and by late 1987 was employing 200 people. And that was the basis of the \$3 million payment — \$15,000 per job.

The money was assigned to SEDCO, and when the incentives were paid they were simply applied to reducing the SEDCO loans. So SEDCO had lent the company money to initiate the project, build the plant, and when the jobs were in place for 12 months, the incentive was paid. And it was paid to SEDCO and applied to reduction of the SEDCO loans.

Mr. Serby: — What's the status of that company today?

Mr. Baron: — It still exists. With the recession of course there's been a significant downturn in the recreation vehicle as there has been in the automotive industry generally. So the level of activity is currently down. But the plant is still there and still operating.

Mr. Serby: — I have one other question in respect to the . . . On page 85, Innovative Research Inc., could you provide the committee with some information on what . . . that's under Science and Technology.

Mr. Volk: — I might try and cover this. It is again part of the Science and Tech which . . . what I have here is they're a Regina firm. Funding was approved from our industrial research program back in those years for the finalization

of the design of the Dylab system, which is a computerized system to scan and grind some eyeglass lens. Complementary federal assistance was a part of it.

The current status is that the company demonstrated a prototype to major optical companies like Total Radiate resulting in some marketing agreement subject to some innovative research supplying a commercially ready product. By September '89 the final stage development is near completion and that's what we have. That's the \$94,000 expenditure.

Mr. Serby: — Can you tell me who the principal is.

Mr. Volk: — The information I have, Mr. Chairman — I'm not that familiar — it's a Mr. Jerome Getz that I have as the principal involved in the Innovative Research Inc.

Mr. Serby: — One other question that I have, Mr. Chairman. It's on page 80.

It's in respect to McNabb, R. Kenneth. Could you provide for the committee some information as to what that expenditure entails.

Mr. Volk: — Yes. In dollar amounts?

Mr. Serby: — I have the dollar amount.

Mr. Volk: — This is a . . . it's a personal service contract with a one Mr. K.R. McNabb. It's a personal services contract that has been . . . it was a payment in that year for work that Mr. McNabb had done.

Mr. McNabb is a former employee of the department who was assigned to the Big Valley Developments Inc. company as part of that exercise, and this was the first payment.

Mr. Serby: — He was a former employee.

Mr. Volk: — Yes, Mr. McNabb was a former employee of the department, and this was a personal services contract. It's actually a transfer from the blue book expenditure, as he resigned, into a personal services contract, and he's done some work on the Big Valley operations.

Mr. Serby: — Can you tell me what he did in terms of a contract. What was his duties, what was his responsibilities?

Mr. Volk: — Mr. Chairman, probably the best way to describe this is that we are committed to the Big Valley Corporation in terms of some loans that have been made over the years that are there. And there have been some ongoing concerns in terms of the repayment of that. And this was a contribution for some budget concerns. We had to help manage and control that operation since we became a significant party because of the loan guarantees we have for their operations.

So as a result of our guarantees we have, when they were in fact defaulting on some of their payments to the banks, what we did was sign a contract with Mr. McNabb who then represented our government interests in the Big Valley operations to try and in fact, I guess, exercise some

management control into the operation because of the liability we were carrying on our loan guarantees.

Mr. Serby: — Was Mr. McNabb employed by your department?

Mr. Volk: — Maybe I've confused that. Mr. McNabb resigned and then was in fact hired on a personal service contract to oversee the Big Valley departments. There was no overlap in terms of services. It was a specific assignment on this project, is what it amounted to because of our extended liability on this because of loan guarantees.

Mr. Serby: — Which department did he resign from?

Mr. Volk: — The Department of Economic Development and Tourism in 1989.

Mr. Serby: — The question that I have is, you said that you had extensive investments in which jamboree?

Mr. Volk: — Big Valley.

Mr. Serby: — Big Valley Developments.

Mr. Volk: — The department has loan guarantees to the Big Valley organization which, without breaking them down over time, but since 1984 through to this year there is — I'm going to ask that this not be accepted as detail — but it's about a \$1.3 million loan with a commercial bank in town which we in fact guaranteed. So we are holding the guarantee to those banks.

The default of payment of both of interest and principal of course then draws down, the bank draws down on our guarantees which means we in fact, as I said earlier, of course carry that liability. And it was our way of trying to inject some management control over this when they start defaulting on their payments.

Mr. Serby: — Had we been carrying that loan guarantee for some time before 1989?

Mr. McCallum: — Since 1984.

Mr. Serby: — Since 1984. Tell me who then in your department. . . Maybe a question prior to that. Did you have some concerns then about, your department, have any concerns about Big Valley Developments before or during the time of 1984 to 1989?

Mr. McCallum: — Well it started to draw a significant amount of tourists and generated a lot of revenue for the area. And we of course had a concern that it continue and continue to do that drawing. They had done a significant amount of capital improvements out at the Big Valley site, and we wanted to ensure that the expertise was there to make sure that that capital loan could be paid down eventually and that the event would continue.

At the time, Alberta was expressing some interest as well in trying to lever that event out from underneath Saskatchewan and we wanted to ensure that it stayed in the province.

Mr. Serby: — So did you have anyone in your department then that was sort of monitoring the success of this particular development over the five years?

Mr. McCallum: — Yes, we have a staff person assigned to it.

Mr. Serby: — Who would have been there?

Mr. McCallum: — I believe a Ross Burrows from our branch.

Mr. Serby: — Ross Burrows? Ross Burrows. So would he not have had some . . . I guess maybe this is a better question. When you decided then that you were having some concern regarding the development, you then felt that it was in the best interest to hire somebody or have someone come in and provide a personal services review of the development as opposed to having someone from within your own department overseeing?

Mr. Volk: — I'm sorry. Point of clarification. Mr. McNabb was in fact a senior official that Mr. Burrows was probably working for. It was the level of expertise that required in terms of the significance of the project, the significance on both sides, if I might add. It was and has clearly been a significant tourism dollar generator.

On the other side of the coin, I mean we are carrying significant liability on it and the numbers in terms of the activity, with generating activity and probably more outside of their organization than inside, and we assigned management that we thought could help us try and manage that thing through, because we in fact were being called on when the banks were calling down on our guarantees for interest payment.

My point is I guess that Mr. McNabb was very much involved as an official of the government also with Big Valley before he in fact took on the assignment and that was the reason for the choice of Mr. McNabb.

Mr. Serby: — But do I understand correctly that Mr. McNabb's job with Big Valley Developments was different as a personal . . . under the personal services contract than it was when he was working within the department?

Mr. Volk: — Yes, very much so. I mean the attempt was in fact to make him almost our assigned person because of the liability we were carrying for work within . . . from within the corporation of the Big Valley, as much as they would permit, to look after our interests, which was basically the \$1.3 million loan.

Mr. Serby: — So then the recommendation of Mr. McNabb to the position of personal services, whatever he might be, was a recommendation of your department?

Mr. Volk: — This obviously was agreed to between Mr. McNabb and the department in terms of his resignation and the assignment to the one specific project to manage it.

Mr. Serby: — I guess my question is more specific at that. Would you have recommended then that the personal

services contract be provided to Mr. McNabb to oversee?

Mr. Volk: — If I can rely on memory, Mr. Chairman, I think that this was an ongoing concern of the government in terms of our liability, and the recommendation in terms of the specific assignment to the one project I believe probably came from the deputy minister of the day in conjunction with trying to resolve this at the ministerial level of how we might best manage that investment.

Mr. Van Mulligen: — Let me just ask a couple of questions very quickly, Mr. Chairman, with respect to Public Participation. Two of the employees of that department during the year, Bruce Evans and Peter Holle — were either of those two individually or the two of them working during the year under review at any time on any matters related to the disposal of Fort San?

Mr. Volk: — Mr. Chairman, if I might, Mr. Parsons might answer direct.

Mr. Parsons: — The answer is no. Bruce Evans, there was a time probably early in 1989 when Fort San did become a departmental project. Departmental projects were assigned around offices. Bruce Evans never got the file, but he did come to me at that time and he declared that there was a family conflict of interest with respect to that type of activity. He did not have the file. Holle was not involved at all.

Mr. Van Mulligen: — There was an expenditure of \$41,000 for Barclays Bank of Canada. Can you tell us what that was for?

Mr. Parsons: — At the time of the SaskEnergy privatization there were a number of public policy issues that were raised that the department thought were significant with respect to management of gas prices and a protection of public interest with respect to those. Accordingly, we brought in what we considered to be some of the best experts in the world through Barclays Bank who had a consulting arm in New York, to in fact have a look at that situation and make some recommendations.

Mr. Van Mulligen: — Were any specific individuals brought in through this?

Mr. Parsons: — Yes, I could give you the name of . . . actually I've been scribbling names down here. I can provide that to you.

Mr. Van Mulligen: — Okay. Decima Research, \$69,495. I wonder if you could provide the committee with a brief overview of the type of work that they did. And if necessary, or I guess preferably, also provide a copy of the contract and any survey instruments and any results or any studies that might have been produced by them.

Mr. Parsons: — This was baseline research on the community bond program. It consists of two volumes. I'm only too pleased to provide it to you. It really addresses issues and questions of community development, interests in local investment, priorities for local investment. It tests names with respect to the use of the instrument. It tests possible levels of participation,

whether people are looking for ownership.

Generally it indicated that a form of community bond that would indeed be popular; that at least on the basis of survey information, people would be interested in investing. And they would be interested in investing on a number of grounds. One was to support their local community. Another of course, was to make some money for themselves. In a nutshell, that's what it is. Yes, I can certainly provide you with it.

Mr. Van Mulligen: — I don't need the survey instrument in there or the study. But none of their research was related in any way to SaskEnergy?

Mr. Parsons: — None of the research, none of this is. Indeed as I say, you're welcome to a copy of that report.

Mr. Van Mulligen: — Nucore Resource Management Incorporated. Do you know who the principals are of Nucore?

Mr. Parsons: — Again, this isn't one where off the top of my head it comes to me. We were examining northern Crown lands, looking at ways in which northern Crown lands might be disposed of. And this is a piece of work that had to do with that. I would have to look it up in the files now to find it.

Mr. Van Mulligen: — If you could provide us with the names of the principals of that company and a brief explanation of the work that they did. Ryer Management Ltd.?

Mr. Parsons: — Now this is a name that I should know but I don't. This is the chap who was involved with the STC (Saskatchewan Transportation Company) company a bit. My recollection of this is that this involved work in terms of going to the northern farm areas and consulting around that project at the time of the disposal. And again I can provide you the details of that.

Mr. Van Mulligen: — Okay. S.J.M. Communications Services Ltd.?

Mr. Parsons: — S.J.M. Communications with Byron Milton. And this was in fact a company which really had responsibility for all forms of what I'll call non-advertising communications activities between the department. It was the company that organized the public participation meetings that were held across the department. It undertook a number of related information collection activities with respect to public participation. And it provided data bases associated with that.

Mr. Van Mulligen: — Is this S.J.M. Communications Services Ltd. . . . were they engaged upon the advice of the minister's office?

Mr. Parsons: — Yes.

Mr. Van Mulligen: — Strategic Public Affairs of Canada?

Mr. Parsons: — This was a piece of work . . . Again, the names here I will have to search for you. Off the top of my head I don't have a name. The piece of work was a piece

of work to try and develop an education program to try and raise the general level of public awareness in education with respect to investing. Generally there's very little investing knowledge that's developed in our society. It's primarily through the school systems. We're lucky when people get a bank account and go through the various brochures at the time.

We therefore entered into some discussions with the investment community, the brokerage houses, and entered into a piece of work to look at developing an educational package in this area.

Mr. Van Mulligen: — I have no further questions.

Mr. Johnson: — Mr. Chairman, a company by the name BT doors Ltd., was the department involved with that company during the year under review, had actions or . . .

Mr. Volk: — Mr. Chairman, I think BTU doors ends up as High R Door in this . . .

Mr. Anguish: — BTU is the Edmonton company.

Mr. Johnson: — Okay. And so then you have the . . . The question then is that then . . . is that BTU doors filed the application and eventually it turned into High R Door and you funded it with a \$60,000 grant. And that company went into receivership.

Mr. Volk: — Mr. Chairman, if Mr. Baron might just explain about the payment and where the project is.

Mr. Baron: — As Mr. Anguish said, the BTU doors was an Edmonton company who built a plant in North Battleford to manufacture similar types of products to those that they were manufacturing in Edmonton. They built the plant. They received a \$60,000 grant under a program which existed at that time called the industrial incentive program. It was a program which provided \$7,500 per job to a maximum of 25 per cent of the capital investment for manufacturing and processing projects. The incentives were paid out on the basis of an outside, independent audit of their capital expenditure records and their payroll records. And they were paid after the jobs had been created and maintained for a period of 12 months.

So the company set up the plant in North Battleford. They operated, they created the jobs; they operated for in excess of a year. They qualified for the incentive, they received the incentive, but they subsequently went into receivership and the plant was sold by the receiver to a company from Toronto, which now operates the plant and produces a different line of products from that same plant.

Mr. Johnson: — No further questions.

Mr. Anguish: — In terms of High R Doors, they received \$60,000, so you would divide that by 7,500 to get the number of jobs they created? Who from the department did the audit?

Mr. Baron: — The department didn't do the audits; we hired outside auditors to do the audits.

Mr. Anguish: — Who was the outside auditor?

Mr. Baron: — Downie Meena Johnson and Gress, chartered accountants of North Battleford.

Mr. Anguish: — Rather than me doing the division in here, how many jobs has it actually created?

Mr. Baron: — Eight, they actually created eight jobs. At a point in time they had more employees than that in the plant, but the jobs that were maintained for the mandatory 12-month period that were properly documented and registered for the program was eight.

Mr. Anguish: — At some point I was told in previous meetings that the commercial crime of the RCMP had a look at the activities of High R Doors. And I'm wondering if the department was approached for any information.

Mr. Baron: — That's news to me. That's the first I've heard of that.

Mr. Anguish: — The department's not aware of that?

Mr. Volk: — Not that I know.

Mr. Anguish: — I have no further questions.

Mr. Chairman: — Thank you, Mr. Volk, and your officials.

Mr. Volk: — Thank you, Mr. Chairman, and committee officials.

Mr. Van Mulligen: — I move that the hearing of the Department of Economic Diversification and Trade be concluded subject to recall if necessary for further questions.

Mr. Chairman: — Moved by Mr. Van Mulligen. Is it agreed? Carried.

Agreed

Mr. Chairman: — The committee should take a five minute break before Agriculture.

The committee recessed for a short period of time.

Public Hearing: Agriculture Development Fund

Mr. Chairman: — Back to order and we'll proceed. There's no need for *in camera* sessions or anything because that's been dispensed with. So we'll just get directly into the . . .

Good afternoon. Mr. Kramer, would you introduce your officials to the committee please?

Mr. Kramer: — Thank you, Mr. Chairman. To my left is Henry Zilm, who is assistant deputy minister for the Department of Agriculture and Food; to my immediate right is Connie Lambert, who is the manager of finance and administration for the agriculture development fund;

and to her right is John Taylor, who's executive manager of the agriculture development fund. And at the back we have Harvey Murchison, who is director of administrative services branch for our department; and Ken Petruic, who is the manager of financial services within that branch.

Mr. Chairman: — Thank you.

We have a small piece of official business to do here before we begin the questioning. On behalf of the Standing Committee on Public Accounts, I want to welcome the officials from the Department of Agriculture and Food to the committee's meetings this afternoon.

The officials should be aware that when appearing as a witness before a legislative committee, the testimony is privileged and that it cannot be used against the witnesses as a subject of a libel action or any criminal proceedings. Witnesses examined before a legislative committee are entitled to the protection of parliamentary privilege in respect of anything said by them in their evidence.

However, all that is said in committee is published in the Minutes and Verbatim Report of this committee, and therefore is freely available as a public document. The witness must answer all questions put by the committee.

When a member requests written information of your department, I ask that 20 copies be submitted the committee Clerk who will distribute the document, recorded as a tabled document.

I'd kindly remind you to please address all your comments through the chair.

Do you have any opening comments or statement you wish to make, Mr. Kramer, before we begin the questioning?

Mr. Kramer: — The only observation I make, Mr. Chairman, is that for the agriculture development fund for the year under review, '89-90, I believe that the presentation you will find in the *Public Accounts* is somewhat confusing because during that year, in fact six months into that year, the legal status of the fund changed from in effect a branch of the Department of Agriculture and Food to a technically Treasury Board Crown. Legislation was passed in the spring of that year, and it was proclaimed for October 1, 1989.

So I believe that some of the numbers that show are essentially for the first six months. Some are for the last six months, and that may create some questions about the amount of expenditures because technically what happened — to make the explanation short — is that funding for the full year was provided in the budget that was tabled in spring. It was spent as per the budget for the first six months as part of the Department of Agriculture and Food, but then technically what happened is those subvotes were closed. New subvotes were opened for the last six months of the year, and the remaining funds were provided by special warrant to open up new subvotes because of legal entity, hence the need for legal authority, had changed on October 1.

So what you find is split record of accounts, and I believe

the budgeted numbers versus actual expenditures, things like that, that look to be out of whack because in effect we have got two 6-month periods: one as an entity within the Department of Agriculture and Food; and one as legally a Treasury Board Crown corporation under its separate legislation. So that might be helpful in terms of the questions that might be asked. That's the only opening observation I would make.

Mr. Chairman: — Right. Thank you.

Mr. Harper: — Yes, Mr. Chairman. Thank you. Just probably as much for my information as those of my colleagues here, can you give me a brief outline of the intent of the agricultural development fund?

Mr. Kramer: — Yes, I'd be pleased to, Mr. Chairman. The fund as a legal entity, as I say, was put in place on October 1, 1989. In fact it had operated as an agriculture development fund as part of the department for about four years prior to that.

It has three types of activities. They are to fund research activities in the agriculture community; development activities, which would typically be value added activities, things that would develop the province apart from primary production activities; and then demonstration, which would be a series of projects throughout rural Saskatchewan that would show on-farm to producers the kind of things that are new technology and would encourage and educate farmers on adoption of those kind of things.

So typically the activities would fall into one of those three areas, research, development, or demonstration. It's also true that there are a number of other unique activities that are funded out of the agriculture development fund. There is some funding which goes for irrigation development, and that would be an example I guess of some larger payments that go through the fund, but the broad mandate would fall into research, development, and demonstration activities.

Mr. Harper: — So then all the payments listed here on page 62 would fall into one of those three categories?

Mr. Kramer: — Yes, that's correct. And if I might make just an observation that might be helpful as well. Under the legislation of the agriculture development fund it provides for a board of directors. That board of directors under the Act designates the deputy of Agriculture and Food as the chairperson but then the remainder of the people on that board are from private industry.

That board would review applications on a quarterly basis that would come from farm organizations, individual producers, university, agri-business, whomever, and would prioritize those applications and would award approval of projects. And typically then they would be managed by a contract that would have in certain conditions — in some cases repayment conditions; certain deadlines in terms of completion of projects — but the typical transaction that you see recorded would not be a grant. It would be a contract that says for X dollars you would agree to do this: research, development, or demonstration projects.

So that's the typical list and that would be the arrangements under which they would be managed. It would be contractual arrangements.

Mr. Harper: — Then on for any given contract what would be the arrangements made for the individual or agency to report back on a regular basis as to their development or process or findings?

Mr. Kramer: — The normal arrangement, Mr. Chairman, is that when a contract would be signed there would be some portion of the funds that would go to the group or individual. The contract would provide for status reports as work would be done that would correspond with further payments that would be due to the individual it was contracted with or the group. And then there would be some hold-back percentage that would have final payment based on final approval of a project report that would be done.

So those would be the arrangements in the normal sequence of events that would take place.

Mr. Harper: — Well was this normal sequence of events actually in place for all the expenditures that missed it here on page 62?

Basically my question was if that's the general rule, was there any exceptions to the rule?

Mr. Kramer: — And I want to be correct in my answer because you're looking for what might be exceptions. I think the exceptions that should be identified, there would be ... I haven't scanned the list, but typically the kind of projects could be payments through to the Water Corporation for irrigation activities. Those wouldn't have the same kind of review by the board — approval and payments. They would be basically commitments of the fund at the beginning of the year.

The other thing that happened, up until the time that the fund became a legal entity, is that for some types of activities, for instance preparation of brochures that would go to producers on technical projects. Some of those would come from branches of the department, would be routed through the agriculture development fund, and would be paid for then by the agriculture development fund. But the output of that — the brochure or pamphlet — would go through to producers.

So again to be clear, those wouldn't have come as proposals from industry and been evaluated. They would have been a way of funding some of those activities out of the department through the agriculture development fund, and then taken them out to the public.

But those would be the exceptions that I would be aware of, and certainly the major ones in response to your question.

Mr. Harper: — Okay, the lead-off list here of Agri-Farm Consultants Ltd. receiving \$93,126, can you tell me what services they provided?

Mr. Kramer: — Mr. Chairman, just a brief explanation.

The number is . . . the value is 93,126. This project provided supplemental support and technician services for research and demonstration projects being carried out by the Saskatchewan Irrigation Development Centre at Outlook. It was in the transition stage as it moved under the umbrella of the Saskatchewan Water Corporation. Most research projects were subcontracted to the University of Saskatchewan.

Mr. Harper: — Okay. Now how are these services obtained? Was there a tendering process involved, or did the agency approach you to do this, or how was this service obtained?

Mr. Kramer: — Mr. Chairman, this would have been handled under the normal application process. We would have had an application from Agri-Farm Consultants Ltd., would have been looked at, approved, and the contract entered into. So in that sense it wasn't tendered; it was applied for and ratified or approved by the board.

Mr. Harper: — And then they would report to who? After their application was accepted and they were on the job, they would report to who?

Mr. Kramer: — The day-to-day operation would have fit within the Irrigation Development Centre at Outlook in terms of their day-to-day activities. But because they had a contractual commitment with the agriculture development fund who was their funder, they would have provided their reports through to the fund in keeping with the contract that was there.

But again, the day-to-day operations would have not been to the agriculture development fund in Regina. It would have operated out of Outlook.

Mr. Harper: — But they at some point in time in the whole process of their contract, they would be reporting some regular processed report to you, to your department?

Mr. Kramer: — Yes, that's correct. And that would have been the basis for further payments under their contract to them.

Mr. Harper: — These would be a written report?

Mr. Kramer: — Yes, that's correct, Mr. Chairman. They would be written reports with financial statements attached that would account for the dollars that would have been spent, ensuring that they would be in keeping with the contract.

Mr. Harper: — And would your department be prepared to table those documents for the committee?

Mr. Kramer: — Yes, certainly, Mr. Chairman, we would be pleased to table that. We don't have that contract here, but we would certainly forward that through the chairman to the committee.

Mr. Harper: — I'd appreciate that.

Another listing that you have here is Cottenie and

Gardner of 52,169. Can you basically tell me what their services were?

Mr. Kramer: — Mr. Chairman, the response on that is that for a time for the year under review the process that would have been used for making payments for on-farm demonstration projects — and you can appreciate there would be dozens of those throughout rural Saskatchewan — to provide for timely payments we would have contracted with a local accounting firm, and there would have been seven accounting firms across rural Saskatchewan.

They would have been receiver . . . they would have received \$20,000 in payments which were held in trust. And when local projects would have come to the point of payment, they would have accessed those accounts. They would have been paid by the local accountant as a way of making local payment. And the accountants themselves received, I believe, 5 per cent of the amount that was paid through their local firm.

So these would have been flow-through funds as opposed to payments. So the amounts that were paid through to them, it would have essentially been 5 per cent of that amount, which they would have kept as a fee for service in providing that service for the agriculture development fund. That would have been the case or the approach that was taken up until the time that the fund became a legal entity.

So that what I've said is true for the first six months of the year, and then the system would have gone to head office payments for the last six months of the year.

Mr. Harper: — So that amount of 52,169 was the amount that they earned in the first six months of the year as a result of services rendered?

Mr. Kramer: — The 52,169 would have covered the projects and the payments through to that individual as his fee for service.

Mr. Harper: — That would have included the cost of the projects also?

Mr. Kramer: — Yes, so essentially 5 per cent . . .

Mr. Harper: — That's . . . (inaudible) . . . profit from the 5 per cent.

Mr. Kramer: — Right. The rule of thumb, I guess to within the last dollar, is that 5 per cent of that total would have been held by him as his fee for service for making those payments on behalf of the fund.

Mr. Harper: — That was what I wasn't clear on, whether the 52,000 was the total amount expended on various projects within the region or whether that was his profit as a result of the 5 per cent of the total expenditure.

Mr. Kramer: — Yes, and the answer, Mr. Chairman, is that that would have been the full amount for projects and his 5 per cent.

Mr. Harper: — Would have been the whole ball of wax,

in other words. Okay. Then how were they able to obtain this service? Again, was it on a contract basis? Did they apply to you to do this service?

Mr. Kramer: — The arrangement would have been this, Mr. Chairman, that when that approach was agreed on, the offer of 5 per cent to provide those services was sent to a long list of rural accounting firms and that these seven would have been selected from that process. There were many that wouldn't do it for 5 per cent.

The understanding is, though, was that there would have been more than seven that would have agreed, so there would have been some selection process as well. But it would have gone to a long list. And part of the emphasis then on selection would have geographic distribution so that people would have some nearness to the place that they would go for receipt of payments.

Mr. Harper: — Would you have a list of that long list of those that were approached, a list of those that were interested in obtaining this or providing the service, and then those who were finally selected?

Mr. Kramer: — Mr. Chairman, the process we went through is as I have described. We will search for the lists and certainly forward whatever is on file. I think there's some question of whether we have lists for all of the regions or whether they would all be on file, but certainly we will confirm the process in writing that was used and would forward through to the committee everything we have on file on that process and how the selection would have been done.

Mr. Harper: — Okay. From the long list you have then a shorter list. And what criteria was used to select the seven from the short list?

Mr. Kramer: — Mr. Chairman, the criteria that was used on a regional basis we would provide to the committee. It was a normal tender. There would have been criteria listed, and it would be things like the experience of the firm, the type of services provided, ensuring that there was service that was available during working hours on a regular kind of basis — but the kind of things that by experience and service would make for a good firm to provide that service in the region. And we would provide you with the criteria that was used.

Mr. Harper: — Fred Milleker, I guess is the name — that was M-I-L-L-E-K-E-R — received \$50,065 from the agriculture development fund. Can you tell me what services this individual provided?

Mr. Kramer: — Mr. Chairman, that would have been another of the regional accountants or regional accounting firms, so the discussion over the last few minutes would apply . . . (inaudible interjection) . . . That's correct.

Mr. Harper: — Was a Greg Riemer ever an employee of the ADF (agriculture development fund)?

Mr. Kramer: — Mr. Chairman, yes, he would have worked for the agriculture development fund in the year in question.

He would have had a personal services contract early in the year and after the fund became a legal entity. I believe not strictly on October 1, but he would have been transferred to a board minute appointment by the board of the agriculture development fund. So he did work for ADF for the year under review.

Mr. Harper: — But he didn't work the whole year, you're saying? He worked for part of the year.

Mr. Kramer: — No. My comments would have been confusing. He would have worked for the full year, but his change in status during the year would have related to the agriculture development fund changing the form of its legal entity midway through the year.

So while he was employed as or with a personal services contract before the agriculture development fund became a legal entity, once it's had its own board in the second half of the year, his change in status would have taken place and he would have been employed after that as a board minute appointment by the agriculture development fund.

But it's our understanding, without checking the records, that he would have worked for ADF for the full 12 months of that fiscal year.

Mr. Harper: — Part time under a personal contract and part time under an appointment.

Mr. Kramer: — That's correct.

Mr. Harper: — During his period as a staff member of ADF, would he also have had a contract to do the consulting work for ADF?

Mr. Kramer: — Mr. Chairman, yes, he would have had a contract, but it would have been his personal services contract that he would have been employed under during the first portion of the year. It would not have been for instance a project contract or some other way in which he received payments from ADF, both as an employee under this personal services contract and on some other contract for which he was doing work in some other fashion for ADF.

Mr. Harper: — So there would be no possibility of a conflict of interest in the whole process?

Mr. Kramer: — No, Mr. Chairman, certainly nothing that we are aware of in terms of the employing arrangements that were made.

Mr. Serby: — Mr. Chairman, I have a question in respect to the research and demonstration area. The research project that I'm looking at is the pig development one for the '90s. And the amount of the project was for \$375,000 over a period of three years . . . or the amount of the project is really \$750,000 for a period of three years commencing in the year that we're reviewing. And I'm wondering, what precisely does this project consist of?

Mr. Kramer: — Mr. Chairman, that would have been a longer-term contract in the year under review. The

amount that would have been spent by the agriculture development fund would have been \$125,000 and the basic objective of that work would have been pig genetics research that was done by National Pig Development (Canada) Ltd.

Mr. Serby: — Just a question. Was that project cost-shared at all with anyone or was that one that we were assuming at all?

Mr. Kramer: — Mr. Chairman, the work would have been cost-shared with the company, National Pig Development. Certainly we'd be pleased to table for the committee the contract that was entered into with the firm and since that project is completed, would be pleased to table for the committee the results of the report from that contract as well.

Mr. Serby: — That would be satisfactory, Mr. Kramer.

Mr. Kramer: — If that's appropriate, I'm not sure what protocol may be, but this is a copy of the contract that I would table with the chairman if that's acceptable, or if you want us to hold and table additional copies we will do that as well.

Mr. Chairman: — Would you please provide the 20 copies to the Clerk so that we can distribute through the normal procedure?

Mr. Kramer: — Okay, we will do that.

A Member: — I have no further questions, Mr. Chairman.

Ms. Haverstock: — Mr. Chairman, if you refer to page 54 please of volume 3 — it's regarding counselling assistance for farmers. I note that this is a \$12 million expenditure here, and I'm wondering if you could explain to me what the objectives of the program happen to be. I see discrepancies ranging from a very small amount to for one couple 200 and . . . or pardon me, \$330,000. I'm just wondering how . . . First of all what are the objectives of counselling assistance for farmers?

Mr. Kramer: — Okay. Mr. Chairman, the operation of that program would be one where agriculture producers who are declined operating credit by their lender have an opportunity to apply to the counselling and assistance for farmers program.

The first stage of response would be that the program would provide generally a group of two or three peer counsellors, who would typically be retired farmers, who would meet with the farm couple or farmers as the case may be. They would look at their financial statements. They would provide counselling on management practices and they would prepare a recommendation to head office of CAFF (counselling and assistance for farmers program) on whether or not they should receive a loan guarantee from the provincial government.

In the case where they would be viable or seem to have a viable farm plan but the lender is still uneasy in providing operating credit, they would then be provided with that guarantee. A guarantee would be recommended, and on the basis of that, the lender would typically provide the

operating loans.

So certainly we have applicants who fall into a category of in serious trouble, non-viable, so they don't receive a recommendation for a loan guarantee.

We have another category of people who receive a recommendation for a guarantee from the panellists, but the lender still declines to provide the loan even with the guarantee.

And certainly the majority of cases would fall into a category where the guarantee would be recommended. It would be provided and the farmer would continue to farm and for that production cycle. And these payments would represent cases where after the year was completed, or in typical cases more than one year but there was a loss to the lender, in that situation the government would make the shortfall payment to the lender. And that's the purpose then of the guarantee. So in that case the lender receives the shortfall that would come from the provincial government.

Ms. Haverstock: — Have you a mechanism . . . This is for this year under review. Have you done any reflection in being able to measure the . . . like, do you have a set of criteria for measuring how well this program is meeting its objectives?

Mr. Kramer: — Certainly the criteria is one of the number of producers who in the long term would return to viability after going through the difficult financial period that they are in. So I mean that's the objective we have each year. And that's not directly your question.

But each year figures on the number of people that fall into the categories that I talked about — so in the short term, how many people receive only counselling assistance? How many people receive guarantees? But in the longer term the question is: how many people return to viability?

One of the things that has been difficult, I mean since the inception of the program in, I believe, 1984, is that times in rural Saskatchewan have become tougher. People haven't got help from the market-place so that it's been difficult for most people to get to the point where if they need a guarantee one year, that they return quickly to a point where they can operate viably without a guarantee.

Certainly there are cases like that where people have had success stories. There's a number of people that have had guarantees for more than one year and continue to farm and to operate their farms with the benefit of the program.

Ms. Haverstock: — I note here that you have like an estimate of \$12 million. Do you see this as something that was reasonable, given what we now know with the current circumstances? I'm just wondering if you, upon reflection on this program for this particular year . . . I mean is this something that stays stable as an amount, \$12 million, or, as far as your budget is concerned, has this been increased because of the circumstances out there or remain the same?

Mr. Kramer: — The response I would give, I mean,

borrowers are not under the year under review, but certainly for information to the committee, I believe you will find in the years following this that the number is somewhat larger, and you will find in following years the number becomes somewhat less, so that the number has bounced around. But the year following it would be somewhat larger.

I would give some information to the committee that might respond to your previous question. If we look at repayments as a success rate, the success rate of the guarantee program to farmers has been about 75 per cent repayment of operating loans to their lenders. With the farmers CAFF has honoured the loan guarantees to the lender, we have successfully set up repayment agreements with 30 per cent of them, and that we expect to enter into repayment agreements for at least 50 per cent of those producers.

So the other point that I would add is that this payment does not become a grant payment to the producer. That if he has a bad year, if there is a guarantee payment that is provided, there is a push to enter into a repayment agreement with him. Ability to pay that repayment agreement is part of what determines whether he is viable the next year and continues to receive a guarantee.

At this point, as I say, the ongoing repayment is about 75 per cent of the guaranteed amount and that with those who have had payments made on their behalf there's about 30 per cent of those producers that have had repayment agreements entered into and that number is moving up we expect to at least the 50 per cent level.

So the point should be made that these aren't dead losses, as it were, from the taxpayers' perspective. Typically a third to expectation of a half of this would be repaid by producers as they continue to farm.

Mr. Chairman: — If there are no other questions I'd like to thank the officials from Ag and Food, and you're free to go.

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

Mr. Johnson: — Is there a motion moved on that now?

Mr. Chairman: — Moved by Mr. Johnson. Is that agreed?

Agreed

Mr. Chairman: — We have a little . . . Don't everybody run away. Tomorrow morning at 9 o'clock we're going to have a presentation by Mr. John Kelly from the Canadian Institute of Chartered Accountants, and he is going to talk to us . . . tentatively it's scheduled for two hours on new accounting methods, I would presume. It's on Public Sector Accounting and Auditing Committee, PSAAC. Bob can tell us more; I've got his biography here.

Mr. Wendell: — Mr. Swenson, he was the author of the book of accountability in public accounts committees. I think that's one of his . . . (inaudible) . . .

Mr. Chairman: — He's going to tell us how we can become more effective, as a Public Accounts Committee.

This gentleman knows everything there is to know about it, so I guess he's come a long ways, and we had booked this gentleman back some time ago. So we should do our best to be here in the morning.

Ms. Murray: — Mr. Chairman, I have a funeral tomorrow morning.

Mr. Chairman: — I can appreciate that; I had one on Monday.

And the other thing, the Clerk distributed two more segments of our deliberations. We're to review them so that when it comes time to put our report together it goes quickly rather than slower.

With that, we'll see you in the morning.

The committee adjourned at 5:08 p.m.