

Standing Committee on Public Accounts
January 9, 1992

Mr. Chairman: — We're very pleased to have a special guest this morning to make a presentation to us. So for the next approximately hour and three-quarters or so we'll be into this special session. We've got a couple of members not with us this morning. I believe both have some personal considerations, so we can proceed.

I think Mr. Kelly has had the opportunity to meet most of the people in the room so what I would like to do is just give a brief resume of our special guest this morning so that we are all familiar with some of his background and then we'll ask him just to get into his oral presentation to us. What we're going to do is have Mr. Kelly's oral presentation and then have a five-minute break and then go into a question and answer period so that members and staff of the committee will have the opportunity to question Mr. Kelly about his oral presentation or some of the written stuff that we've been able to look at.

So with that, ladies and gentlemen, it gives me a great deal of pleasure to welcome John J. Kelly to the Public Accounts Committee of the province of Saskatchewan.

In 1981 Mr. Kelly was seconded to the Canadian Institute of Chartered Accountants as the first director of the newly formed Public Sector Accounting and Auditing Committee, I'm going to call it PSAAC. At this time, he was the assistant auditor general of Canada responsible for accounting and auditing standards and practices. He joined CICA (Canadian Institute of Chartered Accountants) on a permanent basis in 1984.

Mr. Kelly has extensive experience in government financial reporting and auditing. He was responsible for the audit of the financial statements of the Government of Canada when the auditor general issued the first opinion on them in 1978.

In 1980 Mr. Kelly co-authored the Canadian Comprehensive Auditing Foundation's landmark study of public accounts committees and legislative auditors. He is also prominent in the development of international accounting and auditing standards for governments.

PSAAC aims to improve decision making and bolster the accountability in the public sector by making financial information more useful and auditing more effective. To that end, the committee develops and recommends government accounting and auditing standards of good practice.

Past and present PSAAC members including deputy finance ministers, comptrollers, and auditor generals, municipal treasurers, corporate executives, public accountants, and academics.

Ladies and gentlemen of the committee, please help me welcome Mr. John J. Kelly.

Mr. Kelly: — Thank you very much, Mr. Chairman. I am rather flattered to be invited to participate in your meeting. In conveying his invitation to me, Mr. Vaive has asked me to comment on issues related to the role and mandate of the public accounts committee, and how PACs (public accounts committee) can be made more

effective.

So in my opening remarks I have chosen to comment on issues related to the PAC's role and mandate that I consider important and that I hope will be of interest to you. Time permitting, I would also like to offer some thoughts on the requirements for an effective public accounts committee.

At the chairman's discretion, I look forward to participating in an open discussion because I'm sure that you have many questions on many subjects that you would like to raise, and I will try and do my best to offer some constructive and useful comments on those questions.

Before I continue, I must state for the record that the views that I am going to express at this meeting are my own and should not be taken as the official positions of either the Canadian Institute of Chartered Accountants or its Public Sector Accounting and Auditing Committee. Those positions are made public only after great deliberation and widespread consultation and the appropriate approvals in accordance with our due process procedures.

First, let's look at the role and mandate of public accounts committees. As the chairman has mentioned, in 1980 I co-authored a study of Canadian public accounts committees and legislative auditors. That study, sponsored by the Canadian Comprehensive Auditing Foundation, aimed at increasing the effectiveness of PACs and legislative auditors, and by doing so we hope that the legislatures would be in a better position to hold government accountable for the administration and use of public money and resources. The study made 69 recommendations to strengthen Canadian public accounts committees and remove impediments to their effective operation.

In 1989 the Canadian Council of Public Accounts Committees published guide-lines for public accounts committees in Canada. Those guide-lines built on our study and carried the process of reform and improvement a step further. Significantly the guide-lines have been adopted and endorsed by the CCPAC (Canadian Council of Public Accounts Committees) who in 1991 — the guide-lines — and who in 1991 carried out an in-depth survey of compliance with the guide-lines and with our study. And this is the survey.

Pardon me, I show you these documents in the hope that you will take the time, if you have not already, to read them. I think they're really worthwhile and worth the time spent on them. All three of these documents, I understand, either have been or can be made available to you. So I will not try and restate their recommendations and conclusions.

Instead what I'd like to do today is concentrate on a few of the major issues that are involved in the role and mandate of public accounts committees as defined by the study and the guide-lines. I hope that these issues will be of interest to you and that they will serve to stimulate further discussion on the purpose and goals of your committee.

Look now at the role of the public accounts committee. Control of the public purse by the legislature and its powers to call the government to account is a fundamental feature of our democratic system. Public accounts committees are the watch-dog committees of the legislature that are charged with monitoring and assessing the government's administrative policies and procedures in administering the public money and resources entrusted to them.

This involves assessing the quality and utility of the financial information provided to the legislature for accountability and decision making. And here, I think, financial information has to be looked at in a context somewhat broader than the public accounts.

It also involves determining that the government has administered and employed public money and property in accordance with legislative direction and authority. It involves gaining assurance that public money and property are adequately accounted for and safeguarded. And it involves the committee ascertaining that the government has used public resources to the maximum benefit.

Public accounts committees are also charged with reporting to their legislatures on what they found. To be useful and constructive, those reports usually include the committee's recommendations to improve administration or correct deficiencies in it.

The PAC and the legislature both need technical expertise and resources to fulfil this task, and so we have legislative auditors. Legislative auditors are highly qualified experts who serve and report to the legislature and are independent of the government.

In the next few minutes I'd like to offer some observations on three matters that relate to the role and mandate of public accounts committees. First, assessing financial information and reports; second, assessing administrative performance; and third, the scope of the committee's mandate.

First issue, assessing financial information. To most members of legislatures, accounting is not a very exciting or intriguing subject. Yet accounting can have a significant effect on the decisions that they make. And the results of those decisions in turn can dramatically affect the financial and fiscal well-being of the government and of the public it serves.

Accounting deals with measuring and reporting economic information, information that is used in planning, decision making, and accountability. Solid, reliable, and complete financial information is essential to sound planning, good decisions, and full accountability. Unreliable, fragmented, or incomplete information virtually guarantees bad decisions and all of the adverse consequences that they generate.

So all legislators in government or in opposition, whether on the PAC or not, have a vital interest in getting good information about the government's financial plans, position, and operations.

Last August I gave a talk to the Canadian Council of Public Accounts Committees on the importance of good financial reporting by governments and the need for independent accounting standards that aim at full and fair disclosure.

In that talk I illustrated some of the undesirable practices that exist in government financial reporting and accounting — for example, failure to record and report major liabilities, sometimes in order to produce a better looking financial position; narrowly defining the scope of the government's financial statements, which can result in expenditures being reported as assets and major debts and losses being excluded from the financial position and results reported by the government. Such practices produce misleading information and can result in wrong decisions.

Neither the time available nor your goodwill would justify me in repeating that talk here now. So I've brought along copies for you which I hope you will read and consider when you are called upon to assess the information provided in government financial statements and reports.

No doubt you are all keenly aware of the need for full and fair reporting of financial information by governments.

But who is to define full disclosure? And what is fair reporting? In the past each government chose its own accounting policies and varied them as they saw fit. The result was incomparable financial information, not only from one government to the next but from, in some cases, from year to year with the same government.

Some governments reported all of their liabilities such as those for employee pensions and their financial statements. Others did not even record them.

Some government financial statements reflected all of the activities for which the government was responsible. Others issued statements only for individual funds, portraying the government's financial position in terms of the consolidated or general revenue fund alone.

Legislatures and other users of government financial reports were therefore understandably at a loss to determine where their government stood in relation to other governments. Moreover some of them began to question whether they were getting a realistic picture of their government's financial position or results.

The solution to this dilemma is to develop and agree upon a body of financial reporting and accounting standards and rules that governments will follow. That is the end that the Canadian Institute of Chartered Accountants aimed to achieve when it established the Public Sector Accounting and Auditing Committee a decade ago.

You've been given copies of the pamphlets *PSAAC — What it is and What it does* and *A Decade of Accounting for Government*. I urge you to read them. They were written primarily for members of Canadian legislatures — that is they're non-technical — people like yourselves who are not necessarily trained accountants.

Experience has shown us over the years that manipulating accounting and financial reporting policies for short-term political gains often results in long-term economic pain. So it's important that the PAC review the government's accounting and reporting practices critically to determine that the information that the legislature receives is useful in meeting the legislature's accountability and decision-making needs.

I thought you might be interested in some questions that you as a PAC may address in relation to financial information. These are only some questions. I'm sure you'll think of more. For example, what do the government's financial statements and reports tell legislators about the government's financial position and its ability to finance its operations and pay its debts? What do they tell legislators about where the government gets its money and where it spends it; about the burden of taxation and government priorities? Is the legislature getting all the information that it needs to make informed decisions and judgements? And is it getting that information in an understandable form and on a timely basis?

Let's look at issue two: assessing performance. In these hard economic times, accountability in terms of value received for money spent and performance measurement is growing in popularity, and for good reason. In business everyone is expected to produce more with less or perish. And more and more those expectations are being aimed at governments. Unlike the '70s and mid-'80s, demands for new services and more social support have to be balanced against soaring debt, persistent deficits, high taxes, and a shrinking, recessionary tax base.

So governments are being forced to choose between alternative courses of action, and none of them are very pleasant: raise taxes, cut expenditures, borrow more. All of them have their policy proponents and opponents, but one thing is certain: there is little public tolerance for wasteful, ineffective, or inefficient government programs or operations.

Public accounts committees and legislative auditors have always been concerned that governments collect all moneys due and spend money only as authorized by the legislature. But today that's not enough. Increasingly citizens and taxpayers want to know whether government programs are operating effectively and efficiently to achieve the desired policy goals.

The trend in Canada and abroad is to devolve more authority to government managers, to set performance goals, and to make the managers accountable for achieving those goals. Where this is taking place, it is often accompanied by a radical restructuring of government, particularly central agencies. And there is also some redefinition of the concept of ministerial responsibility. Performance targets can be set in financial terms, such as financial self-sufficiency, or in terms of the quality, quantity and cost of services delivered.

Organizational and structural changes alone do not make more effective programs. The effectiveness of programs needs to be judged on the results that the programs

achieve in comparison with alternative means of attaining the same policy ends. Identifying suitable criteria for evaluating the effectiveness of programs is a major problem facing legislators, managers, and auditors. But it is one that can be overcome for most service-delivery programs.

Again I have presumed to offer some questions that you might consider addressing when you look at performance. For example, how does the government know whether programs are effective in achieving their stated policy goals. Are those goals stated in terms that are clear enough and precise enough to allow program evaluation. And are the results of program evaluations reported to the legislature. Does the government set performance targets and standards for programs and organizations when presenting the estimates of expenditure. And does it report actual performance against those targets and standards.

Does the government regularly review the relevance of all programs and assess whether or not they are redundant and whether or not the same policy goals can be achieved in a more cost-efficient manner. Who has the authority and who is responsible and accountable for the various programs and operations of government. Does that organizational structure make sense and how does that organizational structure affect legislative control of the public purse and the legislature's oversight of government administration.

Issue number 3, the scope of the PAC's mandate. The mandate of the public accounts committee must reflect the mandate of the legislature to oversee the government's administration and use of public resources. And in my view it cannot be any less if the PAC is to do an effective job. There are many vexing questions that come to mind when I think about the scope of a public accounts committee's mandate, but I will comment on only two of them. They are questions of policy versus administration and the accountability of Crown corporations. Both are controversial and both concern the limits of a PAC's mandate.

First let's look at the question of policy versus administration. To do their job properly, conventional wisdom says that the PAC and its legislative auditor should focus on the administrative practices and avoid political policy decisions. They must do so to avoid being tainted by partisan politics.

But implementing and adhering to this dictum is not nearly as easy as pronouncing it for at least two basic reasons. First, it is extraordinarily difficult to keep politics out of a political system operated by politicians. Second, nobody has yet defined where administrative practice ends and policy begins or vice versa. I will not comment at least for the moment on the first of these reasons. There are enough recommendations in both the CCAF (Canadian Comprehensive Auditing Foundation) study and the guide-lines that are aimed at reducing partisanship.

The second question, concerning where administration ends and policy begins or vice versa, is as challenging as the first but has far fewer attempts at providing helpful

guidance or even defining the problem. For example, a government may enact legislation to provide social assistance to the homeless. Its intent is to provide shelter. All the parties agree with that goal, but on the means of achieving it, they hold very different views, and that is the crux of the policy versus administration controversy.

If legislation was so detailed that it anticipated exactly how the program was to be carried out and all of the decisions that need to be made in doing so, then distinguishing between policy and practice would be considerably easier. But legislation does not do that, nor should it. After all, governments are elected to govern.

Legislation, in my experience at least, generally lays down policy direction, provides a structure for implementation, and empowers the responsible minister. Often legislation provides that minister with wide powers of interpretation and regulation. As a result, questioning of a government's interpretation of legislation and the effectiveness of government programs are often branded as out of bounds to legislative auditors and PACs on the grounds that such questioning is in effect a challenge to policies already debated and passed by the House.

Now in some cases this is true. Nevertheless far too often that argument is used to restrict the inquiries and activities of the legislative auditor and the public accounts committee, and thus to hobble the legislature in fulfilling its essential monitoring and control functions.

In my view, considerable leeway should be given to the legislative auditor in examining, assessing, and reporting on the propriety of the government's administration and the effectiveness of programs in satisfying their policy objectives.

Further, both the PAC and the House have not only a right, but a responsibility to question the continued relevance and effectiveness of government programs, especially in the context of the dire fiscal situation faced by many of our governments today.

For the PAC, the challenge is to define its mandate so as to fulfil its obligations to the legislature while avoiding purely partisan attacks on policy direction embodied in existing legislation. There's another forum for that that's more suitable, namely the legislature itself.

On the other hand, the government should not use invasion of policy as an excuse to hamper the PAC when it is acting on behalf of the legislature to examine and assess the effectiveness of the administration and use of public resources.

The second issue I'd like to address in relation to the PAC's mandate concerns the accountability of Crown corporations. All Crown corporations are not alike. Some are business enterprises with commercial objectives that have all the powers of their counterparts in the private sector — particularly the power to contract and be sued and have independent boards of directors to oversee their operations.

That does not mean that they are not accountable to the responsible minister and to the legislature, but it does

mean that they have a different accountability relationship from other government agencies.

In my view again, the legislature should make it clear that the PAC and the legislative auditor have the right to access information about the operation of government-owned business enterprises because they are public resources entrusted to the government's administration. Moreover, the operations of such business corporations can, in some cases, significantly affect the government's financial condition and results. On their part however, the PAC should be cognizant of the nature, powers, and objectives of such business Crowns, and of the different accountability relationships that they have with the government and the legislature.

Besides business enterprises, there are Crown corporations that are formed to provide services to government itself. The corporate form is used as a handy means of managing and controlling their operations, often for purposes of cost allocation or determining user-pay fee schedules.

So while the corporate form may be useful, those Crown corporations are carrying out functions that are integral to central government operations, functions that could well be done by departments. I can therefore see no reason to exempt such corporations from examination by the legislative auditor and the public accounts committees.

Now I'd like to turn for a few minutes, if I may, Mr. Chairman, to the question of improving the effectiveness of public accounts committees. To my mind . . . Yes, ma'am . . .

Ms. Haverstock: — Can I ask someone to give an example of the latter of what you were just referring in as far as Saskatchewan is concerned — Property Management?

Mr. Strelloff: — Property Management Corporation.

Ms. Haverstock: — Okay, that's what I was thinking. Thank you.

Mr. Kelly: — To my mind the effective public accounts committee needs three things: first, an objective and constructive approach to its work; second, a clear understanding and statement of its purpose and defined objectives based on that statement; and third, the committee needs sufficient expert resources to assist it. Once again the CCAF study and the CCPAC guide-lines offer useful recommendations and guidance on each of these subjects. But at the risk of being repetitive, I'd like to add some reinforcements to those pronouncements with a few thoughts of my own.

An objective and constructive approach is absolutely essential to an effective public accounts committee. The public accounts committee probably carries out one of the most important functions of any legislative committee. It's why public accounts committees are standing committees of every legislature. Unfortunately, to do that involves a great deal of work and sometimes not a lot of political pay-off.

The danger to the committee and to the committee's effectiveness is in the kind of adversarial approach that is inherent in our legislatures in the House — the opposition attempting to embarrass the government, the government attempting to defend every and all decisions that have been made by anyone while it's been in power.

If that happens in public accounts committees — and I have unfortunately witnessed that on more than one occasion — the committee comes to a standstill in effect. It produces little of worth. It may produce some headlines; it may gain some political points. And of course, the time that this happens to committees quite often is the time when the House tends to degenerate a little bit when people see elections coming up. I doubt if that's ever going to be solved completely.

But at the beginning of a mandate, as you are now, I think it's important that each of the members take an objective and constructive approach to looking at government administration. These are the people's money and you want to see not only that it's spent in accordance with what the legislature authorized, but that it's spent wisely, prudently, and to maximum benefit.

This is a goal that's shared not just by the public accounts committee and the legislative auditor, but by the legislature as a whole, and by the government. Surely the government wants to operate in a most efficient and effective way. And so it's important to be constructive rather than destructive in the way you approach your reports and your recommendations. That way you do establish a productive relationship with the government and with the public service who work very hard on your behalf. You establish your credibility and I hope to the point where when you present a report, it can be adopted by the legislature as a whole. That gives a good deal more power to what you do.

The second thing I'd like to say a couple of words on is the idea of a clear understanding and statement of what your purpose and mission is as a committee and defined objectives related to that statement.

Too often public accounts committees are not sure of their role, and I wish there was a nice standard thing that we could hand you and say here, take the last chapter of this, copy it out, and you'll be fine. That won't work. This will help you, and this publication will help you as well. But you as a committee must establish your own, you must establish your own statement of mission so that you will understand it. And from that I think you need to develop specific objectives, things that you want to achieve in your mandate as a public accounts committee, things that will give you a base for establishing your priorities. Without it, the danger is that the committee will degenerate into trying to do its own audits — for example — calling up vouchers and documents, and roaming through the public accounts without any sense of where the important areas are, where the critical issues are because they haven't thought them out.

So I would urge you, for what my urging is worth, to think about developing that kind of a statement. And this kind of a statement is not a once and for all situation. It has to be thought about by each new public accounts

committee as they come up because times change and people have to gain an understanding of what the committee is about and what it hopes to achieve.

The final thing, and I'll stop soon, Mr. Chairman, concerns resources. It is absolutely essential for an effective public accounts committee to have a strong legislative audit office working with it. It is essential for the legislature, and it is essential for the committee. The committee, the public accounts committee, and the legislative auditor work in tandem. One is not a jockey and the other is not a horse; they are a team. They each serve the same goal for the legislature, but they must work together. Like a team of horses, if one goes in one direction, and one in the other, there'll be trouble and they'll get nowhere.

The public accounts committee needs a strong audit office. It has the expertise and the resources to do your work in terms of examining administration, examining the administration of public resources, examining the financial information presented.

But the auditor needs the committee, too. The committee is the arm of the legislature. It is through the committee's reports, particularly if they're adopted by the legislature, that the auditor gets the kind of clout that he needs in the House. Newspaper headlines for the three days after the report's issued do not do it for them. It is the ongoing committee hearings, the carefully thought out reports and recommendations that do it. So there is a strong interdependence here.

In addition, I personally believe that committees need legislative research support and clerical support. You have a fine Clerk in Robert; I met him this morning. But as I understand it you have no research support. In some jurisdictions that support comes from the Legislative Library; in others where that's not available, it's done through secondment from the audit office.

The Legislative Library has an advantage in that it maintains the independence of the committee, a concern always of course. And it was a very strong concern when I was with Macdonell, was that the auditor, Mr. James Macdonell, two times ago auditor general, was that the auditor would exert too strong an influence over the committee.

I don't believe that that happens. I believe that that's a viable option. In any case I think that the committee has to always rely on the legislative auditor, whether it has researchers or not.

A researcher can do a lot of things for a committee though — prepare briefs, conduct analysis of the auditor's report, Public Accounts, identify issues, defining questions, briefing the committee, new committees, each committee, often jointly with the legislative auditors, not in a formal hearing but just a private meeting of committee members with the auditor and the researcher to look at issues and identify them, drafting reports. All of these are important.

In the long run, though, it is essential that the committee does have adequate resources. Otherwise, again, it will

be reduced to dealing with trivia and that will make it ineffective.

Mr. Chairman, that's all I have to say. I thank you very much for your attention.

Mr. Chairman: — Thank you, Mr. Kelly. There certainly is a lot of food for thought in your remarks this morning and I notice members busy scribbling in their books with questions. So perhaps we'll take a seven, eight minute break and start again at 10 o'clock. It will give us an opportunity to get coffee and take a stretch.

The committee recessed for a short time.

Mr. Chairman: — We'll reconvene, and this next session will be very informal, basically a question and answer dialogue with Mr. Kelly. And I would invite all members of the committee, both elected and staff, to feel free to pose questions to Mr. Kelly or to any other officials that we might have here if you want to clarify a point, as Ms. Haverstock did earlier with an example from the auditor of how some of Mr. Kelly's remarks might pertain to our own situation here in Saskatchewan.

I'd like to throw it open and simply take a speaker's list if you will and go from there.

Mr. Johnson: — I think the province of Saskatchewan is unique in that it was the first Crown Corporations Committee which reviewed the activities of the Crowns. Although not basically the same structure as Public Accounts, but in essence did somewhat of the same thing. Different people were . . . it was handled by ministers reporting to it, etc. And it's a standing committee, it meets going through in the other . . .

Does that variation show up as one of the things in these other ones? Because as I listen to what the auditor has been saying and what you've said and what comes through, there's an indication to me of bringing everything to one committee. I'm wondering whether two committees — and I will accept the concept that the Crown Corporations Committee maybe needs a restructuring as well as others — but would you envisage the possibility of there being maybe more than one public accounts committee handling different segments of the government?

Mr. Kelly: — Mr. Chairman, to Mr. Johnson, I don't see two public accounts committees in any jurisdiction. What I think the problem that you may be referring to is one that is not unique to just having a Crown Corporations Committee in Saskatchewan. But in other jurisdictions it's a problem that the *Public Accounts*, which are referred to the public accounts committees, and the auditor's report cover the whole spectrum of government, government agencies, and corporations.

And so there is an overlap, if you like, between the public accounts committee, who essentially deal with administration of public resources and the quality of information that the government provides the legislature for accountability and decision making with the other committees.

And I know at the federal level for example, other committees will deal with such things as *Estimates*, where in their part 3 of the *Estimates* there is performance information and performance targets on how departments operate. They also of course deal with legislation related to their particular areas.

One of the things, I think, that will help is to examine the sort of role you see for yourselves and establish your objectives, and then sit down with your colleagues and decide where their limits are and where your limits are in terms of what you're doing.

There are many options and alternatives. For example, it was suggested in the past and over past years, and it is sometimes still suggested at the federal level . . . and I'll use the federal level, not because it's any more important than provincial but because I'm more familiar with it and because it is large enough that these problems stand out more. There has been a suggestion over a number of years that the auditor be allowed to report as audits are completed on different departments rather than just annually; and that those reports be combined with the part 3's of the *Estimates* which entail detailed information on departmental performance and the department's annual report and departmental statements to provide an accountability regime to be dealt with by, say, the transport committee or the defence and external affairs committee.

I'm not recommending that model. It may be far too elaborate for some jurisdictions. But all I'm saying, Mr. Johnson, is that there are alternatives. And I think it's important that each legislature look at the structure that serves its aims best and that will allow its elected members to maximize their contribution.

I don't think there need to be two public accounts committees, but perhaps the role of the Public Accounts Committee and the Crown Corporations Committee, to use your example, need to be thought through to make them more compatible and complementary with one another.

Mr. Johnson: — Well in looking at them, basically I view the Crown Corporations Committee as the one that looks at that aspect of government — actually they're Crowns — where the money that is collected into that company is spent internally and that there is not flows of money anywhere else, are more or less limited to either loans or direct investment in the company in lumps or payments of dividends coming back. So it isn't something that is tied in as great as what . . .

And the Public Accounts Committee, looking at those areas where there is a huge amount of either interlocking of people and movements of funds from the Consolidated Fund or from the combined fund moving; some collecting, some only spending, like as a breakdown in that particular area, because it does then set up physical meetings that are viewing different aspects. And that's why I was wondering if it was an acceptable idea to have different segments looking at the . . . how things are happening, or different groups of MLAs (Member of the Legislative Assembly) and that.

I think the Crown Corporations Committee is unique to Saskatchewan, or at least it was when it was initially started in the '50s. To some degree I don't think the federal level even looked at its Crowns. I don't think there was any review for a long time at all.

Mr. Kelly: — Well having lived through examinations of AECL (Atomic Energy of Canada Ltd.) and Polysar back in the '70s, they were certainly looked at then.

But one of the difficulties with drawing the line on the basis of financial self-sufficiency and saying that if you're a business Crown — we put quotes around business Crown — that doesn't need any money from the consolidated revenue fund, you are therefore somehow exempt from review by the public accounts committee, can have some difficulties to it.

It's true that both are committees of the legislature. And that may be an operational situation. For example, a government-owned telephone system may break even, may even make a profit, but the question there is: what is the role of the Crown corporation committee in overseeing the operations of that corporation? What is the role of a regulatory board, if any, in establishing rates? And what is the role of the public accounts committee in looking at the financing of that operation and its effect on the government itself?

So there may be multiple accountabilities from different perspectives for the same major business enterprise, if you like. As I said in my remarks, there are other Crown corporations that in effect are part of government and really should be treated under the same kind of control regimes as government, both involvement of central agencies, and most of them are . . . have involvement of central agencies and the public accounts committee and the legislative auditor, and so on. Those things are important for those.

There are very few generally, business-type corporations in any jurisdiction. And of course the question today that is being examined around the world is whether governments should continue to own and operate essentially business operations. I won't get into that. That's a philosophical and political position, but that is a question that is being dealt with in New Zealand, in Australia, certainly in England, in France even, and not so much in the United States because they never did that in the first place.

But I think, to come back, that what you have to do is say, what is the role of the Crown corporations committee, and what is it supposed to do with these things, and what is the role of our committee and what are we supposed to do with them. And I think if you work that way you'll find the committees complement one another.

Mr. Serb: — I noted with interest the area when you spoke about the need for greater public accountability and the demand really by the public for insuring that the whole process is more timely. And in our committee here we've talked a bit about the whole cycle — the budget cycle, the process of getting information to public and how that varies and differs across the country. And I'm wondering if you have some comments, could make

some comments of your experience in how we might start to address that here possibly, in Saskatchewan, and ensuring that we can get that information out in a more timely fashion and report in a more effective way, I think speed up the process or make the process more related to the time.

Mr. Kelly: — That has always been a problem for most jurisdictions. It is on one hand understandable because of the size and complexity of government. But on the other hand, it is not insurmountable because there are certainly other organizations that are as large or as complex that can produce information more quickly.

One of the delays really rests with the legislature itself, though. In a number of jurisdictions the legislatures do not meet all year round. Yours may be one.

So *Public Accounts* are completed, and the auditor's report is completed, albeit that they're a long way away from the year end. But then they sit there waiting to be tabled sometime, maybe six months later than that again.

We tried to address that way back, 10 years ago, when we did the CCAF study. And one of the things that you're doing here and now is one of the recommendations that we made, is that committees be empowered to sit when the legislature is not sitting and to get on with their work on a timely basis so that the committee report and the *Public Accounts* and the auditor's report if necessary can be tabled in front of the legislature as a package.

Another thing that we looked at in this was sending out those reports to members and releasing them publicly. We found that in Manitoba, at least 10 years ago, this was being done through the Clerk of the House. That's an issue that you want to look at too. It's important that legislative deadlines for reporting, particularly where you have statements that bring a number of things together in the government so that the government statements are dependent upon getting audited statements from Crown corporations and other things, that those deadlines be enforced.

That happened in the federal House about six or seven years ago, and it was amazing when the legislature and the minister took an interest in the timeliness of those reports how quickly they got sped up. This helped the central agencies, people liked the Comptroller General and the Department of Finance, to put together their statements on a more timely basis. Up until then, I can cite instances in my own personal experiences of Crown corporations and agencies and sometimes funds submitting their audited statements six and nine months after their statutory deadlines.

The other thing to look at is the statutory deadlines for submitting accounts. Some of them have a great deal of leeway because they're very traditional — you know, when us accountants had green eye shades and two colours of pens and had to write it all out — but we've got computers these days and things work quickly, sometimes too quickly. So I think that those are areas that you can look at as a committee if you wish in terms of ways and means. And I'm sure that both the auditor and the comptroller of the province can give you strong and

useful suggestions.

Mr. Kraus: — Could I ask a question, John? I would like to know what your opinion might be though, personal opinion, on how fast the *Public Accounts* document should be provided to the public after year end? Ours was tabled December 17, I think it was, our *Public Accounts*, and that's because the House was open this fall that it could be tabled.

The auditor's report for '91 won't be tabled until the spring session, and I guess what I'm asking though is: do you think that either or both of those documents should be provided earlier? And if the House isn't in session, for example, but they were ready earlier, is there some way to deal with that?

Mr. Kelly: — That's a good question, Mr. Kraus, and one that I'm not up-to-date on in respect of Saskatchewan's situation but certainly as long as a decade ago, we considered these things. We think that there should be targets — the first six months after the year end and then earlier if possible. And we felt that there were mechanisms that were in place because each of the recommendations here are based on practices that were actually taking place, as I said to Mr. Johnson, to distribute those reports earlier when they were ready.

Now I know that there's a great concern on some people's parts about the legislature being the very first to see all these things and so on. And so that is really a subject that the legislature itself is going to have to sort out. I certainly can't do it. But I think that it would be worthwhile.

After all, we have commercial companies that are very, very large, some of them as large as our federal government, that can produce their financial statements in a matter of weeks after their year ends. I'm not suggesting that we try to move that fast. That's an expensive operation that's full of a host — as you know better than anyone else — of practical problems.

But if the legislature is interested in more timely information, then I think it should work, perhaps with this committee taking the lead, with you and with Mr. Strelieff, on trying to establish a reasonable program for getting more timely information and looking at the sorts of things that your department can do and his office can do and the legislature can do to ensure that that happens.

Mr. Van Mulligen. — John, I had to leave the room, so if any of the questions I put forward were raised, please let me know, and don't bother with them.

I'd like to know if you can give more specific indication of how independent research, such as from the Legislative Library or whatever, might help the committee. What kinds of changes might a committee expect if we were to rely on more independent research as opposed to relying on, at this point, caucus research support, or in addition to caucus research support?

Also the question that you raised, or the matter that you raised, that the committee should be sitting down to define its own objectives for the term of the legislature — what it wants to accomplish, what lines of inquiry it wants

to pursue.

Can you suggest a process and perhaps people that might assist us in doing that?

Also generally I would be interested to know how you feel the Canadian experience has gone in the last 10 ... what the Canadian experience has been in the last 10, 12 years. What progress has there been, or have you seen since the publication of the Kelly/Hanson report.

And finally if you would care to comment on the Australian experience, and particularly New South Wales, and their approach to public accounts.

Mr. Kelly: — It's a four-part question I think.

Mr. Chairman, to Mr. Van Mulligen. I think that the idea of a researcher for the committee in addition to the Clerk is a very useful one. Of course it depends on the availability of resources and other things.

But you mentioned caucus researchers, and I would not want to disparage the research done by caucus people. But they are essentially party people who may bring a different perspective to identifying issues than a researcher would that has the role of the public accounts committee in mind first and foremost, and who could provide continuity and an act of liaison with the Provincial Auditor, with other committees, and acting on the objectives and priorities set by the public accounts committee could help the members by formulating questions, conducting briefings, hopefully jointly with the participation of both the auditor and the comptroller.

I see such briefing sessions; I've seen them work and they're very useful. They're not open meetings; they're just private briefings for members on issues, particularly at the time that the *Public Accounts* and/or the auditor's report are referred, when the committee is trying to establish its schedule, its priorities, and the issues that it should look at.

So I think there is a role there. Other jurisdictions, as you know — the federal, the Ontario, and so on — have made use of researchers from the legislative libraries. Smaller jurisdictions in the past have ... where resources were not available, have asked the Provincial Auditor to second someone to assist them.

But that role, then that person has to be the servant of the committee and its purpose rather than act as a member of the audit office. Because the committee and the auditor, while they have a very close relationship and while they work toward the same goals, may have different interests from time to time in terms of the matters they want to look at. So this is something that has to be considered.

In terms of the statement of practice, I think that that is really essential. I think that for each member on the committee to have an understanding of what the committee's role is, and for the committee itself in its own session to sit down and say, what are our priorities and what do we hope to achieve over the next three or four years that we're going to be here, based on that role, is very important because it avoids the committee being

trapped in trivia or going off in unproductive directions. It gives them a sense of purpose and a sense of direction. That doesn't mean that it's inflexible. No plan is. But I think it's important because it helps them develop the kind of independent, objective and constructive attitude that I think is essential if the public accounts committee is doing its job.

In terms of progress, I would refer you to a survey that was carried out by the Canadian Council of Public Accounts Committees that does — in 1990, so it's fairly current — that does take a look at compliance with both the recommendations of the CCAF study on improving accountability and Canadian public accounts committees and legislative auditors and the CCPAC guide-lines for public accounts committees in Canada. Whether this has been audited is another question. I don't think it has. But it certainly is the most recent study and it is very detailed.

Mr. Van Mulligen: — In your experience, what do you see across the country? I know it's one thing to look at that report and say, here is compliance with the set of standards that have been enunciated, but has the level of compliance changed over the last 10 years?

Mr. Kelly: — Oh I think it has. I think this report demonstrates it. On the other hand, my interests have changed in the last 10 years and I am not following what's happening in every public accounts committee in every jurisdiction as closely as I did 10 years ago. But I think it has. I think it's evident here. Committee sizes have . . . even Alberta's got a smaller committee and they used to practically have the whole legislature in their committee.

No, I think it has changed at the federal level and at many other levels. Some have changed faster than others, but that's the process of reform. We find the same thing in the financial information that's being produced by the different governments. There have been significant changes all across the country, but sometimes in different areas. And some people started a few steps ahead of others and so it was easier for them to conform to the recommendations than it would be for other jurisdictions that had further to go. I think each jurisdiction has to find its own level.

On the New South Wales public accounts committees I really am not competent to answer that question. I know something about the philosophy of New South Wales government under Mr. Greiner toward both financial information, accrual accounting, the devolvement of responsibility to public servants, and the privatization of state-owned enterprises, but I have little or no knowledge as to the internal workings of their public accounts committee. So I really can't answer that question.

Mr. Van Mulligen: — Just on that point, I was always struck by the tremendous independence that that committee has and the scope of the work that they do, and not necessarily or in many instances seems to have very little to do with the reports of the auditor of the day. Whether they define their own fields of inquiry of things that they feel that they need to examine, whether it's . . . I think one instance they cited was that they had a number of fires occurring in schools in New South Wales and they

detected a pattern and they, the committee, pulled all the various resources together to look at that problem and were able to bring government departments to bear and put an end to it.

If I'm not mistaken, the committee researched other harbour front developments in North America because Sydney was proposing to get into harbour front development and this involved expenditures of hundreds of millions of dollars. It fell upon the committee to review what had happened in other jurisdictions and to give some guidance to the folks back home.

Mr. Kelly: — It's difficult to comment on the operations of a committee in the Australian state of New South Wales without knowing what other committee structures they have from their legislature, what those people do, what the mandate of their state auditor is, and the kinds of information and reports that that auditor has produced and asked to produce under that mandate.

I think that to separate . . . The danger is that you separate so far away from your primary goals and responsibilities and from the work of the legislative auditor that in effect there is a vacuum there on the essential function that the legislature has entrusted to the public accounts committee.

And so the danger is that while members may find that their profile goes up and they get a little more press and hit the front pages more often, that the job that they were asked to do isn't being done. And that's a real danger.

Now I can't judge what happens in New South Wales. But in my experience in Canada, the most productive is where you've got a solid, effective audit office and a well directed public accounts committee. That does not mean that the public accounts committee turns its agenda over to the legislative auditor. You and I through the years have heard cases . . . for example we can think back in directions and investigations carried out in Ontario at the behest of the public accounts committee and to specific things that were related to the mandate of the public accounts committee.

I just warn you that sort of roving around may diminish the effectiveness of the committee in carrying out its primary function.

Ms. Haverstock: — Yes, Mr. Kelly, you made reference, and I assume perhaps it's in one of those documents which I have not read, about size, that now public accounts committees are getting smaller. I think you used Alberta as an example. Could you make some reference in your opinion to what you see as the most valuable composition for public accounts committees.

Mr. Kelly: — Yes, we spent some time in this document considering that. I apologize to Alberta; I didn't really mean to single them out. So let me go back to the federal public accounts committee. There we had 20 members.

Mr. Anguish isn't here this morning, but when he was a new MP (Member of Parliament) he was a member of the public accounts committee that I witnessed before. We had 20 members plus alternatives.

The difficulty here is achieving the right balance. You need a committee that is large enough to bring the perspectives of all the parties to bear on the administration, but not a committee that is so large as to be cumbersome.

The reason that Alberta 10 years ago had such a large committee was that they insisted that the committee be in the same proportion as the House. Well if you'll cast your mind back 10 years, they had something like 72 members in the government and four members in the opposition, so that you ended up with 36 members on the public accounts committee, of which two were opposition and 34 were government, sitting in the Legislative Chamber.

That does not, in my opinion, make for an effective public accounts committee. So if we're going to be too rigid on proportions and on sizes and so on, there can be a danger.

Now I know that there is a long-standing tradition in the orders of the House, and it's a valid one that committees represent the composition of the legislature. But we made suggestions here that between 9 and 11 people seem to be a good size committee for most jurisdictions. Some with very large numbers, like the federal House, we're prepared to see a larger committee, although I think now that their committee has only 10 people as well, with alternates.

Ms. Haverstock: — One of the things of course that poses some difficulty, if in fact it's done on the basis of proportion within the legislature, is that if in fact under the current circumstances of course we have seven members of government versus two members of the official opposition and myself as the sole member for the Liberal Party, that if we reflect back on the time previous to this where there were, I believe, five members of government, four members of opposition . . .

A Member: — Six.

Ms. Haverstock: — Six and four. If in fact the government side chooses to say very little, to question very little its own practices, then a great deal of responsibility lies on those members of opposition.

To carry it under these circumstances of course, I have no research support, caucus or otherwise. And if in fact the government chose to in this — we're dealing with 1989-90 accounts — if when we're dealing with their business of the day and they choose to say very little, we in fact have three members of opposition sitting here, one of whom is the chair of this committee, then one other member and myself with no capacity to have any research support. So it really does put public accountability in some jeopardy of having full opportunity to examine the situation.

So I'm wondering, you know, I have been wondering about composition. And I very, very much — composition being ratio — under the circumstances of the way in which in the present circumstances in Saskatchewan we have an overwhelming majority in government, and if you could comment on that, just your own opinion.

And I do want you to know that I have been very appreciative of your comments regarding research. I think that one of the problems arises when in fact we do have caucus research staff who do look for the things that perhaps can be most embarrassing for government or previous government or whatever, versus perhaps far more broad-reaching situations.

And I also very much support and was impressed by your comments regarding having research staff in the library available to people. I know that this was done in New Brunswick by Mr. McKenna when there were 58 out of 58 seats going to one party. And in fact they gave well over \$225,000 to the library in order for the members of the opposition to have research staff in that way. So if you could comment, please.

Mr. Kelly: — I think I have commented on research support for committees and in answering Mr. Van Mulligen have outlined — and in my remarks — some of the advantages to the committee of that.

Ms. Haverstock: — Yes, I'm thinking more about ratio.

Mr. Kelly: — In terms of proportion of membership, that's really a legislative matter. I don't see a problem off the top of my head with the kind of proportion you have on this committee. But the idea of the passive government member and the active opposition member and of the searching for political points, either to embarrass the government or to defend all the decisions that were ever made by the government, is one that I touched on in my remarks because I think that is the question of attitude and approach that I realize is very difficult to overcome. I mean, after all, there are different parties because people do have different viewpoints.

But the role of the public accounts committee really deals with a legislative function for the whole legislature of looking at how well the government has administered the resources given to it. And I think it is a role that I have seen work very well in some circumstances. There are obviously . . . it does not work well in others.

So that's one that the members will have to deal with as individuals. However, by gaining an understanding and buying into a role for this committee and by setting out specific objectives or goals that give a sense of priority to the kinds of issues they are going to address and look at, also in my experience has generated a sense of commitment in the best committees I've seen operate where partisanship is extremely low and where the committee does function to critically and constructively examine what the government administration is about, both using the Auditor General's report and using their own research facilities.

Ms. Haverstock: — Do you have an opinion about where you've seen this happen — the best situations where people have obviously come together and made some decisions about how they can put aside their partisanship and truly work as a public accounts committee in the best interests of the people?

Mr. Kelly: — I have seen it operate years ago under Ron

Huntington at the federal level and under Bill Clark at the federal level. I can't give you specifically the periods, but there were some periods under Pat Reid in Ontario where the committee was very productive. Mr. Mulligen, you'll remember some of the investigations they did with respect to the health care system and other things.

Those committees, in fact the government members if you like, were as interested, as active, and as searching to perform the job as anyone else.

How does one legislate attitudes? I don't know. You can pick these studies up, both the CCAF and the guide-lines, and find all kinds of mechanical recommendations for, you know — don't have ministers on the committee; don't bring ministers as witnesses unless they actually made the decisions. Don't do this. Don't do that. Don't do something else. But it doesn't make a committee function with a sense of purpose and a sense of unity. That only comes from the members. So all the mechanics in the world isn't going to do it.

Mr. Chairman: — I'm going to use the chairman's prerogative here on this topic because it's a feeling that I've had, both as back-bencher and a cabinet minister and a sort of a student of politics, that what Ms. Haverstock has talked about and what you've talked about, John, in some of your other comments goes back to our system in Canada and Saskatchewan. And I really believe that the power of the executive has continued to grow at the expense of individual members.

To achieve what you say I think is going to take significant reform of the way our legislature operates. Back-bench members, I think — I won't say have fear, but are very reluctant to be their own person because their ability to stand and express themselves has become very limited.

In our legislature we have private members' day, which in my view is a joke. Private members' committee day might make a lot more sense where specific concerns of your constituency could be expressed.

The same goes here. In our system here where every vote in the House is construed as a non-confidence vote leaves very little leeway for members to be individuals. And until such time as we perhaps adopt different systems, i.e., what they have in the British parliament today with the three-bell vote system or some other mechanism that we use to free members from party solidarity, it's very difficult to achieve the goals that have been outlined in some of these studies.

Saskatchewan is a very political province. We always hit near the top of the Richter scale as far as political awareness, on polling surveys with our people. You all have a significant portion of the population divided one way or another on most issues vis-a-vis party lines. That's a fact of life.

So if you're going to live with that and you're going to do an objective job that this committee is mandated to do, I as an individual member must feel with some certainty that I either don't have a visit with my premier or my leader after a particular public accounts meeting because he's very displeased with my attitude. And that will only

come when there is freedom to stand in the legislature and vote my conscience without defeating my government.

And the public today expects that very thing from members. I get an increasingly large feeling of distaste in their mouths with the way that we have been operating.

I guess the easiest way I think all members should do it is to say to yourself, if I were the premier of the day, how would I feel about it and how would I empower my members to do the job that's mandated to them. Because you have to feel for that individual, knowing the task that is before him, and not wishing to become Italy where I have an election every month.

You don't have to comment on that because that's maybe a little beyond your purview. But it's just my observation of our process, and I've been at it since I've been 10 years old.

Mr. Kelly: — The adversarial nature of our legislative system, the caucus solidarity and party disciplinary structures that we have in place, they cause some difficulty. And I certainly don't feel competent to discuss or even suggest anything in that regard.

But for the public accounts committee, many times in the British literature and in our own here in Canada, we've talked about its unique nature. One of the things that — and this is merely an off the top of the head suggestion — one of the things that you might consider now that it's early in your mandate is in fact a statement of your mission and your objectives and your mandate that could be presented to the House with appropriate discussions and agreement by House leaders and whips and so on, to be sanctioned by the House, to be approved by the House.

And if you can establish your ... given that, if you can establish your credibility through objectivity and constructive recommendations and so on, it is also beneficial if your reports are not only tabled in the House, but if possible, recommended. Now this does call for all-party operation and so on. But surely if the nature of the committee is recognized as a legislative thing and if the House is willing to provide that kind of authority and mandate to you, that would be a good start.

That's, as I said, an off the top of the head suggestion, Mr. Chairman, but it might go some way at least for this committee to carry out its mandate without at least somewhat mitigating the kinds of adverse circumstances that you have mentioned.

Mr. Chairman: — Well it being 11 o'clock, which was our designated time, I would like to thank Mr. Kelly, on behalf of the committee, for being with us for a couple of hours this morning and certainly providing a lot of food for thought.

And I guess what we can do as members is to avail ourselves of all of the information that you've pointed out to us. And it will come down to this committee's resolve, I suppose, as to how they will function over the next few years. So thank you very much for appearing before us.

Mr. Kelly: — Thank you for inviting me.

Mr. Chairman: — We'll take a 10-minute break and then call in Energy and Mines.

The committee recessed for a short period of time.

Mr. Chairman: — Could I have a motion to go *in camera*?

Mr. Van Mulligen: — I'll move, Mr. Chair, that we go *in camera* to consider the auditor's comments with respect to the Department of Energy and Mines.

Mr. Chairman: — Agreed? Carried.

Agreed

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

Public Hearing: Department of Energy and Mines

Mr. Chairman: — Good morning. Ms. Youzwa, if you would please introduce your officials to the committee.

Ms. Youzwa: — My name is Pat Youzwa, the deputy minister of Energy and Mines. I have with me to the left Ray Clayton, who is the assistant deputy minister of finance and administration; to my right is Doug Koepke, who is our supervisor of accounts; and behind me I have Don Stirling, who is the director of mineral revenue; and Lynn Jacobson who is the director of personnel and administration.

Mr. Chairman: — Thank you. There is a small piece of official business to do before we begin. On behalf of the Standing Committee on Public Accounts, I want to welcome the officials of the Department of Energy and Mines to the committee's meetings 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 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 address all comments through the chair.

Ms. Youzwa, do you have any statement or anything to make to the committee before we begin deliberations?

Ms. Youzwa: — No, I do not, Mr. Chairman.

Mr. Chairman: — Thank you.

Mr. Johnson: — The first seven items in the auditor's report refer either in one way or the other to

implementing of a new program or a new computer program that maintained, I believe, tax and revenues and other information. Could you tell the committee whether this was developed internally in the department or whether there was a . . . the department had expertise outside that they were either contracting or paying for this particular implementation of this program.

Ms. Youzwa: — The production and disposition system is a system that we have maintained in the department for a number of years. What we undertook was a redevelopment of the system to address many problems that we had with the complexity and the inflexibility of the old system that we had.

The new system which we developed and implemented and the work that was referred to here in the auditor's report was undertaken by systems development expertise which we contracted outside the department.

Mr. Johnson: — Could you indicate then who they were or whether the company or . . . detail who they are?

Ms. Youzwa: — The contract was given to Management Systems Ltd., which was . . . later became part of WESTBRIDGE.

Mr. Johnson: — Okay. The implementation, timing of the implementation, would that have been a directive of the department to make that move? Was it the department's statement that this one should be implemented or did it come from Management Systems or WESTBRIDGE that they could implement on that time period or was it a requirement of the department?

Ms. Youzwa: — We initiated the redevelopment of the system and we had in place a plan that we thought would take . . . that stipulated how long we thought it would take to implement the new system. While we were in the process of developing the new system we did run into some delays that we had not anticipated originally and that was something which we then had to manage and accommodate.

Mr. Johnson: — Now is that . . . that's in the department that you ran into those delays?

Ms. Youzwa: — It was the department's decision to stipulate the implementation date of January 1990. The delays which we ran into in implementing the new system were a result both of the length of time that was taken and needed by the MSL (Management Systems Limited) people to do the development work and also the length of time that was necessary for people within the department working with MSL to be able to meet some of those development requirements.

Mr. Johnson: — Was there any thought given to delaying the implementation?

Ms. Youzwa: — The January 1 date?

Mr. Johnson: — Yes.

Ms. Youzwa: — We had indicated a January 1 date to the industry as that being the date in which the new . . . they

would be required to report for the new system. We did come to realize that there would be a delay and we would not be able to meet and have the system fully implemented by January 1. But we did not delay or change the implementation date for the reporting requirements of the industry because they had gone through their own system changes and reporting requirement changes to be able to meet our deadline.

Mr. Johnson: — Okay. So the reason that I've been asking is that in essence the structure of implementation of a new program of this nature 25 years ago would be noted in computer classes that the whole procedure is wrong, like that it doesn't meet what would be acceptable implementation procedures for computer programs.

And so what you're saying is that the department accepts some of the problems that are related here and that they are indicating that some of it has to do with the computer company that they hired to provide the service then.

Ms. Youzwa: — The production disposition system is a very complex computer system. And once we got into the redevelopment work, we did encounter with the contractor a number of complexities that hadn't been anticipated when we first set out the plan. And because of those unanticipated complexities, we found ourselves with delays in implementation that we initially had not thought we would have.

Mr. Johnson: — So the analysis that was done then to make the change . . . What you've actually said is that the analysis that was done was inadequate.

Ms. Youzwa: — Well the analysis that was done I think was as best as could be done, anticipating what would have to be changed to redesign the system. I think once we got into the redesign work, given the size and the complexity of the system, we did encounter things that had to be done, issues that had to be addressed and designed that hadn't been anticipated at the beginning, and probably couldn't have been anticipated until we got into the nuts and bolts of the system itself.

Mr. Johnson: — Okay, the analysis that was being done, was that being done by the department internally, or was it contracted out to someone else?

Ms. Youzwa: — The analysis in terms of the timing?

Mr. Johnson: — In terms of putting forward a redesign of the program.

Ms. Youzwa: — We contracted with another company to work with the department on a conceptual design for the redesign of the production disposition system. It was that work which laid up the basic requirements that would be needed to redesign the system and that formed the basis of the request for proposal which was then issued, and MSL was the successful bidder on, who undertook the actual development work.

The conceptual design document tried to anticipate as best it could what would be required to redesign the PDS (production disposition system) system. But again, once we got into the actual work with MSL, we found that there

were some complexities that hadn't been anticipated that needed to be addressed in the course of the design.

Mr. Johnson: — Which firm was this?

Ms. Youzwa: — That would have been in a previous fiscal year and I don't have the name of the company with me but I'd be happy to provide it to you.

Mr. Johnson: — Okay. So then the total costs of this implementation, combining what it took internally in the department, do you have available or could you make available to this committee the total costs of what this amounted to, both the contracts and the time consumption in the department or . . .

Ms. Youzwa: — That work extended over parts of I believe three fiscal years and we will go back and certainly pull the material together and be pleased to provide it to you.

Mr. Van Mulligen: — Just a follow-up to this section. I'm just curious to know how you were able to determine, if at all, whether you experienced any loss of revenue as a result of the change-over in systems, and if so, if you were able to calculate any loss in revenue, what that might have been.

Ms. Youzwa: — The producers pay royalties to the department on a monthly basis based on their own data. The production and disposition system is used to process information that they provide on production on a monthly basis, and we use the production disposition system to then verify whether the royalty submissions were accurate, whether there were overpayments, underpayments, or they were what they were supposed to be.

In the case of over or underpayments of royalties, what we would do, having used the information from the production disposition system, would be either to credit the accounts of the producers or to bill them for any shortfalls that were there.

So what would have happened with the delays is a delay in the verification process, but we do not believe we had any revenue losses because of that. We were still able to go back and verify every month's billings to ensure that they were accurate and the Crown received the royalties that were due.

Mr. Chairman: — Mr. Anguish, on this section?

Mr. Anguish: — No, I have some questions, Mr. Chairman, that concern something that's not noted in the auditor's report.

Mr. Johnson: — Mr. Chairman, in October, according to the auditor's report, the system was still not fully working. Did the department then have to employ someone else or contract someone else to fix the system? Or did it . . .

Ms. Youzwa: — No, we did not. We just continued the work until it was completed. The system is now fully implemented.

Mr. Johnson: — What other expenses would it have generated in the department because this was not functioning? Would there be other expenses generated in the sense of either new staff, more staff, or not doing some other things that were originally budgeted to do or that the department had originally planned to do for that year?

Ms. Youzwa: — There were no increased expenses to the department in terms of hiring staff or contracting services.

I guess the cost to the department was staff time, that it took more staff time than we'd anticipated to have the system implemented. And while staff was working on the PDS system it meant that they weren't working on other things that they may have been able to, had the time been available to them.

Mr. Van Mulligen: — Just one final question on this section, if I might. The auditor indicates that in October 1990 the new system was not still fully working. It's now January 1992. Is it fully working now?

Ms. Youzwa: — It's fully implemented. There are no backlogs. It's current.

Mr. Chairman: — Perhaps we could go on to the next section then, .08 through .14.

Mr. Van Mulligen: — This remission of the natural gas royalties by producers who are supplying NewGrade, why did the department make the decision to authorize this remission to NewGrade as opposed to a general program of remission to all major users? Why to NewGrade?

Ms. Youzwa: — The remission of royalties for NewGrade was part of the negotiations and financial arrangements that were negotiated between the province and NewGrade for that project.

And the agreement there was that NewGrade would receive a refund on the royalties on the gas supplied to its operations for a duration of 15 years, or longer if NewGrade's debts remain unpaid, as it's indicated in the auditor's report here.

So it was not put in place as . . . it was part of that negotiation process which led to the project being constructed and undertaken.

Mr. Van Mulligen: — In this particular year this is \$327,405, according to the auditor. So you're saying for a period of 15 years the province is locked into an agreement to authorize or to provide for these remissions.

Ms. Youzwa: — Yes, that's right.

Mr. Van Mulligen: — I have no further questions on this.

Mr. Chairman: — Okay, that covers off the auditor's portion of the report. Perhaps we could move into the general area of discussion.

Mr. Anguish: — Thank you, Mr. Chairman. When your department issues a quarry lease, does the number of the quarry lease stay attached to that particular gravel pit or does it change when a new leaseholder would be put in

place to have their quarry lease?

Ms. Youzwa: — If there is an agreement between a person who currently holds the lease and a person who wants to take over the lease, to have the lease, agreement between those two individuals, we will transfer the lease, the existing lease, and name the new lessee as part of the transfer process. If an existing lessee gives up a lease, then we will cancel the existing lease and we will issue it to a new lessee if he applies for it.

Mr. Anguish: — I understand that, but I want to know if the number stays . . . I want to talk to you specifically about some gravel pits. I want to know, before we get into that, say that I'm an entity, the Department of Highways, and I have a quarry lease issued by you that say would be quarry lease Y-7406, and for whatever reason, I, the Department of Highways, give up that quarry lease and you issue that quarry lease to a private individual — would the quarry lease number stay as Y-7406 or would you change the quarry lease number?

Ms. Youzwa: — I can't give you a definitive answer on that as to whether or not the number would change or would not change. I'd need to go back and check with staff in the department who administered the quarrying leases.

I also don't have specific information with me today on specific quarrying leases, if you want to talk about specific gravel pits.

Mr. Anguish: — Maybe you could get that and when you return after lunch, you could provide us with more detailed information on quarry leases.

In the particular lease that I'm interested in, as of January 16, 1990 your department referred to it as quarrying lease application Y-7406 and the letter that I have here was sent to the rural municipality of Beaver River by a Ms. Kelly Klyne.

Could you tell me in the year under review how many gravel pits or quarrying leases were relinquished by the Department of Highways and picked up by private individuals?

Ms. Youzwa: — I would have to come back to you with that information. I don't have it with me.

Mr. Anguish: — When someone gives up a quarrying lease, what's the procedure you go through to reissue the quarrying lease?

Ms. Youzwa: — We would be pleased to provide you with this information. If I could ask, however, if we could just ask you to wait till after lunch, we'll have the official here who administers the quarrying leases and be able to provide you with the detailed responses you are looking for.

Mr. Anguish: — I thought you'd bring that official with you since this was such an important topic under the . . . in the year under review, that you would have that official here.

Mr. Chairman: — I think, given the impasse that we're at here, that that request is fairly reasonable because the official isn't here. Perhaps other members have questions in other areas so that we don't take up time.

Mr. Anguish: — I hope I didn't indicate that I thought this thing was unreasonable. I think I agree with you that it is reasonable that I wait any further questions until you have the officials here that would know all the details about quarrying leases and what the procedures are; and if we refer to specific quarrying leases, they can answer questions as specific about certain leases.

Mr. Johnson: — Mr. Chairman, the question that I would like to go back to is in the first section, and I want to make sure that what I thought I asked is actually where you're at. Have I asked for the total cost of this to be . . .

Ms. Youzwa: — Yes.

Mr. Johnson: — And that's your understanding? Good. That's where some of my neighbours here have questioned my asking of that particular one, so I wanted to make sure that that was there.

You, in coming back after dinner, will you have the name of the individual firm with you that did the assessment as to what was going to be for the program, the analysis for what type of program was going to be needed.

Ms. Youzwa: — We can have that after lunch, yes.

Mr. Muirhead: — Thank you, Mr. Chairman. Madam Deputy Minister, my questions also will be on quarrying. So you know what the questions will be about and you can perhaps make sure the file is here.

It's pertaining to Squaw Creek Aggregate and applications to quarrying from Ronald Backen. Just so you can answer all the questions that I want to ask, if you'd have those files here please. I have many.

Mr. Chairman: — Any questions, any more questions?

Mr. Sonntag: — Thank you, Mr. Chairman. Just on looking through the financial statements, I have several quick questions. I don't know whether you can answer them all. On page 111, I note a compensation payment of \$175. I'm just curious what that is about. It's geology and mines.

Ms. Youzwa: — Clarification, you're looking at compensation payments made under the Saskatchewan Heritage Fund, the resources division?

Mr. Sonntag: — Yes, I believe Mr. Kraus is indicating the right spot.

Perhaps, Mr. Chairman, as we're getting close to lunch hour again, I could just again just leave the questions with them and they can bring . . .

And the second question I have is with respect to, Mr. Chairman, jury duty. I note on the bottom of the same page 125 and then on the succeeding page, I note also under subvote 14 a compensation payment of \$7,050. I'd

be curious about that as well. And lastly . . .

Mr. Chairman: — Are these . . . (inaudible) . . . all in subvote 4?

Mr. Sonntag: — No they're not. The one is under subvote 4. The jury duty is under subvote 8 and the compensation for \$7,050 under subvote 14, one four.

Ms. Youzwa: — There's a number of different items included in those categories and we'll provide you with the details after lunch.

Mr. Sonntag: — Okay, thank you. Also I'm wondering if you could explain the following payments listed under other expenses in the public accounts documents. There's a \$15,000 payment to K-a-k-a-r — last name. Also for 29,988 to Sherry Richardson and lastly for 28,129 to Nancy Richmond.

Ms. Youzwa: — It was Kakar, Sherry Richardson, and Nancy Richmond?

Mr. Sonntag: — That's correct.

Ms. Youzwa: — Nancy Richmond was hired by the department under contract to undertake geological duties in the office and the field as well. Sherry Richardson was hired under a contract to undertake similar kinds of duties as Nancy Richmond. They are both geologists. These are personal services contracts which were required to retain their services for that year.

Mr. Sonntag: — Did I miss the first one?

Ms. Youzwa: — Jogi Kakar?

Mr. Sonntag: — Yes. Did you explain that one?

Ms. Youzwa: — No, I'm just coming to that.

Mr. Sonntag: — Oh, sorry.

Ms. Youzwa: — Okay. Mr. Kakar was retained in a contract by the Department of Public Participation. The Department of Energy and Mines agreed to share the cost of that contract with Mr. Kakar. And in 1989-90 our share was \$15,000. Mr. Kakar was hired, and the work that he did for the department was to promote the province's interests in potash market development in India.

Mr. Sonntag: — Okay, the last question I would have then is, could we have a copy of the contract, please?

Ms. Youzwa: — We don't have a copy of the contract with us.

Mr. Sonntag: — Just bring it back . . .

Ms. Youzwa: — We will bring it back, yes.

Mr. Sonntag: — Thank you. I'm assuming that will be tabled, Mr. Chairman?

Mr. Chairman: — Yes. If you asked, there has to be 20 copies provided to the committee.

If there are no other general questions at this time, the committee will reconvene at 1:30 p.m. And thank you. See you later.

The committee recessed for lunch.

Mr. Chairman: — ... and ask the officials from Energy and Mines to come in.

Good afternoon. We'll resume our questioning, and I believe the first person on the list is Mr. Anguish.

Mr. Anguish: — Thank you, Mr. Chairman. Prior to the lunch break, I had asked you to bring a letter back that was written from Ms. Kelly Klyne, Saskatchewan Energy and Mines, written to a Ms. Debra Johnson on January 16, 1990. And I'm wondering if you could read that letter into the record.

Ms. Youzwa: — Yes, I can. Just a moment, please. This is a letter dated January 16, 1990 to Ms. Debra Johnson, the administrator of the rural municipality of Beaver River No. 622 in Pierceland, Saskatchewan. Would you like me to read it verbatim?

Mr. Anguish: — I want it read verbatim, please, and everything that's on the letter.

Ms. Youzwa: — Okay. P.O. Box 129, Pierceland, Saskatchewan, postal code SOM 2K0.

Dear Ms. Johnson: Re: Quarrying Lease Application
Y-7406 NE quarter of LSD 5; W half of LSD
6-14-61-21-W3 — 30 acres.

This department is in receipt of an application for the right to quarry for SAND AND GRAVEL on the above described land from Mr. Allan Wagman, P.O. Box 808, MEADOW LAKE, Saskatchewan, SOM 1V0.

If a response is not received in this office by January 31, 1990, this department will assume the municipality has no objections to this department processing the application from Mr. Wagman.

Yours truly, Kelly Klyne, Acting Supervisor of Industrial Minerals, Mining Lands Section.

And there's a carbon copy that was sent to the RM (rural municipality) of Meadow Lake No. 588.

Mr. Anguish: — Was it a carbon copy or was it a blind copy?

Ms. Youzwa: — It's indicated in our records here that it was a CC, which would be a carbon copy.

Mr. Anguish: — It says actually CC on the bottom of your letter?

Ms. Youzwa: — It does. It is a CC on the bottom of our copy. But perhaps I can explain what transpired in the preparation of this letter.

Mr. Anguish: — Maybe I could ask you those questions

and you could explain it through answers to the questions I ask you.

I have here a copy of the same letter that you just read into the record, with one exception on it. This was faxed to me on May 18, 1990, at 9:10 a.m. from the RM No. 622. That would be the Rural Municipality of Beaver River. This was faxed to me by the administrator of that rural municipality and there's no indication of a CC on the bottom of that letter.

However, through extensive questioning in estimates over three different government departments, the minister in charge at that time gave me a copy of the same letter, not knowing that I had the copy of this letter from the RM that shows no CC on it. And the letter that was sent over by the minister shows a CC to the RM of Meadow Lake No. 588. Explain that.

Ms. Youzwa: — When we received the application, we were in touch with the Rural Development department who had indicated to us that the land in question was within the rural municipality of Beaver River and for that reason we prepared the letter to be sent to the administrator of the RM of Beaver River.

After the letter was prepared, we received another call from Rural Development to say it wasn't clear from their records whether the land was in Beaver River or in Meadow Lake. And in order to ensure that the municipality that would be potentially affected was aware, we added a CC to the RM of Meadow Lake No. 588 to the letter and sent a copy of that letter to Meadow Lake.

Now we cannot confirm.— and this is sort of based on the staff's recollection—whether the CC had been added prior to the letter being signed and sent to Beaver River or whether it was added afterwards and just sent to Meadow Lake.

Mr. Anguish: — I allege that the CC was put on after the letter was sent to the RM of Beaver River.

Ms. Youzwa: — That may be. The intention here though was to ensure that the rural municipality was not overlooked and that they received notice that we had received application for the quarrying lease.

Mr. Anguish: — Okay, so the CC was added after the original letter was typed. Is that correct?

Ms. Youzwa: — Yes, that's right.

Mr. Anguish: — Well at that time you must have had knowledge that the rural municipality to which you sent the original letter wasn't even the municipality that was affected. Is that correct?

Ms. Youzwa: — It wasn't entirely clear at that point. And what we wanted to do was ensure that we didn't overlook the RM that would be affected. And so we sent the CC to Meadow Lake as well as to Beaver River. I mean, had we had clarification that it was Meadow Lake and not Beaver River, the proper thing to have done would have been to issue a letter directly to Meadow Lake and not to have

sent it as a CC to a letter that had originally been sent to Beaver River. But that was not done.

Our intention here though was to ensure that Meadow Lake knew as soon as possible that we had received the application for the quarrying lease.

Mr. Anguish: — Who instructed you from Rural Development that in fact you may have the wrong RM?

Ms. Youzwa: — I don't know the name of that individual. I don't have that.

Mr. Anguish: — You don't have that on your records?

Ms. Youzwa: — No.

Mr. Anguish: — What assures you that it was the Department of Rural Development that informed you about that?

Ms. Youzwa: — When we received an application for a lease with a particular land description, we as a matter of practice go to the Rural Development department to be told what RM this land resides in.

Mr. Anguish: — Why is it that the RMs play such an important role in this process when someone wants a quarry lease?

Ms. Youzwa: — We, as a matter of processing applications for quarrying leases in sand and gravel, notify the effective RMs and give them an opportunity to indicate to us whether they would potentially have an interest in sand and gravel on that parcel of land. It's a matter of administering policy to ensure that there are sand and gravel supplies available.

Mr. Anguish: — Isn't it another way to describe that, that RMs have traditionally been given the right of first refusal if gravel pits become available?

Ms. Youzwa: — The way in which the policy works is we allow the Department of Highways to have the first right of refusal on quarrying leases. We then allow RMs to have a right of first refusal but it's not necessarily . . . a right of first refusal is subject to certain kinds of conditions. It's not an absolute right of first refusal. If the department reviews the situation of an RM and the number of quarrying leases it may hold and the kind of supply it has access to, it may in fact issue a quarrying lease even though the RM has objected to it, if it feels there are adequate supplies available to the RM.

Mr. Anguish: — So when you determined that you may have had the wrong RM, why wouldn't you write another original letter to the RM of Meadow Lake correcting the situation instead of CCing a copy of the letter to the rural municipality of Beaver River? It doesn't seem to me that anyone who deals with this on a regular basis, would take them much longer to write a two-paragraph letter than it would to put a CC onto the bottom and send it. I'm wondering why you avoided doing that in the case of the RM of Meadow Lake.

Ms. Youzwa: — I don't think it was a matter of avoiding

doing it. It certainly would have been the right thing to do and the proper thing to do, and it didn't take place for this.

Mr. Anguish: — Why didn't it take place then if that was the proper and the right thing to do?

Ms. Youzwa: — It was just an error in judgement, I think, in the processing of the notice of the application having been received. But we had constant contact with the RM and we certainly had indications that the RM was well aware of the application before the quarrying lease was issued. So it . . .

Mr. Anguish: — Well I would ask you to reflect on that because I have other documents here from the RM of Meadow Lake, and the RM of Meadow Lake indicates to me that they were first notified by confidential phone call from an employee in the Department of Highways, and that's why they had knowledge of the quarrying lease.

I see some of your officials shrug at it, but we're not going to leave this until I go through in detail what I feel happened, and you're going to have to dispute what I allege to have happened in this situation.

I'd ask you, what is the date that the Department of Rural Development actually informed you that you may have the wrong RM?

Ms. Youzwa: — That would be January 16, 1990.

Mr. Anguish: — I'm sorry.

Ms. Youzwa: — January 16, 1990.

Mr. Anguish: — Well you must have noticed it the same day.

Ms. Youzwa: — Yes. It was a phone call we received during the preparation of the letter, and rather than prepare a new letter, the decision was taken to add the CC to the RM of Meadow Lake and the letter went out the same day.

Mr. Anguish: — I find that quite amazing; I find that quite amazing that the RM would . . . that the Rural Development would . . . You were preparing a letter to the rural municipality of Beaver River and the letter just got prepared, and before it got into the envelope and was sent out, you got a phone call from the Department of Rural Development informing you may have the wrong RM. So you retrieved your file copy on the same day yet, put a CC on the bottom of it, and then sent out yet on the same day to the rural municipality of Meadow Lake. Is that what you're telling me?

Ms. Youzwa: — Yes. That would be the case, except that I believe that the first letter to the RM of Beaver Creek had already been posted. And so that's why the letter which went to Beaver Creek did not show the CC to Meadow Lake.

Mr. Anguish: — Why was the rush for a response in this situation? The letter was sent on January 16 from Energy and Mines. You tell me that it was posted so that to me means that it was sent the same day as it was typed. It

would take at least two days to get to the RM of Beaver River. So that would be January 18.

And you're giving an ultimatum that if by January 31 there isn't a response received, you're going to go ahead and award this gravel pit to Mr. Al Wagman of Meadow Lake.

I mean RMs quite possibly would have to have called a special meeting. In this case I don't believe that the RM of Beaver River was even meeting between the time that they received the letter and the ultimatum that your official in the department gave them.

I want to know why the rush in this particular situation for awarding the gravel pit to Mr. Wagman.

Ms. Youzwa: — We had indicated a deadline of January 31 for a response. What we were doing was responding to a request from the applicant for the quarrying lease who had expressed some urgency in having a decision made on whether his application would be granted. We did subsequently receive a letter from the RM of Beaver River asking for an extension, that they indicated they were unable to reply within the time frame so had indicated and asked for an extension into February and we did agree to that.

Mr. Anguish: — Do you have the letter from Mr. Wagman expressing his urgency in the matter?

Ms. Youzwa: — What we have from Mr. Wagman is the application for the quarrying lease. We have no correspondence indicating urgency. That request would have been made to us verbally through telephone conversations.

Mr. Anguish: — Well what did he express to you, in the urgency of this private individual getting the gravel pit, when the RM of Meadow Lake wanted the gravel pit? What would compel you to put a deadline like that into the letter to the rural municipalities? And I still question whether or not the RM of Meadow Lake ever did get a carbon copy of that letter.

You're telling me that your department, by a phone call from someone you don't even know, this Al Wagman from out in the Meadow Lake area, that you would change your normal procedure and override the concerns of a rural municipality and there isn't even anything in writing?

What kind of influence did this individual have on your department that could compel you to set such deadlines on a rural municipality?

Ms. Youzwa: — We had had the request to have this dealt with expeditiously. We put the deadline . . .

Mr. Anguish: — Who requested that to be dealt with expeditiously?

Ms. Youzwa: — Well as I indicated, it was done verbally by Mr. Wagman. In our correspondence to the RM we had set the deadline of January 31. But obviously we're prepared to have some flexibility and to give the RMs an opportunity to respond. And when they did — Beaver River did write back to us and ask for an extension into

February — we agreed to that.

Mr. Anguish: — How many quarrying lease applications did you have before the department at this time?

Ms. Youzwa: — I don't have an exact number. But we would estimate it would be less than 10.

Mr. Anguish: — Yes. And how many of those had to deal with private individuals as opposed to an RM or a government department?

Ms. Youzwa: — It would vary over time. But we would estimate that in total right now we would have about 20 per cent of quarrying leases held by private operators, and the rest of the leases would be held either by rural municipalities or the Department of Highways.

Mr. Anguish: — That's an overall basis. If you had a thousand quarry leases, 800 would be held by government entities?

Ms. Youzwa: — Yes. We either . . . That's our best estimate guess at this point. If you want a more specific number, we'd have to go back to the files.

Mr. Anguish: — What's the average length of time it would take from the time a quarry lease is released until you issue it again?

Ms. Youzwa: — Once a lease is surrendered, that parcel plan becomes unencumbered Crown land. And how quickly it would be re-released or a new lease would be issued on that parcel would depend on if there was an applicant who was interested in applying for it or not. It would just . . . Once it's surrendered, that parcel will go into the general pool of unleased Crown land available for anyone to make an application for.

Mr. Anguish: — Would I be right in assuming, if say the Department of Highways gave up a gravel pit and there were proven reserves of 2 million yards of gravel in it, that it wouldn't sit around very long before somebody else applied for it. Is it safe to assume that?

Ms. Youzwa: — There isn't a definite answer on that. I mean that depends on whether there's someone who's interested in picking up those quarrying rights, whether there's a need for that sand and gravel, whether there's a market for it, all those sorts of factors. And that can vary. It could be a short period of time; it could be a longer period of time, depending on location and requirements.

Mr. Anguish: — Well say the Department of Highways gave up a gravel pit today. And I want that gravel pit. How long would it take me to get that lease from you?

Ms. Youzwa: — If there was a lease surrendered, and as I understand your question it was a Department of Highways' lease that was surrendered . . . I mean, normally what we would do if the lease was surrendered and we received an application for a quarrying lease, if it wasn't a Department of Highways lease, we would notify the Department of Highways and the RMs that that parcel of land is located in, so that they would have an opportunity to either raise objections or exercise the right

of first refusal in the case of Highways.

Then ultimately once we've got responses back from those people we'd be able to process the lease and that could take, depending on how quickly people respond and whether there are any objections, anywhere from 8 to 15 weeks.

Mr. Anguish: — Anywhere from 8 to 15 weeks — that would be a ballpark time, right?

Ms. Youzwa: — That's a ballpark, yes. Our best estimate.

Mr. Anguish: — So 8 would be a low and 15 would be a high?

Ms. Youzwa: — That's right. On average, yes.

Mr. Anguish: — Well when does the Department of Highways surrender this lease that we're talking about here today?

Ms. Youzwa: — That would have been January 12, 1990.

Mr. Anguish: — January 12, 1990. And your department's trying to turn this one around in less than four weeks. That would be . . . this is a similar situation that I think the date's — what? — the 10th today . . . (inaudible) . . . January 9 today. This situation would be like the Department of Highways releasing a pit today, and you trying to put it into my hands by the end of the month. Don't you find that unusual?

Ms. Youzwa: — What we would be looking for, in the example you've given, is not to complete the processing of the application issuing of lease, all we would be looking for is an indication from the RM as to whether or not they have an interest or an objection to the application.

Mr. Anguish: — Were you the deputy minister at the time?

Ms. Youzwa: — No I was not.

Mr. Anguish: — Were you working in the department at the time?

Ms. Youzwa: — Yes I was.

Mr. Anguish: — What was your job in the department at that time?

Ms. Youzwa: — I was the assistant deputy minister of resource policy and economics.

Mr. Anguish: — Were you aware of this situation at the time it was brought up in the legislature?

Ms. Youzwa: — No, at the time in the legislature I was on maternity leave.

Mr. Anguish: — Okay. Because what the RM of Meadow Lake says is not the same as what comes out of the department. I want to determine whose information is inaccurate, whether it's your information or whether it's

the information from the rural municipality of Meadow Lake.

Considering the same lease, in January 1990 — and I don't know the exact date in this situation — January of 1990 there was a telephone call received from a Department of Highways' official in North Battleford in confidence. This person advised that they were getting pressure to release the west half of LSD 6 (legal subdivision) so that an individual could get it so he could sell gravel to Millar Western, and they wanted to know what the RM's reaction would be. This is the Department of Highways. The person said they didn't know the reaction, and they thought that it was a long haul to haul to Millar Western, but they're hauling further now anyway so it might be all right. And then the Highways person phoned again a few days later and informed the RM that they were going out to do more testing in the gravel pit.

Before I go on with this, if the Department of Highways knew . . . like there's three departments involved. There's Highways because they gave up the pit and, according to this employee, had had some pressure to do so. Rural Development was involved in it in terms of protecting the interests of the rural municipality, I would think. And you're involved in it because you issue the quarrying lease.

How would it that you'd get the wrong RM but the people who are dealing directly with it in Highways would have the right RM?

Ms. Youzwa: — We've had no contact with the Department of Highways on this as to the location of the pit and which RM it was in. The department that we were dealing with was Rural Development.

Mr. Anguish: — Okay, well I'll go on from there then. According to the rural municipality of Meadow Lake, on or about January 24, an employee of Rural Development land branch called to say they needed a release from the rural municipality of Meadow Lake for their quarrying rights to the north-east 10 acres of LSD 5-14-61-21-W3. This employee explained that they needed it right away because the original request had gone to the wrong RM.

At that time there was a reference made to LSD 6, and there was some confusion at this point between LSD 6 and LSD 5, both of which fall within the RM of Meadow Lake, incidentally. And so there was a call made to the Department of Highways and they did determine that the gravel pit was on LSD 6.

So here we have a situation where somebody from Rural Development . . . (inaudible) . . . we said you get your information was aware. But according to this, there was no letter sent on the 16th. If it was sent on the 16th, a carbon copy of this letter, they still hadn't received it by January 24. And you're asking for their intervention by January 31, which I think is unreasonable.

Why would this person in Rural Development want a release, as she described it? I submit to you that RMs have the right of first refusal when gravel pits are given out by the Department of Highways, as is in this particular case.

And what would the pressure be on her, this departmental employee, to get this release signed so quickly? I'd like to know more about the process and interaction between you and the department.

Ms. Youzwa: — The Department of Rural Development's interests on these matters is one as the administrator of the surface. This is on Crown land, the surfaces is Crown land, and Rural Development administers access to the surface.

The discussions that a staff member of Rural Development may have had with the RM on this matter that you've indicated, in January, we were not privy to and cannot comment on what was being pursued in discussion between Rural Development and the RM at that time.

Mr. Anguish: — This drags over into February. During the week of February 5, Kelly Klyne from your department made a phone call and asked for release for quarrying rights for LSD 6. She was informed at that time that the person she was talking to couldn't give her that assurance because it required further consideration from the council.

Now about a week later on February 12, a cabinet minister phoned to say that Energy and Mines people were telling him that the RM was going back on its deal for LSD 6, and it was explained to the cabinet minister that the RM did not have an opportunity to go back on the deal as they had no knowledge of the deal in the first place, that the request to release the RM's quarrying rights was to go to council the following day. But because of a snowstorm, the meeting was called off and rescheduled for February 14. Again that sort of indicates that there was never any notification given to the rural municipality of Meadow Lake.

Do you keep a telephone log of these conversations when things are done in a pressing manner and there's no correspondence going back and forth, and items like this are done by telephone call? You don't keep a telephone log on situations like this?

Ms. Youzwa: — We do not keep a telephone log of all conversations that take place over an application for a lease. I mean ultimately a lease is granted, and the application is completed only with the execution of written documents. And we rely on the written documents in the files to be our record of the matter.

With regard to what you have described as a discussion between the RM and a cabinet minister, we have no knowledge of that conversation.

Mr. Anguish: — The RM goes on to talk about the matter finally being brought before the council's attention at a meeting on February 14. At that time the council decided not to release their quarrying rights to LSD 6, and in fact assure their rights to the gravel pit by applying to the Rural Development lands branch to purchase or lease the west 20 acres of LSD 6 in 14-61 -21 west of the third. They also applied for a quarrying lease from Sask Energy and Mines on the same land that I've mentioned.

Why didn't they get their quarrying lease? And at the same time while you're looking that up, I want to know how many examples there are of rural municipalities that apply for a quarrying lease and their interests were overridden by a private individual to get the pit. I want to know, were there other precedents for this to have happened?

Ms. Youzwa: — We did receive an application from the RM of Meadow Lake on February 16, 1990. It was amended on February 20, 1990 because there was an error in the land description.

We considered the application. As I mentioned before, in looking at an objection that may be raised by a rural municipality, we do not, in administering our policy, give an automatic right of first refusal to an RM. What we will do is look at the number of quarrying leases they hold in the area and try to ascertain whether they have already adequate sources of supply available to them.

In the case of the RM of Meadow Lake our records show that they had five quarrying leases in the area at the time and for which had been reporting no production in the recent past. And we concluded that because these leases had been renewed, there had been limited production from the time of their renewal, that there was still resource available in those five quarrying leases. And with that determination and conclusion that there were already adequate supplies available to the RM of Meadow Lake, we issued the quarrying lease to the applicant.

In terms of the second part of your question, how many times have we denied the right of first refusal to an RM and given a quarrying lease to a private operator, I don't have that information before me but we can certainly endeavour to provide it to you.

Mr. Anguish: — Well if you would provide that to the committee in the traditional manner, I'd like to know how unusual this situation is. I find it very unusual, the situation concerning this quarrying lease, and I want you to provide that to me so I can have some level of comfort that this is not as unusual as it seems to me at the present time.

Ms. Youzwa: — We will certainly do that.

Mr. Anguish: — You mentioned that the RM had I believe five quarrying leases. Did they not in fact approach you and tell you that the reason some of those pits weren't in use is because they didn't have any gravel left in them?

Ms. Youzwa: — We are not aware that the RM made representations to us that there was no sand or gravel left in those pits. In fact after the lease, the quarrying lease, was issued, at that point the RM cancelled a number of the leases that it currently held.

Mr. Anguish: — So the RM had six quarrying leases or five?

Ms. Youzwa: — I'm sorry?

Mr. Anguish: — How many quarrying leases do you say the RM had, the RM of Meadow Lake.

Ms. Youzwa: — There were five quarrying leases.

Mr. Anguish: — What are the numbers of them?

Ms. Youzwa: — Y-6168R; Y-6646R; Y-6865R; Y-7055; Y-7059.

Mr. Anguish: — What about Y-7401 ?

Ms. Youzwa: — The RM does hold Y-7401. That lease was applied for February 16, 1990 and was issued February 27, 1990. It was not a lease which they held when we received the application.

Mr. Anguish: — I didn't ask your intention. I just asked you what quarry leases the RM held.

Ms. Youzwa: — No they did pick up the sixth one in February of that year.

Mr. Anguish: — And where is that located in proximity to the quarry lease that was issued to Mr. Wagman?

Ms. Youzwa: — The land description for 7401 is the north-west one-quarter of section 24-61-18 of west of third. If you compare that to the quarrying lease 7606 which is in the 21 west of third, it would indicate that the 7401 is to the east of the lease that was issued to Mr. Wagman.

Mr. Anguish: — How far adjacent? A few miles? Can you make a determination on that by the description you have?

Ms. Youzwa: — The distance would be three ranges to the east.

Mr. Anguish: — Would you mind telling me how far that is? I don't know how far a range is.

Ms. Youzwa: — We've run into the same problem.

A Member: — 18 miles.

Ms. Youzwa: — 18 miles.

Mr. Anguish: — And this is to the east?

Ms. Youzwa: — Yes.

Mr. Anguish: — Who formerly held that pit?

Ms. Youzwa: — I don't have that information here. Whether that was held by someone else before or whether it was a new pit, we can provide that to you as well.

Mr. Anguish: — I'd like you to provide that information to me.

Ms. Youzwa: — Yes.

Mr. Anguish: — How did your department determine that the RM had adequate supplies of gravel?

Ms. Youzwa: — We did that essentially by looking at the leases that they currently held, the number of leases that they held, the renewal dates for those leases, and the amount of production that had been taken from those pits since the renewal date.

Mr. Anguish: — So there was no direct communication saying, is there gravel left in your pits or are they empty or . . .

Ms. Youzwa: — No, there was not.

Mr. Anguish: — Do RMs have to give a reason as to why the quarry leases were cancelled, the ones that were? I see one quarry lease was cancelled in March . . . requested cancellation in March — three of the quarry leases that they had, they cancelled in March.

Ms. Youzwa: — Yes.

Mr. Anguish: — Is there a reason on the form as to why they cancelled them?

Ms. Youzwa: — When a lessee surrenders a lease, they're not required to give us reasons. In this case though, I believe the RM indicated to us that they were surrendering the leases because of depletion of the resource.

Mr. Anguish: — And you still gave the gravel pit with all the gravel in it to Al Wagman.

Ms. Youzwa: — Well, they cancelled the leases and made this indication to us after the leases had already . . . the other quarrying lease had been issued.

Mr. Johnson: — Well, Mr. Chairman, would you say that the department's assessment then of the amount of available gravel that the RM actually held was inaccurate?

Ms. Youzwa: — The department considers the quarrying leases that an RM would hold based on the information it has on record on the status of those leases.

I think that, you know, in the ideal situation you would want to be able to have some opportunity to do actual physical visiting of the gravel pits and assessment of what resources are available or may not be available.

The Department of Energy and Mines simply does not have the resources within the department to allow it to do those kinds of site inspections. And for that reason we rely very heavily on the status and the file records that we have on the leases in the department.

Mr. Anguish: — The date of the quarry lease that you actually issued to the individual for quarry lease Y-7406, what date do you have on that that was actually issued?

Ms. Youzwa: — It was issued March 6, 1990.

Mr. Anguish: — Did someone pick it up or was it mailed? How did it exit your office?

Ms. Youzwa: — Normal practice would be for us to mail

the executed lease to the lessee. We have no record here in our files as to whether they went into normal mail or any other kind of pick-up person, whatever.

Oh, I'm sorry. It was mailed. We do have a transmittal letter that went with the executed lease on record, on file here. And that was sent March 6, 1990.

Mr. Anguish: — Well I guess the RM of Meadow Lake was just one day late when they explained to you that they had no gravel in those pits. I still can't . . . I'm very suspicious of your issuing of this quarry lease to a private individual when there was every indication that we have that the rural municipality of Meadow Lake wanted that pit.

They even sent a delegation down to Regina to try and meet with their own member of the legislature at that time, who happened to be a minister of the Crown. That's how urgently they viewed wanting to have that pit once they were informed by a confidential phone call from Department of Highways it was going to be made available.

Ms. Youzwa: — We were not aware of that nor were we privy to those meetings.

Mr. Anguish: — Well you had some hurry-up mode on it just by the time lines that you were dealing under. Show us another situation before you leave here this afternoon, show us another situation where you get the wrong RM to begin with, you send a letter on January 16 to the wrong RM, and you want a response back before the end of that month. Do you think you could really show us any other letters on file that express this degree of urgency in issuing the quarry lease?

I allege that somebody in your department must have known that something was going on. I mean there were telephone calls. There's a record of telephone calls and statements from the rural municipality that went on between your departmental people and the RM of Meadow Lake. In fact I referred to one of the telephone conversations, the one that happened on February 5. That's a month before you issued the quarry lease. And that was at your department's initiative, not the RM's initiative. So your department knew darn well that something was going on with this because your department's making phone calls to the rural municipality of Meadow Lake.

So can you show me any other example where there's this kind of urgency, documented in writing, and yet you end up giving a private operator a gravel pit when the gravel pit you knew full well was being requested by the rural municipality of Meadow Lake?

Ms. Youzwa: — We don't have another example here right at hand of a circumstance which is exactly the same as what you have described with the RM of Meadow Lake.

In terms of the processing of the application, I mean we received the application on January 4, so that the lease was issued March 16, which was a period of over three months, which is . . . or March 6, I should say, which is well within the sort of normal range that I indicated before

that it takes for us to process these types of applications.

Mr. Anguish: — I'm going to leave this topic, but we may pursue it at another occasion. It may have ended up being a long period of time, but in your initial correspondence to the wrong RM, you indicate urgency. Telephone calls from your department indicate urgency. If the RM of Meadow Lake hadn't found out about this through the Department of Highways initially, that lease would have been issued long before you actually issued the quarrying lease.

It's because of the interventions and the protests from the rural municipality of Meadow Lake that you didn't issue the quarrying lease sooner than what you did. It's just because of the protests of the RM of Meadow Lake that it took from when you wanted to issue it around January 31 and it delayed your department from issuing it until March 6. That's why the delay, because of the interventions of the RM of Meadow Lake.

It's not because of due process. You can't tell me it's because of due process in your department that it took this period of time to happen.

Ms. Youzwa: — Part of due process is to ensure that the appropriate rural municipality is aware of the application that's been made and has an opportunity to express concerns.

When we issued the letter and asked for a response by January 31, it was not our intention to issue the lease by January 31. All we were looking for is an indication of objections or concerns from the affected rural municipality. It was an error that we sent the original letter to the RM of Beaver Creek.

When we did recognize that it may in fact not be Beaver Creek but rather Meadow Lake RM, we took steps to try to notify Meadow Lake at the same time as we'd sent the letter to Beaver Creek.

Now granted it probably would have been much more appropriate for a new letter to have been issued that day, but that in fact isn't what happened. But what we were endeavouring to do is to give them notice and for them to give us some indication of whether they had concerns. We were not intending to issue the lease on January 31.

Mr. Chairman: — Ms. Youzwa, is it, shall we say, is it the norm across the province that an RM would have five existing gravel leases, gravel and sand leases?

Ms. Youzwa: — I don't have an answer for you today. We would have to go and look through the existing leases that we have and see how many on average there are held by RMs.

Mr. Chairman: — I just asked the question because I know in my own RM, which has the Cardell hills in it, large numbers of rocks and that type of thing, they usually only have one lease at a time which supplies the entire RM. I'm just wondering at the preponderance of leases by one RM being sort of unusual.

Ms. Youzwa: — I guess there isn't an easy,

straightforward answer to that. In many circumstances RMs will not hold a large number of leases. But in other circumstances, that may be the case, depending on the amount of gravel there is in pits and the leases that they hold and the kind of distances between where the pits may be and where they maybe require the sand and gravel. So I don't have a sort of definitive answer for you.

Mr. Chairman: — Is it the norm, Ms. Youzwa, for RMs to keep spending their ratepayers' money on leases for gravel pits that have been mined out?

Ms. Youzwa: — I wouldn't think that would be the practice, no.

Mr. Chairman: — Just in observation, I would think that if the RM of Meadow Lake had all of these mined-out leases, that their RM's secretary was paying ratepayers' money for when there was no gravel in it, that that to me would display a certain degree of incompetence.

I'm really wondering at a bunch of information from someone who was renewing leases when there was no gravel there and at the same time is issuing official complaints toward the government as to process — seems to me to be a little bit odd. I would hope that the gravel and sand leases that the province holds with other RMs aren't sort of in the same state of flux.

Wouldn't you agree that that seems sort of odd to have payments on something that was mined out?

Ms. Youzwa: — Leases have been renewed and the lease payments are made by the rural municipality to keep the leases in good standing. Then our normal assumption would be that they'd want to keep the leases in good standing because there is sand and gravel there that they wish to extract.

Mr. Chairman: — I see. So on one hand . . .

Mr. Anguish: — From that very point though, we're talking about an annual thing. I don't believe that the quarry leases need to be renewed every year. If quarry leases do need to be renewed every year, the lease I brought was even worse because it's for a period of five years. So I assert there's no negligence on behalf of the RM's secretary because the quarry lease was in place for 5 years; otherwise, this individual's getting special consideration again over rural municipalities. So I'd like to know whether the rural municipality had to annually renew their lease.

Mr. Chairman: — Mr. Anguish, I think you've misunderstood my question. When they make their fee payments . . . (inaudible) . . . I understand the length of leases are sometimes quite lengthy. I was talking about the fees that they pay.

Mr. Anguish: — What fees do they pay if they don't haul gravel out?

Ms. Youzwa: — They are issued a lease for five years, and after that five year period they can renew it. Every year however, they make lease payments to us to keep those leases in good standing, and the payments they make are

\$1 per acre for all the leases that they hold. And if those lease payments are in arrears then we will review the matter as to whether the leases are in good standing. In addition, and if they produce sand and gravel from those pits, they would pay Crown royalties to the province for having produced that sand and gravel.

Mr. Anguish: — Just out of interest, how much are the royalties for gravel?

Ms. Youzwa: — Fifteen cents a cubic yard.

Mr. Chairman: — Was there ever any indication to the department by interest from another individual, and I'm sorry I don't have the name. I believe it would be the same name as the reeve of the RM of Meadow Lake?

Mr. Anguish: — Are you asking if there was an application from him?

Mr. Chairman: — Expression of interest in this particular lease.

Ms. Youzwa: — Not that we're aware of, no.

Mr. Chairman: — Okay. Thank you.

Mr. Johnson: — Mr. Chairman, in the discussion of how many pits it had, the RM of — is it called Meadow Lake, I believe? — the RM of Meadow Lake, the size of it is fairly extensive from my knowledge because part of it's in the Turtleford constituency. The member sitting here is the member from Meadow Lake constituency. So it's a very large RM.

Would the leases that they have there indicate that they had leases spread throughout the RM?

Ms. Youzwa: — The leases are generally in the same area. They're all sort of within the township, 60 to 62 ranges 18 to 20. If you like I can give you the specific land descriptions.

A Member: — That's okay.

Mr. Anguish: — One final question before we leave this topic. If it could be documented to you that due process was not followed, would you undertake to review this particular quarry lease, and in fact if due process was not followed, that you would take into consideration the RM of Meadow Lake's request to have the quarrying lease to the gravel pit issued in their name. Would you give us your undertaking for that, or is that not acceptable to you?

Ms. Youzwa: — If that was the case, this would be, in my opinion, a matter of policy which we would take to the minister and ask the minister for his direction on.

Mr. Anguish: — No, it's not a matter of policy. I'm asking you if the normal due process — and there's some question as to what that is — if the normal due process was not followed within your department. And you admit you weren't the deputy minister at the time; you weren't even in the department at the time because of other things that were happening.

If we can sit down with you and show you that due process was not followed in the awarding of this quarry lease, will you undertake to review the case, and if the RM of Meadow Lake is interested in pursuing it, that you will allow them fair chance to have the quarry lease issued in their name?

Ms. Youzwa: — Now that the lease has been issued and is in good standing, we are limited in what we can do to make any changes to that lease by the provisions of The Crown Minerals Act. That is the Act that leases are issued pursuant to. So we would . . . without . . . And something as well . . . I mean, that we would want to seek some direction from the Department of Justice in the interpretation of the ability for us to do that.

Whether we would then, provided that there was some provision in the Act that would allow us to do that, whether we would engage in that kind of review and then take any kind of action to amend those leases which were currently issued becomes a matter of policy. And again it's a matter that would be decided at the time under the direction of the minister.

Mr. Chairman: — I'm wondering, Ms. Youzwa, does the RM of Meadow Lake have an arrangement with the existing leaseholder for the removal of gravel from that pit?

Ms. Youzwa: — It is our understanding that the lessee has agreed to provide about one-third of the established reserves in the lease area to the RM for their use.

Mr. Chairman: — And what would the total reserves be, and what would one-third of them be?

Ms. Youzwa: — The approval was granted for the RM to remove a maximum of 20,000 cubic yards of gravel from that quarrying lease in 1990. That approval was issued April 12, 1990.

Mr. Chairman: — Twenty thousand cubic yards?

Ms. Youzwa: — Cubic yards of gravel.

Mr. Anguish: — Twenty thousand?

Ms. Youzwa: — Twenty thousand cubic yards.

Mr. Chairman: — That's in a one-year basis?

Ms. Youzwa: — That's for 1990.

Mr. Chairman: — I asked what were the total estimated reserves in the pit. You said the RM was eligible to take up to one-third of the known reserves.

Ms. Youzwa: — We don't have that information.

Mr. Chairman: — You don't have that then. Is it your belief that the reserves in this particular area are fairly extensive?

Ms. Youzwa: — We don't have that information either. We don't maintain an inventory of sand and gravel reserves on our files.

Mr. Chairman: — I see. Thank you.

And do . . . the RM of Meadow Lake also are maintaining two current leases, or three current leases besides their call on one-third of total reserves in this particular pit?

Ms. Youzwa: — They have three leases.

Mr. Chairman: — So they have three current leases plus a call on a third of this other one. So in effect the RM of Meadow Lake would have access to four gravel leases. Is that correct?

Ms. Youzwa: — They had the three leases. They did seek and were given approval for the 20,000 cubic yards in 1990. We have not received an application for any additional gravel for this year — for 1991.

Mr. Chairman: — Does the department have any idea, given the past history of RM gravel leases, what the usual yearly draw-down would be? And you can ballpark it on average of how much sand and gravel would be taken out on a yearly basis by . . . basis your royalty payments.

Ms. Youzwa: — We would have a record of the total volume of Crown sand and gravel that was produced in any year that royalties were paid on. But that would not be the total sand and gravel production because it would not take into account any sand and gravel produced from freehold gravel pits. So it would only be sort of a part of the production. And that total figure, we don't have that number with us today.

Mr. Chairman: — And I don't need exact figures, but could you provide to the committee an estimate of what a gravel . . . an RM would draw down, basis your royalty payments in a year? And I . . .

Ms. Youzwa: — The RMs . . . I guess the RMs don't pay royalties to us because they're a government entity, but they do have to report production to us. And we can provide the committee and be pleased to provide the committee with volume numbers of the amount of sand or gravel that had been produced in the last year.

Mr. Chairman: — So what you're saying is that in the RM of Meadow Lake, besides their capability of drawing for existing pits, there may be private leaseholders who would also supply sand and gravel on a contractual basis either to the RM or to Highways or someone else?

Ms. Youzwa: — That may be the case. We would have no record of that, nor would we necessarily be privy to that.

Mr. Chairman: — Do you ever find cases in the department, Ms. Youzwa, where one RM will try and corner the gravel market on all the rest of the RMs around them?

Ms. Youzwa: — The RMs can only exercise the right of first refusal within the boundaries of their own RMs. We do not give them the opportunity to do that for any applications which are on lands outside their RM boundaries.

Mr. Chairman: — But it would appear that within the RM of Meadow Lake there are extensive reserves of sand and gravel which the RM seems to have a fairly good proportion of.

Ms. Youzwa: — We know that the RM of Meadow Lake has a number of active leases, and that they have had access to the production in 1990 from the one lease in question that we've talked about today. Whether they have access to sand and gravel from privately held gravel pits, we do not have that information, nor do we have information on sort of the total inventory of sand and gravel resources in that area.

Mr. Chairman: — I guess my final comment would be, it would seem that the RM of Meadow Lake are very fortunate to have so much of this particular resource. I know RMs in my constituency that have none at all, and would feel very gratified to have access to a gravel pit.

Thank you for your answers.

Mr. Muirhead: — Thank you, Mr. Chairman. I just have a few questions I'd like to ask here. What is the criteria to obtain a quarrying lease for a quarrying lot?

Ms. Youzwa: — An applicant needs to file an application with the Department of Energy and Mines, and with that submit an application fee and the first year's lease rental for the application that they've submitted.

Mr. Muirhead: — Well do they have to, in their application, say what they're going to do with the rock or what it's for? Does this have anything to do with the lease?

Ms. Youzwa: — What they must provide to us is information on what they're going to be quarrying for, whether it's sand and gravel or other things covered by our quarrying regulations. And they must give us a legal land description.

Mr. Muirhead: — Well that's what my question was in the first place — rock. I didn't say anything about sand or gravel. I said for rock and rock only. Do you not ask them what they're going to do with that rock?

Ms. Youzwa: — If they want to just extract rock, then they have to make an application for a quarrying lease for rock.

Mr. Muirhead: — Okay. Now let's use the example of the chairman, Madam Deputy Minister. Let's use the example that lands branch owns land and someone applies for a quarrying lease and obtains it. Is the lessee notified? And when, or what, and by whom?

Ms. Youzwa: — If an applicant makes an application to the department for a quarrying lease, then we may issue that quarrying lease to the applicant. In terms of access to the surface, and if that's Crown land, the onus is on the lessee to make his arrangement with the surface owner for access to the surface. And we will notify whoever's administering the surface that we are issuing a quarrying lease so that they're aware that someone will be looking to gain access to the surface.

Mr. Muirhead: — What happens if this never . . . if this doesn't happen in a particular case? Let's say it didn't happen.

Ms. Youzwa: — If a lessee — the lessee meaning the person who holds the quarrying lease — is unable to come to an arrangement with whoever's administering the surface, that is an issue between them and the surface, whoever's administering the surface. This is not an issue for the lessee and the Department of Energy and Mines, since the Department of Energy and Mines is concerned with the mineral rights in the subsurface.

Mr. Muirhead: — I'm talking about the responsibility of the person that has the . . . that the surface rights. That's what I meant. Whose responsibility is it to notify this individual — the person that has the surface rights leased?

Ms. Youzwa: — If this is a situation of the surface is owned by the Crown land, by the Crown, then it would be the responsibility of the administrator of the Crown land which would be Rural Development or Parks to notify the lessee of the surface.

Mr. Muirhead: — And if it didn't happen, if it never happened — if the quarrying takes place and the lessee of the service rights finds out after the fact — then where does Energy and Mines come back in? Is there any rules and regulations that the lessee with the quarrying lease broke that lease or broke the . . . (inaudible) . . .

Ms. Youzwa: — It's a surface issue. If he took access to the surface land without adequate arrangements with whoever leases the surface or administers the surface it's - an issue between the . . . it's a surface issue; it's not a subsurface issue. And for that reason it's not a matter which the Department of Energy and Mines would be involved in.

Mr. Muirhead: — So it would be completely up to, in this case in the year in question, it would be the lands branch. It was called lands branch at that time in the year under review.

Ms. Youzwa: — Yes.

Mr. Muirhead: — It would be completely up to lands branch to notify the individual that had the surface lease.

Ms. Youzwa: — Yes it would.

Mr. Muirhead: — And if he was never notified, if this lessee that has the surface rights was never notified, who really broke the quarry? Is it a breaking of the quarrying lease then? Maybe not a breaking of the quarrying . . . maybe I'm not putting it right. Would it abstain from giving him entry if he didn't make a . . . if nobody, whether it's your responsibility or whether it's lands branch, if the lessee for the surface is never notified and the quarrying is done, who has to look into this?

Ms. Youzwa: — Again it would be an issue for the administrator of the surface which in this case would be Rural Development and the lands branch.

Mr. Muirhead: — Okay, and if Rural Development looks

into it and then notifies Energy and Mines that this never happened, then where does Energy and Mines come into this?

Ms. Youzwa: — Normally we do not become involved in surface disputes. This is a matter between the surface administrator and the person who is looking to gain access to that land.

Mr. Muirhead: — Are you telling me that . . . Then you might as well be telling me that you don't have to go near lands branch. That's the owner of the land, lands branch, they're the owner of the land. And if they don't make an agreement with the lessee that has the surface rights, Energy and Mines will let them quarry anyway? Have you read your Act very carefully?

Ms. Youzwa: — We issue the quarrying lease. It gives the lessee the right to produce the sand and gravel on that land which is described in the lease.

The responsibility for gaining access to the surface so they can access those minerals is a responsibility that resides with the lessee and whoever holds title to the surface. And in this case and example we've been talking about, it would be the Crown and as it is administered through Rural Development and lands branch.

If there is a dispute on access and whether access had been gained appropriately or not, it is again an issue between the surface administrator and the lessee. It is not an issue between the Department of Energy and Mines and the lessee.

Mr. Muirhead: — So then what you're telling me, that I could come to you as an individual, obtain a quarrying lease, and just go ahead and start hauling the rock off, or sand or gravel, whatever, and forget about the landlord. Is that what you're telling me? Because I think you are, very clearly.

Ms. Youzwa: — When we issue the quarrying lease we notify the lessee that the quarrying lease does not give them any rights of access to the surface, and it is their obligation to make arrangements for appropriate access to the surface.

Mr. Muirhead: — Okay, that's better.

Is there any rules or regulations that the lessee of the quarrying lease could break that you could take their quarrying lease away from them? Is there any rules or regulations that they can break?

Ms. Youzwa: — The lessee must comply with the provisions of the quarrying regulations, and if they're found to be in violation of the quarrying regulations then the lease can be cancelled.

Mr. Muirhead: — Say after you obtained — we'll just use a hypothetical question — say after the lessee of the quarrying lease obtains permission, we'll say, from lands branch, the owner of the ground, and everything's all well, is there anything in the Act that the minister must be notified that the actual day or the time the quarrying's going to commence?

Ms. Youzwa: — The lessee must notify the minister of the commencement of the date of quarrying operations.

Mr. Muirhead: — What happens if he doesn't? Would it be like you said, that your quarrying lease would be broken instantly?

Ms. Youzwa: — Technically he wouldn't be in compliance with the regulation, but that doesn't mean that we would automatically cancel his lease at that point.

Mr. Muirhead: — Well you just finished telling me a moment before that that's one of the . . . I didn't suggest it, you did, that you must notify the minister. All right. And then now they said they didn't, in this case that I'm talking about, they didn't . . . or never did notify the minister and the quarrying took place and you find out about it. Do you just let it go, or does your rules and regulations in your Act mean nothing?

Ms. Youzwa: — In that particular clause, the language is that he must promptly report to the minister. And again, in terms of cancellation of a lease, the language of the regulations is this may be done by the minister, at the discretion of the minister. And again I mean this is a situation in administering the regulations, like we do in all cases, of exercising a degree of reasonableness in judgement in determining whether or not, if someone is in technical non-compliance, whether it warrants the action of cancelling the lease or whether in fact other steps can be taken to rectify the situation and keep the leases in good standing.

Mr. Muirhead: — What happens if there's a serious series of regulations in the Act are broken? What if several, like three, four, five in a lease . . . would you get serious about this or you just overlook them?

Ms. Youzwa: — Well if there's a number of serious violations, obviously this is something that we would need to look at.

Mr. Muirhead: — When you quarry on someone else's property and you have a quarrying lease, is there any certain conditions in the lease that you have to leave the land? Like this individual I'm talking about used it for pasture land, and it was in the agreement that the land must be left suitable for livestock. What happens if that's broken?

Ms. Youzwa: — That would be a matter concerning the surface. And the conditions that the lessee would have agreed to try to meet would be something that he would have worked out with the surface administrator or the surface lessee. It's not something that would be part of his quarrying lease.

Mr. Muirhead: — Okay. If lands branch, the owner of the land, makes the statement in writing to any individual that they will never allow them onto quarry again, where does Energy and Mines stand at this point? Say they've made the statement there's no further quarrying, can you still give out new leases?

Ms. Youzwa: — Maybe we aren't understanding the question that you're wanting to get at here. But from what you seem to be raising are sort of a hypothetical example which deals with a surface issue and surface issues and conflicts and the resolution of those is just not a matter which is within the jurisdiction of the Department of Energy and Mines.

Mr. Muirhead: — Okay, it can be an hypothetical question because I'm just stating very clearly that if lands branch refuses to give entry, surface entry to an individual that you've given a quarrying lease to, what do you do about it? When your lease runs out, do you renew them again or what's your rules and regulations here? You must have some criteria. If lands branch must have reasons to say no further quarrying . . . I want to get into details here in a moment, but I'm just trying to get some policy from you.

Ms. Youzwa: — In normal circumstances, if we received an application for a quarrying lease and in our notification of lands branch they indicated to us that under no conditions would they be prepared to entertain access to the surface for quarrying for that lease, then we would not issue the quarrying lease and the applicant would be made aware that the reason that he was being denied is because he would not be gaining surface access to be able to mine that sand and gravel.

Mr. Muirhead: — Okay, thank you very much. Just now one more question here on this issue, then I've got some other ones. Who decides if a quarrying lease is to be different? When the lands branch owns the land, who makes the decision on a quarrying lease — lands branch or Energy and Mines? Is it Energy and Mines that makes it then it leaves it up to lands branch for the entry?

Ms. Youzwa: — Again, we make the decision on the mineral rights and the right to extract sand and gravel in the quarrying lease. The rights of access to the surface and all the surface matters would be handled by lands branch.

Mr. Muirhead: — Okay. Did Squaw Creek Aggregate ever apply for a lease to Energy and Mines?

Ms. Youzwa: — Mr. Chair, if the questions are pertaining to the application and status of a particular quarrying rights in a particular parcel of land that had been held by Squaw Creek, this is an issue which is currently before the courts and criminal charges have been laid in this regard. I'm advised by the Department of Justice that it would be inappropriate for us to answer questions on this matter.

Mr. Muirhead: — Well we had this issue happen on another department yesterday, but they wouldn't entertain questions up to date. But I'm talking about questions I'm going to ask you, which has nothing to do with what you're talking about. I'm talking about the year under review and prior, so there'd be no reason whether you answer questions there or not — that's public knowledge. I can go in and find out now whether a person got a lease or not. That's public knowledge.

Ms. Youzwa: — Mr. Chairman, again if we're looking to talk about events which transpired in 1989-90, or any other year, which will be discussed and brought before

the courts in proceedings that are currently pending, I would again say that I believe it's inappropriate for us to answer those questions in a forum such as this, which is public, when the matter hasn't had the opportunity to be resolved in the courts.

Mr. Chairman: — I can appreciate your feelings on it, Ms. Youzwa. It does seem quite similar to our other circumstance. Perhaps, Mr. Muirhead, if you could ask, if you wish, questions that don't pertain to anything that might involve legal situations.

Mr. Muirhead: — Mr. Chairman, I appreciate that, but when I have a series of questions that I know nothing about what they're talking about, any particulars about it, and I want to know questions back in the '80s, I can't understand what it's got to do . . . I think they're just using excuses so they don't have to answer questions.

Mr. Anguish: — That's how I felt.

Mr. Muirhead: — And I feel the same.

Mr. Chairman: — Perhaps in the similar circumstance the offer was made by the department in question to take the questions in writing and have responses brought back after Justice looked at them to see if they interfered or not. So perhaps you have a whole list of questions you could give to the department. They could ask Justice what was proper and what wasn't, and they could probably answer some of them, maybe.

Mr. Muirhead: — I'll accept that, Mr. Chairman; that's what we decided yesterday. And then you can be asking someone whether these questions could be answered or not.

So I'll just go through them quickly. To save time, I'll just ask the questions. They're very . . . and then they'll show up in *Hansard* so that you don't even write them down, and then you can get back to me with the answers that you can give me.

Ms. Youzwa: — We'd be pleased to handle it in that way.

Mr. Muirhead: — Thank you very much. I appreciate that.

Did Squaw Creek Aggregate ever apply for a lease? What years? Did Squaw Creek Aggregate break regulations in their lease period?

Do you have correspondence to Squaw Creek Aggregate notifying him there would never be any further quarrying? Whether this came from lands branch or Energy and Mines, do you have that letter in your files?

Did Squaw Creek Aggregate apply for a new lease? Did you give out the lease? Why not? Did anyone else apply for a lease? Did he get a lease? Why not? Did someone get a lease? Did anyone ever get a lease on the land in question?

Who owns this land? What date did he purchase the land? Is there any consideration for a landowner to obtain a lease over anyone other than an ordinary applicant?

I should rephrase that. Is there any consideration for a landowner to obtain a lease over any other applicant? Would an applicant other than a landowner have a special consideration over a landowner?

Now my last question, why did Mr. Backen not receive a lease when he applied in 1989?

That's all my questions, Mr. Chairman. Thank you.

Mr. Chairman: — Any other questions by the committee for Energy and Mines?

Mr. Van Mulligen: — Mr. Chairman, just on the questions raised by Mr. Muirhead, I think it should be clear to all concerned that we choose as a committee at this point not to order the Department of Energy and Mines to answer certain questions. We are putting questions to them. We are asking them to voluntarily try to answer those. But we want to reserve the right as a committee to review the answers to those questions and if necessary call Energy and Mines before us and order them to answer certain questions. What we're doing at this point is quite voluntary and we're not testing any parliamentary precedents in terms of ordering them to do something at this time.

Ms. Youzwa: — Mr. Chairman, there was a number of requests for information that we received before lunch and we have some of that now which I'd be pleased to provide answers to some of the questions.

Mr. Chairman: — Would you provide them to the Clerk, please, in the normal procedure? Thank you very much.

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

That the hearing of the Department of Energy and Mines be concluded subject to recall if necessary for further questions.

Mr. Chairman: — Agreed?

Agreed

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

That we go *in camera* at this point for a brief period.

Mr. Chairman: — Mr. Van Mulligen has moved we go *in camera* for a brief period. Is that agreed?

Agreed

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

Mr. Van Mulligen: — Mr. Chairman, while we're waiting for the officials from the Saskatchewan Transportation Company to be brought in, I want to provide you with a notice of motion which I hope can be discussed tomorrow morning, and the motion is:

That the Standing Committee on Public Accounts requests the Provincial Auditor to review:

- a) the reported practice of government organizations (departments and corporations)

requiring their employees to perform services solely for the benefit of other government organizations and other organizations or individuals (This review would not include arrangements commonly called "secondment". These are arrangements whereby government organizations require their employees to perform services solely for the benefit of other government organizations and the employer organization is reimbursed for the remuneration expenses related to the "seconded" employees.); and

b) the reported practice of government organizations making payments to Dome Advertising, Roberts & Poole Communications and other advertising agencies for which no specific services were provided; and

c) the reported practice of government organizations providing goods and/or services without charge to Ministers of the Crown; and

d) the reported practice of government organizations providing goods and/or services without charge to other government organizations, counter to their stated mandates; and

to report all instances where these practices are observed for the fiscal years ending March 31, 1990 and March 31, 1991 and whether, in his opinion:

a) an officer or employee of the government has wilfully or negligently omitted to collect or receive money belonging to the Crown;

b) public money was applied to a purpose or in a manner not authorized by the Legislature;

c) an expenditure was made for which there was no authority or which was not properly vouchered or certified; or

- d) the rules and procedures applied were not sufficient:
 - i) to safeguard and control public money;
 - ii) to effectively check the assessment, collection and proper allocation of public money; or
 - iii) to ensure expenditures were made only as authorized

and any other comments which may be relevant in these matters.

And I wanted to provide you with a notice of that motion, Mr. Chairman.

I believe there's sufficient copies there to hand out to members of the committee and any other interested parties, Mr. Chairman.

Mr. Chairman: — So as I understand this correctly, Mr. Van Mulligen, you're just serving notice today of a motion that you will move.

Mr. Van Mulligen: — That I will move this motion tomorrow.

Mr. Chairman: — Tomorrow. Okay. The Clerk will distribute the document to all members of the committee.

We'll proceed with chapter 34, Saskatchewan Transportation Company.

Public Hearing: Saskatchewan Transportation Company

Mr. Chairman: — I believe, Mr. Glendinning, you will introduce your officials to the committee.

Mr. Glendinning: — Thank you, Mr. Chairman. I have with me Mr. Les Wills, director of operations, and Mr. Ernie Temrick, the comptroller, both from Saskatchewan Transportation Company.

Mr. Chairman: — And you're . . .

Mr. Glendinning: — Oh, I'm sorry. And we have with us officials from the Department of Justice. Mr. Darryl Bogdasavich, civil law branch, and Mr. Richard Quinney from the criminal branch.

Mr. Chairman: — Thank you, sir. A small bit of official business here before we get into the questioning, I would like to welcome you on behalf of the Standing Committee on Public Accounts, the officials from the Saskatchewan Transportation Company in committee meetings 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. A witness must answer all questions put by the committee.

When a member of the committee requests written information of a department, I ask that 20 copies be submitted to the committee Clerk who will distribute the document and record it as a tabled document.

I would kindly remind you to please address all your comments through the chair. Thank you.

Mr. Glendinning, do you have any statement or anything that you wish to give to the committee before the questioning begins?

Mr. Glendinning: — No I do not, Mr. Chairman. Thank you.

Mr. Chairman: — If not then, perhaps we could first of all go to sections .01 through .10 of the auditor's report and ask if any member has questions.

Mr. Van Mulligen: — Mr. Chair, my questions pertain to this section. Specifically I have a concern, if I may preface my question, I have a concern that the committee is unable to report to the Legislative Assembly and has been unable now for some time to report to the Legislative Assembly as to whether or not, in its opinion, taxpayers' money have been wisely and effectively spent by the Saskatchewan Transportation Company.

Part of the reason that we're unable to report this is because certain reports which have reviewed the financial arrangements and the management practices of this company have not been made available to the committee. In particular I refer to the Ernst & Young report as reported in the auditor's report.

I understand that a draft copy of this Ernst & Young report, subsequent to the publication of the auditor's report, was in fact made available to the auditor. But this report is not available to the committee so it might peruse it and see for itself whether or not in its opinion it deserves further comment to the Legislative Assembly. I am curious to know as to why this report cannot be made available to the committee for its perusal.

I note, Mr. Chairman, from the auditor's report, that in February 1991 the public prosecutions division of the Department of Justice had removed their objection to the release of the report on the basis that there would be no prejudice to the accused's right to a fair trial. And this refers to some who were accused of certain crimes and certain criminal proceedings that were ongoing at that time.

But it's indicated the public prosecution division had no objection to the release of the report. Subsequently the auditor was advised that the company's lawyers had raised objections with the Department of Justice and Ernst & Young concerning the legality of the release of the report.

Notwithstanding legalities about the release of the report, I want to make it clear that we as members of the legislature also have certain rights to information in that the freedom of speech . . . and I quote here from Beauchesne which guides us in many ways in what it is that we do. It states that:

The freedom of speech accorded to Members of Parliament is a fundamental right without which they would be hampered in the performance of their duties. (And it goes on to say that) The Speaker should interfere with that freedom of speech only in exceptional cases where it is clear that to do otherwise could be harmful to specific individuals.

What we have here is an indication that the release of the report might be harmful to certain parties, in comments made by the auditor; and subsequently in press reports that the release of this report might be harmful to certain individuals.

Now if I as a committee member are to be satisfied and want to voluntarily restrain from asking questions in this matter, or if the committee is to voluntarily restrain itself from asking questions in this matter, then it should be clear, it should be clear to us, as to why these questions should not be asked.

And I ask you today in clear, unequivocal terms, tell us why this report cannot be made available to the committee. I'm not asking for the details of that report; I'm asking you to tell us in clear, unequivocal terms why this report

cannot be made available to the committee, if in fact that continues to be your position today.

Mr. Chairman: — Before the witnesses answer, Mr. Van Mulligen, if you would give us the section and numbers and edition.

Mr. Van Mulligen: — Section 511, Beauchesne's 6th Edition.

Mr. Chairman: — Thank you.

Mr. Glendinning: — May I respond, Mr. Chairman?

Mr. Chairman: — Yes, please.

Mr. Glendinning: — Mr. Chairman, I would indicate in response initially — and I would turn the matter over to Mr. Bogdasavich from Justice for further specific details — at the outset that the corporation itself does not have access nor does it have this report.

And the current status and the reason for that being, that in fact the release of the report was enjoined by an order of the Court of Queen's Bench and that that order provided that the only entitlement to view that draft Ernst & Young report would lie with the Provincial Auditor's office. The corporation has not had access and continues not to have access to that report.

To the extent we are as well, of course, interested in that report and to this point rely upon the Provincial Auditor's office in presentation of its audit report, in so far as it has utilized what was a draft report in the preparation of this audit report which at this point it hasn't been completed.

Now as the details as to the reasoning given by the court, I would ask Mr. Bogdasavich to make comment if I might.

Mr. Van Mulligen: — I wonder if before we get to Mr. Bogdasavich . . . I'm aware that Queen's Bench Court has enjoined the release of this report and has authorized a release of a draft copy to the auditor. But it is not clear to my why the company, STC (Saskatchewan Transportation Company), asked the court for this ruling. That's what I need to know.

Mr. Glendinning: — Mr. Chairman, I am personally unable, and I have examined the file which relates to that material, I am unable to offer the rationalization which led to the company involving itself in seeking such an injunction. I cannot comment on the rationale at that time.

Mr. Bogdasavich: — Mr. Chairman, I might clarify the matter. Actually it was the Department of Justice that made an application to the court for directions. The history outlined by Mr. Van Mulligen is largely correct. I'd add something to that though, that in February of '91 when our department reached an arrangement with the Provincial Auditor's office as to the terms under which we felt that it would be appropriate for him to receive it, shortly after that the counsel for STC objected to the release of the report unless they had an opportunity to first see it and comment on it.

We considered their position for a period of time and finally felt that in order to protect the integrity of the criminal process that we really had . . . and I don't want to get into all their reasons for that right now because some of them have been gone into before — but that we would make an application ourselves to the court for directions from Mr. Justice Matheson.

And I'm wondering if it might be appropriate, Mr. Chairman, I could read a short statement too, as to what the position of the Department of Justice is now, and then perhaps we could go from there. It might clarify things a bit.

The preference of the Department of Justice is that the Provincial Auditor not be required to disclose the details of the Ernst & Young report that was delivered to him last September. Our concerns relate to maintaining the complete confidentiality of that report.

The publicity resulting from the release of the report could prejudice the criminal process in that it could interfere with the rights of accused persons to obtain a fair trial or could in fact taint the prosecution itself.

Now Mr. Richard Quinney, the acting executive director of public prosecutions, has provided to your Legislative Counsel and Law Clerk, Mr. Cosman, a list of the five matters that are pending before the courts in the criminal process. So that's what our concern relates to.

Now that being said and done, Mr. Chairman, and taking into account the comments made by I believe it's the vice-chair, we do appreciate that the Provincial Auditor can use the report in accordance with The Provincial Auditor Act. In fact, Mr. Justice Matheson so ruled. And he paid particular attention to section 30 of the Act with respect to the secrecy. Section 30 of the Act, of course, provides that the Provincial Auditor can use it for the purpose of the administration of the Act.

Accordingly, if it is the decision of this committee to require the Provincial Auditor to answer questions respecting the report, we would ask that every possible step be taken to ensure complete confidentiality. We would ask that the session be *in camera*, without verbatim transcription. And we would also ask that no particular individuals be named in your questions and that your questions be restricted to financial transactions of STC. Thank you, Mr. Chairman.

Mr. Van Mulligen: — In February of that year you indicated that you had no objection to the release of the report. The company raised objections and then you took the position that the report should not be raised.

Mr. Bogdasavich: — No. Our concern was, the objections raised by legal counsel to STC related to what we felt were extremely valid concerns.

First of all, with respect to the constitutionality of the Brownridge Commission of inquiry itself. As you know, the year before that Mr. Justice Matheson had struck it down as being *ultra vires* and an infringement into the criminal process itself, which is something within the exclusive jurisdiction of the federal government.

We had those concerns. And then of course we continue to have concerns about the continuing cases that were proceeding through the courts at that time.

Mr. Van Mulligen: — What was the nature of the objections that they raised with you? Were they just as you've stated?

Mr. Bogdasavich: — Well just as I stated. As I recall, Mr. Chairman, the counsel provided us with a rather lengthy legal opinion of his as I recall. And it set out . . . his primary concerns were that STC had not had an opportunity to review the report before it could go on and he raised the question of the nullity of the entire inquiry.

There had been an order or a recommendation made by Mr. Justice Holden of the Ontario court subsequent to the Starr inquiry in Ontario being struck down, that all the materials relating to that report be considered a nullity and be sealed.

And he wished an opportunity to have a court decide whether or not the same approach should not be taken with respect to the Ernst & Young report and indeed other documents that had been prepared in preparation of hearings by the Brownridge Commission of inquiry, and in particular, Mr. Semenchuck, inquiry counsel.

Mr. Van Mulligen: — Did the solicitors for the Saskatchewan Transportation Company indicate to you what direction they had to raise these concerns?

Mr. Bogdasavich: — If they had, Mr. Chairman, I'm not aware of them. It could have occurred. I was not personally involved in it. And unfortunately my deputy minister, Mr. Barrington-Foote, who is out of the province on business today and the executive director of public prosecutions at that time, as you know, has just been recently appointed to the Court of Queen's Bench.

So I'm not privy to that information, and there was nothing on the file that I could find in that regard.

Mr. Van Mulligen: — I just want to get it clear from Mr. Glendinning . . .

Mr. Glendinning: — Yes, Mr. Chairman, and it was in fact that rationale that I was speaking to, leaving aside the legal issues raised. And I am unable to provide that rationale for those legal instructions.

Mr. Van Mulligen: — Can I just ask, these five case, or five situations that are pending before the courts, what those are?

Mr. Bogdasavich: — That's correct. A list of the cases has been provided to the Legislative Counsel and Law Clerk, Mr. Cosman.

Mr. Van Mulligen: — Can you verbally indicate what those are?

Mr. Bogdasavich: — Yes, the five matters presently before the courts are as follows: Mr. Darrell Lowry was convicted of conspiracy to commit fraud. There's

presently an appeal hearing set for May 11, 1992. The second matter before the courts is that Mr. Lowry is presently facing trial on charges of fraud, conspiracy, and secret commission. And this matter has been set for trial to commence on June 8, 1992.

The third matter, Mr. George Morton is presently charged with conspiracy to commit fraud and fraud, and his trial is presently set for February 17, 1992. Donald and Jewell McAuley are facing charges of fraud, conspiracy, giving a secret commission, and bankruptcy. And they are facing trial on these matters on September 8, 1992. And lastly, Mr. Chairman, Murray Aasen and Engineered Electrical Services are both charged with giving a secret commission and obstructing justice. And at present their trial is set for September 1992.

Mr. Van Mulligen: — Can I just ask: are you personally satisfied that this report may have some bearing on all these courts?

Mr. Bogdasavich: — Mr. Chairman, officials in the Department of Justice have never seen this report. We have never discussed this report with anyone. The Provincial Auditor has a lead up on us in fact because he has seen it. Our concerns are simply to protect the principle and the integrity of the cases that are presently before the courts. We have not seen the report, Mr. Chairman.

Mr. Chairman: — For the record, all members of the committee are receiving copies of the information just given by Mr. Bogdasavich.

Mr. Van Mulligen: — Mr. Chairman, I'm experiencing no small amount of frustration in being unable to see a report that bears directly on the work that we do, unable to receive this report because it may have some bearing on matters outside the Legislative Assembly, but no one is clear whether it may or not because they've never looked at the report.

And is there no process here for someone to look at this and determine . . . I mean it's conceivable that you could take all manner of things which may have only the slightest tangential relationship to say these court proceedings and say that, well, it shouldn't be released.

Mr. Bogdasavich: — Our concern certainly, Mr. Chairman, is really . . . it's one of principle and overriding concern for the protection of the integrity of these prosecutions, that they not be in any way prejudiced. That's what our primary concern is.

Mr. Van Mulligen: — Can I ask, would the Court of Queen's Bench have reviewed the report itself to determine whether or not it might have some bearing?

Mr. Bogdasavich: — To my knowledge, Mr. Chairman, it is my understanding that the court would not have seen that report at all. Ernst & Young had the report. The Brownridge Commission of inquiry had control of, custody of, and access over that report, or access to it, as Ernst & Young was preparing it. And certainly, to my knowledge, the only people that have seen it now have been Ernst & Young who prepared it, commission

counsel to former Mr. Justice Brownridge, and the Provincial Auditor who was provided a copy of the report on September 23, 1991.

Mr. Van Mulligen: — Well I just might, as a passing comment, suggest that the justice system perhaps needs to find some opportunity in the future, should these cases arise again, for someone to actually review these things and make some determination as to whether or not it has some implication or bearing . . .

Mr. Bogdasavich: — I certainly do not want to mislead this committee, Mr. Chairman. We do not run investigations. Investigations were done by the RCMP (Royal Canadian Mounted Police) in this case. The RCMP police, I have no idea whether they've seen it or not. If you'll just excuse me for one moment.

Mr. Van Mulligen: — What's the advice you received from the RCMP and the investigating officers with respect to the release of this report?

Mr. Bogdasavich: — Well I can advise you, Mr. Chairman, that an employee from Ernst & Young was a witness at the Castle and Lowry trials and testified with respect to the financial transactions of the company.

Mr. Van Mulligen: — Well, Mr. Chairman, I have no further questions.

Mr. Anguish: — I just have a question for clarification. I understand it was the government at the time that commissioned the Ernst & Young report?

Mr. Bogdasavich: — I'm sorry, Mr. Chairman.

Mr. Anguish: — It was the government at the time that commissioned the Ernst & Young report?

Mr. Bogdasavich: — That's correct, Mr. Chairman.

Mr. Anguish: — By order in council or a cabinet minister's request by memorandum?

Mr. Bogdasavich: — The history of the Ernst & Young report is that in February of the year the commission was struck, I believe that would be February of . . . just let me check my records for these, Mr. Chairman.

The history of the Ernst & Young report was as follows. The Hon. George McLeod, in February of 1990, requested that the report be prepared. The commission of inquiry was struck on March 20, 1990. And on March 26, 1990 the commissioner, Russell L. Brownridge, requested that the work that had been done by Ernst & Young be turned over to the commission of inquiry. I quote from the letter that . . . the request from Commissioner Brownridge to the Hon. George McLeod:

If the Commission does not obtain (the) information from Ernst & Young, Mr. Semenchuck (and, Mr. Chairman, Mr. Semenchuck was commission counsel) has advised me that he will have to arrange for a similar review by another independent firm of accountants. Given that Ernst & Young is independent from both the

Saskatchewan Transportation Company and your office, and that their investigation has been free from interference by any office, it would be ineffective and redundant to duplicate their efforts.

And the Hon. George McLeod conceded to that request, and in fact Ernst & Young were then directed to take further guidance and direction from commission counsel Mr. Semenchuck.

Mr. Anguish: — So the only people other than the auditor that had seen the Ernst & Young report would be the commission?

Mr. Bogdasavich: — Commission counsel.

Mr. Anguish: — The commission counsel himself, one individual . . .

Mr. Bogdasavich: — Well, it would be the commission. I assume it would be the commissioner, Mr. Brownridge, and commission counsel, Mr. Semenchuck, plus the Provincial Auditor.

Mr. Anguish: — So outside of those that prepared the report, only three people have seen it.

Mr. Bogdasavich: — That's correct, Mr. Chairman, as far as I know. Again I don't have personal involvement in the file. I'm going through with it and looking at the memorandums and the notes that were prepared.

But to the best of my information, that is correct. Certainly the Department of Justice officials have not seen it.

Mr. Anguish: — Pardon?

Mr. Bogdasavich: — I said, certainly the Department of Justice officials have not seen it.

Mr. Anguish: — Mr. Chairman, a question to the Provincial Auditor. What does the Provincial Auditor plan to do with the Ernst & Young report?

Mr. Strelieff: — Mr. Chairman, and Mr. Anguish, we're preparing our report on STC now, and we'll be including it in our report for the 1990-91 year.

Mr. Anguish: — When would you feel comfortable releasing a copy of the Ernst & Young report?

Mr. Strelieff: — Mr. Chairman, Mr. Anguish, when we receive the material from Ernst & Young, they advised us that it was a draft only and advised us that we could only rely on material in the draft at our own risk, which in our business means that we have to do our own examination and determine our own findings and opinions. And that's what we've done and are doing.

Mr. Anguish: — Has Ernst & Young communicated to you when the final Ernst & Young report, the final copy, would be completed?

Mr. Strelieff: — Mr. Chairman, and Mr. Anguish, no they have not.

Mr. Bogdasavich: — I might add, Mr. Chairman, if I might, just a point of clarification on this. There will not be a final report. The report was being prepared for the purposes of the Brownridge Commission of inquiry. When that was struck down as being a nullity *ultra vires* in September 1990, at that point in time there was no purpose to continue with the completion of the report. From the point of view of the commission — commission counsel — who had control and guidance with respect to the report, this process was prohibited and struck down by the court. The process stopped as of the day Mr. Justice Matheson declared it *ultra vires*.

Mr. Anguish: — So there never was a final copy of the Ernst & Young report, and there never will be a final copy of the Ernst & Young report.

Mr. Bogdasavich: — To my knowledge, Mr. Chairman, that is correct. The draft report that was provided to the Provincial Auditor on September 23, 1991 is it.

Mr. Anguish: — I have no further questions.

Mr. Van Mulligen: — We have no further questions of the Saskatchewan Transportation Company.

Mr. Chairman: — Mr. Bogdasavich, the Brownridge Commission of inquiry will, I presume, at some point in time issue a final report, will it not?

Mr. Bogdasavich: — No. No, Mr. Chairman, they were struck down and lost jurisdiction to do anything further as of September of 1990.

Mr. Chairman: — So it wasn't just the Ernst & Young portion, it was the entire . . .

Mr. Bogdasavich: — Oh yes, that was just one small part of it. I have had occasion, in reviewing the Department of Justice file with respect to it . . . there was considerable other work being done than just this one report on the financial transactions.

Mr. Chairman: — I see.

Mr. Bogdasavich: — Ernst & Young were preparing a list of exhibits for commission counsel. Ernst & Young were preparing documents; they prepared questions for commission counsel.

Mr. Van Mulligen: — Just one follow-up question, Mr. Bogdasavich. Would you care to venture a guess as to when this draft report from Ernst & Young might yet see the light of day, given the number of matters that are still presently before the courts and run their course?

Mr. Bogdasavich: — Mr. Chairman, Mr. Van Mulligen, it would be very difficult to say. I mean we anticipate the possibility of there being appeals. Certainly the judicial process is a long and slow one, as you're probably aware.

Mr. Van Mulligen: — Stay tuned.

Mr. Chairman: — Are there any other questions to officials of Saskatchewan Transportation Company? If

not, thank you, Mr. Glendinning, and your officials.

Mr. Glendinning: — Thank you very much, Mr. Chairman.

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

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

And I have just a comment on this motion. Mr. Chairman .

Mr. Chairman: — Perhaps, Mr. Van Mulligen, we should wait to let the officials clear the room.

Mr. Van Mulligen: — Okay. My question, Mr. Chairman, with respect to this motion is — I wonder if we might inquire from the Law Clerk — Mr. Chairman, I'm interested to know whether there's any process or procedure by which the Law Clerk, who is a servant of the Assembly, might inquire of the responsible judges of the Court of Queen's Bench whether they might take another look at this matter and point out the right of the people of Saskatchewan to have access to certain information. Because what seems to be happening here is that matters are being withheld but yet no one seems to have any idea whether or not the matters therein will have any bearing on court proceedings which may go on indefinitely.

Mr. Cosman: — I don't know that there would be a procedure per se. I could undertake to approach the appropriate judge or court perhaps. But I think there's a larger issue here, and that is whether the Legislative Assembly and the committee of the Assembly should be submitting itself to the discretion of the court on the whole issue. The Legislative Assembly itself is a court of record and has parliamentary privilege and could very well demand these documents on their own, I believe.

Mr. Van Mulligen: — I appreciate that. I know that, and I think I've made that clear a number of times in this committee, that we are a court too. But I'm reluctant at all times to use force to obtain something that might be obtained through negotiation. And again the question stands whether these inquiries might be made of the court to determine whether in fact this report might be made available to us.

Mr. Cosman: — I think perhaps if I worked with the committee chair and committee Clerk that we possibly could ask the court.

Mr. Chairman: — I believe, if I am to understand procedure properly, that if this committee so directs, as we reviewed the other day what this committee does — and you remind us, Mr. Van Mulligen — in these cases it is a voluntary acquisition that we make in these cases; that if we are to go that route this committee would have to vote and go on record as wishing that, with a recorded vote by individual members.

Mr. Van Mulligen: — I can draft the motion. I can do it now or perhaps later on in the day or tomorrow morning, provide you with a motion.

Mr. Chairman: — A motion by Mr. Van Mulligen in regards to STC, is that agreed? Carried.

Agreed

Mr. Chairman: — Perhaps then we could . . . would someone . . .

A Member: — We don't need to go *in camera*.

Mr. Chairman: — Okay. If we could have the officials from the Department of Justice, please.

Public Hearing: Department of Justice

The Vice-Chair: — Mr. Bogdasavich, I wonder if you might introduce the officials that are here with you today.

Mr. Bogdasavich: — Thank you, Mr. Vice-Chairman. I would like to put on record the fact that my deputy minister, Mr. Barrington-Foote, is out of the province on business and regrets very much that he's unable to attend today.

The officials we have with us: to my immediate left are Mr. Keith Laxdal, the associate deputy minister of finance and administration and division; sitting next to Mr. Laxdal is Ms. Twyla Meredith, the director, administrative services branch; and sitting next to her at my far left is Ms. Lynn Tulloch, assistant director, administrative services branch.

We also have with us Mr. Richard Quinney, continues to stay with us; Mr. Terry Thompson, who is the assistant deputy minister, the solicitor general division in our department; and Mr. Ron Hewitt, who is the assistant deputy minister, registry services division. Thank you.

The Vice-Chair: — On behalf of the Standing Committee on Public Accounts, I want to welcome the officials of the Department of Justice to the committee's meeting this afternoon.

The officials should be aware that when appearing as a witness before a legislative committee their testimony is privileged in that it cannot be used against a witness as the subject of a libel action or of 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. 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 distribute the document and record it as a tabled document. And you are reminded to please address all comments through the chair.

Mr. Bogdasavich, I want to very quickly go through the auditor's report and the comments that he makes. In the first instance, there seems to be concern about a

segregation of duties, did not establish documentation standards for system development maintenance, and contingency plans seem to be lacking. I'm told that you're trying to clear this up. I wonder if you briefly might relate to the committee how you're planning to do that and what progress we might expect.

Mr. Bogdasavich: — Thank you, Mr. Chairman. I'd ask Mr. Laxdal to briefly outline that for you.

Mr. Laxdal: — Pardon me, Mr. Chairman. With respect to the segregation of duties during the past year, a number of the personal property registry accounts which have been run on the WESTBRIDGE system have been reviewed, owners identified, the proper documentation put in place respecting the security software. So we are reasonably comfortable that good progress is being made in that area. We're continuing to work on implementing additional access controls respecting other systems.

Respecting the question of development controls, this is an area in which the department has historically relied on the methodology, the standards, set by our consultants who are in fact doing the development work. The department had initiated a project to develop a policy and procedures manual. Quite frankly, this work has not been completed at this point in time. We have found that it has been difficult to complete in the context of other demands that have been placed on our systems group. Consequently we haven't completed that, as I indicated.

It remains something that we are concerned about and will be pursuing, but simply the matter of other systems-related priorities has precluded us from completing this area at this point in time.

You'd also raised the matter of the contingency plan. And very briefly, in this area a disaster recovery plan has been developed within the department. I believe it was previously shared with the Provincial Auditor as well as the Department of Finance. The plan was reviewed by a systems management group within the department and was accepted early this past year in 1991. So we feel that we have made some progress in this area.

I suppose the outstanding issue with respect to our disaster recovery plan, our contingency plan, is the matter of back-up equipment. And included in the proposal that we looked at in this past year was a proposition that in the event of some disaster — water, or whatever, fire — affecting our equipment, we would engage Digital to provide back-up equipment.

There were substantial costs involved in that back-up process. And there weren't sufficient assurances from the firm involved that an immediate recovery process would be provided. Consequently we have not opted to go that way at this point in time.

So we continue to self-insure for all practical purposes. We continue to look at other solutions including a government-wide initiative respecting . . . or out of the Information Technology Management Agency, we're looking at alternatives to managing our own system which may address this particular issue. And we're even considering the possibility of reciprocal arrangements

with other government departments in this area.

The Vice-Chair: — Billings for police services. You indicate that . . . or the auditor indicates that a failure to bill municipalities for additional costs resulted in a loss of revenue for 70,000 for this fiscal year, also that you've since billed the municipalities for this cost. Were you able to get the money that you were deserving in 1989-90?

Mr. Laxdal: — Yes. There was an oversight in the year under review. As a result of a late billing from the RCMP we never followed up our billings with the municipalities. A billing was made in the subsequent year and all moneys have been recovered. So there was no overall loss but there was a change in the timing of the cash flow.

The Vice-Chair: — What about this matter of overdue accounts at the Land Titles Office. It seemed to me that you had some arrears. Have these arrears been recovered? Has the money that's due to you come to you? Or have you written off those that are uncollectable? Or how has that been dealt with?

Mr. Laxdal: — This has been an ongoing issue in the Land Titles Office, Mr. Chairman. During this past year some work was done in the area of automation to help administer the deposit accounts. The long and short of it though is that we still have overdrawn accounts.

The systems work has not fully eliminated the problem. We're faced with a situation whereby we have very cumbersome regulations to administer in this area, and very likely the department will be recommending a change in the legislative make-up in this particular area to address the problem. I'm not aware of any losses that have occurred, or write-offs, for that matter.

The Vice-Chair: — Okay. The matter of the correctional facilities industry revolving fund, a number of issues are raised by the auditor, all of which seem to leave the impression that the administration of this fund leaves something to be desired. I wondered if you might indicate to us how the department has made efforts to improve the management of this fund.

Mr. Laxdal: — Respecting this particular fund, Mr. Chairman . . . and similar comments will apply later in the report as we come to the matter of the Queen's Printer revolving fund and for that matter the victim's fund. Generally speaking in this area, all of these funds were established during the year under review. In the case of the correction facilities revolving fund, it was established April '89, but really became operational in October '89.

We did certainly encounter some start-up difficulties in a variety of areas that have been noted in the auditor's report. The matter of segregation of duties has been addressed through relocation of staff within the correction centre. The matter of timeliness and accuracy of financial statements have been identified. Procedural policy changes have been made where necessary, and the statements are being prepared and submitted on a regular basis at this stage.

The matter of controls over inventory have, in our view, substantially been addressed. We do take physical

inventories on, I believe, a twice-a-year basis. And in addition to that, a perpetual inventory is maintained for the metal products which account for the largest percentage of this . . . (inaudible) . . . And we have also addressed the matter of procedures for bank deposits. This was a misunderstanding associated with new staff in this particular program at that time.

The Vice-Chair: — I don't have any further questions at this point. I point out that when the committee resumes again in April that . . . or maybe . . . Mr. Serb, do you have a question?

Mr. Serb: — Yes. I have a question in respect to this fund. Does this fund only participate in funding projects that are within the correctional facilities?

Mr. Laxdal: — Yes.

Mr. Thompson: — Work, Mr. Chairman, may come from outside the centres and be done for whatever contract has come forward, but the work is all performed within the centres.

Mr. Serb: — Just a further follow-up. Has the department participated in any kinds of projects in the year under review that might be considered developmental projects which are not within the correctional facilities' mandate?

Mr. Thompson: — I'm unclear what is meant by within the mandate. The facility has been involved in projects which involve the manufacture of furniture or of parts for pick-ups for combines, parts for some of the machinery at the Prince Albert pulp mill, a lot of material for the Parks and Renewable Resources in terms of fire-fighting equipment. There's a very wide variety of work that is done.

Mr. Serb: — More specifically, Mr. Chairman, has this department been involved at all in the development of recreational site facilities under the year under review?

Mr. Thompson: — There's two parts to the recreational issue. The prison industries have built considerable playground equipment on site for installation in playgrounds throughout various schools and parks in the province.

As well there are prison crews not involved with the prison industry component who do playground development, especially in Prince Albert. In fact most of the playgrounds in Prince Albert in all of the schools and the parks have been built by prison labour. That has not been associated with a prison industry operation.

Mr. Serb: — Just one more question, Mr. Chairman. Has this department ever been involved in funding private recreational development in the province in the year under review?

Mr. Thompson: — Mr. Chairman, I'm at a loss to understand what we mean by funding private recreational development. Is there an example that would help?

Mr. Serb: — If there were an investor in the province

who was interested in developing a private recreational development, would this department fund it, that isn't within the mandate of the correctional department?

Mr. Thompson: — Mr. Chairman, there have been projects to develop recreational equipment which would be vended by a private contractor in other parts of the province. It wouldn't always be directly with a particular school unit, for example. There could be a private contractor that develops a contract with the prison industry to assemble certain things or to develop certain things.

Mr. Serb: — But more specifically, what about a clubhouse or chalets that might be viewed as cabins? Would we have any investment or any involvement in funding those kinds of projects?

Mr. Thompson: — I'm not aware that we did. It wouldn't necessarily be outside the mandate of the prison industries to be involved in such a venture, but I'm not aware that we have.

Now we build a lot of garden shacks. For example, we might have a contract with Co-op lumber in Prince Albert to build garden shacks — you know, the storage sheds. The contract might be for \$400 a shed, but they give to us and then they take and market them . . . (inaudible) . . .

Mr. Serb: — So for my understanding then, Mr. Chairman, the department would not be involved, not necessarily out of this particular fund then, in any kind of investment in the development of recreational facilities, i.e., the example of a golf course . . . or a clubhouse I mean, and/or cabins, chalets?

Mr. Thompson: — If it was something that was being manufactured at the correctional centre, that could be done. That's within the mandate to do. I'm not aware that we have participated in that, but if we had some more specific details I could check that out and get back to the committee.

Mr. Serb: — I might, Mr. Chairman, follow it up at a later time when we get into our other series of questions, if I might.

Mr. Thompson: — I should just clarify, Mr. Chairman. If the question was like, have we provided any money to people to do something like that, no we don't provide money to an organization to build a recreational site.

Mr. Serb: — That's specifically my question then. The department hasn't provided any funding to the building of any private recreational facilities in Saskatchewan in the year under review?

Mr. Thompson: — No. There was some work done by a northern bush camp. The Wadin Bay camp was assisting in developing a golf course for the community which was later taken over by a private development. At that point, all prison labour that was coming from that bush camp was pulled out.

There would be no cash funds donated to that, but there was inmate labour done on what's now called the La

Ronge golf course which, my understanding is, the community group doing it weren't able to carry it through. It was taken over by a private developer. At that point the prison crew was not able to participate.

Mr. Serb: — That answers my question.

Mr. Sonntag: — Mr. Chairman, thank you. My question is with respect to services and/or supplies that are provided for the correctional institutes or camps. What process is used to supply . . . or I should say to provide supplies at these camps? Is it a tendering process or what happens exactly?

Mr. Thompson: — Most of the supplies for the correctional centres are tendered through the Saskatchewan Purchasing Agency. There is, or there has been, a northern purchasing agency that was part of the Saskatchewan Property Management Corporation that supplied considerable amount of products to the northern correctional centres — not to Saskatoon and Prince Albert. But there would be a tendering process.

Mr. Sonntag: — One last question then. Is there any consideration at all given to local suppliers?

Mr. Thompson: — We had in the past given preference to local suppliers. Over the last couple of years we have tendered more broadly because we found some of the costs to be in excess of perhaps 50 per cent in buying foodstuffs, for example, locally in Meadow Lake compared with buying it through a wider tender.

Mr. Chairman: — I'd like to ask one, maybe two questions. How much growth has taken place in this area say in the last 10 years of using people within the correctional service to manufacture or do things?

Mr. Thompson: — Oh the growth would probably be — I'd be guessing — between fivefold and tenfold. The first priority has always been to do it for other government departments and then non-profit agencies. With the development of the prison industry component it was the desire to be able to produce goods and services in partnership with entrepreneurs in the community wherever that's possible. So there has been considerable growth. It was designed to assist the correctional centres to be increasingly self-sufficient.

Mr. Chairman: — I'd just like to make a comment and commend you on that growth and hope that you continue to be very diligent in that regard. I, for the life of me, don't know why we would want to incarcerate people and have them with time on their hands so that they get frustrated with their situation.

Mr. Van Mulligen: — If I might, Mr. Chairman. I don't have any further questions. I don't know whether the Provincial Auditor has a special affinity for your department but it seems to me that now in the last number of years that the auditor has made exhaustive comments about certain management practices within the department. And I just hold out the wish that the matters that seem to be brought to our attention might get resolved, and that we spend less time on these matters here.

Mr. Chairman: — Thank you.

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

Mr. Van Mulligen: — I'll move:

That the hearing of the Department of Justice be concluded subject to recall if necessary for further questions.

Mr. Chairman: — Motion by Mr. Van Mulligen. Agreed? Carried.

Agreed

Mr. Chairman: — Can I have a motion that we go *in camera*?

Mr. Van Mulligen: — I'll move:

That we go *in camera* to consider the comments of the auditor with respect to the Saskatchewan Power Corporation.

Mr. Chairman: — Is that agreed?

Agreed

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

Public Hearing: Saskatchewan Power Corporation

Mr. Chairman: — Good afternoon. Mr. Fink, you are the one that will introduce the officials, is that correct?

Mr. Fink: — Yes, I can do that. With me today is Larry Ruddell, who is the vice-president, finance; and Larry Kram with our legal counsel.

Mr. Chairman: — Good, thank you.

Small bit of official business here before we begin. On behalf of the Standing Committee on Public Accounts, I want to welcome the officials of the department of SaskPower 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 in that it cannot be used against the witness as a subject of a libel 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'll distribute the document and record it as a tabled document. You are kindly reminded to please address all comments through the chair.

Does anyone from your group, Mr. Fink, wish to make a statement or anything prior to beginning of questioning?

Mr. Fink: — No.

Mr. Chairman: — Good, thank you. If we could go to the auditor's report first then, and go from sections .01 through .10 please.

Mr. Anguish: — Thank you, Mr. Chairman. As a conclusion of .07, I think it summarizes the previous points quite well. It says:

As a result, in our lawyer's opinion, the Executive government cannot make SaskEnergy an agent of SaskPower by Order in Council.

What's your response to that?

Mr. Kram: — I'll address that. Mr. Chairman, we had at the time of the sale, again . . . and I'd taken the view that we could in fact appoint SaskEnergy as agents. And that was in fact done in the agreement between SaskPower and SaskEnergy. We have obtained, I think, as the report indicates, opinions from two law firms with respect to this matter who have confirmed that this in fact is possible, and we again had proceeded on that basis.

I think it's worth noting at the time, of course, that SaskEnergy was a wholly owned subsidiary of SaskPower. And again, we would rely on the opinions of the outside counsel that we had with respect to this issue.

Mr. Anguish: — Can you provide us today with those opinions of the outside legal counsel?

Mr. Kram: — Sure.

Mr. Anguish: — Both opinions?

Mr. Kram: — Certainly.

Mr. Anguish: — In point. 10, to conclude that section, the auditor recommends that if SaskEnergy is going to operate the natural gas business, we recommend the Act be changed or legislation passed to clarify SaskPower's authority to sell the business. This legislation should also ensure accountability of SaskEnergy to the Legislative Assembly in that it's similar to that of SaskPower. Do you have any intention of doing that?

Mr. Kram: — Mr. Chairman, I believe that that legislation has been drafted and it has been prepared by SaskEnergy, and it has been presented to, I believe, the last session of the legislature. I've seen draft copies of it and I think there's every intention to proceed with that legislation. It's being driven by SaskEnergy at this point.

Mr. Anguish: — What was the date of the drafting of this legislation?

Mr. Kram: — I don't know the precise date. I know it's been possibly in the last year or maybe even longer than that since that draft legislation has been around and been revised and what not.

Mr. Anguish: — So even in spite of the legal opinions that you have you're following the recommendation of the

Provincial Auditor. Is that correct?

Mr. Kram: — I think there was . . . I think that's correct. I think it was something that was even contemplated prior to this opinion. But I think this opinion has certainly reinforced that, and we would certainly agree with that. And I think SaskEnergy agrees that that's something that has to be done.

Mr. Anguish: — On that particular section .01 through . . . do you have a comment? On sections .01 through .10 I have no other questions.

Mr. Johnson: — Mr. Chairman, although what the auditor has said in here indicates no new amounts of money or valuations on anything in the sense of what it is, the reasoning for auditing in any firm or even here is to maintain that there's no loss to the public through actions that occur.

What would your opinion be had this carried through? Would there have been a loss to the public in general had this division and sale of assets occurred?

Mr. Kram: — I'm not sure I understand your question. If it had carried through?

Mr. Johnson: — Yes, because it then in essence stopped with some of this, as I understand. Okay, the actual division and the whole activity actually occurred. Does that then generate a loss to the public as a whole?

Mr. Kram: — An economic loss, you mean?

Mr. Johnson: — Yes.

Mr. Kram: — I don't believe I can answer that question from a legal point of view.

Mr. Ruddell: — I think what . . . the operations of SaskEnergy were separated from SaskPower. And that operation continues to exist as if it had existed under SaskPower. The ultimate ownership hasn't changed whatsoever, so I don't think there would be a loss.

Mr. Johnson: — Well then what would you consider double billing as in expenditure? Would that be a loss, or is there some offsetting revenues that have generated to cover the cost of double billing?

Mr. Ruddell: — I think that would be an additional cost. And that's why we recently changed that effective January.

Mr. Johnson: — And I go back to my initial question then and ask if there was a loss occurred to the public because of this action. You are saying that in essence there is, at least of the double billing.

Mr. Chairman: — Mr. Johnson, could you sort of at least direct those questions to the year under review if you are asking about losses or something like that.

Mr. Anguish: — On the next section, Mr. Chairman, it concerns the authority of producers directly supplying gas to consumers. Section .12:

By law, SaskPower may consent to someone else supplying gas "in any specified area" (Section 38(2) of the Act). SaskPower has consented to natural gas producers supplying gas directly to individual consumers. However, in the opinion of our lawyer, the statutory provision relied upon does not permit SaskPower to delegate the right to supply particular consumers but only all consumers in specific geographic areas. It is our lawyer's opinion that the clear intent of this provision is to permit others to supply gas or electrical power where SaskPower does not (already) have the . . . ability to do so.

Do you agree with the Provincial Auditor's observation?

Mr. Kram: — Again there is I think a difference in interpretation of that. The practice had certainly been that there were consents being given to individual consumers as opposed to individual consumers in a specified area. I think it's a fair comment in .15 that this is another area that requires legislative change to clearly address the situation where there is a practice that may be at odds somewhat with what the section says. But I think it's also fair to say that there is some ambiguity in that section and it can be interpreted in a couple of different ways.

Mr. Anguish: — Is there legislation being drafted in that area in response to the first section?

Mr. Kram: — I believe that it's included in the . . . it would be incorporated in the SaskEnergy draft that I referred to earlier.

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

Mr. Chairman: — If not, can we move on to the next section then, .16 through .18.

Mr. Anguish: — In terms of the reservation in our auditor's report . . . I'd refer in this case to point .17. I'll quote from the Provincial Auditor's report:

Our opinion on the financial statements of SaskPower for the year ended December 31, 1989 contains a reservation. Our opinion on these financial statements follows:

Effective December 31, 1989, the Corporation sold its investment in a wholly owned subsidiary to Crown Investments Corporation of Saskatchewan and recorded an extraordinary gain amounting to \$226 million. Had the investment been sold to a non-related party, the Corporation's treatment would be in accordance with generally accepted accounting principles. However, as the investment was sold to a related party, in my opinion the gain should have been recorded as an equity advance. Had the gain been recorded as an equity advance, extraordinary items, net income and retained earnings at the end of the year would have been reduced by \$226 million, and equity advances would have been increased by \$226 million.

Do you have a response to the auditor's statement?

Mr. Ruddell: — Yes, Mr. Chairman, the observation is correct. And management does not disagree with the qualification because it's in accordance with generally accepted accounting principles.

However, management and the board felt that since the sale of SaskEnergy was to another company, that management and the board no longer had any jurisdiction, physical or operating control over those assets, that it would be appropriate to record in the accounts of SaskPower the gains and the results of the operations during the period of stewardship. So that's why management and the board decided that that would be the appropriate way to record the transaction.

Mr. Anguish: — So you're in agreement with the Provincial Auditor?

Mr. Ruddell: — We do not disagree that it's not in accordance with generally accepted accounting principles. The disagreement, I suppose, is that the management in this circumstance, and the board, felt that the generally accepted accounting principles may not be necessarily appropriate.

Mr. Anguish: — Who is your auditor?

Mr. Ruddell: — Ernst & Young.

Mr. Anguish: — I suppose part of the problem, in terms when you're dealing with a Crown entity or a government department or agency, when you get a private sector auditor, they audit for the board and not for the Legislative Assembly's information.

I would think in future years you might want to consider instructing your auditor to take into account that when they do their audit, it's for the Legislative Assembly as well as the board of directors of the Saskatchewan Power Corporation. If that's not the case, I would think that we would want the Provincial Auditor to be doing the audit on you rather than a private sector auditor, from the standpoint that we have an interest as members of the Legislative Assembly to safeguard the public purse.

Mr. Ruddell: — In fairness, I think if you look at the annual report, that this is an exact quotation from Ernst & Young's report as well.

Mr. Anguish: — Which is an exact quotation?

Mr. Ruddell: — Pardon me?

Mr. Anguish: — Which is an exact quotation from the Ernst & Young report?

Mr. Ruddell: — The qualification of reservation.

Mr. Anguish: — Okay.

Mr. Kraus: — If you look at the auditor's report, paragraph .16, the auditor is indicating that he is reporting on the reservation of opinion that was expressed by the private sector auditor.

Mr. Anguish: — Okay.

Mr. Chairman: — Are you finished, Mr. Anguish?

Mr. Anguish: — Yes, with that section, Mr. Chairman.

Mr. Johnson: — It's the auditor, Mr. Chairman, that I was going to ask the question of. Would it have been more accurate to say that this particular figure of \$26 million in the statement really is in the audit of the Crown Investments Corporation, that it had shown up in their financial statement at the end, saying exactly this? Because in essence at that level it becomes significant and more accurate than in the books of SaskPower.

Mr. Strelieff: — Mr. Chairman, Mr. Johnson, when CIC (Crown Investments Corporation of Saskatchewan) prepared their set of financial statements they did not record this gain. They didn't see it as a gain. Only in the financial statements of SaskPower is it reflected as a gain.

Mr. Johnson: — Could you have taken and said that this was, as part of the audit of CIC, that this is something that you felt should have been in there, at the level of CIC?

Mr. Strelieff: — Mr. Chairman, Mr. Johnson, would you clarify what you mean by, in there. We agreed with the way . . . could you clarify that, please.

Mr. Johnson: — Okay. What I'm asking is, does these reservations really become more significant when you get to the level of CIC than they are at the level dealing with SaskPower? The total books of CIC, this becomes very significant.

Mr. Strelieff: — Mr. Chairman, Mr. Johnson, we think it's significant in relationship to SaskPower's reported results to help you understand what's going on in SaskPower, to hold them accountable. The fact that they increased their net income by \$226 in a way that isn't in compliance with normal accounting principles, we thought that's important to bring that to your attention.

Mr. Johnson: — But it wasn't significant enough to be in CIC?

Mr. Strelieff: — Mr. Chairman, Mr. Johnson, when CIC prepared their financial statements, they did not record this gain. So that problem wasn't there, within their financial statements.

Mr. Johnson: — Okay.

Mr. Anguish: — If there are no other questions on the auditor's report itself, Mr. Chairman, I have a few other questions I'd like to go into with the officials from SaskPower.

Mr. Chairman: — Anyone else have a question through to section .22 in the auditor's report? If not, we'll move into general discussion.

Mr. Anguish: — Thank you, Mr. Chairman. In terms of the Saskatchewan Power Corporation, what is your electrical generating capacity in the province?

Mr. Fink: — Mr. Chairman, the total generation capacity is 2,750 megawatts.

Mr. Anguish: — That's 2,750 megawatts?

Mr. Fink: — Yes.

Mr. Anguish: — So that would be . . . if all of your systems were up and running, they would produce 2,750 megawatts per hour.

Mr. Fink: — That's correct.

Mr. Anguish: — Do you have to buy at peak times outside the province of Saskatchewan? Is the peak requirement at some points more than 2,750 megawatts per hour?

Mr. Fink: — Mr. Chairman, the peak in February 1990, I believe it was, was 2,423. No, we have never exceeded the total generation capacity.

Mr. Anguish: — How many locations are there in the province that accumulate together to make up . . . that aggregate together to make up the capacity that you have?

Mr. Fink: — We have a large number of stations, hydro and steam plus gas turbines. If I can just take a moment, Mr. Chairman, to count these. I believe there's the E.B. Campbell station, Nipawin station, Coteau Creek, Island Falls, Wellington, Waterloo, Chariot River, and then Boundary dam, the Estevan generating station, Poplar River, Queen Elizabeth power plant, and the gas turbines — Landis, Meadow Lake, Success.

So we have a variety in our numbers.

Mr. Anguish: — If I counted up those that you listed, that would be your total generating stations in the province?

Mr. Fink: — That's the total generation capacity in the province.

Mr. Anguish: — What's the smallest in terms of megawatt output and what's the largest?

Mr. Fink: — The smallest is Wellington, which is 5 megawatt. And the largest would be, again, the Boundary dam generating station. There are a number of units at the site and the total capacity there is 875 megawatts.

Mr. Anguish: — I'm sorry, I missed that.

Mr. Fink: — 875.

Mr. Anguish: — 875 megawatts per hour.

Can you tell me what the cost specific is per kilowatt? I believe that when you talk of costs, I believe they're broken down in kilowatts. Do you have, to each of those specific sites, what the cost of production is per kilowatt, including the capitalization costs of the project itself?

Mr. Fink: — Mr. Chairman, I'm not sure whether I have that information with us today, but we'll do just one quick check. No I'm sorry, Mr. Chairman, I do not have that

with me at the moment.

Mr. Anguish: — Could you provide that to me please?

Mr. Fink: — Sure.

Mr. Anguish: — Do you understand what I'm asking for?

Mr. Fink: — Yes.

Mr. Ruddell: — I understand what you ask for, but we don't keep the accounts in that fashion. We can give you the direct costs, like the fuel, the water rates, the royalties that we pay. We can give you the depreciation. We don't break it down by kilowatt.

Mr. Anguish: — Could we do it . . . How do you break it down by?

Mr. Fink: — It's just grouped and then there's so much for thermal, so much for hydro, so much for imported, so much for gas.

Mr. Anguish: — Is it possible for specific sites and all the sites that were mentioned, is it possible to tell me what it costs you to produce a kilowatt of electricity out of that particular plant and what the capital costs were to construct the plant? Is that a cumbersome task, or is that easily provided?

Mr. Ruddell: — Mr. Chairman, certainly the capital cost is no problem. We have that. We'll see what we can do.

Mr. Anguish: — Okay.

Mr. Ruddell: — Okay. By location, right?

Mr. Anguish: — By location, yes please. What is the blended cost of electricity in the province? If somebody says to you, what does it cost the Saskatchewan Power Corporation to produce a kilowatt of electricity, what would you tell them?

Mr. Fink: — Mr. Chairman, I will have to take note of that question. I don't have that information with me at the moment.

Mr. Ruddell: — But in answering it, Mr. Chairman, we do not prepare the accounts. What we prepare in accordance with our accounting system and so on and so forth are the direct costs per kilowatt hour, and we can do that.

Mr. Anguish: — What do you mean by the direct costs per kilowatt hour?

Mr. Ruddell: — That would include the fuel and that sort of thing. It does not include depreciation. If you look at the annual report, it shows cost of fuel or cost of electricity as one number, and then further on down it goes depreciation and depletion.

Mr. Anguish: — Okay, so everything would be included except for the depreciation of the capital asset?

Mr. Ruddell: — And any operating maintenance and

administration expenses which are also shown separately. So they, so that . . .

Mr. Anguish: — So person-hours of employment at a particular site would not be shown in that?

Mr. Ruddell: — No.

Mr. Anguish: — Do you have with you today projections for increase in . . . any need for increase in the province's capacity between now and the year 2010 that would be beyond the 2,750 megawatts that you can currently produce?

Mr. Ruddell: — No, we do not.

Mr. Anguish: — Do you have those projections?

Mr. Ruddell: — We have them.

Mr. Anguish: — Can you provide them as well?

Mr. Ruddell: — Yes.

Mr. Johnson: — Mr. Chairman, what is the . . . We purchase electricity I understand from Manitoba as well.

Mr. Ruddell: — Yes.

Mr. Johnson: — Okay. In the 2,400-plus megawatts that were used at the peak time, some of that . . . at that particular time we would be bringing some electricity in from Manitoba to meet that?

Mr. Ruddell: — Yes.

Mr. Johnson: — Because the actual 2,750 megawatts of production are not necessarily all available at the same time.

Mr. Ruddell: — That's correct.

Mr. Anguish: — What's the purchase cost of the power, the electricity you buy from Manitoba Hydro?

Mr. Ruddell: — There's also, in addition to Manitoba Hydro, there's also the Alberta Power, and we also purchase and do exchange with Basin Electric in the United States.

So part of the decision as to whether we're going to purchase depends on their capacity. They may have excess and it's quite cheap comparatively, or it could be.

But I think Mr. Fink has some information.

Mr. Fink: — The cost of electricity purchased from Manitoba Hydro fluctuates. It again depends on the availability. If they have a surplus of power, it becomes cheaper. If we have demand and they're near their peak capacity, it would be more expensive to purchase.

Mr. Anguish: — Can you give me the highest and lowest you've paid for electrical from Manitoba Hydro?

Mr. Fink: — Manitoba Hydro. The average cost in 1989

— this is imported from Manitoba Hydro — was \$20.58 per megawatt hour.

Mr. Anguish: — 20.51 per meg?

Mr. Fink: — 20.58.

Mr. Anguish: — 20.58?

Mr. Fink: — Yes, \$21.58.

Mr. Anguish: — You don't have a high and low on that though.

Mr. Fink: — No. This is just the average cost. I don't have the high and low.

Mr. Anguish: — So that would be about 2 cents a kilowatt?

Mr. Fink: — Yes, it works out to about that.

Mr. Anguish: — What do you project the cost per kilowatt from Shand/Rafferty when it comes on stream?

Mr. Fink: — I'm not sure I have that with me, because we were prepared to . . . (inaudible) . . . the year of 1989, which was the year under review.

Mr. Anguish: — Well I would hope that in 1989-90 you were projecting something in terms of the cost of power from Shand/Rafferty, otherwise I wouldn't have much faith in your planning capacity of the Saskatchewan Power Corporation.

Mr. Fink: — We do have that information, Mr. Chairman, but unfortunately I don't have it with me because I wasn't prepared for that type of question.

Mr. Anguish: — Okay, well if you could provide that with the other information, I'd appreciate it.

Mr. Fink: — We could provide that.

Mr. Anguish: — And indicate when you provide the projected costs per kilowatt for Shand/Rafferty, whether or not that includes the capital costs. And if it doesn't include the capital costs, I'd like you to state what the capital costs are as well for constructing the facility.

Mr. Fink: — Okay.

Mr. Anguish: — And I would have to assume that your projection on that would not include your personnel or your administration.

Mr. Fink: — That's correct.

Mr. Anguish: — Is there a rule of thumb that a person could load on to the figure that you give us in terms of personnel, administration costs, and capital facility?

Mr. Ruddell: — By type of generating facility, for example?

Mr. Anguish: — Well if we took the Nipawin project, and

you came back to me and you told me that your cost to produce a kilowatt is 4 cents. I'd have to assume that that doesn't include your personnel or your administration or the depreciation on the capital costs. Is there a rule of thumb so I can get a more realistic picture as to what it actually costs you to produce that kilowatt by adding in personnel, administration, and depreciation on the capital assets?

Mr. Ruddell: — Not really, because your hydro generation has very, very few people; heavier capital costs, but your only real costs are the water rentals and maintenance. And more labour intensive would be your thermal units.

Mr. Anguish: — How do you plan on resolving the issue. There seems to be a number of people who are interested in what they refer to by many names, but usually co-generation. There's been some interest expressed by a number of entrepreneurs and maybe co-ops in the province.

When you tell them that you're going to give them say a blended cost of what it costs you, they have to provide the administration, they've got to provide the personnel, and they've got to provide the plan. And I'd assert that it's somewhat unfair of you to say that you would — if this is the case — you would buy from them at your blended cost knowing full well that it doesn't include the plant, the administration, or the personnel to run it.

Mr. Ruddell: — Mr. Chairman, unfortunately we're not really the ones that have that information nor would be — certainly not from me anyway — would be capable of answering it. I'm not involved with the co-generation at all.

Mr. Anguish: — Who would a person talk to at the Saskatchewan Power Corporation about the questions that I've just been asking?

Mr. Fink: — Mr. Chairman, the senior vice-president of electrical operations is Mr. Bob Lawrence, and Bob would have those numbers. I have the cost, the projected cost for the Shand power station. It's \$597 million.

Mr. Anguish: — That was the projected cost in the year under review?

Mr. Fink: — That was the projected cost for a 300 megawatt unit, number one.

Mr. Anguish: — Was that your projected cost in the year under review though, I'm asking?

Mr. Fink: — Yes.

Mr. Anguish: — So in 1989?

Mr. Fink: — Yes.

Mr. Chairman: — Maybe we should've had the president and Mr. Lawrence here.

Mr. Fink: — Mr. Chairman, had we known that we were going to get questions in addition to what was in the

auditor's report, we certainly would have had Mr. Lawrence or someone from the operations area here to answer the operation.

Mr. Anguish: — Yes, it's obviously been very difficult to tell what questions will come out of the committee. I can appreciate that. Some departments and agencies that appear before us, for example, the Department of Education might come here with 20 or 25 people, and we never know what to expect either when the witnesses appear before the committee. I don't know whether there's going to be three of you or 23 of you. So I appreciate the problem, but I can pursue this with Mr. Lawrence.

Mr. Johnson: — This is one further question of the 2,700 megawatt production. Is there a projection that some of this will be taken out . . . some of these sites will be taken or mothballed or overprojected in a number of years? Or is there a life expectancy of some of the items?

Mr. Fink: — Mr. Chairman, the Estevan generating station is due to be retired in the very near future and probably will be shortly after Shand goes on stream.

Mr. Johnson: — And it's the largest one that you . . .

Mr. Fink: — No, the Estevan generating station was not the largest unit. It has 65 megawatt generating capacity.

Mr. Anguish: — What is that card you're reading from?

Mr. Fink: — Mr. Chairman, the facts for 1990, and I can provide all kinds of these.

Mr. Chairman: — Would you, please.

Mr. Fink: — Sure, I can provide them. It's an excellent source of information on generation and the capacities of the plants and what the actual output is per year.

Mr. Anguish: — Are all employees required to carry that card around?

Mr. Fink: — No.

Mr. Chairman: — Anyone else? If not, thank you, gentlemen.

Mr. Sonntag: — Mr. Chairman, I'd move:

That the hearing of Sask Power Corporation be concluded subject to recall if necessary for further questions.

Ms. Haverstock: — . . . (inaudible) . . . resources are here?

Mr. Chairman: — I believe they were sent home, weren't they? Parks?

Mr. Vaive: — Parks? Oh yes. They weren't here. They were on telephone standby . . .

Ms. Haverstock: — Oh, I see.

Mr. Vaive: — And they were advised.

Mr. Chairman: — So we're going to try to fit them in in the morning, as I understand it.

Moved by Mr. Sonntag, is that agreed? Carried.

Agreed

Ms. Haverstock: — Mr. Chairman, I have two points, if I may.

As the Public Accounts Committee, I think that . . . I mean we're here to ensure that public moneys are spent judiciously, and the witnesses who have appeared before us this week are paid by the public purse. On several occasions there have been some six or more highly-paid officials that have waited together for sometimes three or more hours, doing nothing except standing in the hallway. I don't believe that the public would view this as a good use of these individuals' time or their talents for which they are being paid by taxpayers.

So I'd like to suggest that some space be made available for witnesses whereby they can have access to telephones, fax machines, and so forth, in order to carry out some business or duties while they're waiting to appear before this committee.

Mr. Chairman: — Procedure — Gerry.

Mr. Kraus: — As you may know, we have something called the financial management council that I chair, and it consists of the executive directors of administration. And we have looked at any number of issues related to financial management, trying to make things more efficient, economical, effective, etc.

And periodically we look at new assignments, and one of the things that this group would like to do — and I suspect will undertake it — is to look at some of the procedures and processes that go together to support a committee like this, a legislative review committee, Committee of Finance, and so on, looking at what it is the civil service have to do to prepare and be ready and so on.

And perhaps it's a bit presumptuous of us, but we thought that if there was any interest that we would make some recommendations that may be along the lines of those that Ms. Haverstock has just mentioned.

And I suppose I would like to hear whether or not the committee thinks it's appropriate for the civil service to — particularly the director of administration — to make recommendations along those lines. Would they be received favourably or just something that's more along the parliamentarian's line — Rules and Procedures Committee.

Mr. Anguish: — I thought this discussion would likely come up tomorrow. I haven't read obviously Harry's motion as well as maybe I should have, but . . .

Ms. Haverstock: — I'm raising two points, the second of which is because I will not be here tomorrow. I did want my concern about this to be raised.

Mr. Anguish: — I guess it isn't . . .

Ms. Haverstock: — It is not in Mr. Mulligen's motion.

Mr. Anguish: — It's not in the motion. There has been some talk. I don't know whether the chairman and the vice-chairman have talked about it or not about having a meeting sometime in the near future to discuss things like that — like the role of the committee. And I don't know how far those discussions have gone so I thought that most people were aware that it must be a very preliminary stage.

Mr. Chairman: — Very.

Mr. Anguish: — I think there are a number of things that can be done to make the committee function more efficiently than it does and to have due regard for costs to the taxpayers' dollars. And I'd welcome suggestions from Mr. Kraus and from yourself and all members of the committee.

And I guess traditionally in the British parliamentary system this is supposed to have been one of the less partisan of committees where we all sit together and discuss the financial accountability and the budgetary process, the auditor's observations. I know at times it doesn't look like the least partisan committee of the British parliamentary system but I think that we should be attempting to have more regard for the public purse than we are for the partisan politics that go on within this room. And I hope what you're saying can be part of that discussion. And I would encourage the chairman and the vice-chairman, in consultation with the other member of the committee, to pursue getting together to discuss those items.

Mr. Muirhead: — Thank you, Mr. Chairman. Yes, this is a subject that has come up before, Lynda. And it used to bother me a lot when I'd come in here and I used to see in estimates or you'd be preparing for a Bill and you'd see officials sit out for hours outside the House, and same thing here.

But as time went on it didn't bother me quite so much because I'd see these poor guys that maybe they got an hour or two or half an hour sitting out here, half an hour out there, but I'd see them come back on their own time and sit for hours at night. You know, they were working way beyond the time.

I mean I think it averages out pretty good in the end when you see officials that are maybe supposed to be through at 5 o'clock still sitting there at 10, 11, 12, 1 o'clock at night and never even get called and come back the next day.

So it kind of didn't bother me so much after a few years. I feel sorry for them more, Lynda, that they're just . . . maybe their particular agenda today, they could be doing something else.

Ms. Haverstock: — Well that's precisely why I'm raising this, for no other issue than taxpayers are paying their salaries and these individuals are often . . . I know what my time is like.

Mr. Muirhead: — Yes, but they're different from us,

Lynda. The taxpayer is paying them a salary from maybe 9 or 8 o'clock till 5 o'clock to do X amount of dollars . . . or X amount of work, and they're going to get it done. I trust they're going to get it done, whether they have to leave here and go back to work for a few hours, because I think they're going to get it done anyway. I have never had any.

Ms. Haverstock: — That's not my concern, Mr. Muirhead. My concern is that it's time wasted to stand in a hallway. I guard my time well. These individuals are not even . . . they don't even have access to telephones. They could be carrying on other kinds of business. Anyone in this room understands what it's like to be a busy person and time is worth money. In this case time is worth the taxpayers' money. And this is what we're sitting here for in essence.

I think that it would be very valuable to start looking at ways in which we could ensure that their time is well used. And waiting for four hours or three hours or whatever with a dozen people in the hallway, is not judicious use of people's time nor is it judicious taxpayers' dollars.

Mr. Anguish: — I do think it would take a long time to resolve it this late in the afternoon. Do you accept a suggestion that the chairman and vice-chairman in consultation . . .

Ms. Haverstock: — Oh, very much so. I just disagree with Mr. Muirhead's interpretation of what I'm saying . . . (inaudible interjection) . . . I do indeed. In fact I think it's just terrific you're doing this. I welcome it.

Mr. Muirhead: — After 13 years, Lynda, you'll look at it . . .

Mr. Serb: — I would hope, Mr. Chairman, it isn't . . . it may be a bit of an overstatement that they're standing in the hallway and not doing anything. I mean if you have a dozen people standing around and talking, or sitting around and talking, from the same department, they may be reviewing or dealing with a whole host of issues in relationship to developing other programs or preparing for . . .

Ms. Haverstock: — What? Lining up chair by chair on either side of a hallway is hardly conducive to work.

A Member: — They may have a telephone in their pocket.

A Member: — Sure, many of them do.

A Member: — The purity of a new member.

Mr. Serb: — I guess I'm speaking as a past administrator, but I can't ever imagine that 12 people would stand around in a hallway unless they were on separate hooks and have had their mouths bound not to be able to deal with issues that might be more pertinent to the operation of their department . . .

Ms. Haverstock: — Well, regardless of whom I'm sitting with, I find that sitting in the hallway for three or four

hours would not be tending to business.

Secondly, I do want to apologize to this committee, that previous obligations are going to keep me from being in attendance tomorrow.

And I would appreciate some clarification with regards to the recording of tomorrow's events. I'm particularly interested in what the recommendations will be. I hope that I have an opportunity to read these, and my understanding from the Clerk is that traditionally this is not *in camera* tomorrow. These proceedings are not *in camera* tomorrow, with regards to the recommendations that go forward. Is that in fact the case?

Mr. Chairman: — Consideration of the report is generally done in public.

Ms. Haverstock: — Thank you.

Mr. Anguish: — The only provision I put on that is that if the Justice Department are back again with the Saskatchewan Property Management Corporation, there may be some point where we might want to go *in camera* to have a discussion with the Justice official, as we did the other day. It won't be Dr. Barrington-Foote because I understand he's away. But there may be another Justice official, and that's the only provision I put on that.

Mr. Chairman: — So tomorrow morning we will attempt to get through the Property Management Corporation, Parks and Renewable Resources, and we're going to try and . . .

You're not interested? Members of government are not interested in Parks whatsoever?

Mr. Anguish: — Are they the ones that weren't referenced in the Provincial Auditor's report?

Mr. Chairman: — They're in there but . . . I mean we can get them here in the morning, in all fairness, to come in behind SPMC (Saskatchewan Property Management Corporation) if it's . . .

Mr. Anguish: — Do you have questions of Parks and Renewable Resources? Do you want them here?

Mr. Muirhead: — I have a few, but it's . . . I can't be here beyond noon, that's for sure.

Mr. Anguish: — Beyond when?

Mr. Muirhead: — Dinner time is as long as I can be here, so if they come after that . . . I'm not screaming about it, Doug.

Mr. Chairman: — I have a couple, but it's not . . .

Mr. Muirhead: — I think what I have to ask, if we're just going to come back just to ask what I've got, it wouldn't be worth it. If you people have questions . . .

Mr. Chairman: — Harry didn't think that there was, I'm led to believe, but . . .

Mr. Anguish: — What about the auditor? Have you had some response from Parks and Renewable Resources on any of these observations you make in your annual report?

Mr. Strelloff: — What chapter is it?

Mr. Anguish: — It is on page 89 it starts.

Mr. Strelloff: — Paragraphs .24 to .29 have been resolved.

Mr. Anguish: — Paragraphs .24 to .29 resolved.

Mr. Strelloff: — Other than that, I don't have any information on other developments within that department.

Mr. Anguish: — Do you want them here?

Mr. Johnson: — Yes, well . . .

Mr. Chairman: — We'll schedule them right in behind SPMC. The Clerk has distributed another draft copy of the report to everyone today to keep reviewing as we go along.

And with that we'll adjourn until tomorrow. Do we need an adjournment motion? No, we don't.

The committee adjourned at 5:44 p.m.