

Public Hearing: Saskatchewan Property Management Corporation

Mr. Chairman: — I'll call the committee to order. Good morning, everyone. We are still dealing with the *Special Report of the Provincial Auditor*, and the Saskatchewan Property Management Corporation is once again before the committee. I'd remind the folks from Property Management that the proceedings are still under oath, as they were last week. I won't bother reading out the provisions of that at this time, but I just remind you that we will proceed as we did last week. I'd entertain a speaking list.

Ms. Haverstock: — Thank you, Mr. Chairman. Good morning. My question, my first question, relates to your response to question 4 regarding contracts to agencies like Dome Advertising and Roberts & Poole. This item, I believe, was referred to on page 16 to 18 of the auditor's report.

In your response you stated that payments and contracts like these advertising contracts were authorized by signing authorities delegated by SPMC's (Saskatchewan Property Management Corporation) board of directors. And I'd like to know to whom this signing authority was delegated and why it was delegated by the board.

Mr. McMillan: — Mr. Chairman, on December 4, 1989, the board of directors of the corporation delegated to the then president of the corporation by resolution, authority to sign on behalf of the corporation in relation to the conduct of business and affairs of the corporation. That's the most recent recorded minute of the corporation board of directors dealing with the matter of the authority of officers.

Ms. Haverstock: — And that individual was who?

Mr. McMillan: — That would have been Mr. Otto Cutts. Or, sorry, prior to that it would have been Mr. Otto Cutts. As of December 5, 1989, the day after the minute, it became Mr. Ron Dedman.

Ms. Haverstock: — Was there any indication as to why one individual had been given that signing authority by the board?

Mr. McMillan: — The minute doesn't address the reasons why the delegation was provided. It indicates the limitations within which the delegation was provided. I would presume that it was intended in principle to facilitate the operations of the corporation.

Ms. Haverstock: — Mr. Chairman, I'm wondering if I have this correct that in fact the people, in fact Executive Council, was given the signing authority which is in response on page 2 ... it's actually the ... of the Dome, Roberts & Poole's advertising responses to Public Accounts, Sask Property Management Corp. It begins at the top with Dome Advertising, \$71,750; and Roberts & Poole, \$71,750. At the very bottom, question 4 is: tell us who authorized payment regarding the services, who was responsible for overseeing the services. And I understand that Executive Council was responsible for overseeing the

services, is what it states there.

Did the people who delegated the signing authority to the Executive Council to purchase these services have any opportunity to actually oversee the advertising contracts? And I mean, what one would hope of course is that they could ensure that services were rendered for monies paid, or was this option never pursued?

Mr. McMillan: — The corporation paid the invoices that were submitted by Roberts & Poole and by Dome Advertising. An officer of the corporation would have authorized the payment or certified the services having been rendered. Thereafter the invoice would be processed for payment.

To the best of my knowledge, no one person or persons in Executive Council actually authorized the payment of the invoices; that's my understanding. And the information that we've tabled with the committee would lead, I believe, anyone to conclude that it was the Executive Council that had instructed the Saskatchewan Property Management Corporation officials to make payment for the services provided by Dome and Roberts & Poole. But no one person or persons at Executive Council actually had authority delegated to them to approve payment of invoices.

Ms. Haverstock: — I take it therefore that the response then to question 4 is not accurate?

Mr. McMillan: — No, I would say, Mr. Chairman, that the statement on the response to question 4 is that payments and contracts were authorized under the signing authorities delegated by SPMC's board of directors and president; delegated by the board of directors to the president, and in turn the president had authority to delegate general signing authority to officers of the corporation.

So it was still within the ... the matter of authorizing payment of invoices was exclusively within the walls, so to speak, of the corporation.

Ms. Haverstock: — But in fact no one within those walls, with the exception of the presidents, the two presidents, really were given the authority to determine whether or not what one was paying for it.

Mr. McMillan: — I think that's fair to say. I don't believe ... I don't even know for certain whether the president would have known what the actual services were provided by Dome and Roberts & Poole. And beyond that, no one, I suspect, in the corporation had any knowledge of what services were provided by those two firms.

Ms. Haverstock: — Thank you. Mr. Chairman, it's Mr. Woodcock, is it not?

Mr. McMillan: — No, McMillan.

Ms. Haverstock: — McMillan, right. I just saw you last night, I should have remembered it.

In regard to advertising services for which the government paid but never received, you were asked who initiated the requests for these services and in your response you stated that the Executive Council initiated these requests based upon verbal direction. Who within the Executive Council gave that verbal direction? And who within SPMC acceded to that demand?

Mr. McMillan: — Mr. Chairman, we've attempted to confirm from whom at Executive Council those instructions may have come, but without success. We don't know who at Executive Council initiated the instruction.

With respect to the receiving end of those instructions, it would have been the president of the corporation that received instructions from Executive Council.

Ms. Haverstock: — Thank you very much. I'd like to go to the special report, pages 21 to 24, regarding Dave Black and Associates, goods provided without charge to other government organizations. SPMC entered into a contract for some \$79,000 with Dave Black and Associates. Concerning this contract you were asked who authorized the expenditure and responded in question 2 by stating that SPMC entered into this contract on the direction again of the Executive Council.

Obviously someone within SPMC, controller or someone similar, must have signed a cheque for this contract. Given that, I'd like to know who within SPMC gave in to these demands on Executive Council and authorized this payment.

Mr. McMillan: — Mr. Chairman, the contract between Saskatchewan Property Management Corporation and Dave Black and Associates was signed on behalf of the corporation by the then president, Ron Dedman. The invoices submitted to the corporation by Dave Black and Associates were approved for payment by officials of SPMC, the then vice-president of financial services. I note on one invoice certified that goods had been received and services had been rendered.

But I also note on some of these Dave Black and Associates Ltd. invoices, that signatures of individuals that I have knowledge of having worked at the Executive Council appear — a John Weir, a Kent Scott — neither of whom were employed by Property Management Corporation but they somehow had an opportunity to sign the invoices — not approving them for payment, but signifying to some extent that they had at least seen them.

Ms. Haverstock: — Mr. Chairman, Mr. McMillan, do you have any idea why that would be the case, that their signatures would be on anything if they had no authority to sign?

Mr. McMillan: — I don't.

Ms. Haverstock: — Are these two individuals still in the employ of government?

Mr. McMillan: — I believe Mr. Weir is the chief of staff in the office of the opposition caucus, but Mr. Scott, I know not his whereabouts.

Ms. Haverstock: — Thank you. Well in relation to this matter, after reviewing the material. I can't seem to find any evidence to show what type of work, if any, was done in return for payment. And I'm wondering if you could describe the nature of the work that was completed.

Mr. McMillan: — Mr. Chairman, we have no knowledge of what services Mr. Black and his company provided. It isn't related to the two years under review by the Provincial Auditor's special report, but we did not receive in the corporation either late last year or early this year the latest invoice from Dave Black and Associates for I don't know what amount of money. It was a few thousands of dollars.

We did not approve the invoice for payment. We did not pass it on for payment to be made, but instead an official of the corporation wrote to Mr. Black and asked him quite pointedly, for what services does this invoice cover. What is it that the corporation is being expected to pay for? And we have to date to receive a reply from Dave Black and Associates. We don't know what services were provided. And he hasn't been forthcoming enough to indicate to us what the most recent invoice was to cover.

Ms. Haverstock: — Thank you, Mr. McMillan. Mr. Chairman, I guess I find it rather unusual. One of the things that has been raised of course is that in section 4 of the contract by which Black and Associates were hired, that contract forces this firm and others like it, I'm sure, to prove or declare that there would be no conflict of interest between themselves and their employer.

And my question is: I'm rather taken aback that . . . how could anyone check to see if in fact there's going to be a conflict of interest? And in any event, how could one know whether there was a conflict when it's difficult to tell what type of work they were going to be doing, or they did do, and whom they were working for? I mean in this instance, I would just appreciate your comment, because it seems like rather a strange contract to be signing on conflict of interest if nobody even knows what's going on. And then even lately you receive an invoice to be paid and still no indication as for what you're being asked to pay this into.

Mr. McMillan: — Mr. Chairman, my quick reading of the contract would lead me to believe that the onus was on the part of the contractor to ensure that no conflict arose. However, with regard to potential or actual conflict of interest, the corporation is in the same position as it is in relation to knowing details of the services provided by Dave Black and Associates. We knew nothing of the services provided. We knew nothing of any actual conflict of interest that he may have experienced, though the corporation did have knowledge at the time and does today have knowledge of the fact that Mr. Black did provide services to other areas of government. He did work in or for other departments or ministerial offices of the Saskatchewan government.

Ms. Haverstock: — I'll just have one final question and let other people ask some things.

With regards to the measures that were taken to provide

the premier with an executive security officer, some \$22,000 was spent to provide this individual with a car and auto phone to help him perform his duties. This too is in the special report, pages 21 to 24.

In reply to the question of who authorized this payment, you stated that it was verbally approved by the president of SPMC. Verbal agreements like this seem like a very poor means of accounting for public monies. And I'd like to know whether this was a common practice and has it since stopped entirely?

Mr. McMillan: — Mr. Chairman, in answer to the question, I draw the committee's attention first of all to the fact that \$22,000 — \$22,200 — was the estimate of the corporation for the costs of the so-called security vehicle and auto phone. And we provided that information to the Provincial Auditor initially in an effort to respond within the time line for the information that was required.

Subsequent to doing that, we were able to identify in greater detail the actual costs and the amount of money for the two fiscal years is rather less than the estimated \$22,000. It's 14,762.72 as is noted in the material that came to this committee. That's a sum of 14,762.72 for the two fiscal years, '89-90 and '90-91.

It is true that the so-called security vehicle was acquired by the corporation following verbal instructions or a verbal request from officials at the department of the Executive Council. Who the request came from specifically, I don't know. It was received, however, at the corporation by the then general manager of the security services agency, Mr. Harry Stienwand, and he then, with the concurrence of one or two of the vice-presidents of the corporation, provided instructions to the central vehicle agency to go about procuring a car, specified the options that the car was to come with. And the car was acquired in the fall of 1988. The auto phone subsequently was installed and it went from there.

Now with respect to whether that's common practice today, I would answer to the question by saying no.

Ms. Haverstock: — Thank you. I do have one comment and that is that I think that there may be many instances where monies spent like this are highly justified. I know that before I ever came to this legislature I had received very, very serious calls which I forwarded to security, that indeed did place the previous premier's life in some danger and threat, and so I do not have a question about whether or not money should be expended on such things as security. I do have a concern about accountability and about proper process, which is what I think has been very much lacking in this. And I am pleased to hear that it's been rectified. Thank you, that's all.

Mr. Cline: — Mr. Chairman, I believe that Mr. Lautermilch would like to ask a few questions about the Dave Black matter, and that's fine with me.

Mr. Lautermilch: — Yes, Mr. Chairman. Mr. McMillan, under the former administration working out of Executive Council, it was common knowledge that a person by the name of Dave Black was primarily responsible, as I'm led

to believe, for organizing the premier's tours. And I'm wondering if you feel, or if there is any indication that Property Management Corporation felt, some responsibility for organizing on behalf or paying for, on behalf of Executive Council, the tours of the former premier.

Mr. McMillan: — I would say that it certainly did not fall within the mandate of the corporation, Mr. Chairman, and I also know that there was an individual employed in the department of the Executive Council whose responsibility it was to co-ordinate tours undertaken by the premier. That person was one Kent Scott, the same individual whose signature appears on the Dave Black and Associates invoices.

The only . . . and once again it doesn't relate to the mandate of the corporation, but one of the invoices from Dave Black and Associates refers to an invoice covering, in part, expenses incurred in his attendance at an international privatization conference that was staged at Saskatoon. But as I say, neither it nor the task of organizing tours fell within the mandate of Saskatchewan Property Management Corporation.

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

Mr. Cline: — Thank you, Mr. Chairman. Mr. McMillan, I see by the contract of this Dave Black that he was paid during the year 1990-91 the sum of \$50,710.28.

Mr. McMillan: — Correct.

Mr. Cline: — This appears in your response. And I see under the contract — there's actually a series of contracts, but the first one anyway — that he was to be paid \$230 for each day of service. So I take it therefore that presumably during that period, '90-91, he worked for 220.5 days, something like that.

Mr. McMillan: — Mr. Chairman, I apologize for the delay in responding to the question. Corporation officials add up a total of 241 days as reported on invoices submitted by Dave Black and Associates.

Mr. Cline: — Okay, so that would then be, by my calculations with the five-day work week, something like 48 weeks. So other than a four-week vacation, Mr. Black would practically be a full-time employee organizing tours on behalf of the former premier.

Mr. McMillan: — I believe that would be fair to say that it was a full-time contract.

Mr. Cline: — And is my understanding correct, that Mr. Black did not in fact provide any services to Saskatchewan Property Management Corporation?

Mr. McMillan: — That's correct.

Mr. Cline: — And this contract and the subsequent contracts with Mr. Black says that the contractor agrees to provide advice and services as required by the corporation. But I take it from your answers that SPMC had no actual knowledge of what advice or services were provided by Mr. Black.

Mr. McMillan: — That's correct.

Mr. Cline: — And of course the contract doesn't specify it, but nevertheless this contract was entered into by the president of SPMC.

Mr. McMillan: — Correct.

Mr. Cline: — And I take it from what you said that organization of tours for the former premier has nothing to do with the mandate of SPMC.

Mr. McMillan: — No, it doesn't.

Mr. Cline: — Okay. Now I want to move on to the answers you provided with respect to some of the persons paid for by SPMC but who did not work there.

Firstly, there's a person referred to as A1 in your material, and it is stated with respect to this person that the person was located in the premier's office in Prince Albert. First of all, other than making arrangements to have space for the premier's office in Prince Albert, is it the role of SPMC to be involved with the staffing of the premier's office?

Mr. McMillan: — Mr. Chairman, I would answer that question by saying no.

Mr. Cline: — But my understanding is that this individual who was employed between July 1, 1988 and March 31, 1990, provided office administration and duties associated with the operation of the premier's office in Prince Albert. Is that correct?

Mr. McMillan: — That's our understanding, yes.

Mr. Cline: — And that individual was paid \$4,601 per month.

Mr. McMillan: — Yes.

Mr. Cline: — And that person, I take it, provided no services to SPMC.

Mr. McMillan: — That is correct.

Mr. Cline: — And then there is a person referred to as A3 who was employed between May 20, 1987 and March 31, 1990. And I take it that person also was provided to the premier's office. Is that correct?

Mr. McMillan: — Mr. Chairman, Ms. A3 was seconded to the premier's office effective October 23, 1989. She is the individual who provided clerical-stenographic support to a Mr. Reg Howard who was at that time employed in the premier's office.

Mr. Cline: — Okay. So that individual went to the premier's office between October of 1989 and March of 1990?

Mr. McMillan: — That's our understanding, yes.

Mr. Cline: — Prior to that time, what did that person do?

Mr. McMillan: — We have information that indicates she

was a clerk stenographer with the Buy Saskatchewan Agency and was supervised by the then general manager of the agency, Mr. Tom Douglas.

Mr. Cline: — And is Buy Saskatchewan part of the SPMC?

Mr. McMillan: — In the two fiscal years under review it was part of SPMC to the extent that the staffing program costs were covered by the corporation. In the latter portion of the periods under review, Buy Saskatchewan really . . . the employees or the individuals in the agency took their directions from officials in the then Saskatchewan Economic Diversification and Trade department.

Mr. Cline: — Now I want to ask you a few questions about employee no. C1. That person was assigned the working title of vice-president, special projects, reporting to the president and was paid \$6,400 . . . \$6,457 per month. Can you give the committee any information with respect to the special projects that that individual carried out on behalf of SPMC?

Mr. McMillan: — Mr. Chairman, I cannot elaborate upon the special projects or the nature of the special projects undertaken on behalf of the corporation by Mr. C1. We only have knowledge of where it was that he worked; we have no idea of what it was that he did. And my information is that he took his specific instructions from the then president of the corporation.

Mr. Cline: — Where was it that that individual in fact worked?

Mr. McMillan: — Mr. Chairman, Mr. C1 as of June 1, 1989 assumed the position of executive director, technology and development, with the Saskatchewan Science and Technology department which at that time, I believe, was situated at Saskatoon — it was.

Mr. Cline: — So that individual was doing work for that department.

Mr. McMillan: — That's correct.

Mr. Cline: — Not SPMC?

Mr. McMillan: — That is correct.

Mr. Cline: — Now how did it come about that SPMC would be paying the salary of that particular individual?

Mr. McMillan: — My information is that Mr. C1 came to be employed by the corporation, or was put on the payroll of the corporation, at the request of the then president, Otto Cutts, and then deputy minister to the provincial secretary, a Mr. Bill Clarke.

Mr. Cline: — And do you know what this person actually did for the department that he was supposedly working for in Saskatoon?

Mr. McMillan: — No I don't, Mr. Chairman.

Mr. Cline: — Have you made any inquiries of the department concerned?

Mr. McMillan: — No, Mr. Chairman, I haven't made any inquiries about what he may have done. He is no longer with the Government of Saskatchewan or the Saskatchewan Property Management Corporation, but continues under the secondment arrangement that the corporation entered into the latter part of last year with the federal government. But what his duties were when his salary was paid for by the corporation, I don't know.

Mr. Cline: — Can you repeat the name of the department that the individual worked for?

Mr. McMillan: — As of June 1, 1989 he went to become the executive director . . .

I'm sorry, Mr. Chairman, I was mistaken when I mentioned earlier that it was June 1, 1989, that Mr. C1 became the executive director, technology and development, Saskatchewan Science and Technology department. He had assumed that position prior to June 1, 1989, but as of June 1, 1989, assumed the title assistant vice-president in charge of special projects within SPMC.

Mr. Cline: — Okay. So that for the period referred to in your answer, that is June 1, '89 to March 31, '90, that person was not with the Saskatchewan Science and Technology department but with SPMC.

Mr. McMillan: — That's correct.

Mr. Cline: — Now do you know what that person was doing for SPMC during that period?

Mr. McMillan: — All I understand, Mr. Chairman, is that the individual reported to the president and was responsible for special projects as they were assigned to him by the president. But the nature of the special projects I don't know anything about.

Mr. Cline: — Is there any record in SPMC as to the special projects that the individual carried out?

Mr. McMillan: — No.

Mr. Cline: — And did the individual have an office within the offices of SPMC?

Mr. McMillan: — Mr. Chairman, we don't have any knowledge of the individual occupying an office here in Regina, not within the corporate offices of the corporation, but we only presume that he did occupy office space in Saskatoon.

Mr. Cline: — Okay. Does SPMC have office . . . I mean, offices of SPMC itself in Saskatoon?

Mr. McMillan: — Yes.

Mr. Cline: — Have you made inquiries of the employees of SPMC at the Saskatoon office as to whether this individual showed up at that office?

Mr. McMillan: — He did not end at any office of the Saskatchewan Property Management Corporation at Saskatoon.

Mr. Cline: — Okay. So that as far as SPMC is concerned, where this person was working or what this person was doing remains a mystery.

Mr. McMillan: — Remains unknown, yes.

Mr. Cline: — And there is no record within the corporation as to what this individual did?

Mr. McMillan: — That's correct.

Mr. Cline: — What is the name of this individual?

Mr. McMillan: — This gentleman's name is Richard Letilley. Last name is spelled L-e-t-i-l-l-e-y.

Mr. Cline: — Now there was another individual there was some reference made to last time, Mr. McMillan, who is identified as E1. And my understanding is that between April 1, 1989 and March 31, 1991, that is two fiscal years, this individual was paid for by SPMC but in fact was working in the Conservative caucus office in the Legislative Building. Is that correct?

Mr. McMillan: — That's correct.

Mr. Cline: — And who requested that arrangement of SPMC?

Mr. McMillan: — The employment of the individual was asked for by the then minister responsible for the corporation, the Hon. Graham Taylor, and the request, from our information, is that the request was received by the president of the corporation, Mr. Otto Cutts.

Mr. Cline: — Did this individual provide any services to SPMC while located in the Conservative caucus office?

Mr. McMillan: — Mr. Chairman, not to our knowledge.

Mr. Cline: — Does SPMC have any knowledge as to the nature of work performed by this individual?

Mr. McMillan: — No, Mr. Chairman.

Mr. Cline: — So as far as SPMC is concerned, it was paying an individual to provide services to the caucus office of a political party. Is that correct?

Mr. McMillan: — Mr. Chairman, we only presume that that was the case. For the only knowledge that we have of where the individual worked was where his monthly pay cheques were sent, which was to room 203 of the Legislative Building, which then was and today remains offices of the government caucus.

Mr. Muirhead: — I just want to clarify something the hon. member said of being paid by SPMC, working for the office of a political party. Well since when is the Executive Council not being paid by government? What's the connection between a political party and Executive Council? I just want that cleared up.

Mr. Cline: — Well my understanding, Mr. Chairman, is that this individual worked in room 203 of the Legislative

Building.

Mr. Muirhead: — That'd be Executive Council. That's not a political party.

Mr. Cline: — No, my understanding, Mr. Chairman — and I wasn't here — that that was the government caucus office. That is presently the government caucus office which I have an office in. And I believe that members of the Conservative Party prior to the last election also had offices in that suite of offices.

Mr. Muirhead: — Mr. Chairman, I was never in room 203, but the people that were paid in 203 were not working for a political party. Many people were working for Executive Council that were assigned in that office. It's the only place in the building. They're paid by Executive Council; it has nothing to do with a political party.

You have people in your office in 203. They're not paid by the NDP (New Democratic Party) Party of Saskatchewan. They're paid by the Government of Saskatchewan, the employees in there. You find out if the people in 203 now get a cheque from the NDP Party or get a cheque from the government somewhere.

Mr. Cline: — Well I can tell you, Mr. Chairman, Mr. Muirhead should know that the people that work in room 203 are employees of the NDP caucus paid for with the public funds, but nevertheless employees of the caucus.

Mr. Chairman: — I think we're getting into a debate here amongst the members as to . . . Mr. Cline has his opinion and Mr. Muirhead has his opinion. Neither one of you were physically there or have knowledge personally of it, so I suspect it's conjecture on both of your parts and I don't think this is the place for members to debate.

Perhaps after the officials have left, if we wish to discuss these things we can — unless you have specific questions for Mr. McMillan and his people.

Mr. Cline: — I would like an opinion, Mr. Chairman, from the Provincial Auditor or the Legislative Counsel, as to whether any legislation or rules of the Legislative Assembly would be breached by a political caucus having the services of an individual paid for by a Crown corporation.

Mr. Van Mulligen: — Mr. Chairman, I wonder since it's about 10 o'clock, that we can take a break now and they can set up a response and give it to us after the break.

Mr. Chairman: — Mr. Cline, the auditor would ask you to repeat your question, if you would.

Mr. Cline: — Okay. Well I would like to know whether any legislative provisions governing the Legislative Assembly or rules of the Assembly are breached if a caucus of a political party receives services of a person paid for by a Crown corporation.

Mr. Chairman: — We'll take a short break at this time and see if we can sort through this.

The committee recessed for a period of time.

Mr. Chairman: — I'll reconvene the committee. The question as posed by Mr. Cline, the Legislative Law Clerk is going to attempt to answer your question, Mr. Cline.

Mr. Cosman: — Yes, Mr. Cline, so far as I can determine, there is no rule of the Legislative Assembly as contained in the *Rules and Procedures of the Legislative Assembly* of Saskatchewan, nor is there a statutory provision in The Legislative Assembly and Executive Council Act or in The Members of the Legislative Assembly Conflict of Interests Act, which prohibits employees in government or opposition caucus offices and research areas from being paid by government departments, SPMC, or whatever their source of funding. There's nothing prohibiting from their actual placement there.

Whether or not there was authority for payment from the originating department, I'm not addressing that. I'm saying there's nothing, to my knowledge, that prohibits it from the Legislative Assembly's point of view.

Mr. Cline: — So what you're saying, Mr. Cosman, is that the question might perhaps be better put whether in the legislation creating SPMC, there's authority for SPMC to give money to somebody working for a political caucus.

Mr. Cosman: — Yes.

Mr. Cline: — Okay, then I would put the question to Mr. McMillan, Mr. Chairman. Is there anything within the authority of SPMC authorizing it to pay money to individuals working for the caucus of a political party?

Mr. McMillan: — Mr. Chairman, I don't have with me a copy of The Saskatchewan Property Management Corporation Act, but my recollection of the Act and the objects set out, the mandate or the authorities of the corporation do not include that.

Mr. Cline: — Okay. And I would be very surprised, Mr. Chairman, if the converse was true. I might ask another question then, just to Mr. Cosman. My understanding is that under The Legislative Assembly and Executive Council Act, the Board of Internal Economy is created. Is that correct?

Mr. Cosman: — Yes.

Mr. Cline: — And my understanding is that pursuant to that legislation and the creation of the Board of Internal Economy, it is the Board of Internal Economy that is given the mandate to allocate funds to a political caucus office. Is that correct?

Mr. Cosman: — Yes. Actually I can quote the provision. It's section 50, subsection (3)(n) and (o); (n) reads as follows:

(n) an allowance to each caucus for sessional research, general expenses and secretarial services;

(o) an allowance to each caucus for research;

Mr. Cline: — Okay. And that then is based on a formula,

is it not? There is a formula by which the board decides how much to give to each caucus?

Mr. Cosman: — I'm not sure of the internal breakdowns. I don't have reason to be involved in the . . .

Mr. Lautermilch: — Just on a point of information, Mr. Chairman.

Mr. Chairman: — What's your point?

Mr. Lautermilch: — I am a member of the Board of Internal Economy, Mr. Chairman, and there is a formula that is set by the board based on the number of members that each individual caucus elects and . . . the number of individual caucus members they have sitting.

At that time it would have been, I guess, just pretty much a reverse of what it is now, where the government of the day had 50-some members. The formula would base their funding on the 55 members. The opposition were funded based on the number of members they had and the amount it would cost to serve that caucus.

And at that time it was my understanding — I sat on the board at that time as well, Mr. Chairman — that each individual caucus had agreed to the formula that was in place and were satisfied with the amount of funds, both the opposition and the government. And I can't recall any member of the board approaching the board for an increase to funds.

Mr. Chairman: — It was actually 38, 25, 1, Mr. Lautermilch. It might have seemed like 55 to you, but it was . . .

Mr. Lautermilch: — Whatever the split. Whatever the split. I go back perhaps to 1982, because I wasn't following that closely. And I'm not sure if it was prior to '86 or post '86.

Mr. Cline: — But, Mr. Cosman, would it not be fair to say — I mean, based upon your knowledge of the legislation in Saskatchewan and The Legislative Assembly and Executive Council Act — that the intent of the legislation is that the caucus offices will be funded pursuant to The Legislative Assembly and Executive Council Act?

Mr. Cosman: — Well it certainly is the intent to provide some funding. I'm not certain that these sections would be saying it's the only source of funding. It actually would appear to be that the legislation has not necessarily prohibited, yet not necessarily contemplated, the services of individuals in the caucuses being paid by, say, political parties or from political party sources or from other government departments.

Mr. Cline: — Well political parties or political-party sources I don't have any problem with. But do you know of any legislation, Mr. Cosman, other than The Legislative Assembly and Executive Council Act, that makes any provision for payment to a political caucus office in the legislature?

Mr. Cosman: — No.

Mr. Cline: — And I take it also that the Executive Council receives its budget by means of a separate process under the legislation?

Mr. Cosman: — Yes. There's various pieces of legislation that sets up government departments. And I believe Executive Council is set up as an individual government department.

Mr. Cline: — And it would be a separate department from the caucus office of the political party in power?

Mr. Cosman: — Yes. Yes.

Mr. Cline: — I think those are all the questions I have for Mr. Cosman. I don't know if the Provincial Auditor wants to make any comment on this, Mr. Chairman.

Mr. Strelloff: — Mr. Chairman, and Mr. Cline, I think Mr. Cosman handled the questions well. I have nothing further to add.

Mr. Cline: — Then I would ask Mr. McMillan: what was the name of the individual who was paid while working in room 203 of the Legislative Building?

Mr. McMillan: — Mr. E1 was a gentleman by the name of Rodney Gilbey — last name spelled G-I-L-B-E-Y.

Mr. Cline: — And do you have any information, Mr. McMillan, as to where the . . . any communication indicating where the payment to Mr. Gilbey would have been made?

Mr. McMillan: — Mr. Chairman, we have in the corporation records a photocopy of a memo from Rod Gilbey dated July 22, 1988 which refers to, under his name, caucus office room 203.

Mr. Cline: — I wonder, Mr. McMillan, if you could read that memorandum into the record.

Mr. McMillan: — Memorandum dated July 22, 1988 — From Jackie Mason: Please change the deposit location of my monthly salary effective July '88. Please make the deposit to maximize account number 4514709. The account in Swift Current is now closed. Any questions call me at 7-7068. Thank you. Rod Gilbey. Caucus office room 203.

And beneath that, another telephone number, 7-5302.

Mr. Cline: — Thank you. I want to move on to another area, Mr. Chairman.

Mr. Chairman: — I'd like to ask some questions on this area. And so would Mr. Muirhead and Mr. Van Mulligen.

Mr. McMillan, you seem very definitive on your answers for someone who wasn't present during all of this. Where do you derive your information from?

Mr. McMillan: — I'm not certain which answers, Mr. Chairman, you're referring to specifically. But obviously in preparation for . . . preparation in responses for the committee, the officials in the corporation gathered up

the relevant documents and the information that it had in the possession of the corporation.

Mr. Chairman: — I think last week we had established that 20-some of the senior management of the corporation have been fired since . . . or prior to your coming on as the acting president. Correct?

Mr. McMillan: — Correct.

Mr. Chairman: — And you haven't had any conversations with any of those fired individuals, have you?

Mr. McMillan: — I have, but not in relation to preparation for this appearance before this committee.

Mr. Chairman: — Right.

There's a number of questions come to mind, Mr. McMillan, that bother me somewhat. For instance, on Mr. C1, the individual with Science and Tech, Mr. McMillan, is there any possibility that that individual is working on a thing called the TCCCS (Tactical Command and Control Communication System) contract?

Mr. McMillan: — I have no idea, Mr. Chairman.

Mr. Chairman: — It's a Tactical Command and Control System that federal armed forces have contracted out to various agencies around Canada.

Mr. McMillan: — I have no knowledge whether he was or whether he was not, Mr. Chairman.

Mr. Chairman: — Do you think that your predecessor, Mr. Dedman, would have known what Mr. Letilley was up to?

Mr. McMillan: — I suspect he would have, yes.

Mr. Chairman: — I suspect he would have too, Mr. McMillan. My knowledge is that the deputies from about seven departments were involved in Saskatchewan's portion of the TCCCS bid through SED Systems in Saskatoon and other agencies, that your predecessor was indeed a part of that group, and that Property Management Corporation were playing a very important role in Saskatchewan trying to acquire portions of the TCCCS contract. You wouldn't have any knowledge of that though, would you?

Mr. McMillan: — I have no knowledge of that.

Mr. Chairman: — That's what I suspected. The question of Mr. Gilbey. Because of your limited knowledge, would you have known if Mr. Gilbey was, for instance, providing services to cabinet in any way or to a group of legislative secretaries?

Mr. McMillan: — I don't have any firsthand knowledge, Mr. Chairman, of to whom it was that he provided services, and I haven't indicated to the committee that I have any knowledge as to what services he may have provided and/or to whom.

Mr. Chairman: — Well Mr. Cline seems to have taken from your replies that Mr. Gilbey was working for a political party and not providing any services to government.

Mr. McMillan: — Well I don't know whether he was providing services to a political party. All I know is the address to which he had asked his monthly pay cheques be sent and I have personal knowledge of the fact that behind the door to room 203 of the Legislative Building, as I've said now three times, was and is an office of the government caucus.

Mr. Chairman: — To your knowledge — and I will ask anyone who wishes to comment on it from the auditor's staff or the Law Clerk or anyone else — is there any rules in the Legislative Assembly that would prohibit someone from occupying an office and working for just about any agency of government?

Does physical location in this building prohibit you from working for Executive Council or working for SPMC or . . . I understand at one time this building housed the entire structure of the Saskatchewan government — every last department was here. And as government grew then they expanded out. Is there anything that prohibits . . .

Mr. McMillan: — Mr. Chairman, I'm not aware of any rules that would stipulate where an individual should be physically located in order to discharge or perform his or her duties. I would think from a practical standpoint, in government as is the case in any number of other large organizations, that the person would be located physically in some proximity, some close proximity, to the persons or individuals from whom he or she took directions in their work.

Mr. Chairman: — Now, Mr. McMillan, having served under the former NDP government from '71 to '82, would you say that government is always practical?

Mr. McMillan: — No, I wouldn't say always.

Mr. Chairman: — I think the public would probably agree with that statement. The fact is that you in your conversations and your limited knowledge of SPMC wouldn't know if Mr. Gilbey, for instance, wrote briefing reports to cabinet on a weekly basis?

Mr. McMillan: — I have no idea whether he did that, or whether he did not do that.

Mr. Chairman: — Even though he might be located in a room that said room 203?

Mr. McMillan: — Even if he was located in a room behind the door to room 203.

Mr. Chairman: — Well it's very important, Mr. McMillan, that when we give answers that if we have very limited knowledge, I think, that we explain that to the committee.

I find your answers very definitive for someone who wasn't here for most of the activity that we're discussing or has any personal knowledge of individuals that were interacting with various agencies of government. I think it

would be appropriate to always point that out to a committee.

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

Mr. Cline: — Mr. Chairman, point of order. It seems to me that Mr. McMillan has made it clear on a number of occasions that when people were employed or paid for by SPMC there is no record of where those people were or what they did. And I think it's somewhat unfair to say to Mr. McMillan that because records were not kept in SPMC or by the previous government, that Mr. McMillan is somehow to blame for that.

Mr. Muirhead: — Thank you, Mr. Chairman. Just to make it very clear to everyone, I want to make a statement this morning.

You can say Mr. McMillan is making it clear, and maybe he isn't making it clear. If he does, he's doing the best he can because he doesn't know what happened in the past. He doesn't know and maybe none of the new media here from . . . the older media will know what I'm going to say.

There was, in room 105, there was 10 legislative secretaries. And I spent five years in that office where some of you people are there now. And that support staff was not paid by the caucus office. We had three secretaries and the rest of our support staff was up in 203. So Mr. Ron Gilbey did work for me, he did work for all of us legislative secretaries and were paid through ministers' offices.

So I want to make it very clear to the members opposite and the media that this is . . . it's just leaving this here the way it's been left at. Perhaps SPMC was paying some individual to work in a caucus office, which you can call the political party or not, is not factual. Because there was no room . . . there was 10 rooms and 10 legislative secretaries. We've had three secretaries doing our work for us. The rest of the support staff all came out of room 203.

We had phones . . . you could answer from either place. And that's as clear as it can be and it's not correct to leave this insinuation that perhaps SPMC was paying for somebody that worked for a political party. I want to make that very, very clear because it's not true. It's not factual.

Mr. Van Mulligen: — Is it within the power of the committee to refer a question to the Board of Internal Economy, or would we have to go to the House for a special report?

Mr. Robert: — I'd have to check and look into it; I wouldn't have an answer right away.

Mr. Van Mulligen: — Okay. I don't need to know today because there may be other questions in it as . . . (inaudible) . . . but I would like to know the answer. I'm listening to Mr. Cosman's recitation of the Act and listening to the fact that the person who is employed by a corporation, and setting aside the question of whether the person's work had anything to do with the mandate of the corporation, nevertheless the pay cheques sent to a

government caucus office, and notwithstanding Mr. Muirhead's explanation — and I'm not quite sure whether legislative secretaries are entitled by legislation to additional support from Executive Council — it begs the question of whether the Board of Internal Economy should be reviewing this matter. I don't know whether we should get into it here or whether they should be asked to review this matter.

And so I'm curious to know whether we have to go to the House on this by way of a special report to get clarification of that or whether we could just put the request to them.

Mr. Chairman: — Well there's three members of the Board of Internal Economy in this committee representing all three parties. I suspect any one of them could quite rightly bring it up . . . (inaudible interjection) . . . Muirhead and Lautermilch are.

Mr. Cosman: — Legislative secretaries now are under The Government Organization Act of the province, chapter G-5.1. I'm not sure that we would find the answer respecting legislative secretaries under The Legislative Assembly and Executive Council Act, which basically sets up the Board of Internal Economy and gives it its powers and so on. I doubt that we will find that the Board of Internal Economy has authority over legislative secretaries to any great degree.

It's also The Government Organization Act which sets out the parameters, if you will, for the staffing of government departments. And Mr. Cline's earlier question of Executive Council being set up, it's answered in part under The Government Organization Act. It used to be under a separate Act called the Executive Council Act, but that Act has been repealed and somewhat replaced by The Government Organization Act.

Mr. Van Mulligen: — That's the only question I had.

Mr. Chairman: — Did you wish to make a motion, Mr. Van Mulligen?

Mr. Van Mulligen: — No I'd just like to know. We can deal with it at, you know, the next meeting.

Ms. Haverstock: — Thank you. I think, given what's been transpiring here this morning, I just wish to reiterate something and then I have two separate questions, quite different questions. And if you're going to be pursuing the same line of . . . (inaudible interjection) . . . Okay, then what I will do is defer to Mr. Muirhead at the moment, if he's going to follow along this line.

Mr. Chairman: — If we're on this topic, fine. Mr. Cline had the floor. If you wish to go to another topic . . . as long as we're on this one.

Ms. Haverstock: — Yes, well I just have one comment on this one now, then go to Mr. Muirhead, and if I may be on the roster again for two separate questions.

What's become very evident from this conversation is what I talked about earlier, and that's that we need to ensure accountability and proper process in the system.

And taxpayers have a right for a built-in protection from abuses and misuse of their tax dollars. And whether that can come from inappropriate secondments or where there's any kind of even innuendo of the misuse of someone being transferred to some other department or corporation and being paid for, for services that they're not rendering to the corporation or department that's paying for them. And I think that people have a right to be able to ensure that we have some rules in place that clearly define what's happening without our tax dollars, and that we're getting some return on money spent. I think that's the most reasonable approach.

And I do believe that it is truly unfortunate if individuals' names will be raised here, and there isn't an opportunity for them to defend themselves and there is not a clear picture being given. But that's one element of this and needs to be put aside I think, in desire of looking at the larger picture here. And that is we have to make sure before we talk about people, that what we can do is to clean up the very vague system that's been in place so that individuals can be protected in the future from being caught up in something often for which they are not the least bit responsible; but it's in fact the way the system has been put in place that can create these kinds of difficulties.

So I do hope that what we will undertake is a method by which these types of things can't happen in future. I think that's part of our role as members of the Public Accounts Committee. And what we should be doing is going wherever we need to go, whether that's the Board of Internal Economy, as Mr. Van Mulligen suggests, or anywhere else to ensure that we can prevent this from happening again.

Mr. Chairman: — Perhaps before Mr. Muirhead asks his question, we as a committee are going to have to deal with something. The Clerk has just rightly brought to my attention that in one of our June meetings this committee decided that all our references to individuals would be done by alphanumeric tag. We specifically required all the departments under my signature — a letter that went out to all of them — as they brought the information, to do it that way.

Now we have strayed from that, naming individuals. A number of committee members including myself have used the individual names of people, and Ms. Haverstock rightly raises the issue here that we have gone beyond our own sort of guidelines to departments in response to the auditor's special report.

And I guess before we go any further, with the chance that more individuals' names will be raised, we as a committee have to decide if that's the way we want to go or if we're going to restrict ourselves to the alphanumeric system. And I think that should be dealt with at this time.

Ms. Haverstock: — Well for the sake of getting this conversation going, my reaction is one of people having a right to defend themselves. If they're not present they don't have that opportunity. And therefore I think that our initial conversation about this was one of keeping those individuals protected and given their rights in their absence. And I think that that's the way that we should

proceed . . . continue to proceed, rather.

Mr. Muirhead: — Yes, thank you, Mr. Chairman. I agree with Ms. Haverstock that we have to be careful here because we can raise names, discuss them in here, the media's here, and it turns out that maybe the accusation's right or wrong; it's not fair to the individual. So I agree 100 per cent with . . .

Mr. Kujawa: — I had suggested this business of not using the names in the first place. And we may reach and we are trying to reach, if it's justified, the point where we're going to have to name people if we are, as a committee, think that what they did is publicly wrong and civilly or criminally, then we have to use names. We can't say the Queen v. A1. But I think that should be done — if it's done and when it's done — by the committee, not by an individual asking, how about this fellow.

Now in the couple of names that have come out, in the one sense it may be justified that the name should come out, but I think it should be done by the committee, not by one of us asking a witness questions.

Now I haven't talked with my colleagues over here. I don't think I need to because that's my opinion. It's going to be pretty hard to change my mind.

Mr. Chairman: — Anyone else on this topic?

Ms. Haverstock: — If I'm to understand your point of view then, are you stating that at some juncture after there appears to be enough evidence gathered, based on just the numeric code, the alphanumeric code, that there's more than suspicion, that we would then as a committee search out who that individual is and the potential for whether or not they should be brought before this committee or charged in some way? Because on the one hand — and I'll then let you respond — I think that that is a much more thoughtful approach.

At this point, what it appears is that what we're doing is on an expedition of just . . . like a search for information. And as was evidenced this morning in at least one case, it really is unfair to name an individual when there's then just through innuendo a whole, like a broad range of information brought forward that may make this person look very suspect and guilty when in fact it's the improper process that has been in place. And perhaps this individual's superiors, not having been put in the right department or paid for by the proper department for whom they are doing the work, and so they're held . . . tried and convicted, if you will, in this committee quite unjustly. So I would just like some clarification as to what you're saying.

Mr. Kujawa: — If I may . . .

Mr. Chairman: — Go ahead, Mr. Kujawa, I'll finish up.

Mr. Kujawa: — My point was that we may reach the point where we want to use the names because we feel that there has been wrongdoing and it's time to make it public. We, the committee, may reach that point. I'm saying we have not possibly reached it yet.

And I would go a little further and say on that point that you make that X, the little employee, is working in room 203 because his superiors told him to go and work in 203. So it's certainly unfair to name him. But I say we shouldn't even name the hon. minister who sent him there because, if you're asking my opinion, on a situation like that, the fellow that's likely to be charged with a criminal offence is not little X who went into that room to work, but the minister who sent him. And whether we ever get to the point where we are considering criminal charges against cabinet ministers, I don't know. But if we're not, then maybe we should shut this down and go and enjoy the sunny summer.

Mr. Chairman: — I'd like to put it on record with this committee, unless the rules have changed and I've missed something, this committee is not charged with the responsibility of bringing criminal or civil charges against anyone. Never has been, and in my view never will.

The Department of Justice in this province does that. And any citizen in our province has the recourse to go to the Department of Justice and say, I believe such-and-such was engaged in an activity that was wrongful.

And for anyone in this committee to suggest that they or this committee will be bringing forward charges against someone is impossible under our rules. And I can tell you, you'll have a different chairman because that's not the responsibility that I signed up for.

And I think this committee should strike all thought from its mind that it will be bringing charges against anyone. Justice will do that, if it would occur.

Mr. Kujawa: — But we will be making recommendations to Justice — perhaps. And if we aren't, what are we doing here?

Mr. Chairman: — Perhaps.

Mr. Kujawa: — Right. We don't know at this point. That's why we're inquiring.

Mr. Chairman: — I gather from that, committee agrees that we'll stick with the alphanumeric consideration of any individual mentioned in the special report by the auditor?

Mr. Kujawa: — And to include the superiors if I may, Mr. Chairman. Because it's, in the view of many, the superior who is the guiltier looking than the individual who carried out the orders.

Mr. Muirhead: — I have a question with just . . . from back when I asked Mr. Cosman for clarification, but I could do that at a different time if you like. I'll ask it, if it's okay.

I'm just wanting to have . . . Mr. Cosman, if you could tell me, were legislative secretaries under the office and guidance and directions of a minister's office? What do they come under?

Mr. Cosman: — Mr. Chairman, Mr. Muirhead, legislative secretaries are set up under The Government

Organization Act, chapter G-5.1, section 9, 10 and 11 of that Act. The Board of Internal Economy does have a slight interest in them, in that at section 67.1 of The Legislative Assembly and Executive Council Act, they can review salaries.

The set-up of the department of Executive Council as a department is also under The Legislative Assembly and Executive Council Act in section 73. I'm correcting some, perhaps some misinterpretation on my part, of statements I've made earlier of what is contained in the legislation. I don't know if I've answered your question.

Mr. Muirhead: — Well I'll just further it with one more small question then. A Legislative Secretary is appointed. He's not in a position to work out of the caucus office and he isn't even put there and he can't have the use of their secretaries. He has to have a secretary, support staff, or whatever. Where does that support staff appointed from or paid from? Is it out of the minister's office or out of the Executive Council or out of caucus office or for whatever? Maybe that's an unfair question to ask you, Mr. Cosman.

Mr. Cosman: — There's nothing in The Government Organization Act about the staff of the Legislative Secretary. The Lieutenant Government in Council may appoint, under the Great Seal, one or more members of the Assembly to be legislative secretaries to ministers. A Legislative Secretary appointed to assist a minister shall assist the minister in any manner the minister may direct. And there are provisions regarding the salary of the Legislative Secretary, but there's nothing that I can see specific in those provisions that actually goes to the provision of support staff to the Legislative Secretary.

But it would be a given that they would need clerk steno receptionist support. Since legislative secretaries are set up under The Government Organization Act, it would lead me, at least at this point in time, to the inference that legislative secretaries are seen to be on the executive side of government as we know it rather than the legislative side. So I would look to provisions regarding the set-up of the department of Executive Council, for example, perhaps to give us that answer.

One of the provisions regarding the department of Government of Saskatchewan which shall be called the office of Executive Council is section 74 of The Legislative Assembly and Executive Council Act. And perhaps I can read it to you and you can see if there's authority from that section for the payment of staff to legislative secretaries.

Section 74:

The staff of the office (and this is referring to the office of Executive Council) shall consist of a deputy minister to be called the Deputy Minister to the Premier, an official to be called the Secretary of the Executive Council, an official to be called the Clerk of the Executive Council and any other employees that are required for the proper conduct of the business of the office, and their duties shall be those that are prescribed by law and that may be assigned to them by the minister.

It may well be then that Executive Council could be seen as being responsible for the payment of secretaries to legislative secretaries.

Mr. Chairman: — Does that answer your question, Mr. Muirhead?

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

Mr. Cline: — Mr. Chairman, Ms. Haverstock raised I think a very valid concern that these matters we've been talking about where people are paid by a Crown corporation but not employed the corporation — there's no record of what they did — should be cleaned up, and that is what we are really here to do. And I want to ask Mr. McMillan whether SPMC has taken steps in fact to change the system so that this sort of thing will not occur now and in the future.

Mr. McMillan: — Mr. Chairman, the answer to the question is yes. That in respect of those individuals that are paid for by the corporation but work elsewhere, specific and individual secondment agreements have been entered into with the individual and the receiving department and Saskatchewan Property Management Corporation.

Mr. Cline: — So in your view, Mr. McMillan, given the sort of things we've talked about today and the last day, is there any possibility that this sort of activity would occur in the future?

Mr. McMillan: — Mr. Chairman, I can't give the committee any assurance whatsoever that it won't occur in the future. I can indicate to you, however, at the present time it's the object of the management of the Saskatchewan Property Management Corporation that it not be party to these "informal" arrangements. But I can't provide the committee any assurance that arrangements similar to what the committee has been reviewing won't reoccur in the future.

Mr. Cline: — So you're saying you can't speak for the future.

Mr. McMillan: — That's what I'm trying to say, yes.

Mr. Cline: — But as of the present time, steps have been taken to prevent this from occurring.

Mr. McMillan: — That's correct.

Mr. Cline: — Okay, I want to refer you, Mr. McMillan, to a contract between Saskatchewan Property Management Corporation and H & W Publishing Co. Ltd. and, Mr. Chairman, I have copies of this if other members would like to see it.

Mr. Chairman: — Would you have the Clerk distribute those please?

Mr. Cline: — First of all, Mr. McMillan, have you seen this contract before?

Mr. McMillan: — Yes, I have, Mr. Chairman.

Mr. Cline: — I take it from the contract itself that this was

entered into some time in early 1989 although it's undated.

Mr. McMillan: — That's my understanding, Mr. Chairman.

Mr. Cline: — And this contract, I believe, was signed by Mr. Cutts, then the president of SPMC.

Mr. McMillan: — Mr. Chairman, it appears a signature of Mr. Otto Cutts appearing on the copy of the contract that I have.

Mr. Cline: — Okay, and I'm going to read the preamble, and it states:

This contract contains the agreement made by the above parties to have H & W Publishing Co. Ltd., produce and distribute a 16 page feature editorial section located in the centre of *Sask Report Newsmagazine* on a monthly basis, commencing May 1st, 1989. In addition, H & W Publishing Co. Ltd. will circulate 70,000 copies of *Sask Report Newsmagazine* monthly with approximately 45,000 paid subscribers in the Province of Saskatchewan.

And I would ask you, Mr. McMillan, is the preparation of editorial content by a Saskatchewan publication part of the mandate of SPMC?

Mr. McMillan: — Mr. Chairman, I'd answer that question by saying no.

Mr. Cline: — And is government advertising, other than with respect to the procurement of space, part of the mandate of SPMC?

Mr. McMillan: — Advertising beyond what might be referred to as institutional advertising of tender calls or equipment sales is not a mandate of . . . part of the mandate of the corporation.

Mr. Cline: — Okay. Now I see from paragraph 1 that the contract is for a six-month period, May 1 to October 1, 1989, and then in paragraph 2, it is stated:

2. It is the intention of the parties hereto, that H & W shall ensure and maintain the publication *Sask Report Newsmagazine* at an acceptable standard of high quality of production and editorial content and that the said publication shall continue to highlight Saskatchewan industry, agriculture, business, arts, culture, sport and all aspects of family life in Saskatchewan. In addition the magazine will continue to highlight the achievements of Saskatchewan people.

So we have a corporation of the government having the intention that the news magazine will have an acceptable standard of editorial content. And I wonder, Mr. McMillan, if you can tell the committee what was intended by that. In other words, what editorial content in Saskatchewan would SPMC find acceptable or unacceptable?

Mr. McMillan: — Mr. Chairman, in answer to the question, I do not know. I cannot offer an answer to the question.

Mr. Cline: — Is assessment of editorial content in the Saskatchewan media part of the mandate of SPMC?

Mr. McMillan: — No, Mr. Chairman, it's not.

Mr. Cline: — And given the balance of what paragraph 2 says about what the publication shall continue to highlight, I take it that has nothing to do with the mandate of SPMC.

Mr. McMillan: — You are correct, in my estimation.

Mr. Cline: — Now I guess my question is, Mr. McMillan . . . By the way, I take it the corporation paid this news magazine the sum of \$193,000 pursuant to this contract. Is that correct?

Mr. McMillan: — Mr. Chairman, records of the corporation indicate that a sum in excess of \$193,000 was paid to H & W Publishing Co. Ltd. A total of \$324,884.63 was paid to this particular company in 1989 pursuant to terms of this agreement.

Mr. Cline: — Okay, I'm a bit confused by that, Mr. McMillan, because my reading of the contract, and in particular paragraph 4, is that SPMC will pay the magazine \$193,000. But you're saying that a total of 324,000-and-some was paid. Would the extra have been paid pursuant to this contract or pursuant to other arrangements between SPMC and the magazine?

Mr. McMillan: — Mr. Chairman, I believe the total payments made to the company were pursuant to this particular agreement and not any other or ancillary agreements.

Mr. Cline: — Can you explain to the committee, Mr. McMillan . . . I mean, first of all I have a question why SPMC would be paying 193,000 in the first place, but beyond that, how it would be that the amount paid was \$324,000 rather than the 193,000 referred to.

Mr. McMillan: — Mr. Chairman, in answer to the first question, I don't know. In answer to the second question, there are other provisions of the agreement of the contract entered into that I think provide answers to the question why the amount paid to the company exceeded \$193,000. As a provision of the agreement, 5 refers to mailing monthly issues of this particular news magazine. But section 9 of the agreement, the latter three lines of that particular section refer to SPMC paying:

... as an extra to this contract, the actual postage costs incurred by H & W in carrying out this provision.

And it's in respect of postage that the corporation paid some \$57,275.26.

Mr. Cline: — Okay. Well that would add up to 250,000.

Mr. McMillan: — In addition though, as I understand, it

was not done precisely in conformity with the provisions of the contract. A seventh supplement to the magazine was obtained by the corporation and paid for in the month of November of 1989 and that additional supplement cost 32,166.66 from my information.

Mr. Cline: — So altogether in any event, the sum of \$324,000 was paid in 1989 pursuant to this contract.

Mr. McMillan: — That's what our information indicates, yes, Mr. Chairman.

Mr. Cline: — Now what business is it of SPMC or the Government of Saskatchewan, Mr. McMillan, what a newspaper or magazine published in Saskatchewan decides to publish?

Mr. McMillan: — I would say, Mr. Chairman, it is none of the corporation's business.

Mr. Cline: — Now I note in paragraph 5 that:

H & W (it says) will be wholly responsible for the layout, production, printing, labelling and mailing of each monthly issue of *Sask Report Newsmagazine*.

To which my question — and it's a rhetorical question — is, who else would be responsible for those things in connection with the publication of a news magazine? And the paragraph is so ludicrous that I don't think the question warrants a response.

But it's perhaps explained by paragraph 6 which says that:

H & W (the publisher) shall deliver to SPMC, prior to distribution, a final copy of each issue of *Sask Report Newsmagazine* and if SPMC is dissatisfied, in its sole and unfettered discretion, with the quality of production, editorial content, circulation or distribution of the publication *Sask Report Newsmagazine* or with respect to H & W's performance of this Agreement, SPMC shall give written notice specifying the item or matter of concern and H & W shall have seven (7) days from receiving such notice within which to rectify the matter complained of to the satisfaction of SPMC.

So as I understand it, if SPMC is dissatisfied with the editorial content, SPMC can, prior to distribution of the magazine, specify changes which will then be rectified. And I note before you answer the question, that by paragraph 8, SPMC itself provides camera-ready 16-page editorial sections to the magazine so that there's no need for SPMC to control or review or vet the editorial comment of that part since they produce it themselves. So I take it I am right that SPMC would, under the agreement, pre-approve the editorial and other content of *Sask Report Newsmagazine* for the six-month period. Is that correct?

Mr. McMillan: — Well, Mr. Chairman, my reading of the agreement, and in particular section 8, would lead me to believe that the corporation supplied the editorial comment in a camera-ready form or otherwise. The only

relevance of section 6 of the agreement, the opportunity presented to the corporation to review matters associated with the editorial section, would have related to the quality of production, the circulation or distribution of the publication, but not editorial content.

Mr. Cline: — Well I'm perplexed by that, Mr. McMillan, because what paragraph 6 says is that H & W will deliver to SPMC, prior to distribution, a final copy of each issue. And if SPMC is dissatisfied in its sole and unfettered discretion with the quality of, among other things, editorial content, then SPMC shall give written notice specifying the item or matter of concern, and H & W shall have seven days to rectify the matter. And if they don't, it goes on to say that SPMC can cancel its contract.

Now that doesn't talk about editorial content with respect to the 16-page supplement, Mr. McMillan, because by paragraph 8, the 16-page editorial section from the government is camera-ready. The government doesn't have to approve that because it's not produced in the first place by *Sask Report Newsmagazine*; it's produced by the government.

And my question is: why does paragraph 6 have SPMC pre-vetting the editorial content of a news magazine in the province of Saskatchewan?

Mr. McMillan: — Mr. Chairman, I do not have an answer to that question.

Mr. Cline: — Well would you agree with me, Mr. McMillan, that that provision would serve to encourage the magazine to have editorial content which would be of . . . which would meet the approval of the Government of Saskatchewan through the instrument of SPMC?

Mr. McMillan: — Mr. Chairman, I believe that the import of that provision of the contract would require that the content be satisfactory to the Saskatchewan Property Management Corporation.

Mr. Cline: — Including the editorial content.

Mr. McMillan: — Yes.

Mr. Cline: — And if it isn't, then the agreement says that SPMC will cancel the contract.

Mr. McMillan: — That's correct.

Mr. Cline: — So in effect, among other things SPMC is doing by this agreement, is purchasing for a six-month period, favourable editorial content from the magazine?

Mr. McMillan: — I believe that's fair to say.

Mr. Cline: — Now, have you had an opportunity, Mr. McMillan, to review the inserts that the government, through SPMC, actually put into the magazine?

Mr. McMillan: — I, in answer to the question, Mr. Chairman, I've seen two supplements . . . or two inserts, but I would not regard my cursory look at them as in any way being a review.

Mr. Cline: — Okay. Because I'll just make the comment that as I look at them, and I've looked at all six editions, there . . . I should add to avoid confusion, there are some inserts that are clearly government advertising that don't relate to the 16-page supplement.

But as I read through the magazine, and I'm looking at the one from May 1989, and starting at page 35, there's the 16-page insert and in the middle of it there's more advertising from SGI (Saskatchewan Government Insurance) which is identified as such. But another thing I find disturbing about this is that there's nothing in the magazine to indicate to the public that this is content purchased by the government.

There's no acknowledgement that it's government advertising or propaganda — which ever you prefer — and it goes on as if these are news items talking about different — positive in the main — developments in Saskatchewan and it . . . usually mentioning the role the government has played and so on.

And it . . . I guess what bothers me is that the inserts are really government advertising, but they are not identified to the public as such. And I take it, and it seems to me, that among other problems with this arrangement, it is misleading to the public.

Was any discussion held in SPMC with respect to the implications of doing this in a media publication?

Mr. McMillan: — Mr. Chairman, I don't know. I attempted to identify who may today be associated with the corporation that knew anything about this particular contract, or who may be in the employ of the government today may have had any knowledge of the arrangements. And I've been unsuccessful in those attempts. So I don't know whether there was any review undertaken by officials of the corporation, in answer to your question.

Mr. Cline: — Who prepared these inserts for *Sask Report*?

Mr. McMillan: — I don't know the answer to that question.

Mr. Cline: — But is there . . . I mean, to call a spade a spade, is there any rational explanation for this arrangement other than that the government is in effect buying favourable publicity and disguising it as news?

Mr. McMillan: — Mr. Chairman, I can't answer that question, because I haven't reviewed the material. I have only looked at it in a very cursory way. I don't know what the theme or the content of the material was. And I only looked at the content of two issues out of a total of seven, as I understand were published.

Mr. Chairman: — If I might, because there's a question that seemed to come up a number of times, and we're getting near the end, and obviously Property Management will have to come back.

Under the articles of incorporation, Saskatchewan Property Management Corporation, I refer to section 12 which stipulates the powers of the corporation. And there's quite a number of them there as to whether they

could do something such as this; (g) for instance, says:

(g) conduct and co-ordinate research, studies, investigations, surveys, and programs;

(h) enter into and participate in partnerships, syndicates, or joint undertakings;

(i) enter into agreements or arrangements;

Under:

(2) The corporation has the capacity and power:

(a) to incorporate and promote any other corporations for any purpose that, in the opinion of the corporation, will directly or indirectly benefit the corporation;

The powers of the Saskatchewan Property Management Corporation, as I see under section 12 in particular, are very broad. The corporation does not define whether it be government corporation, private corporation. So I think Mr. McMillan, rightly so, would have a great deal of difficulty in being that definitive given the powers under the Act that the corporation has.

Mr. Cline: — Well the powers are broad, Mr. Chairman. But with respect, none of those powers include the right to buy editorial content in the media publication. And the reason Mr. McMillan is having difficulty answering the questions is because there just is no rational explanation for how a Crown corporation would enter into this kind of contract, in my respectful view.

Mr. Chairman: — Well there are committee members that may disagree with you, Mr. Cline.

Mr. Cline: — Yes.

Mr. Chairman: — It being 10 after 11 . . .

Mr. Van Mulligen: — Mr. Chairman, could we have the Executive Council on stand-by for the next meeting?

Mr. Chairman: — Executive Council on stand-by.

Ms. Haverstock: — Mr. Chairman, I just have one short . . .

Mr. Chairman: — We're well over time, Ms. Haverstock. It's obvious they're going to have to come back.

Ms. Haverstock: — Okay.

The committee adjourned at 11:07 a.m.