

Mr. Chairman: — I call the committee to order. And I think all of you have had an opportunity to look at the agenda for this morning. I think the first item that we should deal with before proceeding into anything else is the notification by Mr. Van Mulligen that he'll be resigning as vice-chairman of the committee. And in the information which the Clerk will be passing out to you, there is a copy of Mr. Van Mulligen's letter of resignation. So I think it would be appropriate at this time if we dealt with the appointment of a new vice-chairman for the committee.

Mr. Van Mulligen: — Mr. Anguish.

Mr. Chairman: — The name, Mr. Anguish, has been put forward. Are there any other nominations? If not, is that agreed to by the committee? Agreed, Mr. Anguish, you are now the vice-chairman of Public Accounts. Congratulations.

Mr. Anguish: — Thank you very much for the great honour you've bestowed upon me.

Mr. Chairman: — Amongst the documents being distributed to the committee this morning, you will have responses — these are ones that weren't tabled previously — from Saskatchewan Economic Diversification, response from Mr. Ron Dedman, response from Sask Housing, Saskatchewan Property Management, Saskatchewan Health, Saskatchewan progress report, and as I said before, Mr. Van Mulligen's letter of resignation.

One item that may be of interest to the committee, there's a Speaker's luncheon being put on on Wednesday, November 25. It's 11:30 reception with a 12 o'clock lunch. I presume we'll be done by 1, 1:30. It is put on by the Institute of Internal Auditors. And the agenda is a panel discussion, implementation of the Gass Commission report: has the government opened the books? Panelists are the Hon. Janice MacKinnon, Don Gass, Wayne Strelieff, and the moderator is a Murray Hutchings from the University of Regina.

If you're a member of the institute, it's 15 bucks; if you're not, it's 20. It may be of interest or may be educational to members of this committee to attend the luncheon. I'd like to know what the members feel about it. They want to know today.

Mr. Van Mulligen: — I'm of the opinion that, for starters, the chair and the vice-chair should definitely take this in — and invite the rest of us in.

Mr. Serby: — It's the first decision as the vice-chair here.

Mr. Chairman: — Well personally as chairman I think I would take a great deal of interest in it. That does put certain time constraints on the committee, its functioning on Wednesday. So I think it would be necessary for the committee to pass a motion vis-a-vis some times.

Mr. Van Mulligen: — Yes, we can break early.

Mr. Muirhead: — Where's this luncheon at?

Mr. Chairman: — It is at the Centre of the Arts.

Mr. Van Mulligen: — We can break early for that. It's no problem.

A Member: — Does it finish in there?

Mr. Chairman: — It doesn't say when it's finished, but I would presume we're looking at a business crowd who have to go back to work. So the chairman and vice-chairman will accept on behalf of the committee and invite the rest of the committee; that's tenor of the conversation, I gather.

Mr. Van Mulligen: — Can you pass that around in case people want to . . . there's an RSVP number on there.

Mr. Chairman: — We can have photocopies for everyone.

All right. The other things that we need to deal with this morning are the special report and the finalization of that report to go back to the Assembly, and in what form the committee wants that to be and the highlights of it.

And also, Mr. Strelieff isn't here this morning, but we should talk about sort of where we want the annual report to go during the rest of the week after the special report is finished at whatever time and date that is; sort of what type of an agenda we'd like to see for that.

So perhaps we can just throw that out for discussion and any comments that may be on the special report and drafting of that.

Mr. Anguish: — Mr. Chairman, are we going to provide a separate report to the legislature on the special report of the auditor, or will that be all in one report along with the examination of the *Public Accounts* and the regular auditor's report? Have you any thoughts on that?

Mr. Chairman: — The Clerk informs me that because it is a separate order of reference, that it has to be dealt with separately from the main report; that it will have to be drafted as it's only an individual document.

It can be delivered at the same time as the other one; that's no problem. At least that's been the past practice, that it would have its own . . .

Mr. Van Mulligen: — My own thinking is that . . . you know, that at an appropriate time, and I guess tomorrow we should just go through the recommendations and see what we think about them, and then just forward the thing on to the Legislative Assembly and say we've had a special report, here it is, it's self-explanatory. And if we have any additional comments with respect to any of the recommendations, whether we agree or disagree or have additional recommendations, and we can state that. But I don't think we need to rewrite any comprehensive report, I don't think.

We can, you know, indicate that . . . roughly how much time we took in reviewing the report and so on. I guess

they'll be pleased to know how come we've spent so much time dealing with matters other than the regular auditor's reports.

Mr. Chairman: — It may be important in the verbatim of this report, given that we have called witnesses, which is a . . . that are outside of normal practice, to perhaps listen to what those witnesses have to say. Some of that may want to enter into the consideration of various points.

Mr. Van Mulligen: — Then we can listen to witnesses who appear.

Mr. Chairman: — Is it the wish of the committee to do it sort of on a line-by-line item on . . . or should we do it section by section as far as recommendations? There's quite a bit of ground in here.

Mr. Van Mulligen: — Just the recommendations, 1, 2, 3, 4, 5, 6, etc. etc.

Mr. Anguish: — The other thing, just deal with the recommendations, that the committee concurs with recommendations or does not concur with the recommendations. And if there's testimony from the witnesses that would add to or deviate a bit from what the recommendation is, to reflect those in the report.

Mr. Chairman: — Okay. If the auditor's staff were to prepare a list of the recommendations with a yes/no proviso on them that we could go through and . . . I suppose that would be the quickest way of handling it. And if there's some discussion on any one of them, then we can deviate from the yes or no.

Would all members like to have this ahead of time to sort of peruse it before we get down in it? Is that agreed by the committee? Okay. Good.

Mr. Anguish: — Is it your intention, Mr. Chairman, to go through the recommendations report on Tuesday at some point?

Mr. Chairman: — Yes.

Mr. Anguish: — As soon as we've heard the witnesses?

Mr. Chairman: — As soon as the committee feels comfortable with the subject matter . . . everything that's been in here, then we can go through that. Because if we do have an area that is changed by a witness, it's going to take a little while to get that done. And I would hope that we could have it done by the end of the week so that when we leave here Friday, that we're all satisfied with what we're going to present.

Mr. Anguish: — One other item, Mr. Chairman, before we proceed with today's business, I'm wondering if the auditor would want to respond as to whether or not their office feels that we've adequately covered the report or whether there's some areas in here that the committee should examine more closely.

Mr. Wendel: — I think, from the point of view of the office, we do want you to go through the recommendations, and that's where we'd like to see the

time spent.

Mr. Anguish: — And we will go through those recommendations on the conclusion of the witnesses on Tuesday?

Mr. Chairman: — Right. Perhaps we could turn our attention to the annual report which year ended March 31, '91 to give some indication for the Clerk and for others as to sort of what our direction will be with that particular document. As always, there's enough information there to spend a couple of days just going through the generalities that are around that. A lot of the things that are in the special report, in the Gass Commission, that type of thing, are mentioned in there and if the committee would be comfortable with taking Wednesday and Thursday, that type of thing, on those general areas. If anyone has a specific department or area that they want before the committee in the next few days, I think we should sort of make that known and get it lined up.

Mr. Anguish: — We talked about that briefly — some of us got together last night just to kind of prepare for today — and we were of the thought that it will likely take a meeting some time in January or maybe early February to go into the departments although we may get to the point where we might want to call some departments this week. I don't think we know that yet.

And if we could at least get through the general sections of the auditor's report and conclude the special report of the auditor, that would be a good accomplishment for the week. And then if it's all right with the other members of the committee, then come back together some time in January to hear the departments. I don't think we know yet whether or not we'll have time to do departments this week. If we do, then fine. And maybe we can give some thought to that on possibly Wednesday morning as soon as we're done with the special report of the auditor.

Mr. Chairman: — Well I just thought if anyone had anything in particular that was on top of their mind, we could get that out of the way.

Mr. Anguish: — Gerry, do you have anybody this week that you want to get in here from the department?

Mr. Muirhead: — Not particularly, no. Just to comment on January, I wouldn't be here the month of January but . . . (inaudible) . . .

Mr. Anguish: — What about February?

Mr. Muirhead: — I'll be back on February 10.

Mr. Chairman: — Well I can certainly . . . The vice-chair and I can talk. He'll have a better idea of when the House might resume as we get into the middle of January. And I think it was always the expectation of the committee that we would have a session before the House went back in.

To wrap this thing up might only take a day or two. It all depends on what's there, so . . . I don't have a whole lot.

Mr. Muirhead: — Well, you know, I'm going to be gone for a month and nobody wants to probably come in here

the January 1 to the fifth.

Mr. Anguish: — No. The second, maybe.

Mr. Muirhead: — I'll come in the first.

Mr. Chairman: — Do you want me to read through this? Another information item. It's basically an outline of what the committee has done on the special report and it might be good information for members to refresh themselves. Other than that, I don't have a whole lot on the agenda this morning. So I'd throw it open if anyone else has comments to make. Otherwise, we can adjourn until 1 o'clock.

Mr. Anguish: — There's maybe one other item here. Do you have your copy of the cross-reference? Who provided that to you? The auditor's office? The cross-reference document?

Mr. Chairman, if I could just . . . This is for Wednesday; it's a bit down the road but we might as well discuss it just briefly now. The Provincial Auditor has undertaken to do a cross-reference of the 1991 Provincial Auditor's report, and cross-reference to that with the Financial Management Review Commission. And we may want to use that as a guideline for our discussions on Wednesday or Thursday. Are you familiar with the document that I'm talking about?

Mr. Van Mulligen has undertaken to provide the members of the committee with a copy of this. If you make sure that maybe Mr. Muirhead and yourself have a copy of this for Wednesday, because I think it would be a good guideline to follow instead of trying to go back and forth between the Gass Commission report and the Provincial Auditor's report. It will be a handy tool for expediting the work of the committee.

Mr. Chairman: — I'm wondering . . . I agree with you, this will be a useful document. We as yet have not had a referral by the House to this committee of that commission report. That was sort of indicated that it would be here and the committee would formally deal with it. Because I think it's important that the ability to call witnesses associated with the Gass Commission be sort of integral to that. I'd be very interested in having the four of them in the room and referring — this will be a useful tool — but to actually have them in and be able to pose a question to them on certain recommendations and how they arrived at those recommendations, I think would be useful for this committee. So I don't know how we handle it. That's entirely up to the government to refer that officially to the committee.

Mr. Van Mulligen: — I don't even know if the Gass Commission report was ever formally tabled in the legislature. I can't remember if it has been. I know it was made available to the government. But it's kind of academic because the auditor's report includes the Financial Management Review Commission report in appendix IV, so it's here.

Mr. Anguish: — I think it is referenced to us in that it is part of the auditor's report, Mr. Chairman. At least that's my view.

Mr. Van Mulligen: — Yes. Like all the recommendations are here, so . . .

Mr. Chairman: — Oh, I know all the recommendations are there. I'm just saying that given the magnitude of that report, and that at least my interpretation of what the Minister of Finance was saying when it was presented was that it would be reviewed by the Public Accounts Committee at some future date, and because it is sort of setting some precedent for this province over a great period of time. I would think the committee would be interested in sort of visiting with some of the principals involved in that.

Mr. Anguish: — I'm not certain it may be possible. I don't think they'll . . . I think what Mr. Van Mulligen's saying, and I agree with him, is that it doesn't take a special reference of the House to refer the report, because the reference is already made in the *Report of the Provincial Auditor* year ending March 31, 1991. And the commission's report in fact is part of the appendices of this document, and since this document is a reference to the committee that's standard practice, then we do have the report before the committee.

Mr. Chairman: — Would you deem it appropriate then if we were doing a side-by-side comparison prepared by the auditor's department that if at some point in time we wanted to call witnesses as part of that, that that would be the appropriate way to do it then?

Mr. Anguish: — I don't see any reason why that couldn't happen. The committee has undertaken to call witnesses in the past on a wide range of topics. And if we want to call witnesses in regard to items that are drawn to our attention in the *Report of the Provincial Auditor* it seems to me that that's standard practice of the committee.

Mr. Chairman: — Okay, we'll endeavour to make sure that there's some members . . . (inaudible) . . . okay, so we'll have that for Wednesday morning. Any other business for the committee this morning? If not we'll adjourn until — is it 1 o'clock, Lloyd? — this afternoon . . . (inaudible interjection) . . . Yes, I think the room will be secure. Will it?

Mr. Anguish: — Mr. Chair, just before you go, there's a couple of brief things. If we're talking about a meeting sometime before the House comes back in maybe if we could survey our calendars and later on in the week try to determine when we can get together to start calling departments before the committee or to conclude calling departments before the committee.

And secondly, it's not on the agenda but there's a report of the Canadian Public Accounts Committee which I wish to present to the Public Accounts Committee sometime this week. That's the July, in Fredericton, where neither you or Mr. Van Mulligen were able to attend.

Mr. Chairman: — It's too bad. I heard the golfing was good.

A Member: — It was excellent.

Mr. Van Mulligen: — Could somebody check with Lynda Haverstock then to let her know we're going to be looking at dates then in January or February?

Mr. Chairman: — We'll make sure her office receives all the material.

Mr. Van Mulligen: — Just so that she can be consulted.

Mr. Anguish: — So at 1 o'clock?

Mr. Chairman: — 1 o'clock.

The committee recessed for lunch.

Mr. Chairman: — The Clerk is just passing around an agenda item and also has a summation of some of the things that have gone on in the past on the special report.

So if no one has any other questions, perhaps we'll proceed with the first witness that we have scheduled which would be Mr. Phil Kershaw, president of Dome Advertising.

Good afternoon.

Mr. Kershaw: — Good afternoon, Mr. Chairman. How are you?

Mr. Chairman: — Good. I wonder if, for the record, you would introduce yourself to the committee in the positions that you may hold in your particular organization.

Mr. Kershaw: — Okay. I'm Phil Kershaw and I'm part-owner of Dome Advertising Ltd.

Mr. Chairman: — Thank you. I have a short statement which I need to put on the record for the benefit of all witnesses that appear before this committee.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action.

In addition I wish to advise you that you are protected by the section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

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

I wonder, Mr. Kershaw, before we begin, if you have an

opening statement of any kind that you wish to give to the committee.

Mr. Kershaw: — Well not really. I had addressed a letter to you, Mr. Chairman, on August 11 which I understood has been circulated throughout the committee. In the letter of August 11, my concern was to the special auditor's report that suggested certain work was done on behalf of SPMC (Saskatchewan Property Management Corporation) or money was billed to SPMC for which no services were given. I tried to address the letter of August 11 to clarify this situation on several key points.

First of all, the understanding that I had is that we were asked by the government of that time to do a billing on behalf of Strategy West Public Relations, who were to carry out a public relations contract for the government of Saskatchewan. The fact was, I suppose, the government at that time had decided that it would be placed through SPMC since they were a department which was dealing with a number of these corporations that they would be doing work on behalf of.

Before that I want to make it clear to this committee that we received, since we were currently at that time the agency of record of the former government, we received zero consideration. And I think I have documented it to the committee . . . (inaudible) . . . fact that I tabled not only the invoices we sent out but also the cancelled cheques that were passed along to Strategy West Public Relations, as an indication that we received no compensation nor provided any other service except to act as a billing agent.

My major concern was that I think in the process there has been an implication that Dome Advertising billed SPMC for services which were never received and as a result somehow unfairly received considerable consideration over several years of time. I just want to come here today to clarify that no, we received no consideration, because the work that we did was in turn paid to Strategy West Public Relations and Strategy West Public Relations carried out the work under that contract.

I did take the opportunity when this arose last time in Public Accounts to meet with Cy MacDonald, who was the principal of Strategy West Public Relations, and got from him rather extensive information in terms of the work provided. And I think that he has not only provided some information which I outlined in my letter of August 11, but I think he has communicated with the chairman of this committee — because he is not a resident at the current time in the province, he is away for the winter — in terms of the amount of work that was done on behalf of the government under this contract.

I had tried to clarify this matter, as a matter of fact, as early as a year ago because as you can appreciate, as a private business person, when people make statements that perhaps relate to your ethical background as a business person, that somehow you would bill someone for services which were never given, I think that I felt my reputation and the reputation of our company was being sullied in a way that I thought was somewhat unfair. And I appreciate, Mr. Chairman, the opportunity to come here today to hopefully set the record straight.

Mr. Chairman: — Thank you, Mr. Kershaw. I would entertain a speaking list at this time.

Mr. Cline: — Yes, Mr. Kershaw, first of all I'd like to say that we all appreciate your coming here today of your own free will. And it involves a matter of course that you would like to see clarified and we as members of the Public Accounts Committee also have an obligation to see clarified.

As you know, we're dealing with, or were dealing with in the summer a contract between SPMC and Dome Advertising. And there was one with Roberts & Poole as well, but that isn't something that you would have personal knowledge of, I don't imagine.

Mr. Kershaw: — No, but perhaps I can clarify it. I think the terms of that contract — and as I say I'm not trying to be an absolute expert on this — I believe that contract had been carried out in exactly the same manner as our contract.

Mr. Cline: — Right. And now the contract is undated but it would appear that it arose in the summer of 1987 since the first payment was to be for the period of July 15 to August 1, 1987. And I take it you are a signatory to the contract?

Mr. Kershaw: — Yes.

Mr. Cline: — Yes. And the contract itself calls for a payment of \$5,000 initially for the two-week period, the latter half of July '87, and then \$10,250 per month for three years commencing August 1, 1987. And I believe that those payments were made but not for the three-year period. At some point they terminated.

Mr. Kershaw: — Yes.

Mr. Cline: — And I believe that was September 30, 1989. Is that correct?

Mr. Kershaw: — To the best of my recollection. But I think what you have in front of you in terms of the auditing of that would be a better . . . you know. I would stand by what's in the record on that one.

Mr. Cline: — Okay. And on a monthly basis, Dome Advertising I believe invoiced SPMC, and I have one of the invoices here, January 31, 1989, which I'll show you, simply saying, agency services as per contract to April '89. And as far as you know, is that the sort of arrangement there was, that you would invoice on a monthly basis and then . . .

Mr. Kershaw: — Yes, that is correct.

Mr. Cline: — Okay. Now the contract itself states in paragraph 1 — and I can show this to you if you like — SPMC hereby retains Dome Advertising to provide advice, supervision, and organization as requested by SPMC. And as I understand it, even though the contract is worded that way, there never was an intention from the beginning that Dome would actually provide advice, supervision, and organization. Is that correct?

Mr. Kershaw: — Yes. I think the intent of the arrangement was that Strategy West Public Relations would be sort of a sub-licence or sub-contract to us, to do work on a public relations basis. We didn't directly deal with the client. There is other billing, for instance, we would do with SPMC because they were an advertising account. For instance, SPMC would place tender advertising, etc. So that would show up on the *Public Accounts* as being dealt with with Dome, but that would be matters in relationship to advertising that would be carried out by SPMC. This was to be carried out in terms of public relations projects that may relate not only to SPMC but a number of Crowns . . . or not Crowns but government agencies that may be involved in departments in some form of public relations — public relations meetings, public meetings, etc.

Mr. Cline: — Okay. But is it correct that it was not envisioned by the parties, for example, that Dome would actually go out and arrange public meetings or take any active steps at all?

Mr. Kershaw: — No, no.

Mr. Cline: — It was simply the invoicing, the collection of the money, and then the transmission of the money to Strategy West.

Mr. Kershaw: — Yes. Perhaps, Mr. Cline, if I can clarify that one point. The term "advertising agency", in its truest meaning, refers to the term as agent, okay. And in many . . . most of the aspects of what we worked and in terms of government we were acting as an agent, whether it be getting printing work done, producing advertisements, placing advertisements. Most of the time we were dealing with third parties.

Obviously if we were placing ads in the newspaper, we were dealing with Saskatchewan daily newspapers or Saskatchewan weekly newspapers. Getting ads produced, we would go to people who did the work to typeset those ads. So it was fairly common practice that an ad agency would receive a contract and contract it to a third party. This would not be considered something that would be out of the norm for us.

I think in this particular contract though, it was a net contract. In other words, we were not to receive consideration for dealing with the contract. And as a result, I think if you can check the cancelled cheques that I have presented to you and the invoice amounts, you can see that frankly we were just billing and were not being an active partner in the sense of the financial gain whatever from this contract.

Mr. Cline: — I understand what you're saying about the usual role of an advertising agency as an agent, but most of the work you would have done for SPMC or any of your other clients for that matter, would not, I assume, be on this strict basis; that you would simply be billing and transmitting to somebody else who would supply all of the goods and services. Would that be a fair statement?

Mr. Kershaw: — Yes, I would say this would not be a normal contract. I think that's a fair statement.

Mr. Cline: — This would be a somewhat unusual

arrangement, I would think.

Mr. Kershaw: — Yes.

Mr. Cline: — Okay. Now can you tell the committee what the reason was, as far as you're aware, that the government of the day — and I think we've been told before, this would have come from Executive Council — would have entered into this arrangement with Strategy West, but used your company as a third-party payee?

Mr. Kershaw: — Okay. Well I think it's only fair that I can only offer an opinion, because I don't know. I would assume because we were already billing government for a wider range of details, it was considered more convenient to use people who were already, you know, involved with the government process. But frankly that would have to be something that would have to be answered by the people who made that decision.

Mr. Cline: — Who did you have discussions with when this arrangement was set up?

Mr. Kershaw: — Well I think in fairness, Mr. Cline, this happened five years ago and I remember the conversation but I don't remember . . . frankly I didn't diarize the conversation nor notate it in anyway. And I don't want to come into this committee and mislead anyone. And I cannot directly remember my opinion as I talked to someone in Executive Council at that time.

Mr. Cline: — Okay. By the way, do you know who drafted this contract?

Mr. Kershaw: — At this moment I am not sure. Probably someone in Executive Council. We were just asked to sign it, which we did, and return it.

Mr. Cline: — And it's your evidence to the committee that you do not know or cannot recall who in Executive Council would have . . .

Mr. Kershaw: — Well I could offer an opinion but I don't like to do that in front of this committee, because I think that would be unfair because I don't have, at this point, to be quite honest with you . . . I can't specifically remember what date and what time the conversation took place, and I think it's unfair to just offer anecdotal evidence because I think that's . . .

Mr. Cline: — Well if you have no personal knowledge of who it was that made the arrangement, then you can say so. If you do have personal knowledge of who was responsible for the arrangement, then perhaps you could disclose that to the committee.

Mr. Kershaw: — Well I think it's someone who was currently employed or at the time at that point in Executive Council, but who specifically, I cannot recall at this time. Is that fair?

Mr. Cline: — Yes, thank you. Now do you . . . would you agree with me that it would be fair to say that given that this is a fairly unusual way of dealing with your agency, or I would think any advertising agency, that the purpose of this kind of arrangement would be to avoid disclosure of

the actual party performing the work on behalf of the government through SPMC. Would you agree that that's a fair statement?

Mr. Kershaw: — I would say that's an opinion. I'm not saying that's a fair or an unfair opinion; I would say that's an opinion. I don't have any knowledge directly that that was the intent.

Mr. Cline: — Can you offer, as a result of your involvement with this arrangement, any opinion of your own as to what else might be a rational explanation for this kind of arrangement?

Mr. Kershaw: — Well I think we were the agency of record at that point and we were, for instance, placing all the advertising for the government on behalf of other advertising agencies. And so I suppose they felt for ease of billing purposes that that would make more sense.

I think in fairness, coming to this committee I was not privy to any conversations in the construction of this contract. I was contacted, saying: we want to make this arrangement; would you do this for no consideration? And I said I suppose I would, you know. And that was really the extent of my involvement.

I was not an author of this contract nor was I privy to any conversations or any negotiations that would have allowed me to come to this committee to offer you definitive opinions why certain things were carried out a certain way. I was a private business person providing a service at that time.

Mr. Cline: — Now paragraph 3 of the contract provides that: with the prior approval in writing from SPMC, all expenses including part-time staff incurred by Dome Advertising for provision of retained services respecting special events beyond normal office expenses may be recovered by Dome Advertising.

But would it be fair to say that given the arrangements you had with SPMC that there really would not be a situation that would arise where you would be incurring expenses?

Mr. Kershaw: — Not us directly, no.

Mr. Cline: — Okay. So to that extent . . . but paragraph 3, like paragraph 1, does not really deal with the situation that was contemplated by the parties.

Mr. Kershaw: — I think that's a fair comment.

Mr. Cline: — Now were there any other instances other than this particular instance where money was paid through your agency, which was then channelled to other agencies who performed the whole of the work? I'm not talking about the usual situation where you're subcontracting, but I'm talking about this type of arrangement we're dealing with.

Mr. Kershaw: — No, I don't believe that there was. Our relations with government is that we became aware very early on in the processes because of the transparency, if you like, of these transactions because of this type of a process, that we at no point liked to do these types of

arrangements because I think we didn't want our integrity in the scrutiny process to make it appear as if we were acting in some way that was not totally above-board. Not that this doesn't; I don't have a problem with this. But we did not like . . . and I don't like any business arrangement that I think is less than — how can I put it? — to be perceived to be exactly that you're paying exactly for what you're getting.

Mr. Cline: — This is not the most straightforward method for the Government of Saskatchewan to be operating in when it's contracting for advertising services. And what motivated you to go along with this particular arrangement?

Mr. Kershaw: — Well I think, Mr. Cline, in fairness, I was acting as the agency of record for the government of the day and doing a fair amount of transactions for them, and was asked to do this and could see no particularly good reason not to do this. Frankly, I was happy to see it terminated because I had no particular problem with it except that I didn't think it was quite the way that I would have structured it, frankly.

And so, you know, I think there was no reason for me at this point to believe there was anything wrong with it except that it was perhaps structured in a way that I didn't totally think was the most appropriate way to put it together, but then I hadn't crafted it.

Mr. Cline: — And when it was terminated in October of 1989 and you received your last payment, were you made aware of what, if any, arrangement had been made to operate subsequent to the termination?

Mr. Kershaw: — No. I think just to be fair in this, I was acting outside of the privy of the arrangement. I was acting, as I said in my letter of August 11, I acted in what I termed as a billing agent, if you know what I'm saying, in the fact that I had a signed contract. I was processing invoices to SPMC; I was taking those invoices and in turn producing a cheque for Strategy West, copies of which you have here. And that was really the total, the sum total of my involvement with this contract.

Mr. Cline: — Except that in addition you acknowledge that you entered into a contract with SPMC that would indicate that it was other than a straight billing arrangement.

Mr. Kershaw: — The way it's stated there, that interpretation can be given, yes.

Mr. Cline: — Now you indicated that you received no consideration and that you received monies from SPMC and your role was simply to pay that money over to Strategy West.

Mr. Kershaw: — Yes.

Mr. Cline: — Okay. Now I want to give you an opportunity to consider your answer in that — and there may be some explanation for this. But there is in the cheques you have provided — and you may want to take some time — there is no reference or no copy of a cheque for the \$5,000 initial payment that was to be paid to

Dome. There are cheques for \$10,250 on three occasions, there is a cheque for \$9,000 on one occasion — this is to Strategy West — and there are, on 20 occasions, cheques for \$10,000 rather than the 10,250. Would it be fair to say that some of the money that was received from SPMC remained in the account of Dome?

Mr. Kershaw: — No I don't think so. What I had to do, in fairness, is because this came up, is I made my accountant go through our cancelled cheques and find these. Now that's a very — how can I put it — inefficient method of doing this because at the time I have to go back and manually put that together.

Sometimes we were doing other work with Strategy West. We may have off-set certain things that they owed us and put it . . . and may have factored into these cheques. But the full intent, in terms of a receivable, it was full and current. And as I say, I could go back and do a much more forensic audit on it, but I do not believe we received consideration nor were we to ever receive any form of consideration for this work.

Mr. Cline: — I don't want to be unfair about it at all because it did occur some time ago. But when you indicated in your letter and here that all of the money had been turned over to Strategy West, and when the cheques did not reflect that and there was no explanation forthcoming from you with your letter or today, I thought I should ask the question. But your evidence is that any deficiencies could be demonstrated to be represented by other arrangements between yourself and Strategy West.

Mr. Kershaw: — Yes. And to give you an example and just to answer that in a more comprehensive manner, a standard procedure, if you were dealing with an advertising agency as a billing agent, is that we as an agency would take a 15 per cent commission for billing something on your behalf, okay? So in the instance of a cheque for \$10,000 which had been billed to a client, if we were to take 15 per cent, that would mean that we would retain 1,500 of that and pay you 8,500. The figure \$250 doesn't jibe because that would not reflect any kind of an active commission nor would it be seen as something that would be normal.

As I say, I'd have to go back and do a much more subjective kind of audit of that. I do not believe that that was a factor. And it may even be something as simple as our accountant not processing the right amount. I mean she may have suddenly over a period of time started processing \$10,000. But there was no other belief, in my view, that we took anything out of this contract, and there was no intent ever in that contract that we were to be compensated for our services.

Mr. Cline: — Okay. I may have misunderstood you a moment ago. But were you meaning to imply that it was possible that there was some amount deducted as a commission because of collecting the funds?

Mr. Kershaw: — No. No, no. There was no amount deducted as a commission. Under normal circumstances outside of this contract, okay, if we were doing it on a normal basis we would have wanted a 15 per cent commission because there is a cost attached to billing a

client, setting up a receivable, obviously getting the money, turning around, processing, and paying to a third party. But in this case there was not that arrangement set up.

Mr. Cline: — Well to be fair to you, Mr. Kershaw, I would suggest that in view of the fact that I've asked the question — and I don't blame you for not having the answer at the moment — but it might be fair to give you the opportunity to clear that matter up. I don't want to put you to a lot of unnecessary work but on the other hand I don't want to put on the public record that there is some discrepancy and then not give you the opportunity to fully explain it.

Mr. Kershaw: — Okay. No, that's fair.

Mr. Cline: — And as far as I'm concerned, Mr. Chairman, that could be done by letter to you and with whatever documentation is appropriate.

Mr. Chairman: — Committee agreed? Agreed.

Mr. Cline: — And those are all the questions I have.

Mr. Kershaw: — Thank you.

Mr. Cline: — Thank you.

Mr. Chairman: — Any other committee members have questions?

Mr. Anguish: — Just briefly. Mr. Kershaw, during the time that Roberts & Poole were in business in the province, Roberts & Poole and Dome Advertising would have been competitors in the market-place. Is that correct?

Mr. Kershaw: — That's true.

Mr. Anguish: — However, you both had contracts with the provincial government?

Mr. Kershaw: — Yes.

Mr. Anguish: — Can you tell me what the function of a company called Blue Wave was?

Mr. Kershaw: — Blue Wave was a company that was set up to place advertising at net cost for the Progressive Conservative Party of Saskatchewan for election purposes, which was based on a model actually that's been used by federal political parties like the Liberal Party I know and the federal party . . . PC (Progressive Conservative) Party at times, to simply use the resources of agencies that may have been working together to produce ads for an election campaign.

Mr. Anguish: — Blue Wave though to your knowledge never did any work directly for the Government of Saskatchewan?

Mr. Kershaw: — Absolutely not. Absolutely not. It was not set up as a . . . It was set up really as a shell company merely to pass through invoices for election purposes. And the only time it was ever activated was solely for provincial elections.

Mr. Anguish: — And the people who would be the principals of that company, would they derive a direct benefit from Blue Wave?

Mr. Kershaw: — Absolutely not. As you probably are aware, Mr. Anguish, working on elections is usually not a terribly profitable activity. It was simply a service that was provided.

Mr. Anguish: — And so that would explain the reason why principals of various advertising firms would sit as the shareholder in Blue Wave?

Mr. Kershaw: — Yes. You know, there has been an agency, for instance, I think that the federal Liberal Party has used called I think Red Leaf Communications which used a number of companies and principals who were involved, and they would work on federal election campaigns and pool the resources of various agencies for the purpose of working on an election campaign. Such was the case with Blue Wave.

Mr. Anguish: — Does that company still exist?

Mr. Kershaw: — I think it still is active. I'm not . . . I can't be totally sure of it at this point. It may be a registered company, I'm sure, in the province of Saskatchewan. But I can reassure you that absolutely no work was done by Blue Wave on behalf of the government because, of course, it was a separate company which had a separate mandate. And it was not a profit for . . . not really. I mean it was not a . . . not-for-profit corporation because it was not structured that way. It certainly had no profit base to it.

Mr. Anguish: — I have no further questions.

Ms. Haverstock: — Yes, Mr. Kershaw, in your letter to the committee, you stated that the payment of \$10,250 a month from SPMC, you were actually just forwarding that money to Strategy West. So in essence the thrust of the *Special Report by the Provincial Auditor* which can be summed up by saying rather than doing nothing for something, that you were doing something but got nothing.

Mr. Kershaw: — That's exactly right. I think you read the press reports.

Ms. Haverstock: — Okay. I just wanted to understand that. I think that the taxpayers of the province, a lot of them are, as you well know, having a hard time making ends meet. And I think they would find that kind of arrangement odd. Did you have any knowledge of the work that Strategy West was doing with the monies that they were being provided?

Mr. Kershaw: — I was aware of it, in the sense that I, you know, did work with Strategy West and was aware that they were doing a number of public meetings. I think — and I don't want to refer things back to the chairman — but I think Mr. MacDonald has taken some efforts to clarify that for the committee, in terms of the volume of work. And I think there was a fair volume of work that was done, including public meetings, public openings, so on and so forth. As I understand, and I think in my letter, you know, we're talking about hundreds of public functions

that were carried out by Strategy West.

Ms. Haverstock: — So am I to understand then that you didn't really have knowledge of what was being done with the money, like you didn't directly have any knowledge . . .

Mr. Kershaw: — Well I think, Ms. Haverstock, to be fair, I was aware of it in passing, but I was not aware of it in a direct relationship of sort of the normal relationship that I would act in an ad agency where I was conducting someone and they were reporting to me to let me know specifically what it was that they were doing. That was not the intent of the contract.

I was to act as the billing agent. They were to deal directly with the client — okay? — the client being the various, you know, departments or Crowns or agencies, who needed work done. I was not copied on that material, nor was I necessarily privy to meetings or discussions or information that would allow me to come to this committee to be an expert on exactly what was carried out. It was because of that, that having this . . . having arose at Public Accounts that I undertook to meet with Mr. MacDonald because I realize that he is resident out of the country in the wintertime and I wanted to make sure that I could offer my services to come and provide some information. But I didn't want to make it sound as if I am his spokesman here, because I am not.

Ms. Haverstock: — I guess I just want to understand. From your perspective, at any time did you consider this perhaps a dubious arrangement, that others might be more inclined to back off for fear of something untoward going on?

Mr. Kershaw: — I don't have any question that anything untoward was going on, because I was aware that there was work being done and services provided. I did not like the nature of the structure of it simply because I think it indicated something that may not exactly be what is written down in black and white. I didn't think there was anything untoward.

I indicated to Mr. Cline earlier I was just as happy to see it terminated. It was not the way I would have structured an arrangement.

Ms. Haverstock: — The arrangement to pay Dome then, \$10,250 per month, started in September of 1987 and was discontinued in 1989 after a cabinet shuffle. Can you recall who informed you that that previous arrangement was then terminated?

Mr. Kershaw: — I believe it was Mr. MacDonald himself.

Ms. Haverstock: — Okay. Can you describe the nature of those discussions that took place between the two of you about why it came to an end.

Mr. Kershaw: — The only thing that I recall is Mr. MacDonald said that, you know, the arrangement that we've had will no longer continue and we will deal with departments and agencies directly and bill them as such. And I told him that that was fine by me. I was just as happy to see it carried out that way.

Ms. Haverstock: — From answers to questions posed on pages 16 to 18 of the auditor's special report, SPMC indicated that your company billed SPMC for some \$19,442 for work done in connection with the Fair Share initiative.

Now SPMC paying for this — they were paying for it when the Fair Share office was receiving all of the benefits — I'm wondering if you ever questioned why it was that SPMC was paying you for this work when it received no tangible benefit as a result.

Mr. Kershaw: — Well I think, not to be critical, but I think that's a bit of an unfair question. I am a business person providing services. It's not within my purview to go to a government agency or a private business and offer direct opinions of how they should bill something and who the recipient group was and who should be the billing agent. That's not my job. My view was it was solely the purview of the government, and to me, that's something that they had decided. You know, there gets a point when a business person offers too many opinions, he'll be doing a lot less business.

So it didn't seem to me to be within my purview to determine how the Fair Share advertising or which department or agency should be paying for this.

Ms. Haverstock: — As I recall when you began with your opening remarks, you were stating some concerns, however, about the credibility of business and good business practices and how certain ways in which . . . in other words, a process that's followed can in fact result in a business having a black mark.

I'm just wondering if at any time you felt that there was some benefit that could be given to the people involved to ensure that in the long run your own company wouldn't perhaps be perceived as being involved in something that is questionable.

Mr. Kershaw: — Are you talking now about the Fair Share advertising, or are you talking . . . Well you know I don't know that's it's unusual. I think it's a fairly, you know, large topic that probably needs to be discussed by this group in terms of how government . . . and the auditing process of who pays for what and how it's accommodated for. I don't know that that is the problem.

I think the greater problem, as I say, was perhaps in the previous statement in what was written in the special auditor's report that I received a fairly substantive amount of money and provided no services for it, you know, raising questions about what happened to the money. I mean I think that was the greater question.

As I say, anyone dealing with government — and I think you have to be fair — the private companies who deal with this government, whether they deal with the government or a private company, are looking for work. They are probably not there to provide the due diligence that may be necessary by that government or that business, in terms of how they conduct their affairs.

Obviously business men are concerned that when they

sign a contract that it is something that is proper and that there is no impropriety happening. And I feel very comfortable in both those instances that nothing did. As I said and offered some comments earlier and opinions, I wasn't totally comfortable with the former arrangement because perhaps it didn't pass the muster and created a misperception that eventually found its way into the special auditor's report that suggested something that obviously is not true.

Ms. Haverstock: — Thank you. I have two questions. Dome Advertising and Dome media billed SPMC for \$950,554.00 and \$1,348,449.00, respectively, in the years '91-92. That does seem to be a considerable advertising expenditure for a company whose primary job is property management. Imaginably, there were many invoices representing a variety of work represented in those two sums. And I'm wondering if you would be able to recall for us who it was that you usually dealt with in order to procure that work from SPMC. Was the person or persons employed by SPMC or did they work elsewhere?

Mr. Kershaw: — Well, I think that's . . . You know, that's a tough question for me to answer off the top of my head because, I mean, I would have to go back and look at specifically what specific work . . . I mean, I'm sure that in the Fair Share program, the large amount of the figures you're referring to came through the Fair Share program and we were dealing with people who were working in the Fair Share office who at that time would be the people specifically relating to the project, and we would be billing it back through the SPMC office. And as I say, that's a situation that they set up internally. I was merely following their directions.

Ms. Haverstock: — Would you be willing to provide that information in writing when you're giving your response to Mr. Cline?

Mr. Kershaw: — I can try my best to recall. But I think that would be basically . . . The answer I've given you, I'm sure would only be the one I would reinforce in writing,

Ms. Haverstock: — What you're indicating then is that you wouldn't be able to recall . . . ?

Mr. Kershaw: — Well I would say that I would deal with the people who were working at the Fair Share office at that time or people such as the nature of Tom Steeve, who was working over there. I think Terry Leier was working over there, and several other people whose names escape me at this time.

Ms. Haverstock: — Well, upon reflection, perhaps what you can do is to look at the question that was posed just now, and if some things come to mind, you could give us explicit information. That would be appreciated.

In looking through the responses provided by the Department of Rural Development, questions concerning the Provincial Auditor's special report, there are a number of photocopied invoices and approval forms relating to your firm. And on most of these forms — these forms are called form 85's, to be precise — there's no justification given for hiring the services of your firm.

Was this a normal practice between you and government agencies. Or was there at least some justification for hiring you on a verbal level?

Mr. Kershaw: — I'm not sure I understand your question.

Ms. Haverstock: — I'm just wondering what was normally involved. I understand that what has been available to us in terms of these invoices is that a lot was just done on a verbal arrangement. Is that the case as you recall it?

Mr. Kershaw: — You mean between the client and agency?

Ms. Haverstock: — Yes.

Mr. Kershaw: — The form 85 was an approval form that government had to fill out to get approval to do certain work. And I think that those had to be filed. I mean, in the former government, there was five or six different advertising agencies were in place who were assigned to various departments. We had no Crown corporations, so if we were doing work for Rural Development, we were their advertising agency. If they had advertising requirements, they would phone our company and we would provide that service to them. They would also, at the same time, fill out a form 85 to formalize what it was that they were asking for so it would come back through the proper channels so that it could be notarized and then that the invoices could be sent out and also paid.

Ms. Haverstock: — I guess what I'm wondering about is how does this normally happen? I mean, do people generally make these kinds of arrangements without stating this particular company is being given this arrangement for the following reasons?

Mr. Kershaw: — You mean, assignment of accounts?

Ms. Haverstock: — I'm talking about, in this particular case there seems to be no justification indicated for the services received from your firm, for hiring your firm. Is that the usual practice? Are you usually involved in saying, well we can do this particular thing for less money than that firm; therefore . . .

Mr. Kershaw: — Well no, but if you're assigned, if the agency is assigned Rural Development and they have advertising requirements, they were using whatever particular advertising agency was assigned to them to provide a service. So they would phone the advertising agency and say, we want to do, you know, do a brochure, we want to place an ad; for which the client would then fill out a form 85 to define that for the government what it was that they were asked to do, get quotes, etc. back from the agency, and then the work would be performed and the bills would be sent out. And if the form 85 was there and approved, then payment would be sent to the agency for payment for that work.

But there was an assignment situation department by department. So they wouldn't, every time they need work, phone five different companies because there was five companies that, say, doing work for government but they were already pre-assigned. So they weren't

tendering every piece of work because that was not the way that the system was structured.

Ms. Haverstock: — Thank you.

Mr. Kershaw: — Thanks a lot.

Mr. Chairman: — If there's no other questions from the committee, we'd like to thank you, Mr. Kershaw, for appearing here today with us. And the undertakings that you gave to Mr. Cline, Ms. Haverstock, if you'd address any such thing to me in writing so that I may, as chairman, distribute that to all the members of the committee.

Mr. Kershaw: — Thank you very much, Mr. Chairman. I appreciate having the opportunity to come here today, and I thank the committee for their input. Thank you very much.

Mr. Chairman: — Thank you. Because we're well ahead of schedule here from our agenda and what we anticipated time of arrival of our next witness, perhaps we could take a 10-minute break, and then hopefully Mr. Dedman will be available.

Mr. Anguish: — If you want to take a break for 10 minutes, that would be fine.

Mr. Chairman: — Why don't we? Because right at 3 o'clock we'll be into discussion and we won't have time for a break.

The committee recessed for a period of time.

Mr. Chairman: — We'll call the committee back to order.

Good afternoon. I wonder if you might introduce yourself to the committee, Mr. Dedman, and any positions that you presently have.

Mr. Dedman: — Yes, Mr. Chairman. My name is Ron Dedman. I was the president of SPMC up until November 20, 1991.

Mr. Chairman: — Thank you. Before we begin, Mr. Dedman, I have a statement which the chairman apprises witnesses of and I'll do that right now.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as a subject of a civil action.

In addition I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

The witness must answer all questions put by the committee. Where a member of the committee requests

written information of your department or agency, I ask that 20 copies be submitted to the committee Clerk who will then distribute the document and record it as a tabled document. You are reminded to please address all comments through the chair. Thank you.

I wonder, Mr. Dedman, if you have a statement which you wish to make to the committee before members begin.

Mr. Dedman: — Mr. Chairman, I guess there is one area of concern that I have that I'd like to raise. You sent me a letter dated August 7 inviting me to appear, and requesting that I contact the Clerk.

I wrote to the Clerk on August 12, advising him when I might be available for call. I faxed to the Clerk on August 27 because I hadn't heard from him. The Clerk did try and reach me on the 27th but it wasn't until September 1 that we were able to talk. The Clerk advised me that they had received my letter and apologized for the fact that he hadn't been able to respond.

I requested from the Clerk four things that I thought might be useful for me in preparing for my appearance here. I asked for the last three annual reports of SPMC, the verbatim reports of the committee concerning SPMC for the last three years, the material provided to the auditor by SPMC in response to the auditor's request for the special report, and copies of the briefing material that was provided by me at the time of transition. I requested that on September 1. In the last week of October I received a call from the Clerk and he advised me that some of the material would come the following week, but that the government didn't want to provide me with any of the briefing material.

On November 2, I received a package from the Clerk. It contained the annual reports, about a third of the verbatim reports that I had requested. On the November 3 I called the Clerk and again requested the verbatim reports and the material that had been sent to the auditor. We also discussed the briefing book material.

A week ago Friday, I received the remaining verbatim reports and a copy — I guess you'd call it an edited copy — of the briefing book material, with a note that if I wanted to make an appointment I might be able to go down and review the other briefing book material and make notes. I received none of the material provided to Provincial Auditor.

Mr. Chairman, I've done my best to prepare for today's session. I think I could have done a better job if I had had access to the small amount of information that I'd requested; and if I had received the information that I was given a lot earlier, it would have been much more convenient.

Mr. Chairman: — Mr. Dedman, the Clerk informs me . . . And I didn't fully understand the process. I thought that when this committee requested you to come as a witness, that you would be provided with all material. But the Clerk informs me that the department has that right to withhold whatever they want from private citizens, that because you're no longer an employee of the government

that they don't have to give that to you. I think members of this committee would have preferred that you be as well prepared as possible to appear here. But as far as any tardiness on behalf of documentation, I apologize for any delays that you might have had.

The Clerk informs me that there was one clerical error in preparing the material. And we certainly didn't want to slow you down in any way in that regard. So on behalf of my committee, if there was something there, I apologize.

I would entertain a speaking list now at this time.

Mr. Cline: — Thank you, Mr. Chairman. Mr. Dedman, thank you for coming to the committee today. You said that you ceased to be the president of SPMC November 20, 1991?

Mr. Dedman: — That's correct.

Mr. Cline: — When did you become president of SPMC?

Mr. Dedman: — The official date is the . . . or the legal date I guess was December 5, 1989. It was a little later than that that I actually took the position.

Mr. Cline: — Okay. Prior to that date I think you were an employee of SPMC as well. Is that correct?

Mr. Dedman: — No, For 18 months prior to that date, approximately, I was an employee of SaskPower,

Mr. Cline: — Okay. So sometime in '88 you went to SaskPower?

Mr. Dedman: — April/May of '88. That's correct.

Mr. Cline: — Okay. And before that, were you at SPMC?

Mr. Dedman: — Yes. I went to SPMC late in 1985 as associate deputy minister and then I became senior vice-president when SPMC became a Crown corporation.

Mr. Cline: — And when did you become the senior vice-president at SPMC?

Mr. Dedman: — That's a good question. I'm not sure of the actual date.

Mr. Cline: — Do you know what year that was?

Mr. Dedman: — It would be '86, early '87, I think.

Mr. Cline: — The committee, as I think you know, has been examining two contracts entered into between SPMC and Dome Advertising Ltd. on the one hand and Roberts & Poole Communications on the other. Have you had an opportunity to read the transcript of the Public Accounts Committee in relation to those matters?

Mr. Dedman: — Yes I think so.

Mr. Cline: — Now those contracts I think were signed by you as well as Mr. Cutts. Is that correct?

Mr. Dedman: — I think the contracts for Roberts & Poole and Dome were signed by me.

Mr. Cline: — Okay. Yes, I have photocopies here and I think that they indicate that Mr. Cutts and yourself and then a principal from each of the companies.

Mr. Dedman: — Yes.

Mr. Cline: — Now under these contracts, first of all SPMC, was to pay in advance the sum of \$5,000 to each of those companies. And what was the purpose of that payment of \$5,000?

Mr. Dedman: — Mr. Chairman, Mr. Cline, perhaps I could explain the process of signing those contracts. As I mentioned I was the senior vice-president of SPMC at the time. The president of SPMC was the individual sort of directly involved in the process, but he did explain to me what was taking place, and I can share that.

I'm not sure about the \$5,000 specifically. What my understanding was is that the government at the time had made a decision that there was going to be central coordination of a lot of the public relations side of government and that they'd decided to centralize that. And so Mr. Cutts had received a call, I'm not sure from who, advising him that that process was going to take place and that SPMC had been chosen to handle that contract. Now I'm not sure whether it was cabinet or whether it was Treasury Board, but I know that Treasury Board must have been involved because Treasury Board did provide funding for this initiative.

Mr. Cline: — Now when you say SPMC had been chosen to handle that contract, what contract are you referring to?

Mr. Dedman: — Well I think the two contracts with Roberts & Poole and Dome.

Mr. Cline: — Okay, now you said that Mr. Cutts indicated that the government of the day had decided to centralize its advertising function. Is that what you said?

Mr. Dedman: — It's the public relations activity around a lot of things that were taking place at the time.

Mr. Cline: — And that would include Fair Share, for example?

Mr. Dedman: — No, I don't think Fair Share was even contemplated at that time. This would be 1987.

Mr. Cline: — Okay.

Mr. Dedman: — It would be official openings, public announcements, announcements of new initiatives, public consultation processes — those kinds of things.

Mr. Cline: — So that when the government was engaged in a public relations exercise, you're saying that the government had made a decision that that exercise would be facilitated through SPMC. Is that what you're saying?

Mr. Dedman: — Yes.

Mr. Cline: — And was there any examination conducted by yourself or Mr. Cutts or anybody else at SPMC to analyse how that fit in with the mandate of SPMC?

Mr. Dedman: — Well I don't know what Mr. Cutts did. The understanding that I had was that because SPMC was involved in a lot of the projects that would be part of these official openings and whatever, it was decided that SPMC would be the reasonable place to have this activity centre.

Mr. Cline: — So that would include what was done pursuant to the contracts with Roberts & Poole and Dome Advertising, and it would include other contracts that the government would enter into. Is that correct?

Mr. Dedman: — It may have, but I can't recall any other contracts in that regard.

Subsequent to that, SPMC was involved in things like the signage on all the Partnership Saskatchewan projects, either in providing and erecting the signs or providing specifications or those kinds of things.

Mr. Cline: — Now these contracts with Roberts & Poole and Dome, as I understand it, involved the firm of Strategy West being retained indirectly to do the sorts of public relations activities you're talking about. Is that right?

Mr. Dedman: — Yes. I don't know if I knew that at the time.

Mr. Cline: — And is it your evidence to this committee that the reason that these contracts were entered into by SPMC on one hand and Roberts & Poole and Dome on the other hand, that the government wanted to centralize its public relations function?

Mr. Dedman: — Yes. I think the idea was that because there was going to be a large number of these things taking place, rather than have people all over making their own arrangements, starting their own initiatives and whatever, that there would be some coordination function to bring some consistency to the delivery of these things.

Mr. Cline: — But you said that the work involved would in fact be done by Strategy West. Is that correct?

Mr. Dedman: — Yes.

Mr. Cline: — Would it not be simpler for SPMC simply to go to Strategy West and enter into a contract with it to get the work done?

Mr. Dedman: — Certainly that would be a way it could be done.

Mr. Cline: — Well would that not be the most logical and reasonable way that in the first instance people would proceed?

Mr. Dedman: — Yes, I think that I couldn't argue with that.

Mr. Cline: — And why would it be that to facilitate this retention of Strategy West to carry out this centralized public relations strategy for the government, two contracts would be entered into, one with Roberts Poole and one with Dome, rather than just one contract?

Mr. Dedman: — I could only speculate on the reasons. I don't think I have any knowledge as to why that was done.

Mr. Cline: — You have no personal knowledge as to why it was done that way.

Mr. Dedman: — No.

Mr. Cline: — Would you agree with me, Mr. Dedman, that this is a highly unusual way of doing business?

Mr. Dedman: — Well the issue, I guess, is contractors, subcontractors, and whatever. But again I'm a little bit in the middle of the process as to I don't really know what the full intent of the initiative was or what the full idea was because I got that second-hand. But I guess I could agree that you could have done it in a simpler way.

Mr. Cline: — Yes. I mean the logical thing to do would be to go to Strategy West and make one contract with that company. I mean would that not be the normal course of business?

Mr. Dedman: — Yes, I guess you could say that. The dilemma I have though is that when you're dealing with things, with advertising agencies involved and whatever, you know, you could speculate that if both of the major advertising agencies are involved and, you know, have some involvement in the initiatives around openings and so on, that there would be incentive for the three of them to work together and make sure that things ran smoothly.

Mr. Cline: — If both of them were involved, it would . . . this committee would have no difficulty understanding the situation at all, and would not be asking you questions about it. But we've heard evidence from at least one agency, namely Dome, that it simply had nothing to do with the provision of services pursuant to the contract. That it was always anticipated that it would be Strategy West that would do the work, not Dome; that in fact it was Strategy West that did the work, not Dome. And Dome was never contemplated as being a company that would in fact do anything under the contract, other than get paid and pay Strategy West.

And we assume that the same is true for Roberts & Poole because it has been indicated in the *Special Report by the Provincial Auditor* that it did not provide any goods and services in return for the payments it received.

So in answer to your answer to me, I'll ask another question. If Dome and Roberts Poole had nothing to do with the provision of the centralized public relations function you're talking about, why would SPMC go to the trouble of entering into contracts with Dome and Roberts Pool to facilitate a contract under which Strategy West would do the work?

Mr. Dedman: — I don't know the answer to that and I

don't know if Mr. Cutts would know the answer to that either. As I said before, I'm not sure at the time the contracts were signed that it was clear that this would be Strategy West doing the work. But again I didn't receive the . . . I wasn't a party to the original discussion on that.

Mr. Cline: — So you don't know why the two contracts were put together in this way. Is that what you're saying?

Mr. Dedman: — That's correct.

Mr. Cline: — And at the time you were the executive vice-president of SPMC.

Mr. Dedman: — That's right.

Mr. Cline: — And also you went to the trouble of signing the contracts.

Mr. Dedman: — Yes.

Mr. Cline: — Who drafted the contracts?

Mr. Dedman: — I'm not sure that I know that.

Mr. Cline: — Okay. Now we heard evidence from Mr. Woodcock in the summer that it was his view that since SPMC had no files with respect to these matters, that the procedure when this sort of thing was arranged through SPMC was that a directive would come from Executive Council that matters be handled in this manner. Do you know from whom in Executive Council the directive came to enter into these arrangements?

Mr. Dedman: — No, I don't.

Mr. Cline: — Okay. And who would be the person that would have received a directive from Executive Council?

Mr. Dedman: — Mr. Cutts.

Mr. Cline: — So that would be Mr. Cutts.

Mr. Dedman: — Yes.

Mr. Cline: — And you never took the opportunity to discuss this matter with Mr. Cutts.

Mr. Dedman: — Yes . . . well not the matter of who had called.

Mr. Cline: — Now once SPMC entered into these contracts, was there any audit carried out as to the goods and services being provided by Strategy West?

Mr. Dedman: — I don't know that. This wasn't an area of the corporation that I had responsibility for at the time. So I'm not sure of the administration of that contract, or of those contracts.

Mr. Cline: — The first paragraph of the contract indicates that Dome in the one case and Roberts & Poole in the other will provide advice, supervision, and organization as requested by SPMC. Would you agree with me that at the time these contracts were entered into, it was not really contemplated that either of those two companies

would be directly providing any goods or services to SPMC?

Mr. Dedman: — I don't know what SPMC knew about that. Now I don't know if the decision had been made that this would be handled by Strategy West or not at that point.

Mr. Cline: — So your answer is, you don't know.

Mr. Dedman: — That's right.

Mr. Cline: — Who was it that actually dealt with the principals of Dome and Roberts Poole to get them to enter into these arrangements with SPMC?

Mr. Dedman: — I believe it was Mr. Cutts, but I can't be certain of that.

Mr. Cline: — Would you agree with me that the SPMC, in view of the fact that it did a considerable amount of business with both Dome and Roberts & Poole, would have a bit of a hammer over those two companies in terms of securing their cooperation for this kind of arrangement?

Mr. Dedman: — I think the situation though is that this is a decision that was made outside of SPMC. Funding was provided to SPMC to cover this, and so I think that really the decision was made on what the process would be, and that decision was communicated to Mr. Cutts.

Mr. Cline: — I'd like to know what funding was provided to SPMC to cover this, and who provided that funding.

Mr. Dedman: — It, I believe, came from a grant from Treasury Board.

Mr. Cline: — So you're saying that the money required to be paid to Dome and Roberts & Poole came to SPMC from the Treasury Board.

Mr. Dedman: — That's my belief, yes.

Mr. Cline: — To meet these requirements of these contracts specifically.

Mr. Dedman: — Yes.

Mr. Cline: — Do you know of any other instances where SPMC employed the services of a third party as a vehicle for payment where the money was intended to go to a different party, not a party to the contract?

Mr. Dedman: — I can't think of any at this point.

Mr. Cline: — This particular arrangement would be completely unique in that regard?

Mr. Dedman: — Well again, I didn't have the chance to review the contracts, but I'm not certain that from SPMC's point of view we would know what would flow through Roberts & Poole or Dome Advertising and what would stay in those two companies.

Mr. Cline: — I'm not talking about the situation where

either of those companies would subcontract with other parties in the normal course of business. I'm talking about a situation where they would receive money but turn all or almost all of that money over to a different party who was the real party that was doing work for the Government of Saskatchewan, albeit through SPMC.

Mr. Dedman: — Yes, but what I'm saying is that I don't know that SPMC knew that there was no involvement of Roberts & Poole and Dome Advertising in the process.

Mr. Cline: — Okay. So you're saying that you're not sure that even you and Mr. Cutts would have known what was really going on in connection with this situation.

Mr. Dedman: — Certainly over time we were aware of the fact that Strategy West was very much involved in all of the openings and that kind of activity, but I don't know that we knew about the Strategy West involvement at that point in process. I can really only speak for myself, but I don't believe Mr. Cutts discussed that as an aspect of these contracts.

Mr. Cline: — Discussed that with you or with somebody else?

Mr. Dedman: — With me.

Mr. Cline: — So you can't speak for Mr. Cutts's knowledge of the situation. Is that what you're saying?

Mr. Dedman: — Yes.

Mr. Cline: — But so far as you were concerned, you were unaware of what would actually take place as a result of entering into this contract.

Mr. Dedman: — That's correct.

Mr. Cline: — And you were also, I take it, under the impression that the Treasury Board would provide funds for SPMC to make these payments to Roberts & Poole and to Dome.

Mr. Dedman: — That's correct.

Mr. Cline: — And you believe that that in fact occurred.

Mr. Dedman: — Yes.

Mr. Cline: — Can you . . . do you have any documentation with respect to that grant arrangement from Treasury Board?

Mr. Dedman: — No.

Mr. Cline: — Or do you know when that payment was made by the Treasury Board?

Mr. Dedman: — No, I have no way of knowing that, but it should be in the records of the corporation.

Mr. Cline: — Okay, because this is something that I . . . to my recollection, this is the first we've heard about this, that the Treasury Board put money into SPMC to pay for this particular arrangement. Now are you absolutely

certain, that that occurred, or are you under the impression that that . . .

Mr. Dedman: — I'm under the impression that that occurred.

Mr. Cline: — Did you ever take steps to verify that impression while you were at the corporation?

Mr. Dedman: — No, just in talking to people that were there.

Mr. Cline: — Okay. And what people would that be.

Mr. Dedman: — That would be the vice-president of finance.

Mr. Cline: — You spoke to the vice-president of finance concerning this matter?

Mr. Dedman: — Yes.

Mr. Cline: — And he or she . . .

Mr. Dedman: — She.

Mr. Cline: — She told . . . Who was that?

Mr. Dedman: — This would be Shirley Raab.

Mr. Cline: — Shirley Raab. And Ms. Raab told you what?

Mr. Dedman: — That these contracts were covered by money that was granted to us.

Mr. Cline: — By the Treasury Board.

Mr. Dedman: — Yes.

Mr. Cline: — Now by letter of October 16, 1989, Mr. Dedman — at which time I guess you were still the vice-president — Mr. Cutts wrote to the two companies and told them that the arrangement was being terminated; this would be one year early because it was to be a three-year arrangement. Do you know what the reason for the termination of the arrangement was?

Mr. Dedman: — No, and I believe . . . What date did you say that was?

Mr. Cline: — October 16 of '89.

Mr. Dedman: — I was at SaskPower at that time.

Mr. Cline: — Yes, you were at SaskPower and not back until about December 5, '89. And you acquired no knowledge as to why the arrangement came to an end?

Mr. Dedman: — No.

Mr. Cline: — Did you have any . . . did you acquire any knowledge of any subsequent arrangements between SPMC or the Government of Saskatchewan and Strategy West to replace the arrangement represented by these two contracts?

Mr. Dedman: — No. We may have paid money to Strategy West but not . . . That would be for direct services.

Mr. Cline: — Direct service?

Mr. Dedman: — Yes.

Mr. Cline: — Okay. And you agree that SPMC itself received no benefit as a result of entering into these contracts?

Mr. Dedman: — I guess I don't know what you would define as benefit. I mean the . . .

Mr. Cline: — Did you receive any goods or services from Roberts & Poole, from Dome, or from Strategy West?

Mr. Dedman: — Well I guess the corporation *per se* — did not receive anything that they used in their day-to-day business as far as SPMC being involved in some of these initiatives, and obviously the corporation was part of some of the activities that were involved here.

Mr. Cline: — But I'm sure you'd agree with me that the activities involved — and you've described some of them — were, generally speaking, of a public relations benefit to the government as a whole as opposed to SPMC in particular.

Mr. Dedman: — Yes, that's correct.

Mr. Cline: — And I'm sure you'll agree that SPMC is not in the business of advertising or public relations for the Government of Saskatchewan.

Mr. Dedman: — That's correct.

Mr. Cline: — And really the mandate of SPMC is, as the name implies, property management. Is that not correct?

Mr. Dedman: — No, SPMC does have a mandate or did have a mandate to provide services to the government in a wide variety of areas.

Mr. Cline: — In accordance with its governing legislation.

Mr. Dedman: — Yes.

Mr. Cline: — And does this governing legislation say anywhere that SPMC will provide public relations services to the Government of Saskatchewan?

Mr. Dedman: — If I recall, I think the governing legislation speaks about providing services to the Government of Saskatchewan, period.

Mr. Cline: — Those are all the questions I have, Mr. Chairman.

Mr. Van Mulligen: — I'm trying to get it clear as to your understanding of this arrangement. When and how did Otto Cutts — and I assume that it was Otto Cutts that first told you about this particular arrangement with Dome and with Roberts & Poole — did he send you

a memo outlining what was to take place? Did he call you into his office to meet with you? Was it part of an ongoing series of meetings where you would discuss matters that he brought this up? Did he stand over you with the contract one day and say, look, just sign this? Or . . .

Mr. Dedman: — I'm really hard-pressed to remember how the discussion took place, appreciating that this was 1987. But I think the basis of the discussion was that . . .

Mr. Muirhead: — Can you speak just a little louder, Ron? It's hard to hear what you said.

Mr. Dedman: — If I speak much louder I start to hack a bit so . . .

Mr. Muirhead: — Sorry.

Mr. Dedman: — I'll try my best. He raised it with me on the basis that he'd had this request and then it was discussed, so . . . But where I have a problem is, you know, it was discussed over a period of time. I can't sort of put the steps in that process together very well.

Mr. Van Mulligen: — So it would have been . . . he might have raised it one day that the government wants to centralize advertising and follow it up with some discussion later on about maybe how this might take shape, and . . .

Mr. Dedman: — Yes, I think it was a fairly compressed time period, but it was . . .

Mr. Van Mulligen: — So it was kind of a step-by-step approach by him to fill you in on what was going to take place?

Mr. Dedman: — Yes, as I recall.

Mr. Van Mulligen: — Did you ever have any confirmation from any other source in government that what Mr. Cutts was telling you was on the up and up? That things were exactly . . . that you were doing something exactly the way Executive Council or someone in Executive Council intended it to be? Was there any confirmation anywhere, any comment in passing, or anything of that nature in your meetings with, I assume, Treasury Board, anything that this contract was proceeding the way the government wanted it to be?

Mr. Dedman: — Other than my discussions, which were quite recent, with the former vice-president of finance, I can't recall anything that would be what you're asking for. But the areas that I looked after in SPMC at that time were not areas that I dealt with Treasury Board and dealt with that side of the corporation, so there would not be . . . That would not be normal that I would see that documentation.

Mr. Van Mulligen: — I guess I'm curious because this is more than normal, you know, signing of a contract with somebody to supply you paper clips or some other product that the Property Management Corporation might be purchasing on any given day on behalf of the government. I mean it's an unusual kind of arrangement, and I would have thought that there would have been

more discussion either between people in the Property Management Corporation or between people in Property Management Corporation and those in executive government about this arrangement.

Mr. Dedman: — There may have been a lot of discussion. I just wasn't party to that discussion.

Mr. Van Mulligen: — Do you recall who the minister was at that point, in July of 1987 when this contract was signed?

Mr. Dedman: — I would think it would be Graham Taylor, but I'm . . .

Mr. Van Mulligen: — And the termination occurred in August of '89, roughly two years later. Do you know, was Mr. Taylor still the minister then? It was suggested this morning that the contract termination somehow revolved around a change in ministers. I don't know who suggested that, but do you have anything to add to that?

Mr. Dedman: — When I became the president, Lorne Hepworth was the minister. I don't know how far before I became president that his appointment would go back.

Mr. Van Mulligen: — Just to clarify, all you have is Otto Cutts's assurance, without the benefit of him telling you of any names of individuals in the Executive Council, from ministers to others, all you have is his assurance that this contract was a bona fide undertaking by the Property Management Corporation and therefore should proceed.

Mr. Dedman: — Yes.

Mr. Anguish: — Mr. Dedman, thank you for appearing here today. I have a couple of questions to follow up on what Mr. Cline and Mr. Van Mulligen have been asking.

The mandate of the Saskatchewan Property Management Corporation, at least initially, was to have government departments and agencies understand what the cost of services were that were being provided to them. So rather than having them under a government department, the Department of Supply and Services which was the predecessor to the Saskatchewan Property Management Corporation, it would be in the Saskatchewan Property Management Corporation so that people be charged back for any benefits they receive.

And I know that it's standard practice, for example, if you perform a service for a government department, that you charge it back to that government department, sometimes adding on an amount to accumulate or recover your administrative costs, I would assume within SPMC.

For example, if you were to rent a building from someone in the private sector you may pay \$12 a square foot. And if you provided it, say, to the Department of Justice for example, you might charge the Department of Justice \$15 a square foot.

What I can't understand is in this case, why you wouldn't charge back the government departments or agencies that received the benefits of this contract that was with Dome and Roberts & Poole but delivered by Strategy

West. Why were they not charged back to those departments?

Mr. Dedman: — Well the way SPMC is funded, certain activities can be carried on on behalf of the government. And when those activities are carried on on behalf of the government, the government funds SPMC. And that's why SPMC is in the *Estimates* and why SPMC appears before the House.

The primary example of that would be the purchasing agency which is run on behalf of the Government of Saskatchewan as a service for the Government of Saskatchewan. And that was funded by the government.

Mr. Anguish: — Well I'm not sure that leaves a totally accurate . . . you're correct but it doesn't mean a totally accurate picture of how SPMC operates, because the amount that you receive from the appropriations of the House is a very, very small amount compared to the overall budget that SPMC deals with. You deal within the hundreds of millions of dollars, yet the amount you would get from the appropriation of the budget would be a very small amount and I think that you would recognize that.

Mr. Dedman: — That's absolutely correct. But if the government wished SPMC to carry on a service or activity on their behalf and provided the funding, then there would be . . .

Mr. Anguish: — This is not the case here. Do you suppose that on some speculation that the reason this happened — and I ask you this as a question and you can either say you don't know or you can confirm it or you can deny it — is that the reason that Roberts & Poole and Dome Advertising were awarded the contract but told not to do the work is because some people in Executive Council at that time did not want a former Liberal MLA (Member the Legislative Assembly) having work with the Saskatchewan government? And therefore couldn't get it with the approval of the total Executive Council and then provided it through Roberts & Poole and Dome Advertising? And then when the minister changed they put the axe to the contract? Is that not what happened?

Mr. Dedman: — I don't know, but that's the first that I would have ever heard of such speculation.

Mr. Anguish: — Well there must have been some reason that the contract was terminated and then there was no cry from Strategy West. Dome didn't complain about it. I mean, we're talking about a substantial sum of money and there must have been a reason for it to be terminated.

Mr. Dedman: — There may have been a reason but I wasn't with the corporation at that point in time.

Mr. Anguish: — And there's nothing on record to substantiate as to why the contract was terminated?

Mr. Dedman: — I don't know that.

Mr. Anguish: — Was it standard practice for most of these contracts to be done in a verbal manner without written correspondence to back up the employees or the decision?

Mr. Dedman: — Well, I don't know what information exists at SPMC on that contract. Obviously I don't have any access to the files at SPMC.

Mr. Anguish: — In 19 . . . I believe it was in about 1987, there was a bow-wowling gallop show that went around the province under the Department of Rural Development. And the Department of Rural Development was forwarding a cause at that time. Strategy West, in fact, were the logistics firm and the advertising firm that set up this round of meetings across the province. And when it could be identified as a benefit to a specific government department, would you not in your experience with SPMC, determine that a billing . . . even though arrangement has been made elsewhere, that it would have been standard practice for you to then have billed the Department of Rural Development to recover that money into SPMC?

Mr. Dedman: — No, I don't think that it would be appropriate at all for SPMC to bill somebody when they've already been paid for providing that once.

Mr. Anguish: — No, I don't think we're talking about the same thing. Roberts & Poole or it could have possibly been Dome Advertising were paid. They paid Strategy West to perform a service. That money came from SPMC with no apparent recovery of the cost to you at SPMC. Therefore at some point when the service was performed, there should have been a billing gone from SPMC to the Department of Rural Development, in this case, to recover your costs.

Mr. Dedman: — Well, to use the purchasing example, if the government paid us to provide purchasing services to all departments, I don't think it would be appropriate for us to send a bunch of other bills out saying you used the service, you should pay this amount of money.

Mr. Anguish: — Well that's been done fairly standard practice within SPMC. Like, I don't know that there is any . . .

Mr. Dedman: — Not when we were given grants.

Mr. Anguish: — You were given a specific grant for Strategy West to perform the services they performed?

Mr. Dedman: — My understanding is we were reimbursed for the money that was paid to these . . . on these two contracts.

Mr. Anguish: — By an appropriation from the Legislative Assembly?

Mr. Dedman: — I guess ultimately it would go through there. I would think through Treasury Board would be the place that it would come, so ultimately it would come through the Legislative Assembly.

Mr. Anguish: — You've seen background documents that say that the appropriation through the legislature during the budget process allowed you the money, to have given this money over to Roberts & Poole and Dome Advertising?

Mr. Dedman: — No, no. I've been advised that a grant was provided to SPMC for these two contracts, and I mentioned that to Mr. Cline.

Mr. Anguish: — I'm sorry. Who advised you then?

Mr. Dedman: — Well I had it confirmed by the former vice-president of finance, Shirley Raab.

Mr. Anguish: — Where do you think we'd find this? Would we find this in debate during the budget debate of the legislature, or would we find it during the estimates in the legislature, or was there an order in council that was signed?

Mr. Dedman: — I don't know.

Mr. Anguish: — So Ms. Raab has informed you that there was a specific grant from government, somewhere from government, to cover the amounts of the contracts that you paid out to Roberts & Poole and Dome.

Mr. Dedman: — Yes.

Mr. Anguish: — What did you do with the money that was left over then? Did you turn that back into the Consolidated Fund because the contract was cut short? What did you do with the extra money from SPMC? Do you know?

Mr. Dedman: — I don't know of the process in the year that the contract was terminated. I really only asked the question about the first year of the contract which was the time that I was at SPMC.

Mr. Anguish: — I have no further questions.

Ms. Haverstock: — Yes, Mr. Dedman, it's a pleasure having you here today. One of the . . . it's my understanding that your predecessor, in one Otto Cutts, prevented real estate services from recovering \$234,000 in back rent without authorization, regarding space for GigaText, and I'd like to know what attempts were made to recover this back rent when you assumed office.

Mr. Dedman: — Going by memory, I think that the issue or the decision that the GigaText rent was a write-off took place before I returned as the president, but I'm just going by memory on that.

Ms. Haverstock: — Thank you. I have some other specific types of questions, and I don't expect that you would have the responses at the tip of your tongue, and if you would . . .

Mr. Chairman: — Ms. Haverstock . . .

Ms. Haverstock: — Yes.

Mr. Chairman: — I don't like to interrupt, but I don't remember GigaText being dealt with at all in the items that we're discussing here in the auditor's special report. There will be ample opportunity in other areas, if you wish, to discuss that with the current officials, remembering Mr. Dedman is here as a witness specific to

a letter written by me on behalf of the committee concerning certain things in the special report.

Ms. Haverstock: — Yes.

Mr. Chairman: — Which he's come here prepared to. Mr. Dedman is no longer a public servant, and . . .

Ms. Haverstock: — Well I'm quite prepared, Mr. Chair, to . . . and I think that we have a right to have some responses to these questions that perhaps only Mr. Dedman can answer. I'm more than willing to give the questions that I have to him, and if he has some responses and it's up to him if he would like to respond in writing to us at another date. This is no different from Mr. Cline raising questions about *Sask Report* for example. So I would like to have some of these things answered. I think that we're . . .

Mr. Chairman: — That's entirely up to Mr. Dedman.

Ms. Haverstock: — That's what I'm saying. I think that it's . . .

Mr. Chairman: — I know, but you're dealing with it in a public manner, in here, in front of the media. And what you and Mr. Dedman arrive at amongst yourselves on certain things is your business, but we asked him in here pursuant to a letter signed by me, to deal with this particular piece of paper on certain issues. And I would just respectfully ask the committee members to stick to that, and what you do on your time, fair ball.

Ms. Haverstock: — Okay. My concern, Mr. Chair, just to make it clear, had little to do with GigaText and a whole lot to do with the improprieties or the lack of accountability in SPMC, which is what I think primarily we're most concerned about here. But I will defer to you. And perhaps, Mr. Dedman, if you're interested in some questions that have been posed by many, I'd be more than willing to forward these to you. I think some of them are of importance.

If I may, there is one here perhaps that I can go on with, Mr. Chairman. The auditor's report noted a significant number of employees working for those other than their employer, and many were doing tasks that were of no benefit to SPMC. I'm wondering what efforts were made to determine how many employees were in this position and what was done to correct it.

Mr. Dedman: — Ms. Haverstock, Mr. Chairman, I became president of SPMC at the end of 1989. And in the budget submission that had already been prepared and was either submitted or just in the process of being submitted when I arrived, SPMC had specifically requested permission to stop paying for individuals that were, you know, seconded without compensation provided to other parts of government by the corporation. And this request was very specific. It listed names and dollar amounts of the individuals, and this request was part of the corporation's cost-cutting options that were presented.

As you'll know, the budget process is handled by the Department of Finance. SPMC is a Treasury Board Crown corporation. There are a lot of steps in the process. But the

end result of this was that SPMC was told that they could not stop paying for these individuals, that these individuals were part of what SPMC had to do. And provision was made in the SPMC budget to cover the cost of these individuals.

Ms. Haverstock: — After looking at responses from the Executive Council, I notice that there are a number of officials hired by SPMC who were actually working for Executive Council rather than SPMC. Some individuals allegedly worked for what was called visual identity at SPMC for some 4,000-plus salaries.

I'd like to have some understand of what this visual identity branch did especially, considering that SPMC also actually paid for services from Dome Advertising, and that was at some \$2 million cost to the taxpayers.

Mr. Dedman: — Again visual identity worked for SPMC, were located in the SPMC building. Visual identity handles a lot of things around signage, around logos, the wheat sheaf, what's allowable and what isn't allowable, and that kind of activity.

In the period that I think is under review by the Provincial Auditor, all but I guess a very small amount would have been when these people were directly involved with SPMC.

One of the problems with visual identity is it also deals with things like the coat of arms and crests, and a lot of those things that it seems that people in Executive Council take a lot of interest in.

In 1991 — and I'm not sure of the exact timing of this — I had some discussions with Executive Council and suggested that the proper place for visual identity was in Executive Council, that, you know, a lot of the signage things were pretty basic. There were standards for them and whatever, and that it would be reasonable that they report to some part of Executive Council.

So we had an informal arrangement to try that out, and that arrangement involved the reporting to the protocol group. Now the protocol group didn't have budget for this, but our objective I guess was to try it out and see if it would function correctly and then in the next budget process have them permanently assigned there.

Ms. Haverstock: — So you didn't have any concerns then that there would be a duplication of services with this particular branch of your . . .

Mr. Dedman: — No. They were always quite busy, and the visual identity stuff is always on the edge of where you can use certain things and not use it and whatever. So there's a lot of policy attached to visual identity.

Ms. Haverstock: — Thank you very much.

Mr. Van Mulligen: — I just wanted to follow up on a couple of items. One is a line of questioning that Mr. Anguish got into. Twenty thousand dollars a month expenditure. I wonder if you can briefly explain the budget process that SPMC would have gone through in those years and whether items such as that might have

been buried in the budget submissions that you would make to Treasury Board, I assume.

Mr. Dedman: — Well I think, first of all, this item, as I understand it SPMC was advised outside of the budget cycle that they would be reimbursed for these contracts. So that this took place outside of the budget cycle.

Mr. Van Mulligen: — That's what Shirley Raab told you.

Mr. Dedman: — Yes. And I think from the timing of when it took place this wasn't an initiative where it said, okay in this budget cycle we will ask for this money to do this. The decision had been made by government that this activity would take place and that funding will be provided for SPMC.

Mr. Van Mulligen: — But you have no confirmation of that. All you know is what she said, that this was outside the normal budget process. For all you know . . .

Mr. Dedman: — But from the timing point of view, because this took place . . . I'm not sure over the time frame — but this was not, like this was not weeks and weeks that this decision took place over.

Now to speak to the budget cycle and the budget process, SPMC is a Treasury Board Crown and as such it falls under the control of Treasury Board. There are, as Mr. Anguish spoke, the bulk of the activities of the corporation which are where the money is received from customers of the corporation for services rendered, and then there are activities that are funded by the province for services provided back to them.

In the process we get to talk about the participation credit which has been talked about a thousand times before, but the process that the finance people used in working with Treasury Board was to identify the profit that SPMC would achieve during the year and then SPMC in effect prepaid that profit on a monthly basis back to the customers.

In the process of going to the legislature, I believe the . . . well SPMC would appear in the *Estimates* in a number of different places. It would appear in most departments and then it would appear on its own for the money that was granted.

I don't know if that is where you . . .

Mr. Van Mulligen: — I just . . . you were executive vice-president during part of this time between July '87 and August '89.

Mr. Dedman: — Yes.

Mr. Van Mulligen: — Were you in attendance at any Treasury Board meetings where you and/or Mr. Cutts and Ms. Raab might have met with Treasury Board officials to discuss the SPMC budget? And if so, did this matter ever arise; was it ever discussed; was it ever pointed out; was it ever alluded to?

Mr. Dedman: — At that time it was very unusual that I would be involved in the tie between SPMC and the Treasury Board. So I might have been to one meeting, but

I doubt it would be on this issue.

Mr. Van Mulligen: — I just want to just follow up on one other item; that's the contract which was signed by you and Mr. Cutts. And in this case, Mr. Kershaw states that SPMC will pay to Dome Advertising the sum of \$10,250 a month for three years beginning on August 1, payable on the first day of each month; and SPMC will also pay in advance \$5,000 for the period July 15 to August 1, 1987. Did Mr. Cutts give you any explanation of that figure?

Mr. Dedman: — Of the \$5,000?

Mr. Van Mulligen: — Yes.

Mr. Dedman: — No. Not that I can recall anyway.

Mr. Van Mulligen: — No other comment was made that this might have been a special fee for anyone or . . .

Mr. Dedman: — Certainly not that I can recall.

Mr. Van Mulligen: — Was there any further discussion between you and Mr. Cutts with respect to paragraph 3 of that contract, where with the prior approval from SPMC, all expenses, including part-time staff incurred by Dome for provision of retained services respecting special events beyond normal office expenditures, may be recovered by Dome? Was there any discussion?

Mr. Dedman: — Not that I recall.

Mr. Van Mulligen: — Okay. I just want to ask you now was there ever, to your knowledge, during those two years or subsequently when you were the president and might have had an opportunity to become familiar with previous files — and this would not have been in the too distant past when you did become president; as I understand it, you became president shortly after the termination of this contract — was there ever any documentation of the services provided under these contracts?

Mr. Dedman: — I guess what I can say, Mr. Van Mulligen, Mr. Chairman, is that the Dome Advertising part of this was discussed in this committee in May of 1990, and it was discussed very briefly, but I think the question was raised by Mr. Anguish where he asked us about Dome Advertising, Dome Media Buying Services, D-Mail, WESTBRIDGE Computer, and asked if we could provide them with any amounts that were paid to those companies in the year under review, and we advised we would get those for him, attempt to do it at that point.

I think there was some discussion because you were chairman at the time and Ms. Raab reported back, to Dome Media, we paid 114,541. That was really to buy and place advertising, construction tenders, our sales and salvage tenders, disposal of properties, and that type of advertising. The Dome Advertising was 100,869. That was the cost of Partnership Saskatchewan program, diversification advertising program, and free trade conference and ad costs. And then it went on to discuss them.

Mr. Van Mulligen: — But you have no idea of

documentation then by DirectWest. Is that the name of the outfit? Cy MacDonald.

Mr. Dedman: — Yes. And I would have no reason to see that documentation in my role at SPMC.

Mr. Van Mulligen: — So you have no idea then what Cy MacDonald did with \$20,000 a month?

Mr. Dedman: — Well I think there were a very large amount of activity took place that Strategy West was involved in. And I was aware of that because obviously the, you know, official openings and whatever, that there was some corporation involvement in that as time went on in many of the projects.

The other big issue that I mentioned with Mr. Cline was, because SPMC was the constructor of many projects or involved with many projects, they had a lot of activity on Partnership Saskatchewan with signage and all that kind of stuff. And I believe, although I wasn't there for a lot of the time that the contract was in place, that SPMC was always involved with the official openings.

Mr. Van Mulligen: — So that's the only idea that you might have had that this money was being used in any way or that it . . . But there is no direct confirmation in any way that you're aware of to say, here is our documentation for the specific things we did.

Mr. Dedman: — That's right. I can't answer that, but under normal circumstances I wouldn't have seen any of that anyway.

Mr. Cline: — I want to make a suggestion here, Mr. Chairman. Mr. Dedman has indicated that as a result of something that Ms. Raab told him, he was under the impression that the reason that SPMC did not bill government departments that might normally be billed for this service paid for by SPMC was because there would be a grant from the Treasury Board to cover the cost of paying Dome and paying Roberts & Poole and indirectly paying Strategy West.

And it seems to me that in this regard the Provincial Comptroller is here of course and may be in a position to enlighten the committee as to whether in fact any such payments were made to SPMC by the Treasury Board in connection with these contracts. And at least we could clear that up and also then give Mr. Dedman the opportunity to say something else. Because it may be that what he thinks was the case is not the case, in which case he may wish to clarify his evidence.

And if it's of any further assistance, I can recall this summer we did have another witness from SPMC — and I can't recall specifically which one — who indicated that — I think it was Charlton Communications' contract — that when SPMC was told by Executive Council to enter into that, they were also told that the cost would be met by the Treasury Board. But then sometime subsequent to that the Treasury Board came along and said no you're not going to be paid. And I said to the witness, so in that regard you were led down the garden path, to which I think that the witness agreed. But I think it might be in order to hear from the Provincial Comptroller with

respect to this particular issue.

Mr. Kraus: — Mr. Chairman, I'm aware that we paid grants to the Saskatchewan Property Management Corporation for the provision of central services or general, you know, subvotes of that nature, but I'm not aware that we would make specific payments for something like advertising.

Again, all I can say is that I suspect what happens is part . . . that amount that's been budgeted for this grant as I'm talking about, the grant for the provision of central services, if that grant existed in '86-87 — and I'm reading from the 1990-91 *Public Accounts* — it's possible, and only say it's possible, that some consideration was given to the fact that they were having to pay for this advertising and perhaps that amount was . . . the amount that they received was increased accordingly. But I wouldn't have knowledge to that effect.

As I say, the requisition that we would receive from SPMC would likely — and I'd want to look to make sure that what I'm saying is absolutely correct — but I suspect it would refer to this subvote description for the provision of central services or some such general wording. We would provide them with this money periodically through the year. At least that's often the way we fund organizations like this. But again, it's for the description that's provided in the subvote not for specific purposes, if you follow what I'm saying. I suppose I could look at the payment requisitions to see if there's anything specifically identified there, but I doubt it.

Mr. Chairman: — What would be the normal size of that subvote, Gerry?

Mr. Kraus: — The subvote for '90-91 was 4.282 million. That's called . . . that one was identified as the provision of central services. That may be something like the purchasing agency, for example. Whether it was added for some other activities, I can't say.

Mr. Chairman: — But it normally wouldn't be broken down; it would just be central . . .

Mr. Kraus: — Exactly.

Mr. Chairman: — I see.

Mr. Kraus: — You would find that under the old Sask Housing Corporation too. There was a general administrative subvote. And what is negotiated and what they agree to I wouldn't know, and I'm pretty sure the individual requisitions that we would receive through the year to fund them for that subvote, those requisitions wouldn't provide detail at all.

Mr. Muirhead: — Just a question, Gerry. That's the only way I guess that that would be broke down if somebody picked it up when estimates were on for the Bill . . . if somebody might have asked specifically.

Mr. Kraus: — If someone asks specifically in estimates.

Mr. Muirhead: — We may have to look back in *Hansard* to check something like that.

Mr. Chairman: — Mr. Cline, you still have the floor.

Mr. Cline: — Well I wondered, Mr. Chairman, I take it from what the Provincial Comptroller is saying, he is saying that he thinks it would not be in the normal course of affairs that the SPMC would request of Treasury Board money specifically to meet this kind of contract, or that money would be provided on that basis. But he may wish to go back into the records to confirm that that is in fact the case.

Mr. Kraus: — I would like to confirm that the payments that we were making were as I described, where they raise a requisition asking for a quarter or a tenth or a twelfth, however we were paying them for this subvote which might be something like for the provision of central services. I just want to confirm that that's the type of description that was put on each payment requisition when they were requisitioning money under that subvote, and that there wasn't any more description than that. I think we'll find that there isn't.

Mr. Cline: — Okay. Now I wonder, Mr. Chairman, if it might be feasible to take a break now and allow the Provincial Comptroller the opportunity to do that if it's possible, and then reconvene and hopefully clarify this particular matter.

Mr. Chairman: — How quick can you do that, Gerry?

Mr. Kraus: — Well it's possible those payment requisitions are over in the Gemini building right now. I could check but I would think I'd probably need some time into, you know, maybe the evening or something to get this stuff. I'm not sure I could actually get my hands on the requisitions until late today or very early tomorrow if they're physically stored off site, which they should be, in the Gemini building.

Mr. Chairman: — Well I don't plan on waiting around tonight for you.

Mr. Kraus: — I could make some phone calls but . . .

Mr. Anguish: — What requisitions specifically are you talking about?

Mr. Kraus: — Well I'm talking about the requisitions that would be raised so that we could pay the operating grants, or in this case it's a grant for the provision of central services, so that we could actually . . . I could actually pay a cheque over to SPMC. Because the legislature votes and agrees that they are going to get so much money under this subvote, and then normally — we're better at it than we used to be — but normally we don't like to provide all the money at the first of the year. We like to do it in pieces.

Mr. Anguish: — I understand that. But you're talking about requisitions for SPMC to draw on the vote that they got for 4.282 million.

Mr. Kraus: — Yes, or some similar number in '86-87 or '87-88, whichever year we're talking about, yes.

Mr. Anguish: — Can you also while you look at that . . . and I don't think that we can really recess. I appreciate Mr. Cline's comments of recessing and coming back, but I don't think it's possible to work that out. I'd like also to know whether or not there were any special warrants or whether there were any cabinet minutes by OC (order in council) to pay for this money . . . or to pay for these services, as Ms. Raab has indicated to Mr. Dedman.

Mr. Kraus: — The years we're talking about are '87-88, '88-89. Is that about the right time?

Mr. Van Mulligen: — And what's the Gemini building?

Mr. Kraus: — That's a building that's been owned by the government for many years to store . . . record retention. And our policy is to have as little prime space tied up with paper storage, so as fast as we can get it over there. It's much cheaper.

Mr. Anguish: — Can Mr. Dedman . . . can you just tell us before we leave this topic, the \$4.282 million in terms of SPMC's overall budget, your revenue, what percentage would that 4.282 million be?

Mr. Dedman: — Generally SPMC would have expenditures in the range of \$230 million, something like that.

Mr. Anguish: — Two hundred and thirty million?

Mr. Dedman: — Yes, per year.

Mr. Anguish: — Eric, do you have any further questions?

Mr. Van Mulligen: — Can I just ask one on this?

A Member: — On the Gemini building?

Mr. Van Mulligen: — No, not on the Gemini building. Can someone also tell us . . . give us the information as to Mr. Taylor's tenure as minister and what period of time that covered?

Mr. Anguish: — Mr. Krause, you understand what we're asking in terms of this money. I'm suspicious as to whether SPMC ever got paid from any source for the money that was expended in the . . . money that eventually went over to Strategy West. What we're trying to determine, if that is the case, as to why SPMC wouldn't bill the appropriate departments or agencies to which the benefit went to.

Mr. Kraus: — Yes, and so you're asking is, in addition to obtaining copies of each requisition, is to determine whether there are any special warrants in those years for subvotes. Now as far as cabinet minutes and Treasury Board minutes, I will have to just . . . that might take some time and I'm just not sure what I can release.

Mr. Anguish: — Let's put it this way, Mr. Kraus. Let's approach it a little bit differently. Can you look at the requisitions that came to you under the 4.282 million?

Mr. Kraus: — Well I was using that as an example. That's '90-91. But I would get the relevant subvote for the year.

Mr. Anguish: — The relevant subvote for the years that you're going to have to look through. And if in fact there are not requisitions to support payments made in regard to the contracts with Roberts & Poole and Dome Advertising that eventually went to Strategy West, then search the other sources whereby the government may or may not have paid SPMC for doing this advertising.

Mr. Kraus: — Okay. Like I say, it's most likely there will be nothing on these payment requisitions because there's a standard way of requisitioning the amount of money that you're entitled to if you're a Treasury Board Crown. And again, it's . . . you know perhaps there will be something where a decision's been made and documented, but . . .

Mr. Chairman: — I guess the big question, Doug, is if you're as curious a year from now as you are right now.

Mr. Anguish: — Well certainly, we'll be even more curious because I'd never want our government to do what your government did. I want to respect the integrity of our government.

Mr. Muirhead: — Mr. Dedman, on the understanding that you believe that this money came to SPMC from the Treasury Board for special rents — I'm understanding that. So if it turns out not to be that way, you won't be any help to us to give us any different answer to us anyway. Is that correct?

Mr. Dedman: — Well there's two ways SPMC can be compensated. One is from a direct grant and the other way is in the calculation of what's allowable under the participation credit calculation. But I'm advised that this was a grant, so that's what . . .

Mr. Muirhead: — You're advised that, but if it doesn't turn out to be that way, then you're saying that it's another way. Would you put that in the record . . .

Mr. Dedman: — Well it could be in the calculation of the participation credit — what's allowable expenditure for SPMC, what SPMC is allowed to keep. But that's not the way I was advised in this case.

Mr. Muirhead: — Thank you.

Mr. Chairman: — Thank you, Mr. Dedman, for coming before us today.

I've been advised by the Clerk that there's been a request for a witness from SaskTel to appear before the committee. We had it slotted for tomorrow morning at nine o'clock. I'm wondering where exactly the request came from. What we've done in this practice here, as I understand, members have indicated either through a motion or whatever that they wish someone to appear. And I just think for the records of the committee, it would be important to understand who made the request of the committee. Because if it just came from the Clerk or somebody, it's nebulous.

Mr. Van Mulligen: — Mr. Chairman, it came from the government members of the committee, and through me

to the Clerk, to ask him to advise SaskTel to be available to answer questions pertaining to a specific page in the special report. If you feel that a motion would be appropriate under the circumstances, then I would certainly be prepared to move such a motion, or if you just want the agreement from the committee that it's appropriate that that witness be called.

Mr. Chairman: — Well it's just that in reviewing the records, Harry, which I did, everything we've done with this special report, in each and every instance where different members have requested a department or an individual or a special witness to come forward, and I . . .

Mr. Van Mulligen: — Through the committee, yes.

Mr. Chairman: — Through the committee. And I just thought to leave it sort of wide open like that, that if there was one committee member that specifically wanted SaskTel, that that committee member should put themselves on the record as requesting that, and we would have a complete record. And I don't know why they wouldn't want to do that.

Mr. Van Mulligen: — I guess there was no opportunity, because the committee wasn't meeting, to do that. And in anticipation of the committee doing that, the request was made to the Clerk. I can advise you at this point that that would be our intention, to want to have SaskTel appear before the committee.

Mr. Muirhead: — Could I ask a question? What page are we talking about here in the report?

Mr. Van Mulligen: — I believe it's page . . .

Mr. Chairman: — I'm advised it's page 23. It's under section 4 — "Goods/services provided without charge to other Government organizations." And it would be the last item that's mentioned under chapter 3, section 4. It deals with the amount of \$13,623. Page 23 at the top of the page.

When I was advised by the Clerk though, just as I reviewed it, it was a fairly small amount of money compared to the rest of them there, so I just wondered what the interest was. But we shall proceed.

If members have . . . Is there any other discussion which you wish to get on the record in regard to the witnesses that we've had here this afternoon, or any other item that cropped up through that that you wish to discuss at this time?

Mr. Van Mulligen: — Can we maybe go over the calendars again, if that's possible at this point?

Mr. Chairman: — Sure.

Mr. Van Mulligen: — It seemed like an opportune time to do it.

Mr. Chairman: — It depends how far we get down the road this week, I guess.

Mr. Muirhead: — . . . I'm leaving on the 5th by car to

Vancouver. We got an uncle that's dying and then we're flying out of Vancouver later to Hawaii for one month, for four weeks. But I could be here on the 4th and the 5th, and start driving that night.

Mr. Chairman: — When are you back, Gerry?

Mr. Muirhead: — We arrive back into Vancouver on the 10th. I'm hoping just to get back here about the time the House opens, 10th of February. Going to be a week to 10 days before we fly out when we are . . . I'm going to be a lot longer usually, Doug, because I've got an uncle that's dying and I want to spend some time. I mean, don't go setting a whole committee over my absence. I mean, if I can be here for a couple of days. Maybe that's not a good day.

Mr. Chairman: — Well, my advisement that, the Clerk, that the first two weeks in January that the Environment Committee which has Ms. Haverstock on it and Mr. Anguish on it, is sitting the 5th, 6th, 7th, 11th, 12th, 13th.

Mr. Muirhead: — So that puts that out then.

Mr. Chairman: — . . . of January. So that basically covers off the first two weeks, and they look like fairly extensive hearings. So that leaves us with the last two weeks in January and the first two weeks in February. Then you're into some kind of a school break then, aren't you? Christ, they don't go to school here any more than four days a week from day one.

Mr. Van Mulligen: — I don't know when the mid-term break is.

Mr. Chairman: — Well, you got one at the end of February usually combined with the first week in March. It moves around a little bit, but . . .

Ms. Haverstock: — Are you talking about the university break, that mid-term break?

Mr. Chairman: — No, public school.

Ms. Haverstock: — Isn't that just Easter?

Mr. Van Mulligen: — Yes, that's just Easter.

Mr. Chairman: — No, because I went away for the last week in February, first week in March last year, and most of that was kids.

Mr. Van Mulligen: — Well we're looking at the beginning of February, right?

Mr. Chairman: — Yes, you're . . .

Mr. Van Mulligen: — Middle of February, maybe.

Mr. Chairman: — It looks like the first week in February is open.

Mr. Van Mulligen: — That's okay.

Mr. Chairman: — Tentatively, anyway. I know I'm not

going anywhere, so . . .

Mr. Van Mulligen: — Is that okay?

Mr. Chairman: — Well we'll plan on that and if there's some major glitch comes along we'll work around it.

Mr. Anguish: — . . . But you won't be here that first week, Gerry.

Mr. Muirhead: — Rick will just have to jump out and ask all the questions when you jump in the chair anyway. It might work real good, Doug.

Mr. Anguish: — I think it will work wonderful.

Mr. Muirhead: — Because any time we figure we don't want you talking we just dump you in there and Rick comes over here.

Mr. Anguish: — Okay.

Mr. Muirhead: — Couldn't work any better.

Mr. Chairman: — That being all, we'll adjourn the committee until 9 o'clock tomorrow morning.

The committee adjourned at 3:40 p.m.