

**Mr. Chairman:** — . . . should reconvene and we'll resume consideration of the Provincial Auditor's report for '90-91. This morning we'll be dealing for chapter 12 which involves Crown Investments Corporation.

I think, as is normal practice, we should have a very short *in camera* session to allow the auditor to introduce the chapter to us. So could I have a motion to go *in camera*? Moved by Mr. Cline. Agreed. Carried. If you wouldn't mind, ladies and gentlemen.

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

#### **Public Hearing: Crown Investments Corporation**

**Mr. Chairman:** — Good morning, Mr. Ching. Thank you for being so patient. The corporation you represent is one that engenders a lot of conversation. I wonder if you wouldn't mind introducing your officials to the . . .

**Mr. Ching:** — I have with me Mr. Richard Hornowski who is the chief financial officer from Crown Investments Corporation.

**Mr. Chairman:** — Thank you. Before we begin our deliberations, I have a duty to perform as chairman.

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 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 evidences.

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

Do you have a statement of any kind to make, Mr. Ching, or do your officials, prior to opening a question line, anything to do with the auditor's report you wish to respond to?

**Mr. Ching:** — No. I think that we'll await any questions the committee may want to put to us.

**Mr. Chairman:** — Thank you.

**Mr. Van Mulligen:** — There are two major issues that the auditor addresses. One is the question of financial statements; that is financial reporting. The second is the issue of some transactions not appearing to have the

proper legislative authority or other authority for them to have been made.

Dealing first with the question of financial statement. The auditor tells us that there have been significant improvements, significant improvements in the year ended for the '91 fiscal year and that there will be further improvements for the '92 fiscal year. He used the words "significant improvements."

Can we assume then, given that statement, and plus the fact that the auditor is now the auditor for the '92 fiscal year for the Crown Investments Corporation itself as opposed to an appointed auditor, is it reasonable to conclude that any and all transactions related to the Crown Investments Corporation, including revenues coming in from whatever source, will be identified? And any and all expenditures going out to whatever direction will in fact be identified and be made known to the people of Saskatchewan?

**Mr. Ching:** — Mr. Chairman, I think the short answer to that is yes. But if I could, I'd like to expand on it a little bit. And to those of you who have been in the Crown Corporations Committee and have heard some of these matters debated, I apologize for repeating the statements which are contained in that committee.

I think that the Provincial Auditor raises the issue of whether or not we should have consolidated statements or whether we should have some other form of statements.

With all due respect to the Provincial Auditor, I think that that issue has become focused a little bit off dead centre, if I can put it that way. In my mind the issue is not whether or not there should be consolidated statements or whether there should be individual statements. The issue should be surely that the statements that are prepared and presented by Crown Investments Corporation and the part II Crowns, properly identify the activities taking place within those Crown corporations and properly allow the Legislative Assembly to understand, scrutinize, criticize, or endorse the activities taking place within those Crown corporations.

And I think that in the past, unfortunately, the issue has become a debate over whether or not this accounting practice or that accounting practice is the proper one. And the debate has resolved around whether or not consolidated statements are correct or incorrect.

In my mind, consolidated statements have a legitimate purpose to them, and for my part we will continue to use them to achieve those purposes. The example that I would use is that as long as the legislature deems fit to have CIC (Crown Investments Corporation) function as the holding company responsible for collecting the dividends from the individual Crowns and determining whether or not a dividend ought to be paid to the Consolidated Fund, as long as we are charged with that responsibility, it's sensible for us to have consolidated financial statements. Because it is out of those sorts of statements that one determines whether or not on a global basis Crown Investments Corporation or the Crown side

has got the capacity to pay dividends to the Consolidated Fund.

On the other side of the ledger, I think it can be argued that consolidated statements, especially over the last number of years, have tended to confuse some of the information coming out of the Crown side and tend to be used to mask the activities of the Crown side. And it seems to me that while there may be a legitimate purpose for filing consolidated statements, there may also be an illegitimate spin-off effect of using consolidated financial statements.

To the extent that the activities of the Crown corporations, and especially CIC, are not properly disclosed to the legislature through consolidated statements, we're going to make sure that we file individual, separate statements for the internal activities of CIC and any subsidiary that it has got so that we have the best of both worlds. We have the disclosure that comes from individual financial statements and we have the information which flows from consolidated statements.

And so from my mind, that's the approach which we took in the 1991 annual report and it is the approach which I hope we will take with regard to future reports. And I hope that the result of that is that the answer indeed to your question will be yes, that there will be total and complete disclosure of the activities taking place within the Crown Investments Corporation both in the form of revenue received by it and in expenditures made from it so that this committee may examine its affairs and make sure that this committee and the legislature understands and has the capacity to see what's going on within the Crown sector.

**Mr. Van Mulligen:** — I don't know if I want to ask you so much as the auditor, seeing as the auditor is going to do the audit for CIC. One of the members of the legislature in an interview with the *Leader-Post*, in commenting on the question of Crown corporation profits, made the comment, I'd tell you right now, there is going to be fudging of the books. Do you think it's possible that there will still be fudging of the books?

**Mr. Strelieff:** — Mr. Chair, Mr. Van Mulligen, could you be a little bit more specific?

**Mr. Van Mulligen:** — Well she's referring to Crown Corporations in saying that, I tell you right now, there's going to be fudging of the books. This person said that your government appears to be piling up Crown profits to improve its bottom line and that they're going to fudge the books. Is it possible that the government will still be able to fudge the books or that CIC will be able to fudge the books if you're the auditor of CIC?

**Mr. Strelieff:** — Mr. Chairman, Mr. Van Mulligen, your question is if CIC doesn't prepare proper financial statements, will we advise you?

**Mr. Van Mulligen:** — Yes.

**Mr. Strelieff:** — If they don't prepare proper financial statements we will advise you. And from what Mr. Ching said, CIC is planning to prepare two sets of financial

statements, one a consolidated set of financial statements that aggregates SaskTel, SEDCO (Saskatchewan Economic Development Corporation), with what CIC does. We've never said that that isn't a useful set of financial statements, if that is what a set of financial statements that cabinet or the Assembly would like to see. It does show a sector of the economy that CIC or the government is responsible for.

He's also said that they will be preparing a set of financial statements to show what CIC is specifically entrusted with, the assets that have been provided to it by the Legislative Assembly. That set of financial statements is the one that we've been calling for for a number of years. And they have prepared a set in December 31, '91, and I hope will continue to prepare a set that shows that.

So the answer to your first question is, if CIC financial statements are inappropriate, we'll advise you.

**Mr. Ching:** — I wonder if I might make a comment in relationship to that, Mr. Chairman. You'll be aware, Mr. Van Mulligen, that the Provincial Auditor's office has audited CIC in the past and private sector auditors have audited CIC in the past.

I think that one should understand the audit function as part of a process. It isn't the cure of all difficulties; it's simply part of the cure. It's certainly perfectly proper . . . or possible. I shouldn't say proper; it certainly is improper, in my mind. It's certainly possible for an institution, whether it's a privately operated company or whether it's a government department or whether it's a government Crown corporation, to play games with its books. And in some cases, that will escape the attention of an auditor, whether it's the Provincial Auditor or whether or not it's a private sector auditor.

I don't think that the . . . you shouldn't interpret anything in my comments to suggest that the fact that we are changing from a private sector auditor to the Provincial Auditor as an indictment of that private sector auditor. In my mind, the previous auditor of CIC had at their behest legal opinions which justified the legality of what they were doing. I don't think it was good administration, government administration, but I don't think that I would make the argument that there was something legally improper about it.

As a matter of fact that's why I made the point earlier that unfortunately the issue had become a debate over the accounting niceties, consolidated financial statements as compared to individual financial statements, when in fact, with all due respect, I don't think that was really the central issue. The central issue is whether or not CIC properly discloses all of its affairs to the scrutiny of the legislature and its committees.

And I'm not sure that one can point at a Provincial Auditor and say that he will cure all problems in that regard, or a private sector auditor is curing all the problems in that regard. I think that if we as an institution start playing games, we can play it under the scrutiny of the Provincial Auditor and we can play it under the scrutiny of a public sector auditor. Some of that will be picked up, some of it might not.

But I think there is a responsibility on CIC to make sure that it conducts its affairs above board. The Provincial Auditor will pick up and so will the private sector auditor pick up any blatant violation of the rules of GAAP (generally accepted accounting principles), but they won't necessarily stop us from doing anything that might be improper. That's something that lies upon us as an obligation and I suppose upon this committee to make sure we don't get away with it.

**Mr. Van Mulligen:** — I don't have any further questions on the issue of financial statements. I'd like to move on, unless there is others that want to get into it.

**Mr. Chairman:** — I have got a few I'd like to pose, Mr. Ching. The auditor has made a recommendation that all revenue of Crown corporations be paid directly into the Consolidated Fund. And I know it isn't in this particular year under review, but it's obviously an issue that's out there in public accounts committees across Canada. And I'm just wondering what your sort of snapshot view of that is, given some of the changes that you were talking about.

**Mr. Ching:** — Well, Mr. Chairman, I think we are going to get into that, as I understand it, this afternoon. If you wish me to make my comments on that matter now, I'm prepared to do so.

**Mr. Chairman:** — Well I wasn't asking for anything in depth.

**Mr. Ching:** — Okay. Unfortunately the question can be answered very shortly, as most questions can, that I don't agree with the Provincial Auditor on his suggestion. The reasons for why I disagree with him I think are somewhat more lengthy and involve I think a conception of what the Crown side of government is all about and how it ought to, in my mind, function. And I think there's some fundamental disagreements between the Provincial Auditor and I as to how we look at the Crown side.

I don't necessarily say he's wrong or I'm wrong or either one is right, but I think there's a disagreement as to how each of us looks at the Crown side. And that leads to a different view that manifests itself on the issue of dividends.

**Mr. Chairman:** — And one of the reasons I posed that is that as a committee . . . and you just threw the challenge out that this committee would be one that would go beyond the auditing function because of the ability of individual Crowns. For instance, in this province we have very little transparency in rate increases. They're something that is asked about in the legislature, but tolling and tariff on natural gas transmission, those types of things, have very little transparency at present to the home-owner or businessman, or anything else. They in effect can be used as agents of taxation, and it's not an auditing issue.

One of the problems this committee has, as members of the legislature . . . and I've been a cabinet minister for two years and have had more experience in that regard in setting budgets than my colleagues here. I've been in charge of a Crown and know a bit about the process. But

for this committee to have proper due diligence there, I believe that it would need a fairly strong research component attached to it that had a strong understanding of the Crown side, which is a very big play on our economy.

And the other thing is that we're always taking snapshots. We come in here and we take a snapshot of '90-91. We take a snapshot of '91-92. And that sometimes doesn't give you the picture, and I'll give you an example. One of the ways that we would be able to fill the function that you talked about is if we had, say, a 20-year look at the debt/equity ratios in the Crowns. Because your debt/equity ratios in each Crown predetermine a lot of your borrowing commitments on both your capital expenditures, your ability to generate profits that then in turn are turned over to the Consolidated Fund in a dividend. Okay?

And there's been a lot of argument over the years as, you know, what is the proper debt/equity ratio on a Crown and at what point do you jeopardize the Crown. The auditor presented us with a number of questions yesterday, one of which is how do you protect your assets.

You have a number of things in CICI (Crown Investments Corporation Industrial Interests Inc.) may or may not have any value to them right now and yet they have book value numbers. They will predetermine some of your capital borrowing costs, some of your long-term borrowing costs.

And I'm wondering if it wouldn't be appropriate for CIC, if you're changing your processes and you want this committee to be the kind of watchdog that it should be, if perhaps we shouldn't have those prepared for us. Give me a '71 and '91 snapshot of the debt/equity ratios, Crown by Crown, so that I could, as a member who wants to take this process seriously, decide if you are then doing things that not necessarily show up in auditing functions.

**Mr. Ching:** — Well let me make a small correction. Because if I suggested that this committee ought to be performing that function, I was not in concert with what I understand the legislative instruction to be. My understanding is that the Crown Investments Corporation, as a committee of the legislature, ought to be performing that sort of function, not necessarily Public Accounts; as I understand it, we appear in front of Public Accounts to deal with the Provincial Auditor's general comments about us. But I think it's certainly a possible matter for the legislature to consider as to what role is the Public Accounts Committee to play.

Up until now, you know what has happened, and that is that each one of the Crowns comes forward and there is a relatively cursory examination of each one of the annual statements of the individual Crowns. Now that's the format which the Crown Corporations Committee has chosen to follow and I'm not arguing whether or not that's right or wrong; I simply offer another possible suggestion. And that is that perhaps the Crown Corporations Committee, given the importance of the Crown sector and the effect that it can have upon the economic and other well-being of the province, maybe the Crown

Corporations Committee ought to be devoting more time to dealing with an individual Crown or a number of individual Crowns in any given year in somewhat more depth, and being less interested in looking at the total group of Crowns in any given year but perhaps looking at two or three of them in quite some depth to deal with things of that nature.

Because I find that when we do appear in front of the Crowns Corporations Committee we don't tend to focus in on some very fundamental building blocks of how that sector of the government works, namely, debt/equity ratios and the history of that and how they compare with other entities within the economy which are similar.

And I think it's a perfectly legitimate matter to be investigating into on the part of a legislative committee. I think probably the way in which it's set up at the present time, that legislative committee should be the Crown Corporations Committee, but that's a matter for the legislature to determine.

**Mr. Chairman:** — Well it certainly is and the legislature ultimately has the final say. It appears, for instance, we're one of the few jurisdictions across Canada that has a Crown Corporations Committee; that a lot of the material which we study and hear and which we have tried to update ourselves with across Canada, the Public Accounts Committee is quite legitimately asked these questions because they're the ones that deal with the auditor.

Crown Corporations tends to be a little more confrontational because ministers do most of the answering, and having been there myself, it tends to be a more political forum. This forum here seems to be more at ease with non-partisan type of questions that sort of just get to the root of the problem. And I don't think that this committee will ever stop asking questions like the ones that I've just posed to you. I think they're quite legitimate and certainly because we work with the auditor on a daily basis, it's just a fact of life.

**Mr. Ching:** — I think one of the things about the Provincial Auditor becoming our auditor is that I think the Crown Corporations Committee is now going to be hearing directly from him about our affairs, and in some respects I think the process of the two committees may start to parallel one another.

**Mr. Chairman:** — They very much may well do that.

I think the rest that I have here I would prefer to ask when Finance is in because they pertain to bigger pictures, so I'll pass.

**Mr. Van Mulligen:** — I just want to make a comment. You alluded somehow to the fact that the committee ... somehow you made the argument that there should be independent research help for the committee, and I think that we've taken the position in the past that we agree with that.

But I can certainly understand why it is that the Board of Internal Economy, who must decide whether or not that kind of funding will be made available, would be

reluctant to do so at a time that the government has in this budget year instituted substantial tax increases; sweeping cuts to health, education, social services, and other areas; and it would appear is contemplating more of the same if the newspapers are to be believed.

It's understandable why the Board of Internal Economy would be reluctant to devote additional dollars for something such as this. And whether research help for the committee would have helped the government avoid the kind of massive debt build-up which has resulted in the huge debt repayments which seem to hamper, or which hampers the government, and is the cause for all these tax increases and sweeping cuts, is not an argument that I'd prepared to make at this point.

But I certainly understand the need for research in the committee and I hope that we can join those others jurisdictions in Canada that have that as well. But my guess is that the province's bottom line will have to improve beyond that of some other provinces before we can begin to entertain increases in spending of that sort.

**Mr. Chairman:** — Thank you, Mr. Van Mulligen. That looks like we have a dispute amongst members then, because I fundamentally disagree with you. But that's all right.

Any other questions for CIC at present? If not, thank you very much, Mr. Ching. We'll see you later today.

**Mr. Van Mulligen:** — Could I just ask a question? Sorry, I wanted to ask a question on these ... a question about community bond program lacking authority.

The auditor is saying that his interpretation of the Act is the expenses must be paid from the Consolidated Fund. This money was being paid ... or the Saskatchewan Diversification Corporation was paying the expenses of the program? Where's that at now?

**Mr. Ching:** — It's my understanding ... Well as you know, not necessarily in the time period for which the auditor's report applies, but Saskatchewan Diversification Corporation had its affairs wrapped up.

The responsibility for certain of the programs have been turned over to the Department of Economic Development, including the community bonds portion of it. Responsibility for the investments which were either in place or were contemplated through Saskatchewan Diversification Corporation have been transferred to Crown Investments Corporation for us to look after.

**Mr. Van Mulligen:** — So the community bond one in particular, that's gone to Economic Development and Trade and is ...

**Mr. Ching:** — And I think it's been resolved in effect in the manner which the Provincial Auditor recommended that it be resolved.

**Mr. Van Mulligen:** — The question of the share purchase, those were in reference paragraph .23. SDC (Saskatchewan Diversification Corporation) bought these shares. And so those shares are now transferred to CIC

itself?

**Mr. Ching:** — That's correct.

**Mr. Van Mulligen:** — And can you tell us just . . . apprise us of the status of these shares here?

**Mr. Ching:** — I'm sorry, but one of my staff has been more in touch with these individual investments, and I would really be flying by the seat of my pants if I tried to give you any detailed information on them.

**Mr. Van Mulligen:** — Is that something that could be provided to the committee?

**Mr. Ching:** — If you indicate to us what you would like to know about these investments, we'll certainly undertake to provide you with that information.

**Mr. Van Mulligen:** — Well look at the first one, Trinitel International Corporation. What's the value of those shares now?

**Mr. Ching:** — So the value of shares?

**Mr. Van Mulligen:** — Yes.

**Mr. Ching:** — Anything else?

**Mr. Van Mulligen:** — The status of the companies involved.

**Mr. Ching:** — And you wish this information for all the investments?

**Mr. Van Mulligen:** — Yes, the ones that are listed in the auditor's report.

In terms of purchase of shares at this point, in companies by CIC — and I don't know if that is actually being done or is being contemplated — would these be done pursuant to an order in council?

**Mr. Ching:** — Well you know how this problem arises, and that is that if CIC, Crown Investments Corporation, wishes to purchase shares they must do so with an order in council. We happen to hold the shares in a subsidiary called CICIII which does not have that constraint. And in the past, shares have been purchased by CICIII without an order in council.

And I think the argument of the auditor is that if the parent CIC cannot purchase shares without an order in council, then the subsidiary CICIII should not be able to purchase shares without an order in council. And I think the auditor in fact has a legal opinion which supports that point of view.

The argument of CIC in the past has been that the constraint put upon it by CIC, under CIC, does not apply to CICIII. And we as well have a legal opinion which says the purchase of shares without an order in council through CICIII is perfectly legal.

Again like the other issue, I think that we managed to get tangled up in not two auditors this time, but two lawyers

this time. Our approach on it has been to take the position that if we acquire shares, whether in CIC or CICIII, we intend to do that only with the authorization of an order in council. And we hope that in due course this issue will be resolved by a legislative amendment.

**Mr. Chairman:** — I was going to ask a couple of questions this afternoon, but perhaps I'll leave them with you now, Mr. Ching, and you can mull them over for later this afternoon, or it may be that they will require a written response, or each department is subject to recall of this committee at a later date.

I would like to know what the capital needs of SaskEnergy corporation will be and how you anticipate the money being raised. And also I'd like . . .

**Mr. Ching:** — Do you have a time frame within which I . . .

**Mr. Chairman:** — I would say in the course of your fiscal year, which I understand with them would be December 31, 1993.

**Mr. Ching:** — Okay.

**Mr. Chairman:** — And also, recently there was an order in council passed, I believe the number was 1190-92, that transferred over \$600 million of debt from CIC to SaskEnergy.

**Mr. Ching:** — Order in council what?

**Mr. Chairman:** — 1190-92. That was amongst the number of OCs (orders in council) that have transferred debt from CIC to various Crowns.

**Mr. Ching:** — Transferred debt from where to where?

**Mr. Chairman:** — From CIC to various Crown agencies. I go back to . . .

**Mr. Ching:** — Is that the 226 million . . .

**Mr. Chairman:** — No, no, this was 616, I believe, million dollars occurred in late December of '92. Given and going back to that recommendation of the auditor which you said you disagreed with in some parts, I wonder if you could give me some explanation — and as I say, I'm not demanding it for this afternoon; at some later date — either in writing or verbally, of the movement of hundreds of millions of dollars like that through OCs. And maybe that ties into something that CIC has embarked upon that is different than it has in the past. So I give it to you to think about for a response.

Any other questions from committee members? If not, once again, thank you.

**Mr. Van Mulligen:** — Can we take a five-minute break?

**Mr. Chairman:** — Do you want to finish off CIC and then have the break, or do it after? We should finish off CIC and then have a break. There's just the things — there's the recommendations that should . . .

**Mr. Van Mulligen:** — I move that we conclude the hearings of CIC and adopt the recommendations that are outlined in the auditor's report of January 20, 1993.

**Mr. Chairman:** — May I have the necessary motion? Thank you, Mr. Van Mulligen. That's the one that moves it subject to recall?

**Mr. Van Mulligen:** — Yes. But I also wanted to add that we agree to add to that ... I don't know how you word it ... maybe I'll leave it ... that the committee adopt the recommendations pertaining to Crown Investments Corporation as contained in the Provincial Auditor's report of January 20, 1993. Do you know the specifics of which I speak?

**Mr. Chairman:** — Yes. There's three.

**Mr. Van Mulligen:** — Yes. I'll move that.

**Mr. Chairman:** — Is that agreed? Carried.

I also have one here from yesterday because we didn't do it formally with the Department of Energy and Mines:

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

I'll need one of the members of the committee to move that.

Okay. That's carried.

Department of Energy and Mines. Agreed? Carried.

We'll have a five-minute recess.

The committee recessed for a period of time.

**Mr. Chairman:** — Reconvene the committee with deliberations of chapter 35, the Saskatchewan Transportation Company.

The auditor has just a few comments to make that I think it would be appropriate if we follow procedure and we go *in camera* for just a couple of minutes here.

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

#### **Public Hearing: Saskatchewan Transportation Company**

**Mr. Chairman:** — Good morning, Mr. Glendinning.

**Mr. Glendinning:** — Good morning, Mr. Chairman.

**Mr. Chairman:** — If you might introduce your official to the committee please.

**Mr. Glendinning:** — Yes, you bet. I have with me, Mr. Chairman, Mr. Ernie Temrick who is the controller of the Saskatchewan Transportation Company.

**Mr. Chairman:** — Thank you. Before we begin our deliberations, I have a duty as chairman to advise you of some things.

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

Do you have any comments, Mr. Glendinning, in regard to the auditor's report that you wish to place before the committee prior to any questioning?

**Mr. Glendinning:** — I think not, Mr. Chairman, nothing in general terms. We're available to the committee.

**Mr. Chairman:** — Thank you.

**Mr. Cline:** — Yes. Mr. Glendinning, at paragraphs .19 to .24 of the Provincial Auditor's report, he outlines continual losses and increasing losses and deficits of the corporation, including a very significant jump in the cost of administration.

And he points out, for example, that in the last 11 years, while operating expenses went up only 3 per cent, and wages 1 per cent, dealing in real dollar terms in all cases, the cost of administration went up 52 per cent at a time when the corporation was losing money.

And my question to you is: can you outline the steps that have been taken or are contemplated to improve the financial situation of STC and to bring administrative costs under control?

**Mr. Glendinning:** — Yes, Mr. Cline, I think I would ask Mr. Temrick to respond directly to your ... I'm sorry, Mr. Chairman.

**Mr. Temrick:** — Mr. Chairman, in 1990 the sharp increase in administrative expenses is due principally to some extraordinary charges that were reflected in that year, these being a bad debt provision of some 400,000. And there were in that period of time some large consulting and legal fees associated with the problems following the Eagle Bus situation in Texas.

As to current controls over administrative expenses, we have done a number of things. Many of the so-called administrative expenses were accounted for in bulk as company overhead. When you had a closer look at them, these could very easily be attributed to other departments

within the corporation and controlled by the managers of those operations.

For example, the tax bills of the corporation, whether they be associated with a depot or with a service centre, were considered an administrative expense. We have taken steps to attribute these costs to the maintenance operation or to the customer services operation. And in doing so we have ensured that the managers of those operations have an eye to all of the costs associated with their operation.

Simple things like requiring an explanation for the business purpose of expenditures and ensuring that the next higher level of seniority of senior management in the organization approves their subordinates' expenditures — we believe that enforcement of these policies contributes to reduced overhead expenditures as well.

**Mr. Cline:** — Okay. And the other part of the question was steps being taken or contemplated to improve the financial position of the corporation.

**Mr. Temrick:** — There are many steps being taken, Mr. Chairman, to improve our financial position. Probably the most significant of these is our having set up an advisory committee on bus transportation jointly with the Department of Highways whereby some 20, 22 respected people from various parts of the province have undertaken, through community consultation, to determine what the real needs of the community are with regard to bus service.

I'm sure most of the people in this room have had occasion to comment or at least hear criticism of the bus company running up and down the various highways of the province with no passengers. You know, something to the effect like why don't they paint happy faces on the windows.

We believe that this consultation with the communities has resulted in a very useful marketing tool for the corporation. And in some instances we've had specific and direct actions taken by community groups such as municipal councils to actually pass resolutions that their service is much lower than they are currently receiving, and that it would be in order for the bus company to reduce the frequency of service accordingly.

Other measures that we have taken of less magnitude but still with a significant contribution to the bottom line, have been the closure of the service centre in Prince Albert, as an example. We have discontinued our satellite express offices in Regina and Saskatoon. We have undertaken a project whereby we will electronically monitor the performance of all of our 62 coaches in terms of idling time, speed, drivers' habits with the brakes and changing gears, all directed towards fuel savings.

There are a host of projects of that nature that have been undertaken and continue to be undertaken.

**Mr. Glendinning:** — If I might interject, Mr. Chairman, the very nature of the focus the company is trying to achieve is to properly assess the market needs, the demands both in express and passenger, and to establish its equipment and facilities and personnel to meet that

market demand. In the past there has been little if any effort to understand the market and to structure the company accordingly.

And so as we move towards achieving that core level of equipment need and facility need, the coordinators which Mr. Temrick has referred to are assisting us with that in so far as their determining what the community says their needs are. And it will be in moving towards that effective operation to meet the demands that the company will and has been improving.

You can go on and on about specific instances, but, for example, we do not keep the express outer office for customers open on December 25 any longer because it was proven that while we got as many as three or four customers who did come in on Christmas Day, it cost us three times as much to maintain the office open. And the objective of this corporation will be to retain and service those customers but to do it in a way that's cost effective so that we don't spend more in keeping the customers than we do in taking in revenue.

**Mr. Cline:** — Okay. Thank you very much. I want to move more specifically to some things that the Provincial Auditor recommends. And if I can refer you to paragraphs .27 and on of the report, the Provincial Auditor reports that the corporation has not been managed properly by the board of directors. And then he deals with different matters in turn including insufficient board meetings, lack of a business plan, lack of budgets in 1989 and '90, lack of proper authorization for transactions, lack of policies and procedures, and lack of authorization controls, which to my way of thinking is a fairly broad indictment of the way that STC (Saskatchewan Transportation Company) has been managed.

And what I would like you to do is to outline to this committee what steps — dealing separately with each of those items which are from paragraphs .27 to .50 to .61 really to start with — what steps, going through those and with particular attention to paragraph .51, the corporation has taken or plans to take to deal with each of the problems identified by the Provincial Auditor.

**Mr. Glendinning:** — Mr. Chairman, if myself and Mr. Temrick might share responsibility as we go through each of the paragraphs, I would be pleased to respond to the member's question.

In general, I would start by saying that at the time of the audit, the findings — I would have to agree with the findings of the Provincial Auditor and comment on the fact that it is remarkable to consider that there was such an absence of such controls in a company that had been in existence since 1946. It was remarkably immature in all respects in that sense. With respect to paragraph .27, Mr. Temrick can respond to the internal controls, of which there were few, if any, at the time.

**Mr. Temrick:** — Paragraph .27 is a statement with which we agree and we have . . . I think the situation that arose was largely a result of controls which were available to management just not being used. We have, as there was at the time, a delegation of authority document, for example. And we are enforcing it. The idea of each level

in the organization being accountable to the next higher level is key to a system of internal control here and we're seeing that that is enforced.

**Mr. Glendinning:** — More specifically, Mr. Chairman, then with respect to the role of the board of directors, as has been pointed out, there has been a dramatic change in the board's management. All significant transactions are discussed with the board and management takes the approach that it's better to err on the side of providing the board with perhaps too many considerations than too few. And certainly there are defined levels which do require board approval and those are complied with and they are understood by the board and, of course, the board's approval must be noted, or rejection of the proposal, in the minutes.

Since May of 1992, the audit committee of the board has met regularly and that committee has been provided with regular details on a monthly basis of all payments which exceed \$10,000. And the board itself meets at least once a month and has been doing so since November of 1990 with one exception, that being in December of this past year, 1992. There was a meeting in relatively late November and it was determined, given the holiday season, that they would meet again in January. With that one exception, it has met on a monthly basis.

**Mr. Cline:** — Moving on to the comments of the auditor that the company needs a business plan, what have you done about that?

**Mr. Temrick:** — These were addressed in March of '91. In March of '91, the board approved a business plan for the period ending fiscal 1992, and capital and operating budgets for that period were approved by the board in October of '91.

**Mr. Cline:** — Okay.

**Mr. Temrick:** — Capital and operating budgets for the next two fiscal years have been presented to CIC, and we'll be discussing them with the board later this month.

**Mr. Cline:** — Okay. So you have dealt with these recommendations. And I assume, moving on to the suggestion that the company needs a budget, that without too much being said you are now operating with a budget.

**Mr. Temrick:** — Yes.

**Mr. Glendinning:** — And a budget that has been approved, Mr. Chairman. I think that was one of the concerns the auditor had, that the board of directors had not approved a budget by management.

**Mr. Cline:** — And I think you said already that you have taken steps to ensure that this proper authorization for expenditure and so on . . . And just in general terms, are you complying with the comments of the auditor in paragraphs .46 to .49?

**Mr. Temrick:** — Yes we are.

**Mr. Cline:** — All right. And then going on to — I think this

is key — paragraph .51. The auditor reports — and this is probably the source of a lot of the problems at STC — that you did not have adequate procedures and policies in the areas listed there. And have you in fact now formulated policies and procedures with respect to each of the items indicated by the auditor?

**Mr. Glendinning:** — Mr. Chairman, we indeed have dealt with that concern. And we have, by way of illustration, that policies and procedures manual which is new to the Saskatchewan Transportation Company. And that manual, as required, has been presented in portions to the board of directors of STC. And while the various sections of it have not been formally approved by the board, it's slated to be approved by the board at its next meeting in February of this year. They have had it for some three or four months for consideration. As you can see, it's a fairly lengthy and detailed and somewhat pedantic document.

**Mr. Cline:** — And then — I don't want to belabour this but in terms of comments of paragraph .62 to .75 that deal with lack of tendering policy and procedures for major purchases and construction procedures, all of which contributed to significant problems that are detailed in those paragraphs — do your policies include the matters raised by the Provincial Auditor in these sections?

**Mr. Temrick:** — We have a purchasing policies and procedures document which we follow internally. It has not however received . . . it's never been taken to the board for approval.

There is a task force or a study being led by the SPMC (Saskatchewan Property Management Corporation) which is looking at government tendering policies. And we are participating in that study as one of the organizations steering that study. And we are holding off taking a policy document to our board until we've seen the results of that study, as we intend to embody them in corporate policy.

The policy that we do have sets out for various estimated levels of expenditure, a requirement to seek either verbal quotations, written quotations, or to offer a public tender, and we do follow that policy.

With regard to construction projects and major acquisitions such as coaches, our intent is to work through SPMC, and we have been doing that.

There have been no major construction projects since the period under report here. We are, however, contemplating one or two and these are being dealt with through the . . . with the SPMC according to their policies.

There have been no coach acquisitions beyond the period under review. There were deliveries beyond the period under review but no purchases arranged.

**Mr. Cline:** — The Provincial Auditor refers to a contract that STC entered into — this is at paragraph .77 — with a management consultant, and the budget for the contract was \$386,000. My question is: did anything come out of this contract in the form of a plan that was then implemented by STC or what became of that?



**Mr. Temrick:** — Yes. The reference here is to a new coach marketing plan which was led by a firm called Ryer Management, and it was developed at the time of the purchase of the Eagle coaches and involved a tour of these coaches. It involved some direct mail advertising with regard to the new coaches.

It involved a paint . . . or rather a colour scheme, a colour scheme and new logo development. These aspects of the plan, to the best of my knowledge, were carried through. There was a tour of the province to show the new coaches and the colour and logo on the coaches did change.

**Mr. Cline:** — Did this Ryer Management . . . was that a firm that had particular expertise in the public transportation area?

**Mr. Temrick:** — I don't know. I'm not sure.

**Mr. Cline:** — Was that contract tendered or are you aware of whether it was tendered or not?

**Mr. Temrick:** — I am not aware of that, Mr. Chairman.

**Mr. Cline:** — And was the final cost of that contract \$311,000?

**Mr. Temrick:** — That is the . . . yes. The number that is reported by the Provincial Auditor is the number that's available to me internally.

**Mr. Cline:** — Okay. Now at paragraphs .84 to .88 the auditor states that the president of STC approved his own salary and increases and gave himself retroactive increases of 5 per cent in '88 and then another 8 per cent in November of '88, and also took eight weeks vacation pay.

Now I take it that the systems that you've described would prevent that from happening at the present time?

**Mr. Glendinning:** — They certainly do, Mr. Chairman.

**Mr. Cline:** — Has STC given any consideration or sought advice about whether it should be taking steps to recover any of the overpayments to the former president of STC?

**Mr. Glendinning:** — Yes, Mr. Chairman. It is a consideration which is being given in conjunction with legal proceedings which are pending, which proceedings may well be . . . as the best of my knowledge have not been commenced. We are having discussions with the former president based on a contract of termination which was entered into when he departed from STC.

That contract provides, among other things, that any amounts owing to the company will be deducted from any amounts owing to the former president in completing the terms of that contract. There are certain issues outstanding which has meant that the contract is still under discussion, if you will, or negotiation at this point.

**Mr. Cline:** — Will the . . . Just while we're on that, if you are concerned about overpayments to the former president, would that include items such as items referred to in the report like management, entertainment, at

paragraph .125 and some of the restaurant meals, travel expenses, cigarettes, and sports equipment, that sort of . . .

**Mr. Temrick:** — Yes, they are.

**Mr. Cline:** — So you're taking steps to itemize all of those matters. Paragraphs .89 to .95, there's reference made to someone who was paid \$110,000 over a two-year period to . . . supposedly the assistant to the president, but actually working for the former premier. I take it your present policies would prevent this from going on at STC.

**Mr. Glendinning:** — Mr. Chairman, both STC policies and the policies under which we work from the government would prohibit such an expenditure which was not specifically attributed and for which there was not work done specifically for STC.

**Mr. Cline:** — Okay. And this person, according to paragraph .119, was paid the sum of \$7,200 for expenses. Are you able to itemize what those expenses were?

**Mr. Temrick:** — No, we are not. As indicated in that paragraph, there was no support available for those payments.

**Mr. Cline:** — And who authorized payment by STC of those expenses?

**Mr. Temrick:** — I'm not certain.

**Mr. Cline:** — Okay. But they were authorized without any support documentation as far as you can tell?

**Mr. Temrick:** — Correct.

**Mr. Cline:** — Now there is reference in the report to restaurant meals, \$17,500; \$95,500 in travel expenses including cigarettes and sports equipment, and so on. That's at paragraphs .112 and .113. And at .114, .114 is actually the 10,200 for cigarettes, sports equipment, clothing, etc., and then reference at .119, the \$7,200 paid to the person working for the former premier. Then at .124 there's reference to \$10,693 to pay the gasoline, oil, insurance, and servicing and repair costs of somebody's vehicle which wasn't included in their contract by which their vehicle would be paid for by STC. And at .125 reference is made to lunches at the office, \$8,000. And my question to you is: do any of the people that received these benefits — and I mean any of those that are itemized in those paragraphs — continue to work for STC?

**Mr. Glendinning:** — Mr. Chairman, I think that considering the environment, I would have to be careful in my response. I think that in respect of the benefits provided from such things as lunches at the office, which I make an assumption might have been for more than an individual as the lunches proceeded and so on, that there may be certain employees who partook in such endeavours and who are still with STC.

Now if I might, in defining and responding, define what I would personally describe as the more blatant infringements or abuses, such as the purchase of personal items, hockey and ski equipment, and the item with respect to the repair of the vehicle, I would say that there

are no individuals who obtained such benefits currently working at STC.

**Mr. Cline:** — I assume from your answer that those who would have been in a position to authorize these kinds of expenditures, or who authorized them, would not be in the employ of the corporation at this time.

**Mr. Glendinning:** — I think that's a good way to put it, Mr. Chairman. And the answer is that they are not in the employ of STC at this time.

**Mr. Cline:** — And without going into detail about matters that may be in litigation or contemplated, are you seeking advice as to whether it might be possible to recover from individuals the sort of payment that might have been made. I don't mean if they had lunch, but if it was of a substantial amount of money.

**Mr. Glendinning:** — We are indeed. We have in effect prepared an accounting of all such expenditures as best we can determine using the audit report itself and our own records. We have, in those in which it is clear that in fact that they were not for corporate purposes, we have taken steps to pursue the individuals who received those benefits and to return the value to STC. It would be through, quite clearly, the litigation process at this point in time.

**Mr. Cline:** — Okay, and this may have been answered before, but I assume that procedures are in place that would prevent this kind of expenditure from occurring at the present time or in the future?

**Mr. Temrick:** — Yes, among the policies that we are discussing with our board are policies on entertainment expenses, if you will, which require that there be a stated business purpose for these expenditures before they are approved.

**Mr. Cline:** — Now there is reference made by the auditor to the sale of three coaches for \$15,000. This is at paragraphs .126 to .131, where the original cost was \$233,134. And first of all, when those coaches were sold what . . . It indicates that there was no advertising or tender for the sale of those coaches. And I want to ask the question: had any work had been done on those coaches in the year prior to their sale? And if so, what was spent on the coaches?

**Mr. Temrick:** — Yes there had been work on these coaches. In the immediately preceding 12 months there was some 23,000 of maintenance on these three coaches in total. These were old coaches. Two of them had mileage well in excess of two million miles. The other had about a million and a half. And in June of 1989 they had been taken out of service because of safety concerns, structural concerns. The maintenance, as I say, that they incurred in their last year, sometime within their last year of service was in the neighbourhood of \$23,000.

**Mr. Cline:** — Do you now have a system in place to publicly advertise the sale of assets, coaches and so on?

**Mr. Temrick:** — Yes we do. Almost without exception we go through SPMC for all disposals.

**Mr. Cline:** — Have you improved . . . The auditor refers to a problem with respect to collection of your outstanding accounts and he makes a lot of recommendations in terms of systems that need to be in place at STC. Without going into the detail of all of his recommendations, have you taken steps along the lines suggested by the auditor in paragraphs .148 to .159?

**Mr. Glendinning:** — I'm sorry, paragraphs . . .

**Mr. Cline:** — Yes, specifically I think it's at paragraph .151, he identifies different steps that should be taken. And then he goes on to describe the problems that there were because such steps had not been taken.

And I'm wondering what you've done to comply with what the auditor is suggesting there, if indeed you've taken any steps at all.

**Mr. Glendinning:** — Thank you, Mr. Chairman, if I may, although this is an area directly under Mr. Temrick's management and his responsibility, I would indicate that in fact the dire circumstances discovered by the auditor were in fact in existence.

And since that time, despite the cancellation of the contract for a new computer system that would ultimately have cost one and one-half million dollars — that contract was cancelled under my authority; we have retained the existing system and managed with the existing hardware — but in the mean time have set up proper procedures, proper flow for the work, which has improved the billing schedule, so that we now on average have attained an ability to send out a statement of account within 22 days of month end and are actually in many cases, in many months, achieving greater than that.

The same with respect to the provision of financial services . . . or financial statements. Whereas they had been several months behind as had the accounts receivable, we are now providing financial statements within 20 to 24 days of the actual month end.

All of this has been done through the management efforts of Mr. Temrick utilizing the present equipment and simply managing the process much better.

I regret to say I don't have copies of it, but I actually have a diagram, Mr. Chairman, which shows the progress with respect to each of the accounts receivable and the financial statements. And I'm pretty sure I don't have the copies. I'm not certain whether you wish to receive this or have me provide copies of this in response for the members.

**Mr. Cline:** — Well I think it would be interesting. I'm glad to hear it, because when I read this, it really struck me that a lot of the problem in terms of the finances of the corporation would result from in not getting bills out in a timely fashion, having them paid in a timely fashion.

**Mr. Glendinning:** — If I might add on that comment, Mr. Chairman, the estimate was that STC was at risk for approximately \$180,000 annually resulting from bad debts and from the interest costs of obtaining payment

much too late.

There was no doubt that our customers were in effect confused about getting an invoice some three or three and one-half months after they had actually carried out the transaction.

The results of the improvement of this administration show in dramatic, improved, positive change in our cash flow situation presently.

**Mr. Cline:** — And did I understand you to say that you have turned that around using the existing hardware that you had, and maybe software, as opposed to spending a million to a million and a half dollars on a new system?

**Mr. Glendinning:** — Well that's correct. And, Mr. Chairman, we use the "you" broadly, because I again, I have to give full credit on this area to Mr. Temrick who has managed with the existing equipment.

That is not to leave the impression that the existing equipment is adequate or will last for long. But what has been done in the department of finance in STC is to manage the down time of the equipment. We anticipate off-peak time is when the equipment can be renovated and repaired so that by maintaining it properly the unexpected down times have been virtually diminished.

Now it does not . . . Clearly we can't continue indefinitely with that equipment and we are giving consideration to replacing the hardware, although on a much less significant scale — something in the range of 80,000 to \$150,000 if need be, relative to the other rather more expensive approach that was taken.

**Mr. Cline:** — Thank you, Mr. Chairman. Those are all my questions.

**Mr. Chairman:** — Mr. Glendinning, I have two — one question and one brief comment for you. The individuals Mr. Cline was referring to earlier in the sections that might be involved in legal matters with . . . have some of those individuals already been before the courts in various capacities?

**Mr. Glendinning:** — Both of those individuals have been before the courts both in the Canadian jurisdiction and in the American jurisdiction.

**Mr. Chairman:** — Was any of this particular material entered as evidence at that time?

**Mr. Glendinning:** — By that, Mr. Chairman, for clarification, you would mean: were these details the subject of part of the criminal proceedings?

Mr. Chairman, I'm sorry, I don't feel competent, with my limited understanding of what the scope of the charges were, to answer that directly. I do know that the investigation carried on in Canada by the police covered the issues raised by the Provincial Auditor but I cannot tell you today whether the charges that resulted from the investigation incorporated certain of those, but I could certainly provide that in written response to more clearly define that.

**Mr. Chairman:** — Would you, please, as I think the expectation was left with the committee by Mr. Cline's questioning that you would be seeking legal redress and if . . . My understanding of the system is that if it's already been part of a legal action, you wouldn't be able to go back unless you switch from a criminal to a civil action in trying to address that concern.

**Mr. Glendinning:** — No, I'm sorry, Mr. Chairman. It may have been my misunderstanding. There were two parties that were brought up before the Canadian . . . within the Canadian jurisdiction, on criminal charges. As a consequence of those charges, one individual was acquitted and the other was convicted of certain charges.

The individual who was convicted, prior to sentencing, STC made a submission to the court with an itemized accounting, in effect, of what STC presumed was owed by that individual to STC for inappropriate behaviour. The courts, while they have the authority at that point in time to order what would be called, not restitution that we were seeking but actually compensation, the court chose to not exercise its discretion. The advantage to STC at that point, had the court awarded compensation to STC, would have been to then that order would have been registered as equivalent to an order of the Court of Queen's Bench in a civil proceeding and we wouldn't have had to take civil action.

Consequently since no order was made by the criminal court, STC has, with respect to the individual who was convicted, commenced . . . they had already commenced a civil action and we are now pursuing that civil action, which action does encompass those items which we can properly identify it as inappropriate benefits, among other things, with respect to the individual who was convicted. So we are pursuing civil litigation to recover the losses suffered by STC in that one respect.

In respect of the other individual, as I indicated there is still civil litigation pending as a possibility, centring or being initiated primarily around the contract of termination that was entered into by the former president at that point in time. Now to the best of my knowledge, no actual litigation has been commenced by either party to enforce that agreement, but that may well be the conclusion at that point. So that we may still find litigation which may arise with respect to the past president in the civil courts as a consequence either of that past president trying to enforce his termination contract or of STC trying to pursue what it perceives to be amounts that are owed to it by that individual's behaviour.

It's a lengthy explanation by way of clarification. Maybe I haven't done so, but there is still an opportunity and we are pursuing civil litigation to make recovery.

**Mr. Chairman:** — It partially answers it. We can pursue more if you would provide me with some of the stuff in writing, that you indicated.

**Mr. Glendinning:** — Yes, sure.

**Mr. Chairman:** — The other thing I wish to ask you about is that this committee has studied a proposed set of

questions that are used by some institutions to rectify their management problems and structures, and you indicated to the committee that you're presently involved in that process and indeed your board would be reviewing a new management structure.

I would like to put into the record these 12 questions which the Clerk will provide to you, and ask that . . . and I won't read through the entire list in the essence of time but I would like these questions answered in writing and with the full expectation that next year during deliberations of your agency that these questions might be asked at that time. And I think they flow very nicely with a revamping of your management structures.

So I would like to put these 12 in the record. It's the effectiveness attributes questions that we had yesterday, and you can mull them over. But I would like a written answer to those 12 if you would, please.

**Mr. Glendinning:** — Yes, Mr. Chairman, I certainly would. Just to make sure again that I understand, this is somewhat of a format that the committee would like to adopt today and in future and . . .

**Mr. Chairman:** — Well this question simply comes from myself. It's not the rest of the committee; they can speak for themselves. But I would, as chairman of the committee, certainly respectfully ask that you answer these questions.

**Mr. Glendinning:** — Certainly. We'll certainly give that undertaking, and appreciate we can expect that there may well be questions that follow this line in the next session of Public Accounts.

**Mr. Chairman:** — That's correct.

**Mr. Glendinning:** — Thank you.

**Mr. Chairman:** — Thank you, Mr. Glendinning. Any other questions from committee members? If not, thank you.

**Mr. Glendinning:** — Thank you very much.

**Mr. Chairman:** — The recommendations for chapter 35 are fairly extensive. I think most of them have been covered in the discussion this morning. It was on page 11 of the special hand-out of January 20.

**Mr. Van Mulligen:** — Can we maybe hold off on these until Friday? Is that possible, Eric? Is that okay?

**Mr. Chairman:** — Perhaps the way we could handle it, if the committee would agree, we could put them into the draft and then deal with them . . .

**Mr. Van Mulligen:** — No.

**Mr. Chairman:** — No?

**Mr. Van Mulligen:** — No. Just hold off until Friday.

**Mr. Chairman:** — All right. Do you want to deal with the motion for recall or simply leave that open right now?

**Mr. Van Mulligen:** — Just leave it open for now.

**Mr. Chairman:** — We don't have a quorum.

**Mr. Van Mulligen:** — We don't have enough for a motion anyways.

**Mr. Chairman:** — All righty. The committee reconvenes at 1 o'clock.

The committee recessed for lunch.

**Mr. Chairman:** — We will reconvene the committee. Today on our agenda we have before us a sort of a special area that involves having Mr. Ching and his official from CIC, along with Mr. John Wright, the deputy minister of Finance with us today. And this particular section of our deliberations results from some questions which the committee posed in its November deliberations of 1992.

And I think the feeling of the committee at the time was that because the nature of government and how it establishes spending priorities, how it fits in with some of the new trends which have evolved in the last while, it would be very beneficial to this committee to have some input from obviously two of the major components of government — the Crown sector and the Consolidated Fund — and how they interact with each other in a way that allows the Legislative Assembly to properly assess priorities that are before us. They entail the questions of how much revenue is available, how much can government spend in a given year, how much borrowing can legitimately be sustained in that regime to guarantee the fiscal wholeness of the province.

All the members have been provided sort of a general assessment of these areas. There's four different areas. And I think the people before us today have been provided with those.

They would be, number one, management of government financial activities as a whole, and these refer to the Provincial Auditor's report, chapter 1, paragraphs .15 through .17. Payments of all Crown corporation dividends directly to the Consolidated Fund, Provincial Auditor's report, chapter 3, paragraph .20; chapter 4, paragraphs .24 to .29. Appointment of auditors, Provincial Auditor's report, chapter 1, paragraphs .18 to .22; and chapter 2. And finally, tabling in the Assembly of all Crown corporation annual audited financial statements, once again the Provincial Auditor's report, chapter 1, paragraphs .11 to .14; and chapter 4, paragraphs .01 to .10. And they all hinge around the theme of how the Legislative Assembly ultimately is accountable for these matters.

I think, given the nature which is very wide-ranging, that it would be most appropriate if the committee asked our guests today if they have any opening comments on those areas that they wish to bring to the committee before we would open it up to discussion.

**Mr. Wright:** — Mr. Chairman, on behalf of Mr. Ching and myself, no opening comments from our side. We'd be delighted to respond to any questions.

**Mr. Chairman:** — Perhaps the auditor would have a few comments that he wishes to inject in and to start us off then.

**Mr. Strelloff:** — Yes. Thank you, Mr. Chairman, members. My understanding of the topic today is derived from our last annual report, chapter 1, where the main theme of that chapter is the need from our office's point of view, to have government manage as a whole — to plan, manage, and report for all the different components of what it does, and present those plans and reports to the Legislative Assembly so that it can make the decision that it has to make, authorize government programs and planning.

From what I can see is that government has three financial variables that they're constantly dealing with. One is the spending, two is the revenue raising, and the third one is borrowing — how much can we borrow. And I'm sure we're going through this right now, that there's a specific or a general debt limit, a new debt limit that our financial officials advise our decision makers on what borrowing capacity we have for the government as a whole.

And just say that that borrowing capacity is about a billion and a half, just for an example purpose. It doesn't mean that's the exact number — just to use an example. That the financial officials advise cabinet, advise the government that we can borrow a billion and a half new money.

Now the question is, how do you decide, how does the Legislative Assembly decide, whether the borrowing plans is the right borrowing plans. And when I say a billion and a half, I mean not just for Health programs, Education programs, Social Service programs, but also for Telephones, for new loan programs through SEDCO, for Power, for STC as we discussed this morning. The borrowing limit, if it's about a billion and a half new money, how do you present information to the Legislative Assembly so that they know that the proposed borrowing plans are the ones that the Legislative Assembly would like to approve.

Right now that doesn't come to the table as far as I can see. Just the prime piece of information that comes to the table is the spending and revenue raising, moving through the Consolidated Fund. And I don't know how the Legislative Assembly can make hard decisions without having the revenues, the spending, and the borrowing plans of all government organizations.

They've got about three tough questions to answer and to address and challenge government proposals on. And one is, which services should be put on and changed or increased. And the services can be new programs put on in Health versus new programs put on through Telephones or Power. And both of those programs, whether it's in the Crown corporation sector or in the department sector, both programs are critical to our future. Yet you don't bring the government ... or the Legislative Assembly doesn't get to see the specific spending programs of all government organizations.

Or if new revenues are to be raised, well, should those

revenues be raised through SaskPower utility rates or SaskTel phone rates or sales taxes or income taxes? You don't bring to the Legislative Assembly the proposals on all those areas so that the Legislative Assembly can decide whether the proposals are reasonable. What usually comes to the table is the revenue-raising measures moved through the Department of Finance, the income taxes and sales taxes and some royalty charges.

You may want to bring to the table which organizations should be putting on a specific program. For example, many of the investment and lending programs, I've always wondered whether they should be carried out through SEDCO, through CIC, through the Department of Economic Development, or what criteria are used by the government to decide which organizations should be making specific program initiatives or in that case, loan and investment initiatives.

But the main point is that, to me, the Legislative Assembly needs to be provided with a financial plan that includes the components of everything that government does.

I know in the morning session we talked about whether CIC should have access to dividends of Crown corporations or whether those dividends should be brought forward to the Consolidated Fund and then voted to CIC strictly depending on their plans.

Well certainly my view, and I know the Financial Management Review Commission's view, is that the dividends and earnings of part II Crown corporations should be brought forward to the Consolidated Fund. If CIC needs or chooses to or proposes to spend some of that money, those proposals also come to the Legislative Assembly and be debated.

I know between the period of '88 and '90, CIC received about \$1.8 billion of public money from part II Crown corporations, spent about \$1.2 billion of that public money without having to propose to the Legislative Assembly for their scrutiny how it was going to be spent. And that's the system that I heard this morning being advocated.

It seems to me that the Legislative Assembly ... and I think to strengthen public accountability, the dividends, the earnings of Crown corporations, their use should be debated in the Legislative Assembly. And if the government proposals have merit, the Legislative Assembly will approve them and move the proposals forward.

But the key element of that process is having the Legislative Assembly ... give the Legislative Assembly the ability to scrutinize those proposals, scrutinize the proposals not just of the spending activities that are carried out through departments, but the spending and revenue-raising activities that are carried out through Crown corporations. Otherwise how does the Legislative Assembly get to assess the resource allocation priorities and plans of the government? It's an essential part.

And the main recommendation that we have is that the government bring forward to the Legislative Assembly each year a financial plan that shows the spending,

revenue-raising plans of all government organizations including SaskPower, SaskTel, SEDCO, CIC as an individual organization, as well as the spending and revenue-raising activities of the Department of Finance, of Education, Health, so that the tough choices that are out there and that are having to be made can be made in a more public context, and that the Legislative Assembly has a better opportunity to scrutinize and challenge.

And that's where our chapter 1 in our annual report is coming from — the need to plan, manage, report for government as a whole. The reporting part has moved forward. There is a first-ever summary financial statement that shows the financial activities of all government organizations. The next step would be to use that summary financial statement as the key accountability and planning document. And that would move a lot of issues to the table that in our office's view are just absolutely essential. Thank you.

**Mr. Ching:** — Mr. Chairman, may I make a response to that because in many respects the comments are most significantly directed I think, and have the most significant application on the Crown side of government.

It seems to me, Mr. Chairman, that one has to look back a little bit in history and look at what the Legislative Assembly in Saskatchewan created in the mid-to-late 1940s and see whether or not that's what's still in existence today and how it's operating, what its benefits and detriments are and whether it ought to be changed.

But I think that if you look at what happened in the period of time 1944 to 1947 you'll find that the province of Saskatchewan created legislatively, through the Legislative Assembly, a Crown corporation sector. And it gave it certain privileges and for that I suppose it inherited certain problems.

Traditionally the method by which government went about its business was that the Legislative Assembly perused budgets in advance on a line-by-line basis, approved them in the Legislative Assembly in public, and then subsequently through the Public Accounts Committee of the legislature, scrutinized the affairs of the departments to make sure that the spending had been in accordance with the allocations of money which had been given through the budgeting process. That had traditionally been the method by which government policed the financial affairs . . . sorry, by way the Legislative Assembly policed the financial affairs of the administrative arm of government.

With the enactment of The Crown Corporations Act and with the creation of the Crown Corporations Committee of the legislature, I believe that the Legislative Assembly of Saskatchewan created a new form of government enterprise called the Crown corporation sector.

One might argue whether or not that was the right thing to do or the wrong thing to do, but the fact of the matter is that that's what the Legislative Assembly or the province of Saskatchewan did.

In the process it created commercial enterprises and gave to them certain freedom from the rigours of the financial

budgeting and reporting system which had been used to deal with the departments of government. I think it did that consciously; I think it intended to do that; and I think it intended to capture the benefits that I think come from doing that. Because frankly that in my mind is the only way in which you can have enterprises function within a commercial setting.

Part of that whole structure was to create Crown corporations that were not in the same character as government departments. Commercial Crown corporations were deemed to report to the government through to the legislature through a holding company called Crown Investments Corporation. It's original aim was a government finance office which some people who have been around a long time will remember GFO (government finance office), but the more modern name for it is Crown Investments Corporation.

I believe that the legislature created Crown Investments Corporation to act as a holding company for the individual Crowns and that they conceived of as the Crown sector to function in a different way than the line departments. My problem with the proposal that the Provincial Auditor places before you is simply this: he wishes the legislature to have created the Crown sector in a different fashion.

If you accept his proposals, you will in my mind defeat the essence of The Crown Corporations Act. As well if you agree with his proposals, I don't know why the legislature would maintain the Crown Corporations Committee, because his proposal as I understand it — maybe I'm incorrect in this regard — but as I understand it, his proposal is that the Crown corporations should function in their reporting mechanism, their financial reporting mechanism, to the legislature in the same way as the line departments. That is that they should prepare a budget in advance; it should be presented to the legislature; it should be approved on a line-by-line basis, and subsequently it should be held to account for the spending within those line allotments through an agency like the Public Accounts Committee.

Now frankly, from my vantage point — and I think this is also true of Mr. Wright because we've discussed this in the past — I don't think that the Provincial Auditor ought to be debating with me whether or not the legislative regime which the legislature of Saskatchewan has seen fit to create on the Crown side is correct or incorrect. That's a problem which I think the Provincial Auditor ought to take up with the legislature. Because it isn't I or Mr. Wright who has created the Crown corporations sector in the shape and manner in which it exists today; that was done by the Legislative Assembly.

And I would argue they did it for a purpose. That purpose is as legitimate today as it was in the 1940s and '50s and '60s, '70s, and '80s when it was continued by successive governments. And I think that what the Provincial Auditor is really recommending here is the dismantling of the Crown corporations side of government as we know it today.

And in this regard he's not alone. Other governments of Canada have established their Crown corporations sector

different than the province of Saskatchewan. Mr. Chairman, you made mention this morning of the fact that Saskatchewan was the only — or I believe the only — province in Canada to have a Crown Corporations Committee of the legislature.

To some extent that's because the way in which Saskatchewan has structured its Crown side is unique. It's different from the way in which other provinces have done it. Other provinces take the position that Crown corporations should report directly through a minister or through a department of government. That's a method for doing it, but it, in my mind, tends to impair the commercial viability of the Crown corporations sector as a whole.

It's possible to do it that way, but you pay a price for it. It's possible to do it in the way Saskatchewan does. You gain the benefit I think of a much more commercially oriented Crown corporation sector, but you pay a certain price for it. Because instead of approving the budgets of SaskTel and STC in advance in the same way as you would with a line department, at the risk of not getting the dividends flowing to the Consolidated Fund and back out only with the approval of the legislature, for those things which are I suppose detriments in some respects, you get I think a much more commercially viable Crown corporations sector.

And frankly, from my vantage point, while it has had its good moments and it's had its less illustrious moments, I would stack up the Crown corporations sector in the province of Saskatchewan against any Crown corporations sector in any other province in Canada, both from the point of view of its financial success and, over the long haul, its ability to be policed properly by the Legislative Assembly and to comply with the wishes of the government in power at any given point in time.

So I acknowledge that the Crown corporations sector has less rigorous financial requirements applied to it. I say that's justified. But regardless of what my point of view is, I think clearly the mechanisms which are in place, the structure which is in place, is created by the Legislative Assembly. And unless the Legislative Assembly rearranges it, I don't know what Mr. Wright or I can do about it.

**Mr. Chairman:** — Thank you, Mr. Ching. Mr. Wright, do you have any comments to make on the topic?

**Mr. Wright:** — I think Mr. Ching's comments are most appropriate. I, in a summary form, see cabinet as the body that coordinates and directs the financial activities of the government. And under that tent there are two areas, one called Treasury Board and the other called CIC. I do note that I sit as an observer on CIC's board; Mr. Ching can sit as an observer on Treasury Board; and furthermore, the deputy to the Premier sits as an observer on both. I also note that we do have a very centralized approval and coordination of the government and Crown corporation borrowing programs through the Department of Finance. I'll leave it at that.

**Mr. Chairman:** — Does the Auditor wish to respond in any way to . . .

**Mr. Strelloff:** — Yes, thank you, Mr. Chair, and members. Just a few comments on the comments of Mr. Ching.

You mentioned that the Crown corporations sector was created for a purpose and that my recommendation of managing as a whole is somehow contrary to that original purposes. But when Crown corporations are set up, they're usually, as far as I can see, set up to give them more management discretion in how they carry out their duties. They don't have to go through Sask Property Management Corporation or, in some cases, the Public Service Commission. They can enter into contracts in their own right.

I'm not saying . . . I'm not challenging that. What I am challenging is that when you give an organization more managerial freedom, it doesn't mean you don't expect to hold them accountable. In fact you could very easily argue that the more managerial freedom that you give an organization, the more accountable you want them to be and the more rigour the accountability should be.

It seems like in the past number of years, when a Crown corporation is set up or when it operates, it tends to lose sight that there's two dimensions there. It's given more managerial freedom to contract, but at times it seems like the corporation believes that it also doesn't have to be accountable to the Legislative Assembly in as rigorous way as departments, for example, moving through the Consolidated Fund.

So I'm not saying there isn't a reason for setting up Crown corporations to carry on in a more independent manner and to carry on a monopoly or a business activity or raise user fees or whatever the activity is. But there is the line of accountability that still has to be there.

The second point is I'm not suggesting that the spending and revenue-raising of Crown corporations has to be approved on a line-by-line basis. The item that I'm focusing in on is the disposition, the use of the earnings, and how the losses are being subsidized.

Certainly those two key pressure points should be brought to the Legislative Assembly and they should be able to scrutinize what's going to be done with the earnings of Crown corporations in a very specific sense. If SaskPower's going to . . . projected to earn \$100 million this year, well what's the plan for those earnings? \$50 million are going to be re-invested; \$50 million are going to be used for some other purpose. That to me should be part of what the Legislative Assembly should scrutinize and deal with and debate.

Also I can't see any reason why a corporate plan shouldn't be — an annual corporate plan for each Crown corporation — shouldn't be presented to the Legislative Assembly. It doesn't have to be voted on — the Legislative Assembly can debate that, whether that's necessary — but to have the plan on the table so that other spending decisions made by government and proposed by government can be assessed in some context without the spending and revenue-raising plans of SaskPower and SaskEnergy for example. It's very difficult to see how their spending activities relate or integrate or don't integrate

with the spending of Education and Health. So the corporate plans as a minimum, I just don't see why they shouldn't be presented. And certainly it would help the Legislative Assembly better scrutinize and assess what government is proposing and does.

The existence of the Crown Corporations Committee, I mean it is moving, as far as I can see, to a structure that is quite parallel to this committee. And whether it's formed into one or has two components, both can be effective. I do still believe that the spending plans, the earnings and subsidization of losses and the revenue-raising measures moved through Crown corporations need to be brought to the table, otherwise there's an unequal competition for public money, unequal competition in a public sense that's brought to the Legislative Assembly.

If we only have a billion and a half dollars . . . and that's just an example for example purpose — a billion and a half of extra debt available to us this year, where should it go? Should it go to finance something, a program carried out through SaskPower, or should it be moved to a program carried out through Health? Without having both plans on the table at the same time, the competition and the scrutiny isn't equal. And I think that's very important.

**Mr. Chairman:** — Any of our guests wish to comment on that before I go to my speakers' list?

**Mr. Ching:** — Well, you know, I think that everybody around this table would accept the proposition that whoever is dealing with public funds, whether those are raised through a commercial Crown in doing business, or whether or not it's raised through the tax system, that ultimately the operational parts of government ought to report back to the Legislative Assembly. I believe that now happens, but it happens in two different ways. One way is through the Committee of Finance, Public Accounts Committee, where there's scrutiny in advance.

The other way is through the Crown Corporations Committee where there is scrutiny *ex post facto*. That system of *ex post facto* scrutiny in the Crown Corporations Committee parallels the system by which private companies in our economy function. I don't think one should assume that because departments of government are scrutinized in one manner, that that necessarily means that there's only one way of scrutinizing the activities of government agencies.

It obviously isn't the assumption which the Legislative Assembly came to when they set the Crown corporations sector in place. They came to the conclusion, obviously, that they were prepared to scrutinize the Crown corporations sector in a way different from departments of government. Otherwise why have a Crown Corporations Committee of the legislature? Otherwise why have The Crown Corporations Act?

Now if the Provincial Auditor is saying they ought to be scrutinized all in the same manner, all I say is that's not a debate that he should have with me. That's a debate that he has to have with the legislators of the province of Saskatchewan because that's the system that they put into place.

**Mr. Chairman:** — I think, Mr. Ching, from my point as chairman, and maybe one who instigated part of this exercise, I don't think anyone is picking a confrontational place with you here. This is simply to better understand the inner relationship.

As I said, I've sat on the treasury benches and still don't entirely understand the relationship, because there's no one person I don't think can ever understand totally the workings of all the departments and all of the Crowns.

Certainly the question of commerciality and its impact is tenser today than it ever has been. And SaskTel is a prime example of how our global relationships with both other public and private sector companies and institutions interrelate. And we are under significant pressure in this province in that regard.

But I think the question that comes out of some of the auditor's statements is — and one that always intrigued me in the budgeting process and the cabinet process — was the . . . for instance, on rate increases on natural monopolies and where exactly are they driven from. Are they driven from the fact that it looks like we're going to have a budget shortfall of X this year when we projected otherwise? And because the Crown, as you say, has a review process that takes place afterwards, it then means that you're dealing with a done deal.

And because the Crown sector in many cases doesn't provide for transparency, i.e., natural gas — one that I'm very familiar with — and the question of tolling and tariff and those other questions that ultimately decide the consumers' level of participation in the Crown, you may be a year, a year and a half after the fact, when you've had a very significant rate increase or a big change to a great part of society, i.e., hospitals, RMS (rural municipalities), municipalities, those that for instance go direct to well-head.

So you're involving many hundreds of millions of dollars of decision making which is looked at perhaps many months later. Those have a significant impact on the economy. They also have a significant impact on the amount of borrowing that is required because of pipeline construction, because of other things.

Those things are all done by the board of directors as The Crown Corporations Act lays out. But those board of directors are in fact as today cabinet ministers, for instance. So in reality the same decision makers who make the decisions on the Consolidated Fund also make decisions on a natural monopoly where there is no one else to compete with them anyway, so the question of commerciality becomes slightly redundant in certain aspects of it.

And it's a difficult one for decision makers, i.e., the legislature, to deal with because of the total magnitude, the total impact. Because whether you decide to borrow enough to put in 2 to \$300 million worth of pipe in the next five years in SaskEnergy, obviously has significant impact on royalties, on participation of companies, and on the ability of people to go direct to well-head or not go direct to well-head as far as their natural gas supplies.



No one argues that the natural monopoly is there. But the decision-making process to determine how that natural monopoly will affect you and I as home-owners, as business owners, as taxpayers, is removed from the legislative process. And that I think is the question that all of us as legislators in the '90s are grappling with. And I don't think that's an unreasonable premise to start from in trying to make the committee function better as a servant of the Legislative Assembly.

**Mr. Hornowski:** — Mr. Chairman, maybe I could just comment a little bit about this. I guess our concern and argument is that there is an integrity to this structure that's been created. And so if there are to be changes to the integrity of that structure, we should be very careful that what we change maintains the integrity of the structure and the purpose for which it was created. And the concern is that if we have changed things we may well be trading off more than we gain in the sense of imperilling some of those commercial mandates that were provided to the Crown corporation.

As a point of observation, it's becoming clear to most of the Crowns that we have under our review that the whole notion of natural monopolies is disappearing. That whereas many years ago perhaps some of the public utilities could be deemed much more closely to be natural monopolies, that distinction is disappearing because of the competitive pressures. If one takes an organization such as SaskEnergy, for example, it may have a partial monopoly in the delivery of a particular fuel but it is competing for other fuels in the market-place, both against other utilities and against some private sector suppliers.

So the notion of a natural monopoly is changing and is dramatically altering. And we would argue that one of the flexibilities and one of the needs is for Crown corporations to be responsive to those market changes. Because in the long run, if they're not, it ends up costing the taxpayer of Saskatchewan, because we get somebody else entering into that market-place that may have different objectives, may have different viewpoints about how things should be done, than the purpose for which the Crown was created.

So we're, I guess, arguing for the integrity of the system that has been set up. And if changes are to be made, then let's make those changes through the legislative process, maintaining the integrity and the purposes of the Crowns.

**Mr. Ching:** — It may very well be something that the Crown Corporations Committee wants to consider, as to whether or not it changes the regime under which it presently operates. It presently operates by only looking at the year under review on the annual report that's filed. It may be that the regime is not the correct regime, but nevertheless that is the regime that presently now exists.

Changing that regime may be sensible, as I say. The question of whether or not you totally throw that regime out and simply have the Crown corporations function the same way as the Department of Health or the Department of Labour, is something which I think you have to pause and consider whether or not that's what you want to do.

**Mr. Van Mulligen:** — I've got a couple of comments. One, I think that we may be going about the discussion wrong; that it might be more valuable, as opposed to having with us some of the information that we do, is it might be more useful to have the history books with us to look at the reasons why the Legislative Assembly set up the structure that has evolved over time and to look at the reasons why that was done.

I'm no historian but the little reading that I have done suggests that the government of the day was concerned that the Crown corporations which were set up be enabled to act in a manner commensurate with private companies. That it have maximum flexibility to do the job that it was intended to do and to maximize a return for the people of the province. And importantly, to keep the whole question of political interference to the minimum possible.

I appreciate that the events of the last 10 years raise for us significant concerns and questions about accountability and the way Crown corporations act and behave and how we can better call them to account.

And I think a number of things have been identified. This morning in our discussions with Mr. Ching, there's been . . . there are other recommendations that the committee either has made in the last year or which are before us and the committee can make in terms of improving this accountability.

But to go as far as the auditor suggests, I remain to be persuaded of that view. I look, for example, at the events of the last 10 years where actions of the federal government, at least in one sphere, and it may well be that actions of the provincial government as well, has served to deregulate the market-place. Where once you had, I guess the term is natural monopolies, now you have much less a case of natural monopolies. And you're forcing Crown corporations which once had a natural monopoly — and I guess probably the best example is SaskTel — to be able to move within the borders of Saskatchewan pretty much as it saw fit, to now be put in the situation where it has to compete on a number of different ways.

I think significantly there was a decision, made that SaskTel would not be the only supplier of telephones in the province, number one. And that was a provincial decision. SaskTel has competitors in the area of cellular telephones. And again it might be a provincial or a federal or a joint decision to allow that kind of competition in the market-place.

Thirdly, federal actions, very clearly those of the Mulroney government, to deregulate the market-place and to allow competition for long distance. And whatever your feelings are about the desirability of that, it nevertheless put SaskTel into a position where more so than ever before in the past, it must begin to act like a private company if it is to compete with the pressures that are now there.

Now you're making the suggestion that even though conditions have now changed to a situation where we

need them to act like a private company and to have the maximum flexibility to be able to do that more so than ever before, now you're making the suggestion that now we want to make sure there's even less flexibility. We want to put their plans about their expansion of the cellular phone system out for public debate and to give comfort to its competitors as to what it is that the public utility might be doing and to make it more difficult for them to operate in competition with them. You want a discussion publicly about how we might better compete with other firms that are in competition for long distance and the like.

And I guess I don't quite understand that. And I don't know if you've quite thought through the implications of all it is that you're proposing that we do.

You say that you're not interested in having a line-by-line analysis of what it is that the Crowns are going to do. You just want to know the disposition and the use of earnings. Well earnings generated from what? Earnings used for what purpose? Are you then saying that Crowns should simply report retained earnings and let the legislature get into a debate as to what should go into expanding the cellular network as opposed to what should go into regeneration of power lines?

And you used the phrase about unequal competition for public dollars. Is then the legislature going to get into a situation where the debate will be . . . and it seems to me if I hear you correctly, you want a debate in the legislature as to whether or not we should devote money to certain SaskTel activities, to certain Power activities — whether it's to upgrade their cellular network to be better able to compete with private companies and therefore retain their earnings and their profitability in that sector — or to invest more in power lines or to maintain the amount of money that's going into power line regeneration throughout the province, or new power plants.

That that somehow should . . . that as legislators we should get into a debate about those kinds of questions versus whether we need to build a new hospital here or a new nursing home there. And that may well be a very useful debate. But I invite you to begin to look at the implications of that, and look at the kinds of decisions that have . . . because there are jurisdictions where those kinds of debates begin to take place. And significantly in the area of capital investment in public utilities and capital investment at infrastructure where the political pressures . . . because now you've introduced that as part of the political equation that the result has been, and most significantly in the United States, where public infrastructure is allowed to take a second priority to more pressing contemporary political concerns.

And you may have some interesting points here about the way that we should go, but I don't think that you've been able to provide the kind of analysis of all, not just, you know, that it's desirable to have to be able to know in advance how it is that a corporation and a whole series of corporations are going to expend their dollars. You know, and that makes them more accountable, and yes it does, but to think through the implications of that.

And if you're saying then that the implications of that are

of — because you haven't raised them — are of no concern, I guess I have to look at that differently. And so I think I've got to be shown more about moving in the direction that you advocate to ease the concerns that I have and that many others have.

For me to say that, you know, I agree that unlike any private company . . . and I don't know of private companies; I don't if IBM or GM (General Motors Corporation) have a special shareholders meeting at the beginning of the year to say, here's where we propose to spend all our money. Here's a list, yet here's where we propose to invest our dollars. I don't know if Cantel does that, by the way.

I don't know if Cantel, for example, has a public shareholders meeting to which the shareholders and the media can go, to say: here's our investment for Saskatchewan and the kinds of things that we have in mind to compete with SaskTel in Saskatchewan. I don't know if they do that.

But for you to then say that the Crown corporations should do that, to my mind this area deserves a lot more debate than we've had here today. I'd want to have some of my concerns eased before I took that step.

**Mr. Strelloff:** — Mr. Chairman, Mr. Van Mulligen made quite a few comments. The corporate plans for Crown corporations, even in the federal sector the corporate plans for Crown corporations are required to be tabled in the Legislative Assembly or parliament each year. And it is: here's what we plan to do in the year coming forward.

The key part about the . . . to me, my worry about the current planning and resource allocation process that is brought forward to the Legislative Assembly, is that it focuses on the activities that the government chooses to carry out through the Consolidated Fund.

And that's only one organization of government and it includes some organizations some years and other organizations the other years. It primarily focuses in on the departments. It doesn't give the Legislative Assembly the overview of what the government is planning to do in the coming year.

As a general pattern, if you want to look at a pattern that you could sort of see what you would be getting in the Legislative Assembly, just look at the summary financial statements in the *Public Accounts* — it shows the financial results of government as a whole — and then put a plan beside it.

Here's the results. Well here's the plan. It's not at the level of detail that influences competitive advantage. And on that side, if you've remembered the Alberta experience with NovAtel and where NovAtel lost about 600 or 700 or \$800 million quite quickly. One of the key . . . two of the key recommendations that came out of that event were that the spending plans of all Crown corporations be put in, be presented to the Legislative Assembly.

Just think, the Crown Corporations Committee when they're assessing the performance of a Crown corporation, doesn't have the plan within the financial

reports that are presented to it. How do you assess the performance without finding out or without having a starting point as to what was planned? Pretty sterile exercise or very difficult exercise to go after the performance, assess performance, when you don't have what was planned. It's just a basic accountability piece of information that you need to do that.

Also on the corporate plans that could be brought forward to the Legislative Assembly, it's focusing in on the earnings. I mean that seems to be as a minimum what the Legislative Assembly one would think, one would hope, that the Legislative Assembly would be interested in, would be the disposition of the profits, the dividend policies of each of the Crown corporations. Are the profits going to be reinvested for these reasons, and they seem reasonable. Or are they going to be moved out and used in a different way.

And in terms of the Legislative Assembly's responsibility, I mean they are responsible for the spending plans and approving the spending plans and finances of all government activities. I think they need that information to do their job adequately.

What the government proposes to do in Crown corporations directly affects what the government can do in all other government programs and organizations. And to be able to assess the priorities and the trade-offs, you need both all the pieces on the table at the same time. The level of detail can be judiciously argued and discussed, but certainly all the pieces need to be on the table.

**Mr. Ching:** — I think that focuses the debate, that last comment. I mean, I think that for better or for worse, the legislature has made a decision to give up the ability to feather in in detail the plans of the Crown corporation sector when it is dealing with the overall financial affairs of the government at the Legislative Assembly. In return for that, it has achieved a certain degree of commercial viability.

It may in fact be that there's a strong argument in what the Provincial Auditor has said, that that's not a good system. It may very well be that in fact SaskPower ought to come in and have their capital budgets compared with the capital budgets of the Department of Health.

I think, however, Mr. Van Mulligen's point is a very valid one, which is that you ought to do that only with a good sense as to the ramifications that that will have upon the commercial viability of the Crown corporation sector.

**Mr. Chairman:** — One point I think that arises out of the comments that Harry made . . . and we must take into account history. I am told that for instance when we got power in our farm in 1951-52, that that would never have occurred had that been left to the private sector. And I have no disagreement with that, that electrification, the same as the gasification of rural Saskatchewan, were initiatives taken by the Crown on behalf of all citizens, taxpayers, and they would have probably never been undertaken by a stand-alone commercial company in the private sector.

But it still begs the question. I don't know in the setting up

of the Crown sector and everything, whether it was always predetermined for instance that the Crown would produce a dividend for the Consolidated Fund. Were the Crowns not, and a lot of my reading tells me, set up so that low-cost services to all people on a fairly universal base should be achieved, that those Crowns would generate enough revenue to cover capital costs and assets, and basically achieve a break-even of service to the people which would be cheaper than the service provided had any number of individual private companies been providing it.

You know, so it still begs the question then, should the Legislative Assembly have some say if there is a generation of a dividend over and beyond the capital expenditures? The game plan of that particular Crown.

In the case of Power that often involves 10- and 15-year windows because of when you do a Nipawin dam or you do a Shand, obviously you amortize those borrowing costs over a significant period of time; you have to look at your rate structures over a significant period of time in order to cover those capital costs, that I as a farmer may have affordable electricity on my farm over a fairly lengthy period of time.

But anything over and above that which then becomes a dividend back to the Consolidated Fund could be argued by taxpayers that that in effect is taxation. And I guess some view by the public as to whether the appropriateness of that may or may not be valid. I think there is some validity that when we get to those funds, that the Legislative Assembly does have some discretion because we aren't taking away the basic premise of the Crown which was to provide universal service at a reasonable price to all people.

And also the questions of your commercial ventures, SaskTel has had a number of them, others have, where they export technology, where they're involved with other countries under various agreements, but never involving the magnitude of funds that we talk about in our capital borrowing, for instance. Everyone understands the commerciality.

So that other segment, if the premise is that the Crowns will all declare dividends annually to the Consolidated Fund and Consolidated Fund then does its budgeting based on those dividends, is maybe erroneous without scrutiny by the legislature of that process.

And because that process is after the fact, then I go back to my earlier statements. Is that in effect taxation rather than good management of the Crown corporation? And I'm not sure anything in The Crown Corporations Act ever predetermined a dividend every year, but I know from sitting in budget deliberations that it was sure nice when it came along.

And the degree of that dividend has often been a discussion in the Legislative Assembly. It was when I was in government and I'm sure it will be under the present government. I mean, my government was taken to task on many occasions because of the size of the dividend declared and whether that size impaired the capitalization of the various components of the Crown

sector. And I think that process is not one right now that is very transparent to the public, to the Legislative Assembly, and in fact is dealt with many months after those decisions are made.

So we all will have our views of history, I guess, of what the Crown sector was originally created for, but my premise that anything over and above what your long-term capitalization program is, is indeed maybe subject to more scrutiny than that side of it.

**Mr. Ching:** — Well for instance, you know, I don't see any reason at all why the Crown corporations sector shouldn't come before the Crown Corporations Committee and answer all questions put to it on how it formulates its dividend policy. I don't see anything improper about that at all.

**Mr. Chairman:** — Neither do I, Mr. Ching, except, you know, the process there where the minister answers the questions is slightly different than this committee. This committee, the Clerk tells me, has been in existence since about 1963 in its present structure. This committee wasn't in place in 1947 in its current structure, whereas the Crown Corporations Committee has been there much longer.

**Mr. Hornowski:** — I think, Mr. Chairman, there is a distinction — and I'm pleased you made it — between the operating side and the degree of involvement and so on in that aspect, and distribution of earnings. And one could argue that those are distinct phases of a business and might be dealt with in a slightly different way.

But I think it is very important, and I think Mr. Van Mulligen indicated this, that we think this through very, very carefully in terms of how we approach it. Because there is at this present time, flawed and otherwise, an integral structure, and it does operate and it does have checks and balances.

You know, I'm a little concerned about implications that there's a lack of control. I think, first of all, there's a question of ever legislating honesty and integrity. And I don't think any auditor would ever claim that they would guarantee not to find every kind of transgression that can occur. They happen every day; they happen in every kind of an environment.

So I think there is a process and that process is legitimate, and it is an integral part of the framework and structure. And that goes through boards of directors that are duly appointed, and they have a minister as chairperson on those boards. You know, all those factors do provide for a sense of review and integrity throughout that process. That's very, very important. And before we throw away the baby, let's make sure we don't have the bath water attached to it.

**Mr. Cline:** — I've found this discussion to be very instructive from both sides. But it seems to me that from what Mr. Strelloff has said and Mr. Van Mulligen and the people at this end of the table, that there may be some room for middle ground and that there should be some work and opportunity to try to explore whether there is some form of report that could be laid before the

legislature, which would meet the objections of those that have difficulty with the Provincial Auditor's comments writ large, if I can put it that way.

And the auditor himself says that the level of detail with respect to the information has to be judiciously argued and discussed. And I mean it seems to me the two competing views — maybe they're not competing, maybe they can live side by side — but I mean there's the interest that the public has, and we I think as legislators have, in ensuring that government spending on the department side and the Crown corporations side is subject to some kind of scrutiny so it doesn't get out of control. I mean obviously that's a legitimate interest.

On the other hand, I think it's been made amply clear, and I won't repeat the arguments, but it's important that the competitive position of what are essentially commercial operations akin to private companies should not be impaired. They should not be made subject to rules that are more rigorous in the market-place than other companies are.

And then the distinction was just made between what you might do in terms of the operations side of a Crown corporation and the question of distribution of dividends. And I mean without stating the conclusion, because I don't think anybody's expressed quite, you know, a conclusion that is sufficiently cogent and clear to this dilemma, it does appear to me, listening to the discussion, that there should be some grounds for discussion between the Provincial Auditor and others at Finance and CIC with respect to what is the level of detail. So I don't really have a conclusion, but it does seem to me that we're not going to arrive at the point today where we will be able to define that.

**Mr. Strelloff:** — Mr. Chair, members, I think one initiative that you might want to put forward is to initiate discussions on how the summary financial statement of the province, which tries to bring everything together, how that summary financial statement can be used as the key planning document for the province.

So it doesn't push a specific template out, but it provides a context for putting together a plan, that at least you have assurance that all the pieces are there; now how best can a plan be structured so that it could be presented to the Legislative Assembly based on that same activity?

Some of the activities carried out may not . . . it may not be necessary to have specific legislative approval. For example, about 60 . . . 30 per cent or 40 per cent of the activities in the summary financial statement pertain to Crown corporations. Well that 40 per cent may not . . . you may not want to have a specific vote on, but the information be presented so that the other 60 per cent of activities that are debated in the Legislative Assembly can be debated in full context.

And that would be I think a good initiative to move forward, that would still allow for a fair amount of discussion and flexibility or whatever has to take place to make sure that all the pieces are on the table so that the Legislative Assembly can get a better handle on all the activities of government. After all, the public business

should be public.

**Mr. Hornowski:** — Mr. Chairman, if I may respond to that. I personally do not subscribe to that philosophy. It's tantamount description of a planned economy, and we've seen what happens to those planned economies in other jurisdictions.

And this is I think a very important point, There is a difference. There is a difference in the philosophy of assigning accountability that we are presently following compared to this whole notion of being able to plan all of the activities. It doesn't work.

The fact is that practically what has to happen, just because of the immensity and the difficulty of the scope of what we're dealing with when we're running a provincial or federal economy, and it's a task of daunting magnitude, that there has to be a recognition that there are people entrusted and empowered and held accountable for the decisions that fall within their scope and mandate.

And the solution to a failure to follow government policy in the manner described is that you get rid of those people. You don't set in place endless cross-examination mechanisms that second guess the decisions of the people that are charged with the authority to execute those decisions.

**Mr. Strelloff:** — That argues for no plan being brought forward to the government or the Legislative Assembly at all.

**Mr. Ching:** — It doesn't argue any such thing. And as a matter of fact, I would argue that at the present time there is a plan. I mean the province brings forward a budget and encased in that budget is the reference to what happens on the Crown sector. In this particular last budget, it was in the form of a subsidy. Hopefully in future years that'll be in the form of a dividend. But nevertheless there is a provincial plan for what's happening.

The real question is whether or not in advance there's a detailed examination of what happens on the Crown side.

What I'm saying is that if that's what the Provincial Auditor is asking for, I understand that. I understand also the benefits that come from that. And I simply ask him to understand as well that there are some major dangers on that. And it's not enough to simply look at the benefits that could flow from that sort of a manoeuvre and fix upon them and ignore the ramifications that might be negative for the provincial economy and the way in which the government goes about its business. That's all our point is.

**Mr. Chairman:** — I think Mr. Hornowski relates to another problem that we suffer from here in that when you spoke of the process of failure results in change on the political side, one of the problems that the public have, I guess, is the distrust of maybe not only the political side but some of the people that we hire to help us.

Maybe one of the ways around this problem that the auditor speaks to of public accountability is defining clear

in the public's mind those people who attach themselves to the political process with managerial responsibility. It's one thing to kick me out of office in my riding because of failings, that when it comes down to the people who help me, that gets into a different realm. And the public is a little bit uncomfortable with that, and I think that's why they come back to us as legislators and say, raise the accountability level; we're not happy with it.

I for one would never want to lose the opportunity to expand the economy or diversify the economy, and certainly my government was responsible for a great number of them, some of which went out on a limb, and I suppose if they'd been debated in the legislature, would have never seen the light of day. Because in the political context they might not have stood the test. They may not as commercial entities stand the test.

But certainly the ability to venture out and undertake things that are sort of in the bigger public interest will always be there. Perhaps what we need to do is define better for the public those people that are attached to us in that process.

Many people talk to me about the process the Americans go through where, when the president leaves, most of his cabinet and his senior people leave with him because he's clearly defined with policy initiatives. Not that . . . I don't know if you'd want to subject the Crown sector to that because continuity of programs is also essential.

I don't know what the saw-off is, but there's definitely, especially as I said before, in that portion of funds which is over and above your annual operating expenses plus your capitalization, there is some degree of scrutiny that if a fertilizer plant is the one that's on this year with those excess funds, we have some way of defining perhaps not the fertilizer plant, but economic development, or something.

And I only look at the questions that were posed to me as a government member who was proposing those types of things done through CIC with public money and saying, what the hell are you doing, Swenson. The auditor was asking those questions; a great deal of the public were broaching those questions.

The accounting function you have outlined this morning, Mr. Ching, to us is one that seems to have gone a long way with accountability. I'm the first to admit that. And I think that will be excellent.

But the bigger question will still be there the next time the government launches out with 250 million bucks, some of which may be garnered from dividends. That question won't go away. They'll then come back and ask the same questions of government, cabinet members, that they asked of me.

And it's a dilemma that the auditor is faced with legitimately, in my view. It's not questioning the role or anything else of the Crowns; it's there. So perhaps we need a different angle to address the accountability thing. And that's what people like yourself perhaps . . .

**Mr. Ching:** — Well it is indeed a conundrum. Be wary

because let me give you two examples. The Co-op upgrader in Regina here was debated, as I understand it, in the Legislative Assembly. The decision to proceed with Millar Western pulp mill up at Meadow Lake was not. If you asked me which one has got some hope of commercial viability, it's a pretty easy question to answer.

So I think that one should be very cautious about the suggestion that somehow or other debating these things in the legislature is going to cure the commercial difficulties, make one more successful than the other. It is not. The evidence clearly weighs against that.

**Mr. Chairman:** — Any comment? One other area that was on here that we haven't addressed and that this committee has talked about extensively and of course not come to a conclusion, but that's the question of the auditing functions. And I want to inject this before we sort of do a wrap-up on it because it's been a question. At our November meeting we were discussing who sort of has the criteria for the choosing or apportioning of our private sector auditors, in both the Crown sector and on the consolidated side. You know, does the Minister of Finance sort of have the criteria that picks those or is the president of CMB (Crown Management Board) with this board of directors that sort of ... because it's been a contentious issue for a number of years in the province of that mix between the auditor and his relationship with the private sector ones. And we were hopeful that you could be a little enlightening to us here in our deliberations of ...

**Mr. Ching:** — Again this is a matter that has been debated a number of times. The Provincial Auditor and I have had a pretty good go at this in a number of different forums.

On the question of agency, you'll be aware that at the present time the way in which the mechanism is working, as I understand it, is that the Provincial Auditor will in fact audit CIC, that in auditing CIC he will no doubt scrutinize all of our activities, including the activities which we discharge as shareholders or deemed shareholders of the subsidiary Crowns, and indeed actual shareholders of the projects that we are a part of. I would assume that in discharging those responsibilities of what I call the shareholder or the deemed shareholder, that if we discharge those in a way that does not meet with his approval, he'll draw that to the attention of the legislature.

I argue that in the private sector the right to select the auditors of any subsidiary Crown are vested in the shareholders of that Crown ... or the holding company of that Crown, sorry. In the private sector, if there's a company, the shareholders have the ultimate responsibility, you're right, to name the auditor of that company. They sometimes delegate that to the board of directors. But I think it's correct to say that the shareholder is the entity which is vested with the right and responsibility of naming the auditor.

In the case of the Crown corporation sector we argue that we are, by virtue of The Crown Corporations Act, the deemed shareholder of the subsidiary Crowns and we are in fact the actual shareholder of the projects.

And so it's our argument simply that the selection of the auditors is the responsibility that vests itself upon CIC. I don't consider the Provincial Auditor as carrying out the shareholder function of those companies. And I think that therefore it would suggest that CIC is properly selecting the auditors of the subsidiary Crowns, and to whatever extent we exercise that right, also the projects that we're involved in.

I may say that this issue, you'll be aware that the Gass Commission did not make a recommendation either way on, as I recall. Matter of fact, as I read the report, I don't think that the Gass Commission seemed to find favour with the idea of agency to the Provincial Auditor. I know that this matter was debated at some length between Mr. Strelieff and myself in front of the provincial audit committee.

The provincial audit committee likewise in writing indicated that they did not agree with the urging of the Provincial Auditor and agreed with our point of view on the subject, which is that CIC in fact does carry out a shareholder function vis-a-vis the subsidiary Crowns and that as such if there was going to be independent auditors appointed, that they ought to be appointed by CIC.

**Mr. Chairman:** — Any comment?

**Mr. Strelieff:** — Mr. Chair, members, Mr. Ching, this decision has been on the table for me for about 27 months now. You're beginning to wear me down, if that's any encouragement. Although I usually, when I go away for a weekend or something, I kind of charge back up. But you are wearing me down on this. I hope I'm wearing you down as well and that it's a bit mutual, although every once in a while you need some new blood to charge it up and I'm sure Mr. Hornowski sort of provides that new blood.

The auditor's role is not for CIC; it's for the Legislative Assembly. I mean that's why the Legislative Assembly has a Provincial Auditor. And management appointing its own auditor just in the scheme of accountability and protection of the shareholder, who I view as the public, just doesn't seem to make sense.

I've set out a number of concerns in our annual report, mainly due to our ability to ensure that the Legislative Assembly has our views in a timely way and our ability to get to issues in a timely way. The decision to audit directly CIC, with your cooperation, is I think a very significant step forward. It certainly handles what CIC is doing.

But there are other issues in terms of what SEDCO is doing and what SPC (Saskatchewan Power Corporation) and SaskTel, that we argue that ... We're not arguing that public accounting firms should not be involved — I mean that's a clear public policy decision — that if the decision is to engage them, we only argue that when they are engaged that to ensure that the reporting relationships go straight to the Legislative Assembly, that they act as agents of our office so that the accountability and reporting relationships move to where I think they should be moved to, and that's the Legislative Assembly, because that's the group that calls for the role of the Provincial Auditor and tries to ensure that the office can do our job.

So we've been arguing for an agency agreement because it just seems to be the workable middle ground that still would be an effective system and still would have the public accounting firms serving as appointed auditors. So I'm not completely worn down on that.

I believe the system needs to be changed. The Gass Commission said that the system needs to be changed and legislation should be revised. The government said the same back in the spring when it introduced its throne speech. This committee has discussed it many times. And my office still holds to the view that there needs to be a better way of operating, even though I recognize improvements have been made in this past several months.

**Mr. Van Mulligen:** — I'd like to hear more about this audit committee. Who's on this?

**Mr. Strelloff:** — Mr. Chair, Mr. Van Mulligen there is a . . . through our Act, The Provincial Auditor Act, there is a provision for an audit . . . Do you need any more?

**Mr. Van Mulligen:** — No. I'm placing it; but go ahead, explain it.

**Mr. Strelloff:** — Okay. There is a provision for an audit committee that is appointed by OC and that we as an office are required to present that committee our annual report before we present that report to the Legislative Assembly.

And the practice has been to discuss the draft report with that audit committee, along with representatives from CIC and the Department of Finance, to go through the issues that are in the report.

And that committee also provides a report on its review of our report and the meeting to either cabinet or maybe to the Premier? To the Premier.

**Mr. Van Mulligen:** — Who's on this committee then?

**Mr. Strelloff:** — Again it's appointed by OC. Last year's members: it was chaired by John Brennan, who is the dean of commerce at the University of Saskatchewan. And Roy Lloyd was on it, who used to be the acting president of SaskTel and he's working with Peat Marwick Thorne and their management consulting wing in Saskatoon. And the third person, a chartered accountant from a small firm in Regina.

**Mr. Van Mulligen:** — What did they say about . . . They didn't agree with your recommendation, but what were their comments or what did they say?

**Mr. Strelloff:** — Mr. Chair, Mr. Van Mulligen, loosely speaking, they thought that with better working relationships — and this is loosely speaking — with better working relationships the existing system should be able to be made to work.

**Mr. Ching:** — I think it's correct to say that we had a good two- to three-hour debate, not dissimilar from the one that we've had here, canvassing essentially all of the same

issues in quite some detail before the committee.

**Mr. Kraus:** — I just want to mention too, the audit committee conducts itself in a very objective manner and they do bring another perspective to the auditor's findings. And their recommendations many times, that go to the Premier, through the Minister of Finance, have supported the auditor.

So they will support many times the auditor's points of view as well as on occasion taking exceptions.

**Mr. Chairman:** — That structure of committees has been around for quite some time, has it not?

**Mr. Kraus:** — Since about probably '83, '84, somewhere in there it started off. I believe the first chairman was Mr. Bill Elliott, formerly of MacPherson Leslie & Tyerman. And John Brennan's been on the committee perhaps three or four years. And I think it's because of his relationship with the audit committee, that in fact I think it was John Brennan that was selected as the chairman to find a new Provincial Auditor which resulted in Wayne.

**Mr. Chairman:** — All right. It's a good point. I don't know how many members of Public Accounts knew of that, the existence of that committee. But perhaps in future as a committee we should invite that committee to come and visit with us and understand their function better. If one is ever to totally understand all the nuances surrounding this topic, it might be interesting.

Are there any other questions?

**Mr. Van Mulligen:** — No, I'd want to make a proposal in this regard later when, you know, when we get . . .

**Mr. Chairman:** — Certainly, we have our wrap-up to do.

**Mr. Van Mulligen:** — But I don't know whether it would involve another meeting with the audit committee.

**Mr. Chairman:** — If not, I would like to take this opportunity on behalf of the committee to thank our guests today. I understand the very serious pressures that you all operate under at this time of the year and know the scheduling difficulties that are inherent with that. But this is a process that I always repeated on a yearly basis because it certainly helps this committee who must approach the Legislative Assembly with a report that is meaningful and is in tune with the wants of the public these days. And you by coming here help us understand that function better, and in doing so provide a better report to the Legislative Assembly. So I thank you for taking this extra time.

**A Member:** — Can we take a break . . .

**Mr. Chairman:** — Can we finalize and then break, or do you want to . . .

**Mr. Van Mulligen:** — After the break.

**Mr. Chairman:** — After we break. That's fine by me. We'll have a 15-minute break.

The committee recessed for a period of time.

**Mr. Van Mulligen:** — . . . propose and make motions, but it's agreed that we can carry on. And the important thing is to get at the questioning of the witnesses for which we don't need a quorum.

I just want to ask the auditor, is there anything . . . like, you give us a list of the matters that have been resolved. Were there any others in Finance since that time that . . .

**Mr. Strelloff:** — Since the January 19 list?

**Mr. Van Mulligen:** — Yes.

**Mr. Strelloff:** — Not that I'm aware of.

**Mr. Van Mulligen:** — Okay.

**Mr. Chairman:** — Before we get into Finance, we should deal with our previous group because there was some recommendations tied in. We don't have enough here to make motions and that sort of thing, but . . .

**Mr. Van Mulligen:** — I'd like to suggest that on Friday morning, after we complete the department that's scheduled, that we deal with the outstanding recommendations at that time. Even if we had a quorum, I fear, you know, spending time now and pushing back the schedule — we've got people scheduled at 3 and then again at 4 I believe — but on Friday morning, we could deal with those recommendations.

**Mr. Chairman:** — Is that the will of the committee?

**Mr. Van Mulligen:** — If that's agreed, yes.

**Mr. Chairman:** — Okay.

**A Member:** — Does that create a problem for you?

**Mr. Chairman:** — No, as long as we don't get too much. But I think, given the magnitude of these ones, that probably . . . Because these particular ones that we dealt with that were identified in his four points with the previous guests are fairly comprehensive, and entail, I would guess, some degree of discussion — so that's sensible. And we also have the STC ones also to deal with because we didn't formally . . . All right?

We'll deal with the Department of Finance. We should move *in camera* for a minute.

**Mr. Van Mulligen:** — I have no further questions of the Auditor.

**Mr. Chairman:** — There was a number of areas to resolve. It seems there may be a few things here, so I think we do need a few minutes just to . . . So if I could have a motion, Mr. Sonntag. Agreed? Carried.

#### Public Hearing: Department of Finance

**Mr. Chairman:** — Thank you for being so patient. The committee had a number of areas to go over with, some of which I think have been resolved and some which

haven't. So perhaps it will have speeded our deliberations up a bit by being able to have our *in camera* session. I wonder, Mr. Wright, if you'd introduce your officials to the committee.

**Mr. Wright:** — Certainly. On my extreme right is Brian Smith, head of our pensions unit; associate deputy minister, Bill Jones. To my left, Gerry Kraus. Behind me is the executive director of administration, Bill Van Sickle, and Kathy Strutt with the Saskatchewan Pension Plan. A long of hanger-on from comptroller's division, but very intelligent hangers-on.

**Mr. Chairman:** — Thank you, Mr. Wright. Before I proceed, I have a short statement which I need to read into the record. 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 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 evidences.

The witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I ask that 20 copies be submitted to the committee Clerk who will then distribute the document and record it as a tabled document.

You are reminded to please address all comments through the Chair. Thank you.

Given the comments made in chapter 19 of the auditor's report ending March 31, '91, do you have any comments you wish to bring to the committee prior to any questions?

**Mr. Wright:** — I think, Mr. Chairman, it'd be fair to say in the whole series of ways here a lot of the issues have been either resolved or under consideration to be resolved. We'd be pleased to answer any specific questions that the committee may have.

**Mr. Van Mulligen:** — The auditor's report, the essential question which is being raised from paragraph .08 through paragraph .29 is the question of — is it through .17? No, through .29 — is the question of the standards or the accounting principles that you use.

The committee took the position in another discussion on the financial management review committee that the government adopt the accounting principles and reporting standards as established by PSAAC (Public Sector Accounting and Auditing Committee) and the Canadian Institute of Chartered Accountants and that the committee encourage the government to move towards the use of these principles for the preparation of financial plans and budgets, as I understand it.



And the committee declined however to say that the government should at this point move immediately towards enshrining that in legislation. I guess it's fair to say the government is moving towards this and that the one significant departure from this is the question of pension liabilities?

**Mr. Wright:** — Indeed. The other one is accrual accounting which we would hope may be part of the 1993-94 budgetary presentation.

**Mr. Van Mulligen:** — Okay, that's dealt with accrual accounting. The question of the pensions; what are the government's plans in this regard?

**Mr. Wright:** — The question of pensions is, at this point, still under consideration. I'm not aware of any other provincial government in Canada that currently records it in that fashion. It is an issue that is under active consideration by the Department of Finance.

**Mr. Van Mulligen:** — The government has established a pension review committee to look at the broader implications of this question or . . .

**Mr. Wright:** — Mr. Chairman, the government had indicated in the '92-93 budget, its intention to establish a pension review task force to consider this and other significant pension-related issues. As yet the task force has not been established. There are ongoing collective bargaining activities and that may perhaps be one of the reasons why.

**Mr. Van Mulligen:** — Okay. Would you be in a position to briefly outline the consequences of moving towards the PSAAC standards in as far as it deals with the pension plan? What effect it would have on the accumulated deficit, what effect it would have on net provincial payments for pensions on an annual basis?

**Mr. Wright:** — In a very summary way, Mr. Chairman, I believe the accumulated deficit of the province would increase today by about \$3 billion. We have actuarial evaluations of the various pension plans currently under way.

It will indeed as well increase the annual deficit of the provincial government by an amount, and I would speculate — and only speculation — that it would be in the range of 2 to \$300 million per year.

**Mr. Van Mulligen:** — Okay. On the other hand we would reduce some of our . . . would we be reducing any of our pension expenditures? Is there a net at the beginning there or not?

**Mr. Wright:** — I believe the net would be an increase in the range of \$200 million.

**Mr. Van Mulligen:** — Two hundred million dollars, annual.

**Mr. Wright:** — That's correct.

**Mr. Van Mulligen:** — So that this year the consolidated or

combined funds payment on interest on the public debt is roughly \$760 million. To adopt this recommendation at this time would increase that to roughly \$960 million.

**Mr. Wright:** — No. To which you refer is interest on the public debt, which is 760 million. This would not increase that amount. It would increase in a book entry form, the liability of the government or the . . . it would have to show as a line to be voted, I believe, in the various pension plan areas.

It's a non-cash item, which is to say we would not need to borrow for that item at this point in time. So interest on the public debt would not be charged.

**Mr. Van Mulligen:** — It would not be.

**Mr. Wright:** — No, it would not.

**Mr. Van Mulligen:** — Would there be any . . . would it have any other implications then for the Consolidated Fund or . . .

**Mr. Wright:** — I believe it would have certain significant implications in terms of interprovincial comparisons, and may be perceived by certain investors as an oranges and apples situation when they try to compare our financial situation relative to that of other provinces in making their choices and their decisions as to whether or not they purchase Saskatchewan bonds or purchase, for example, the bonds of Nova Scotia.

That would be significant in terms of the actual accounting standards or the financial implications? No. I do not believe there would be other significant ramifications.

**Mr. Van Mulligen:** — Okay. But the government did indicate that there would be a pension review task force to examine this question, I guess among others, as to how to deal with this.

**Mr. Wright:** — Indeed it did.

**Mr. Van Mulligen:** — Okay. Paragraphs .30 through .31. Again the auditor, his recommendation is that we use the CICA's (Canadian Institute of Chartered Accountants) recommended accounting principles, so I don't want to deal with that.

Paragraphs .32 through .42. The auditor is recommending a change to The Financial Administration Act to make it clear Crown agencies must repay unspent appropriations to the Consolidated Fund except where another Act specifies otherwise. And he makes the point that departments receive appropriations and if the money's not spent at the end of the year, it's automatically returned to the Consolidated Fund, and that the same should apply then for any payments to other Crown agencies.

Leaving aside the question whether the committee should be active in recommending changes to policy and to legislation unless requested to do so by the Legislative Assembly, do you have any comments on this?

**Mr. Wright:** — I think, Mr. Chairman, it would be fair to say that amendments are being contemplated to The Financial Administration Act to clarify that the Crown corporations and agencies are not required to repay unexpended dollars as in terms of the appropriations from the Consolidated Fund. In our view, as a consequence, control of the public money will be retained because if the amendments are made, the Act will allow for the recovery of unspent appropriations under an order in council.

So the long and the short is that we are considering appropriate amendments to The Financial Administration Act that may or may not appear in the forthcoming session of the legislature.

**Mr. Van Mulligen:** — Which will return unspent appropriations or allow agencies to retain?

**Mr. Wright:** — It will allow for recovery of unspent appropriations with order in councils.

**Mr. Van Mulligen:** — .43 through .47, the auditor is recommending the special warrants presented to the Lieutenant Governor comply with The Financial Administration Act. I won't ask you to comment because I don't think that anyone would disagree with that. Do you have any problems with a recommendation like that?

**Mr. Wright:** — As I understand .43 to .47 dealing with SPMC, this issue has been in fact resolved. We are not funding depreciation any longer and we are expensing capital grants made to SPMC. So in my view it has been resolved.

**Mr. Van Mulligen:** — Okay. The next section is one that troubles the committee greatly. It's the question of the comptroller's revenue controls. I'm just wondering. This is something that the auditor reports on annually. And if you have any comments on this or if Mr. Kraus has any comments on this.

**Mr. Wright:** — Just very briefly — and if Mr. Kraus wants to add to this — the department is of the view that the systems and procedures used to monitor and control revenues are currently adequate or reasonable. However, in recognition of what the Provincial Auditor is saying, the comptroller's division is documenting the way in which he fulfils his responsibilities to control the revenues.

**Mr. Kraus:** — I just wanted to add that we consider this a reasonably high priority but preparation of the summary financial statements for the first time and a lot of work leading to perhaps an introduction of accrual accounting has consumed a lot of my resources. So however hopeful that I'll have something for the auditor to review quite quickly, we are working on a paper.

**Mr. Van Mulligen:** — Okay, so this is one that we could leave over and see what progress there is next year on that.

**A Member:** — So we can sleep at nights again.

**Mr. Van Mulligen:** — So we can sleep at night again.

**Mr. Wright:** — Indeed, Mr. Chairman, I do hope all committee members can sleep at night.

**Mr. Van Mulligen:** — Paragraphs .60 through .65. The auditor is recommending that The Financial Administration Act be changed to require the government to inform the Legislative Assembly of the facts connected with all payments made for loan guarantees, and also recommends The Financial Administration Act be changed to require the government to include guarantees and programs of guarantees in its fiscal plan, and the Assembly's approval of the plan.

Again, putting aside the question whether the committee should take upon itself the role or the mandate of recommending changes to legislation and policy without being asked to do so by the Legislative Assembly, do you have any comments on the auditor's suggestions?

**Mr. Wright:** — I guess just off the top, with respect to loan guarantees in the '92-93 budget, we did introduce disclosure to ensure greater public accountability of all loan guarantees, in the change in the loan guarantee portfolio.

We are, within the Department of Finance, considering what other steps can be further taken to ensure appropriate execution of the guarantees when necessary, and any other steps that may be taken to enhance public accountability.

**Mr. Van Mulligen:** — Paragraphs .66 through .72, the question of special warrants. The auditor is recommending that spending by special warrants be limited to those rare circumstances when it is impractical to have the Assembly authorize additional spending. I don't know if that's in addition to the conditions that are in The Financial Administration Act, or are you simply saying that you should follow The Financial Administration Act? How do we say that you should follow you Act?

Paragraphs .73 through .78, we've discussed that and I don't have any question.

Paragraphs .83 through .86, the matter of surviving spouses and the pay of annual supplementary allowances. Any comment on that? The auditor is saying that in his opinion the Act doesn't provide for that and yet the department is in fact doing that. Any comment?

**Mr. Smith:** — Mr. Chairman, we're attempting to clarify the legislation whenever we can get the legislative changes on the legislative agenda. So we'll be dealing with it whenever it's possible to deal with it.

**Mr. Van Mulligen:** — So I guess in a general sense then, you concur with his comments and that there needs to be legislative clarification of this. Okay.

.87 through .92, annuity underwriting. Any comments on this matter?

**Mr. Smith:** — Again, Mr. Chairman, it's a clarification of the Act. The Act is presently silent as to who bears the

liability of underwriting annuities, and a change is necessary in the Act to clarify who is responsible for the annuity underwriting liability if one is created.

**Mr. Van Mulligen:** — The next couple of items are reporting. I know you had a problem in PEBA (Public Employees Benefits Agency) that for a number of years meant that you couldn't get reports out on time. It seems to me that's largely been resolved but there's still some outstanding ones here. Any sense in what's . . . Can you give us some sense of what's happening?

**Mr. Smith:** — I think in terms, Mr. Chairman, in terms of the current process I think we're current on all the issues that are here. There are some financial annual reports that have not been tabled, and they're ready to be tabled as soon as the session begins.

**Mr. Van Mulligen:** — So that this is an item that the auditor is not likely to report then in future reports?

**Mr. Smith:** — My hopes are, Mr. Chairman, that it doesn't happen again, yes.

**Mr. Van Mulligen:** — Okay. The last one is the current policy and procedures manual. The auditor reports on it but didn't make any recommendations to us on it. Or that unless I'm missing a page here from . . . or no, maybe that . . . Yes, okay. You did. Sorry. It's on the next page: we recommend that the department prepare complete and current policy and procedures manuals for the operations of the public employees annuity and superannuation funds. Any comment on that?

**Mr. Smith:** — Mr. Chairman, we intend to have the first draft ready for review February . . . at the end of this month, 1993.

**Mr. Van Mulligen:** — So judging from the timing, that's something that the auditor may report on again in his next report. I'll have to monitor and see whether in fact next year that is again the case. That's all the questions I have.

**Mr. Chairman:** — Mr. Wright, back to the pension liability question, I understand as of March, '92 that the government of British Columbia have indeed included pension liability in their numbers, that that question has been questioned in regards to the teachers' portion of that pension liability, and in fact there's been a legal opinion rendered that would say that it is outside of the other pension liabilities.

First of all I'd like to know if that situation is likely to arise here as you move in that direction. And also your comment about comparing apples and oranges . . . I think one of the things that the auditor has been saying on this thing is if you're making provincial comparisons, in fact you'd be better off with all of you reporting the same way. Obviously British Columbia has moved in the direction that the auditor here has mentioned. I wonder if you could comment on those.

**Mr. Wright:** — Mr. Chairman, I'm not aware of the situation with respect to B.C. (British Columbia). I must be out of date. I will indeed check into it, and I'll see what I can find about it. With respect to that, I do know that

Canada does record its pension liabilities. If in fact it is the case that B.C. does that, it would be relatively small I'm sure in terms of the amount, and therefore not setting . . . making interprovincial comparisons I should say doable. Nevertheless I will indeed check into that situation.

**Mr. Chairman:** — If the same legal challenge were to occur here, what would we be looking at in the way of say a percentage split, the amount that would be included and what would be excluded?

**Mr. Wright:** — Since I'm not aware of the legal challenge, Mr. Chairman, it would be very hard for me to comment on that.

**Mr. Chairman:** — Okay. Would you mind looking into that.

**Mr. Wright:** — We indeed will look at this.

**Mr. Chairman:** — So that the committee's well briefed on this. Because obviously if we're moving that way, we should be up to speed.

**Mr. Wright:** — Indeed.

**Mr. Chairman:** — Any other questions from the committee?

**Mr. Cline:** — I'm looking at volume 2 of the details of revenue and expenditure. Mr. Wright, who is Nancy McLean?

**Mr. Wright:** — Nancy McLean . . .

**Mr. Chairman:** — She's dead.

**Mr. Cline:** — Is she dead?

**Mr. Wright:** — I believe Nancy McLean . . . I'm just trying to check my notes here, Mr. Chairman. Nancy McLean ran a communication consulting corporation and I do believe, Mr. Chairman, you're absolutely correct — she has died recently.

**Mr. Cline:** — And what did her group do for the Department of Finance? I'm looking at page 95 where that group was paid \$128,431.

**Mr. Wright:** — Nancy, 128,431. Communications consulting services, including strategy, research services, questionnaires and polling, media watch and speech development. Fees were a total \$124,550, and meeting and travel expenses were \$3,881, for the total of 128,431.

**Mr. Cline:** — Okay. Was there no firm in Saskatchewan, assuming that these services were necessary, that could have offered those services to your department?

**Mr. Wright:** — Indeed. Mr. Chairman, there were other firms that were utilized over the course of the year. For example, Charlton Communications located out of Saskatchewan.

**Mr. Cline:** — What did they do, by the way?

**Mr. Wright:** — They did a variety of things associated with the pre-budget consultations including security, logistics, mailing and associated costs, media relations, data entering and computer programming, consulting, coordination, and administration. Disbursements included phone, fax, and courier. The total there was \$279,447.

**Mr. Cline:** — Okay. Thank you.

**Mr. Strelieff:** — Mr. Chairman, members, just one comment on the discussion on the pensions, the impact of recording the \$3 billion unrecorded pension liability. It would have an impact on debt costs.

If you follow the recommendations of the Canadian Institute of Chartered Accountants, the borrowing of the accumulated unfunded liability is considered to be just another form of borrowing, another source of financing, and therefore there's an imputed interest costs on the 3 billion so if the interest rate is about . . . or the discount rate is about 8 per cent or 9 per cent, the impact on debt costs would be say 8 per cent times 3 billion is \$240 million.

So the impact on the combined fund, as Mr. Wright said, might net out to be \$200 million. Part of that cost would be apportioned to debt interest and part of it would be apportioned to costs of employees.

So the first point is that recording the unfunded pension liability would have an impact on debt costs. And the comparability issue . . . Right now you can't compare provincial finances to a great extent because there is an uneven or uncomparable way of handling the pension costs right across the province, or right across the country. You can't compare the finances of Alberta with Saskatchewan for that major reason. In B.C. in '92, the year ended March 31, '92, they have recorded their unfunded pension liability except for a major liability related to the teachers' plan; just like our teachers' plan has a huge unfunded liability, so does B.C. But apparently the teachers' plan, the way it's written, the lawyers when they get together say that nowhere in that plan does it say that the province has the residual obligation. And so far that hasn't been challenged at all. I don't know who has the residual obligation. It's in the multibillion-dollar range. But that's where it stands in B.C.

**Mr. Kraus:** — Mr. Chairman, just the recollection now, in talking to my counterpart in B.C., it seems to me that what the auditor is saying is correct. Teachers was not the responsibility of the government, as is the case here. Plus I think the civil service unfunded liability was perhaps at that time in the range of \$300 million. Relative to the economy and the financial position of B.C., it was rather a small problem.

**Mr. Strelieff:** — That's right. So they recorded it. But that just stresses the non-comparability that we're stuck with right now when legislators are trying to compare how Alberta's doing with Saskatchewan, with Ontario, with New Brunswick. You can't do that right now because they're using different accounting principles and also different reporting entities. And the recommendations of the Canadian Institute of Chartered Accountants are a

large measure to improve that comparability. And it's good to see that the province is moving to adopt those recommendations. I look forward to the day when they're all adopted and also that they form the basis of the financial plan of the province as well.

**Mr. Chairman:** — Any other questions? If not, thank you. Mr. Wright, and your people for coming out today and you can get back to your very busy schedule.

**Mr. Wright:** — Thank you, Mr. Chairman.

**Mr. Chairman:** — We do have a quorum. We need to deal with the recommendations and have a motion to recall. I wonder if we might . . . We should deal with the Department of Finance with a motion and the recommendations as outlined in the auditor's report. I have one here I could pass down to Mr. Van Mulligen.

**Mr. Van Mulligen:** — I move that the hearing for the Department of Finance be concluded subject to recall if necessary for further questions and that the report can note the following — and I'm not going to write all this down, okay — with respect to paragraphs .08 through .31, the committee notes that it is making a recommendation that the government adopt the accounting principles and reporting standards established by the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants.

**Mr. Chairman:** — Was there any there that we don't agree with, to make it simpler?

**Mr. Van Mulligen:** — And the committee also notes that the government has not at this point applied these accounting principles to unrecorded pension liabilities, but also makes note of the government's intention to establish a pension review task force to examine this and related issues.

**Mr. Chairman:** — And that would be under which section?

**Mr. Van Mulligen:** — That's sort of from .08 through to .31.

**Mr. Chairman:** — Well that's included in there, rather than where? Because there is a section here that does deal specifically with that.

**Mr. Van Mulligen:** — Yes, but it's all one issue; and there's an exception to that, the pension liabilities.

The committee also notes, with respect to paragraphs .32 through .42, the committee notes that amendments to The Financial Administration Act are being contemplated to provide for recovery of unspent appropriations through order in council. Okay?

**Mr. Chairman:** — Yes.

**Mr. Van Mulligen:** — I just might add parenthetically, like if that isn't done and continues to be a concern, then I'm sure the auditor will report further on this in future years. Right? He's nodding in the affirmative, which is a bit of a

... Nodding is affirmative in most cultures. Never mind.

.43 through .47, the committee concurs in the auditor's recommendations that special warrants presented to the Lieutenant Governor comply with The Financial Administration Act, but also notes that Department of Finance officials are of the viewpoint that the specific instance cited in the auditor's report has been resolved, in their opinion.

The committee noted, with respect to paragraphs .48 through .55, that the Provincial Comptroller is contemplating a higher priority for this matter, that is to say, to document his rules and procedures, to supervise the receipt, recording, and proper disposition of public money.

Paragraphs .60 through .65, the committee notes the Department of Finance has provided for more disclosure of loan guarantees and is studying what other steps can be taken in this regard.

Paragraphs .66 through .72, the committee concurs that spending by special warrants be limited to the conditions outlined in The Financial Administration Act.

Paragraphs .82 through .92, it was reported to the committee that legislative amendments are anticipated to clarify the issues raised in the auditor's report. That's it.

**Mr. Chairman:** — Given the changes as proposed by Mr. Van Mulligen, is it agreed then that the hearings regarding Department of Finance be concluded subject to recall if necessary for further questions? Agreed? Carried.

I have a small problem that I need about 10 minutes to look after, and I think the practice is that the committee has to have members from all sides present to function, and I don't think it would be appropriate if I put Mr. Van Mulligen in the chair and started the process. So I'm going to need to adjourn for about 10 minutes and then reconvene if that's all right with the members.

The committee recessed for a period of time.

**Mr. Chairman:** — ... reconvene the committee. I thank the members' patience. It comes unavoidable, when one's Leader of the Opposition, at times to do certain things. Do we have a need here — I suppose we should for just a few moments — do we need to go *in camera*? I guess we're already there.

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

#### Public Hearing: Executive Council

**Mr. Chairman:** — Mr. Clark, I wonder if you might introduce your official to the committee, even though most of us know him, I think.

**Mr. Clark:** — Yes, Mr. Chairman. Thank you. This is Don Wincherauk. Don is the director of administration in Executive Council. And I just want to say thank you, Mr. Chairman, for rescheduling so that we could be here this afternoon.

**Mr. Chairman:** — Well thank you for being so patient and waiting until we could properly begin to discuss Executive Council.

I have a statement that I'm charged with reading to you before we begin our deliberations.

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 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 evidences.

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

Mr. Clark, given the comments made by the auditor for the year ending March '91, do you have any comments that you wish to impart to the committee before we open the floor?

**Mr. Clark:** — I don't think so, Mr. Chairman. I could expand on some of these issues, but I think maybe in the context of the question and answer period that perhaps some of the points might get elaborated but I don't have any particular prepared remarks that I want to respond in any detail.

**Mr. Chairman:** — Does the auditor have any comments to make?

**Mr. Strelieff:** — No.

**Mr. Cline:** — Yes, Mr. Clark, at paragraph .06 the auditor points out that the government paid an employee severance pay of \$97,764, and that employee went to work for a Crown corporation at a greater salary. And the auditor, obviously, is of the view that this is not a good expenditure of public funds. And I think the auditor is right about that.

In fact I would go slightly further than the auditor because he is saying that, well it doesn't make much sense when somebody goes to work for another agency funded by government, in this case a Crown corporation. It seems to me that it's the height of stupidity for the government to pay that kind of severance pay to anybody that's going into another position and suffers no loss because he or she has, you know, already obtained employment.

And my question to you is: has the government taken any steps to prevent this kind of practice from occurring in the future?

**Mr. Clark:** — Yes, Mr. Chairman. With respect to the specifics of this item raised at point .06, I'll have Mr. Wincherauk expand if you like. But I can indicate that in December of 1991 the government passed legislation under the contracts Act which dealt with this issue of severance, of deferred payments, these kinds of issues, and of course blocks these kinds of severance arrangements, including where there is legitimate severance circumstances around mitigation. So that if there is in fact income enjoyed from the individual moving on, this is subtracted from any severance package.

So I'd say in short that the answer is yes, that significant measures have been taken to address this kind of issue.

**Mr. Cline:** — Thank you.

**Mr. Wincherauk:** — We have also . . . That clause that existed in our contracts has been removed from those contracts.

**Mr. Cline:** — Then the auditor goes on to say in paragraph .07 that in his opinion there should be an agency of government that ensures payments of this nature do not occur. And you've already indicated that the system is in place for it not to occur through legislation and through administration.

This agency would also rationalize salaries among the agencies of government, and then an example is given. And then he goes on to paragraph .08. And I would like your comments on those paragraphs with respect to how you propose to respond to those comments of the auditor if indeed you propose to do anything about them.

**Mr. Clark:** — Well, Mr. Chairman, we have addressed this issue, as you may or may not know. I chair the Executive Compensation Committee of the government which includes Mr. Ching from Crown Investments Corporation, the chair of the Public Service Commission and the deputy minister of Finance.

We have developed and have adopted within the government a nine-step or nine-level grid which embraces all the senior executives in the public service. By that, I mean executive government and the Crown corporations into a grid which goes from the chair of the largest Crown corporations through the deputies and associate deputies. So I would say that we have endeavoured to reconcile the issue of compensation levels in this particular instance as referred to in .08.

**Mr. Cline:** — Thank you very much. Those are all the questions I have.

**Mr. Chairman:** — Mr. Clark, this nine-level grid that you have established, I know that when a specific contract is signed that that becomes public by OC. Is the grid public?

**Mr. Clark:** — As far as I know. I have no reason to believe that it isn't. I've never taken the view that it was secretive. I don't know if anybody's ever asked me for it, but I would certainly . . .

**Mr. Chairman:** — You've just been asked for the first time.

**Mr. Clark:** — All right.

**Mr. Chairman:** — Thank you. I want to go back to the first four sections of the auditor's report. We've had a very interesting day today in that we were privileged to have a discussion with the president of CIC, and the deputy minister of Finance here together with some of their officials. And we asked them a number of questions as pertaining to how members of the Legislative Assembly properly look at various functions of government. And of course it was a very well-rounded discussion.

But I think there were a number of points raised that some agreed with and some disagreed with as to that process and its relevance as pertained to the auditor's comments. The auditor obviously has made a number of points here that that accountability process to the Legislative Assembly perhaps could be enhanced in various ways to your organization.

And I just wondered if you might comment on those sections, .01 through .04, and any particular areas that you find favour with and perhaps some that you don't.

**Mr. Clark:** — Well thank you, Mr. Chairman. I've had this discussion with the Provincial Auditor, so I enjoy the opportunity to join the discussion again. First of all I would say that we have endeavoured, I think, aggressively through responses to the Gass Commission report and other measures to improve the availability of information, the access to information through the Legislative Assembly, to try to make as open as accessible the activities of the government.

I think that the point that the auditor and I perhaps depart on is the inference that there are quite a lot of things wrong, or the issues are not adequately aired or made available. And I guess I think that's the starting point for the discussion in terms of either the Crown Investments Corporation, having an opportunity to pursue issues, or certainly in Committee of Finance the efforts, as I mentioned earlier, around the measures recommended in the Gass Commission. It seems to me that we've tried to move aggressively in those areas.

So I think we need to start the debate around what particularly needs to . . . what's wrong. The inference is that there's a great deal wrong and I guess I don't initially share that particular perception. And then I think maybe we could move from there to see how government can be genuinely more open, more accessible, more accountable.

**Mr. Chairman:** — I guess it all . . . As the discussion earlier today, primarily around Crown corporations, hinged on their operating side and then their other side, which may or may not include dividends to Consolidated Fund and how those monies then are apportioned once your capital costs and others have been looked after. And certainly Executive Council — or at least the one that I was quite familiar with — had a number of people who, for instance, looked into the feasibility of new projects, looked into the overall picture of economic

development, looked into changing the way that people do things. Executive Council is charged with having a fairly broad view of government and yourself as the head bureaucrat in this province must have some knowledge about everything.

And that's where the agreements or disagreements come into play as to who ultimately, I guess, is responsible for the broad picture. And I know my government took the tack, as I think this one has, that you do these things but you do them for cabinet only. And as an opposition person and as back-bencher, I think there's a legitimate request that the Legislative Assembly have as much control as possible over matters of expenditure. A lot of people feel that private members of the Legislative Assembly have had their powers eroded over the years and that we as a society need to put some of those powers back. I think you're very conversant with some of those issues.

**Mr. Clark:** — Let me just expand for a minute, Mr. Chairman. Certainly in terms of your observations about my particular role in terms of cabinet secretary and deputy minister to the Premier, I try to be cognizant of the things that are going on in government. I work closely with the secretary of Treasury Board. Obviously as cabinet secretary, I see all the material through Treasury Board and I can indicate that the Treasury Board, as I am sure you are aware, meets weekly. In terms of some people in government, its expenditure control mandate is sometimes exercised too vigorously, I think, in the minds of some people. I sit on the Crown Investments Corporation as a non-voting member in order to appraise myself of the issues going on in the Crown sector.

So in that sense, in terms of . . . Obviously I don't report to the legislature, but responding to your point about trying to have an overview. I think the issue that . . . and again I've had this exchange with the Provincial Auditor on the role of the various Crowns and the role of the Crown Investments Corporation. I take the view personally that the Crowns are not departments of government. I think Wayne may disagree with me but I extrapolate his point of view to say: well we're just going to make all the Crowns departments. Either let's have them operate as the commercial entities and respond to the Crown Investments Corporation of the legislature, or let's not. But I don't see them behaving as or being treated as departments and I think that's a fundamental area where we may well disagree.

**Mr. Chairman:** — Do you see any role in the near future that Executive Council would undertake in the way of change here? Obviously the government has committed itself for instance, to changing its accounting methods, which entail the way that some reporting is done. Do you see anything there that would either enhance Executive Council's role or in fact diminish it?

**Mr. Clark:** — Well first of all, I don't feel that our own particular role and serving government and serving the legislature indirectly is being eroded at all. I think we're looking at every opportunity, again, in response to the 40-some recommendations in Don Gass's report, to provide information in a timely way, in as expansive a way as is reasonably possible. I wasn't here earlier today

when Mr. Ching was speaking, but I'm sure he's reported on efforts he's undertaking to try to make material available.

So I want to not appear to be intransigent or constipated on this matter. I think we're always looking for ways to be more effective, be more efficient, and run an open and accountable government, in the context of what's, you know, what's reasonable and what's doable.

**Mr. Strelieff:** — Mr. Chairman, Mr. Clark mentioned that I hold the view that Crowns should be departments. I don't hold that view. I see that when you set up a Crown corporation, you're setting up a Crown corporation and going to get more management autonomy, which is a decision made by government. And that's what it does.

I only point out that there's two angles to when you set up a Crown corporation. One is that you're giving it more management autonomy. It doesn't mean that it no longer is as accountable as a department. There's two streams. In fact you could argue quite vigorously and legitimately that the more management autonomy you give an individual or an organization, the more accountable that you would want it to be, but within that degree of management autonomy, which might be quite similar to a department or might be very independent.

And the point that I make is that sometimes when Crown corporations are set up or operate over a time, they tend to take the view that along with management autonomy becomes not a high sense of obligation to be accountable to the Legislative Assembly. And that's the first point.

And the second point is that in pushing for or arguing for a financial plan that presents the government as a whole, the plan does not have to be a line by line, here's the spending program of Sask Power Corporation. I see no reason though that a corporate plan not be tabled in the Assembly showing what in general is being planned and a more specific discussion and perhaps approval of what happens to the planned earnings, net earnings, net income of Crown corporations. Are they going to be reinvested or are they going to be used for some other purpose? That discussion seems relevant to what the Legislative Assembly should be doing in an oversight fashion.

So I hope that over time the plans brought forward to the Legislative Assembly more visibly incorporate the activities of Crown corporations, because they're an integral part of what we do and what the government does and they have . . . what we do in a Crown corporation has a direct impact on what we can do in a specific department. There's only so much resources available in the province and to link them together in a more visible way I think would improve the oversight responsibility of the Legislative Assembly. That is needed. At least in my view it is needed.

**Mr. Clark:** — Well let me apologize for putting words in your mouth that suggested that all the Crowns should become departments.

I was of the understanding, and perhaps incorrectly so, that in the case of Crown corporations, the Crown

Corporations Committee had considerable amount of latitude to pursue the types of oversight issues and issues of policy that I think you suggested.

I guess again the inference seems to be . . . and I think what I find so troubling right now in terms of the Canadian society — and you were at the presentation I made the other morning — that there is a great deal of anguish in our society right now. Some would call it cynicism. Some would call it just a more sceptical public about our institutions of government.

I'm not speaking now about the partisan representation in any city hall or legislature. And I think what's troubling me about the conversation we've had in the past, is that there's an inference that there's a whole lot of things that are going on that people can't get access to and that there's a whole lot of things that can't be discussed or reviewed, and I guess I don't share that view.

I mean there's . . . whether more can be done, I'm not going to sit here and intellectually suggest that something more couldn't be done. But I think that every effort is being made to make the behaviour of the government, including the Crown corporations, open and accountable. There's question period. There's a number of vehicles that I think require a minister and therefore government to be accountable for its actions, whether it be a Crown corporation or a department.

Obviously the Committee of Finance provides the legislature with an opportunity to review every facet, if it chooses, of a particular departmental budget perspectively.

And I admit the Crown Investments Corporation is always after the fact. But I still believe that that's a vehicle to pursue government policy on those particular issues.

And if I'm not mistaken, in this past set of accounts — Don, help me here — we started to at least introduce some summary financial statements around the Crowns. And I believe . . . as I say I wasn't here when Mr. Ching was speaking earlier this afternoon, but I think there's more being contemplated in that respect.

So a bit of a long-winded answer, Mr. Chairman, but I don't want to seem to be defensive, please, but I do want to say that I think that a lot is being done, a lot of genuine effort is being made in this respect.

And as I say, I think when the inference is allowed to linger that this isn't happening, I think it just feeds the kind of cynicism unfortunately that is pervasive right now about our institutions.

**Mr. Chairman:** — I think politicians, Mr. Clark, have done a lot to engender that in the public's mind over the past decade or two. We tend to be a self-serving lot at times.

**Mr. Clark:** — Well I'm sure that was a rhetorical comment and you'd didn't want me to answer, Mr. Chairman.

But I think that when one serves, as I have, 20-some-years

of my professional life in the public service, you can't separate ourselves from the fact that if the public's angry at the mayor, that they're angry at city hall, and you work at city hall, or they're angry at the legislature or whatever, it tends to diminish our effectiveness to serve our citizens. And I just don't find that a situation that any of us can take much joy in.

**Mr. Chairman:** — There doesn't appear to be any other questions from the committee. Thank you very much for appearing before us today.

**Mr. Clark:** — Thank you, Mr. Chairman.

**Mr. Chairman:** — Are we prepared to do a motion on this or do you want to leave it?

**Mr. Van Mulligen:** — I'll just move that the hearing with — however you phrase it — with respect to the Executive Council be concluded subject to recall.

**Mr. Chairman:** — That the hearing with the Department of Executive Council be concluded subject to recall if necessary for further questions.

**Mr. Van Mulligen:** — Yes.

**Mr. Chairman:** — One of my colleagues to sign if that's agreed. Carried. And the committee is . . . Before we adjourn to Thursday, is there anything as far as the recommendations that anyone wants to make a comment on . . . (inaudible interjection) . . . Well just anything we've covered off that you want to . . . Because we're going to miss a day here.

**Mr. Van Mulligen:** — We've got the Transportation Company and the joint meeting with Finance and CIC. There's a number of unresolved issues in there. I guess we'll just have to deal with those on Friday.

**Mr. Chairman:** — On Friday. Okay.

**Mr. Van Mulligen:** — The Executive Council, I think there's a whole issue that the auditor raises, about here is government and here is these other organizations. And I think he's right about that and what is their relationship to government and so on. I'm not sure whether I would focus it as narrowly as he's done and whether there is other issues about independent boards, independent auditing.

You know I guess there's a broader question here. He's got regional colleges and he's got some hospitals, some function which are now going to change into health boards. What about the universities? What is the relationship? We've sort of touched on this one in the past, nibbled at the edge of it, you know. I'm not sure I want to get into it at this point. I mean if it's still an issue — and I think it will be in future years — then we should deal with it, look at it, figure out what is the relationship.

**Mr. Chairman:** — Are you saying to delete that first part of the recommendation then?

**Mr. Van Mulligen:** — What?



**Mr. Chairman:** — Are you saying to delete the first one entirely or can we broaden it or leave it alone?

**Mr. Van Mulligen:** — We recommend one agency of government manage financial activities of the whole government?

**Mr. Chairman:** — Yes.

**Mr. Van Mulligen:** — I don't want to touch that. It seems to me that, from what I hear, they're doing that. You know, they got a cabinet and you got . . . cabinet's got a Treasury Board and a CIC. And from what I hear there's a lot of crossover in terms of officials from not only Executive Council but also Finance and CIC. So I'm not . . .

**Mr. Cline:** — Well it seems to me that this is a revisitation or at least related to the question we were discussing earlier and I don't see how you resolve this issue without resolving the other issue. And in the context of our earlier discussion, I think we saw, you know, what the two views were and also the possibility of some kind of middle ground.

But how much further can we go with respect to that first recommendation. And then the second recommendation it seems to me is also related to that issue, you know, because you're getting into bodies that probably don't consider themselves to be part of the government even as much as Crown corporations, it would seem to me, and I would argue — I mean regional colleges, hospital boards, and so on.

And I don't see how you deal with that without resolving the other issue that we discussed earlier too. And so to me it's a revisitation of some of those same questions. And until you resolve those questions, you can't resolve these questions.

**Mr. Strelieff:** — Mr. Chair, members, the second part, the listing of agencies under paragraph .09, the criteria that we use to list those organizations and to view them as part of government is one that they are in the summary financial statements of the province which shows what government is. And more specifically the cabinet appoints the boards and therefore they have the direct responsibility.

**Mr. Chairman:** — I think we had that discussion before about anything that was in those summary financial statements was inclusive.

**Mr. Strelieff:** — And then given that, why these ones? Why are these treated differently than other ones? It raises that question and we couldn't see any obvious answers, so we recommended that they be treated the same and then see what happens.

**Mr. Van Mulligen:** — Can you do some analysis on that for us? Like in terms of other jurisdictions and how they treat these things and their relationship to the central reporting functions with the auditor and Public Accounts Committee. Because you know, I know what you're saying but it's more than simply a matter of saying, yes okay, do it.

There may well be other considerations. I mean we've talked about it in terms of universities. In universities almost all their money is from the provincial government.

Provincial government appoints the boards of directors for the universities and . . .

**Mr. Strelieff:** — No they don't. In part but not in a controlling nature. The University of Regina and the University of Saskatchewan are not listed here. And because the government does not appoint the majority of the board, they therefore don't have the control of that board in that sense. And that's . . .

**Mr. Van Mulligen:** — But so what? I mean like 80 per cent of their money, or 90 per cent of their money comes from us.

**Mr. Strelieff:** — Yes. There's arguments for that. You could even, on the federal scene, you could go to many of the major oil companies and say because they receive a majority of their revenues from the federal government through various means, they're really part of government.

And it does bring another dimension to it. And the criteria that we hung our hat on was the appointment of the board made you more responsible for the activities of the organization.

**Mr. Van Mulligen:** — I think like it's a substantial discussion, like all those agencies . . .

**Mr. Chairman:** — I'll tell you what, Harry. If you subject either of those universities to that and not the Crown, you're going to see a howl like you wouldn't believe.

**Mr. Van Mulligen:** — Yes. No, I believe that.

**Mr. Strelieff:** — And another factor is that for each of these organizations, there's a minister responsible. So that the minister . . . there's a clear, direct link to the government. And just like other government organizations, why would these be treated differently?

So we raise that issue by recommending that they're not and then hope that the discussion either says that that's reasonable, that they should be treated the same, or that some piece of new information comes to the table that says why would these particular ones be treated differently? And I . . .

**Mr. Van Mulligen:** — I guess I would favour the committee having that discussion. I don't have any problem with that. And also included in there is SIAST (Saskatchewan Institute of Applied Science and Technology) I guess. Is that one where we appoint the majority of the board?

**Mr. Strelieff:** — Yes. They probably . . . They must be subject to the Bill 18 because it's not listed here. So it must be included.

**Mr. Van Mulligen:** — You know, I think there's . . . We should have a discussion on that, and we should come to some conclusion on that. I don't know if . . . not today.

**Mr. Serby:** — My comment is just in support of that to a larger degree now with hospital boards. I think this discussion also needs to incorporate them. I'm not sure what the fate of them will be, you know, down the way, but certainly they're appointed by the municipalities. Their jurisdiction is . . . Or I mean the funding that they receive by and large is all provincial, all provincial funding.

I think the other area of governments that we could look at when this discussion takes place is what about school boards? I mean a large portion of the funding that's provided to school boards, you know, comes from provincial government. You know, do we include them as well? And to what degree?

**Mr. Strelieff:** — Saskatoon and Regina health boards are created under The Crown Corporations Act at present. Therefore they . . .

**Mr. Serby:** — I guess the point is that what happens to them? They're appointed today, what happens if they become elected, you know, down the road? You know, does that change then the accounting responsibilities that they have?

**Mr. Strelieff:** — We'd have to have the legislation tabled to see what accountability is left to the Legislative Assembly, which then makes it part of this government. And if the legislation is structured in a way that it's not accountable to the Legislative Assembly, that it's accountable to a separately elected group, then it's like a school board; it has its own electorate that it's responsible to and that's the way it goes. But I suppose you know I haven't seen what the latest version of the legislation is, so I'm not sure exactly how that's going to play out.

**Mr. Van Mulligen:** — If we get into this discussion though, in some detail — you know, the committee has to determine whether it's a priority to do that given all the other things that we may want to discuss, but if we do that — then I'd like to see it done in a comprehensive way. I'd want some analysis as opposed to saying, well why not; also some analysis of why.

**Mr. Strelieff:** — So that as a criteria, why they would be . . .

**Mr. Van Mulligen:** — Invite the government, like, who hasn't been doing that to become a part of that discussion as to why they don't do that and treat them differently and what reasons and rationale there may be. I don't know that. Maybe there's all kinds of reasons why some nursing home shouldn't be treated that way. I don't know, but you know, I think that they should then become part of this discussion so we can understand it and go from there. You know you're talking about something that needs good preparation and needs some good, solid amount of time to deal with. But I'm not opposed to us dealing with that, and I've said that before.

**Mr. Strelieff:** — As accountants, we tend to go to the financial statements to see what is the government responsible for. And as accountants, the comptroller and

us are in constant discussion and argument as to whether the government is accountable for a specific organization.

And the summary financial statements — at the end of summary financial statements on page 85 in volume 1 — shows the list of organizations that, as we went through that discussion, we concluded that here's a list of organizations that we thought was part of government. And we used the criteria of either the government owns them and we could trace something visible that they actually owned them, or that they controlled them. And the controlled part is trickier because there's lots of different ways of controlling an organization. What we primarily hung our hat on was the ability to appoint the majority of the governing body and that signalled at the end of the day that you pretty well controlled it.

And that would apply to any kind of private sector organization or public sector organization as in the context of showing the financial results, of being accountable for the financial results. Those are the criteria that among accountants how we argue.

The financial dependency was one that was always thought about as being very important, but because it had all sorts of different dimensions to it. Like a separately elected school board could be very financially dependent on the government, but yet it has its own electorate and elected body and it seemed like that should be separate.

Or the example I gave as oil industries. I mean quite often oil companies will be very financially dependent on a particular government and yet it didn't seem to make sense that that became part of government's responsibility.

And you end up moving to, or we did, to the ownership as being a key signal. And sometimes that's hard to find how the government or the Crown owns something.

And the next thing you go to is control. And control again where we ended up hanging our hat on, was the ability to appoint the majority of the board and that would — the governing body — and that would signal that you were able to have a high degree of influence over the operating policies of the particular organization.

**Mr. Van Mulligen:** — And I don't disagree with you that we should look at that. But I might point out that some of it's academic at this point; like the Regina General Hospital.

**Mr. Strelieff:** — Yes, it's a moving target right now.

**Mr. Van Mulligen:** — Yes. University Hospital. But I think that we should get into a discussion, you know. Maybe do some work for that. The Canadian Council of Public Accounts Committee is on that.

**Mr. Kraus:** — There are ways of dealing with different organizations. We're accounting and recording for many of these activities. It doesn't necessarily lead to bringing the budgets before the legislature. It could be a waste of the legislature's time.

**Mr. Strelloff:** — Or the employment contracts. There might be some specific reasons why these organizations are not subject to Bill 18 — we just don't know — and bring the people who have the answers. And we had the person right there.

**Mr. Cline:** — That was my point, I don't know. And that's why I don't know if I can go along with the recommendation.

**Mr. Chairman:** — Well we might have to have Mr. Clark back for another discussion.

**Mr. Cline:** — Yes, we might have to have him back. Because maybe we should have asked him while he was here.

**Mr. Serby:** — Mr. Chairman, on another item for Thursday if you're concluded . . . or when you conclude your discussion on . . . You're concluded?

**Mr. Chairman:** — Yes, go ahead.

**Mr. Serby:** — I'm looking at the agenda for Thursday morning, and I see that we have a 9 o'clock for two hours the Department of Education. And when I look at the recommendations that the auditors made and the detail that I'm going to be taking the department through, I don't see two hours worth of work there.

**Mr. Chairman:** — Why don't we start at 10 o'clock then.

**Mr. Van Mulligen:** — Or 9:30.

**Mr. Serby:** — Or 9:30 maybe.

**Mr. Chairman:** — Whatever the committee wishes.

**Mr. Serby:** — Unless there are other departments that are coming back that I missed earlier today.

**Mr. Chairman:** — No.

**Mr. Van Mulligen:** — 9:30?

**Mr. Chairman:** — Is that the committee's wish? Agreed. I don't suppose Education will complain.

If that's it, we'll adjourn then till 9:30 Thursday morning.

The committee adjourned at 5:17 p.m.