

Public Hearing: Saskatchewan Power Corporation

The Chairperson: — We will begin our discussion. Today I want to inform the officials from SaskPower that you are required to answer all the questions. You are not liable under civil action for any statements you make; you have the same privilege as a member of the Assembly in answering the questions, and so I'd like you to consider that.

And you're being recorded and if there are questions that are asked that you don't have the answers to and you're prepared to submit the answers, then we need 15 copies given to the Clerk of the Assembly and then that will be the way we handle that.

I want to welcome Mr. Christensen, the vice-president of finance, and introduce your officials.

Mr. Christensen: — The person with me is Mr. Larry Kram, and he's general counsel for Saskatchewan Power.

The Chairperson: — Okay. We have a number of items that are listed in the auditor's report that we need to deal with. And they are in the auditor's report item no. 16 and 17 and then later on there are more, but we'll deal with them as we go through. And what we've traditionally done is made decisions about how we're going to deal with them in our report.

Dealing with item no. 16 on page 221 it says:

(Sask Power Corporation) . . . should include, in its financial statements, additional information about its pension plan.

And I think we might as well deal with both of them because they're in a package together: the government, through Treasury Board, should ensure that when there are different actuarial assumptions underlying pension plan calculations, the differences are appropriate.

Mr. Van Mulligen, you have a question?

Mr. Van Mulligen: — I know that in the Crown Corporations Committee you explained that the differences for the reporting between the corporate financial statements and the statements for the pension plan itself, that is in the one case in the financial statements you accounted for future potential ad hoc increases that the government might decide to grant from time to time, whereas in the pension fund you simply reported for those liabilities that you're legally provided . . . or required to provide.

And I understand in the Crown Corporations Committee that you undertook that you would henceforth account for this difference in the statements for the pension fund. But the auditor informs us that there is no accounting for this difference in the corporate financial statements and is indicating that perhaps there ought to be in that document as well. I wonder if you have any comment

on that.

Mr. Christensen: — I think it's interesting, or the thing that I should point out is, and I think the auditor would agree with this, that our financial statements did conform to generally accepted accounting principles in 1991. And according to, I think it's section 3460 of the CICA (Canadian Institute of Chartered Accountants) handbook, we're required to use management's best estimates of future events and assumptions to determine what our pension liability is. And according to the superannuation supplementary benefits Act, the Lieutenant Governor in Council can make ad hoc increases, so we do have to account for those ad hoc increases in our financial statements and we've done so.

We don't list any other assumptions regarding mortality or interest rates or inflation rates or anything else, and neither do . . . or very few corporations do that. I haven't seen any statements that in fact do that. So we don't think it's necessary to include all those assumptions in our accounts. They are certainly available in the superannuation report.

Mr. Van Mulligen: — Can I ask the auditor then, that inasmuch as this additional information is now being provided in the statements for the pension fund, the pension plan, what additional information should be provided in the corporate financial statements that isn't there?

Mr. Strelloff: — Mr. Chair, Mr. Van Mulligen, one of the comments made by Mr. Christensen said that they are preparing their financial statements using management's best estimates. And that's consistent with the requirements of generally accepted accounting principles. But management then is using two sets of best estimates. There's the best estimates used to prepare the corporation's financial statements, and then the . . . I think the directors of the pension plan are officials of SaskPower.

So when they do the best estimates assumptions for the pension plan financial statements, they're a different set of best estimate assumptions. And because that's different, and it seems like . . . or I have the opinion that there should be some additional explanations in SaskPower's financial statements and also in the pension plan's financial statements to just explain why there are different assumptions, or what the assumptions are.

Mr. Van Mulligen: — Mr. Christensen says that in reporting in these SaskPower corporate financial statements, that he follows generally accepted accounting principles in booking, as it were, these potential future liabilities based, I assume, on some past practice or history of the government having in fact authorized these cost of living increases.

And on that basis he feels that these liabilities — given what's happened in the past — it's reasonable to assume they may happen in the future. So therefore, according to generally accepted accounting

principles, you would then include that as part of your liabilities. Is that wrong? Is that according to generally accepted accounting principles?

Mr. Strelieff: — Management has a responsibility to give their best estimate of what they think is going to happen. And that's consistent with generally accepted accounting principles.

Mr. Van Mulligen: — Right. On the other hand he has to report, or the pension plan has to report, according I assume to . . .

Mr. Strelieff: — Generally accepted accounting principles.

Mr. Van Mulligen: — . . . to generally accepted accounting principles and also according to the legal requirements of the pension plan.

But Mr. Christensen has said now in the pension plan that they now give additional — propose or have — give additional information and you agree that that . . . that's what they said about ad hoc increases in the pension plan. So that the information there is consistent with the corporate financial statements. So my question is, what's the problem?

Mr. Strelieff: — Mr. Chair, members. One issue is that for the financial statements that we reviewed in this report, that wasn't done. The second issue is — and this is a question to SaskPower management — are the pension plan financial statements now using the same best estimate assumptions that make the estimate of the liability the same as that what's reported in SaskPower's financial statements?

Mr. Christensen: — Yes. In fact in 1991 we used the same best estimate assumptions for both statements except for the ad hoc increases. And in 1992 we now detail what would happen to the liability with a couple of different assumptions on ad hoc increases.

Mr. Strelieff: — So then when I look at the financial statements, the pension plan financial statements, and compare that to SaskPower's financial statements, I'll see the same liability there?

Mr. Christensen: — That's correct.

Mr. Van Mulligen: — Have there been pension plan statements issued since that time that would take that into account?

Mr. Christensen: — Yes.

Mr. Van Mulligen: — Have you checked those to verify that?

Mr. Strelieff: — Mr. Atkinson advises me that we've been advised that they have the additional information in there now. There's still a broader issue that perhaps SaskPower can't address, but someone needs to.

Mr. Van Mulligen: — Right. That's the question of

other, you know, across government what . . . I don't propose to draw SaskPower into that. I mean that's a question that should be put to someone else — maybe Mr. Kraus, who just walked out of the room. Is that ducking or what?

But just in terms of SaskPower, what additional information should now be provided that you say that they are providing this information in pension plan statements? The financial statements for the corporation are done in accordance with generally accepted accounting principles, the GAAP. What else is really required?

I'm just trying to, you know, clarify this recommendation and what further we should . . . what should be done in addition to what's already been done.

Mr. Strelieff: — Mr. Chair, members, when Treasury Board approves these financial statements, they are approving statements that are based with different assumptions, from maybe SaskPower compared to the Liquor Board compared to somebody else. To help you as members and also the employees of the various corporations understand what the underlying management estimates and practices are, I think it would be useful to disclose that this pension liability is based on an assumption that there would be ad hoc increases. And maybe even disclosure on what inflation rates are assumed and what real rates of returns are assumed under the key, underlying assumptions.

I know the recommendations of the Public Sector Accounting and Auditing Committee, or board, for government as a whole recommend those disclosures. Now the generally accepted accounting principles that SaskPower follow are ones recommended for business organizations and that specific disclosure is not required. But it seems like it would be useful, particularly since there is that underlying variation that's happening across government. And I think it would be useful for you as members to know about those things. So they meet the minimum requirements.

Mr. Van Mulligen: — Yes, well they meet the requirements, yes.

Mr. Strelieff: — But the requirements . . .

Mr. Van Mulligen: — And it's there for any person or any member that had questions about specific items in their annual report to ask SaskPower head office, what did you mean or how did you arrive at this; do you have a copy of the pension plan report? And I guess it's open for any member to also ask that. But they meet the requirements.

Mr. Strelieff: — Yes, the minimum requirements of generally accepted accounting principles are met.

Mr. Van Mulligen: — Okay. So in terms of the recommendation, I guess we can say that SaskPower meets the requirements in terms of its corporate

financial statements. And it's been reported to the committee that they are now disclosing additional information in the financial statements for the pension plan in accordance with the original recommendation of the auditor?

Mr. Strelieff: — My understanding is that they have been providing additional disclosures on this issue which help readers try to understand why, what the differences are, and what some of the underlying key assumptions are.

The broader question, SaskPower really can't address that; they can participate in that. I know the government a year or two ago suggested that they would be establishing a commission to examine pension-related issues because there are many related issues as you move from one organization to another organization. But any specific organization has a hard time dealing with it. It needs a broader look at, and I certainly encourage that study to happen and then would be happy to participate, as long as the terms of reference would be sufficiently rigorous and that the report of such a commission would be public. That's a needed initiative.

Mr. Van Mulligen: — Who should we be putting questions to then about the government's practices through the Treasury Board to ensure that the actuarial assumptions, and I guess the reporting for potential future ad hoc increases, are in fact accounted for in some consistent fashion across government? And that's assuming that the SaskPower pension plans always behaves in concert with other government organizations; that is to say that it doesn't provide for increases that aren't otherwise given to all other government organizations.

Mr. Strelieff: — Mr. Chair, Mr. Van Mulligen, the only focus point that I would have would be the deputy minister to the Premier. You can go to the Department of Finance, but they primarily focus on the Public Service Commission. Treasury Board, you can go to Treasury Board agencies. You can go to the Department of Education and they will talk about the teachers' pension plan. You can go to CIC (Crown Investments Corporation of Saskatchewan) and they'll talk about the pension plans related to CIC corporations. But to get that coordination, you have to move it up in a general way somehow. And the only general focus that I've got is the deputy minister of Executive Council.

Mr. Van Mulligen: — I can well imagine Mr. Clark would be overjoyed to deal with this, but . . .

Mr. Strelieff: — Otherwise you have to move it from place to place and you don't get an overview.

Mr. Van Mulligen: — Yes, I agree. I guess one thing we could make is point out that . . . but maybe I should ask first: do you get any direction on this, like in terms of assumption? Or is it just based on your own knowledge in-house that the government has authorized these increases in the past so therefore I'm going to make some assumptions about future

liabilities and that's how I'm going to book it? Or do you get direction from government on that?

Mr. Christensen: — No, we receive no direction from government. We look at what's happened in the past and make an estimate for the future for SaskPower's financial statements. And it's our best estimate. I understand that the increases, the ad hoc increases in the past 10 years, have ranged from zero to 60 per cent of CPI (consumer price index), so we've been using 30 per cent.

Mr. Van Mulligen: — Have there been instances in which SaskPower has authorized increases or has been able to have the Lieutenant Governor in Council authorize increases pursuant to the legislation that's there when increases were not granted to other government entities?

Mr. Christensen: — I don't think it's possible for the Lieutenant Governor just to grant it to the SaskPower pension fund.

Mr. Van Mulligen: — Okay. Yes, I agree that there should be some consistency for that.

Mr. Strelieff: — One of the overall implications, it's my understanding that the public service defined benefit plan, the one we were talking about on Monday that has an unfunded liability of about \$900 million or about that, the assumptions underlying that \$900 million is . . .

Mr. Van Mulligen: — The legal obligation.

Mr. Strelieff: — Is the legal obligation, no ad hoc. So if you factored in the ad hoc increase, I don't know what the liability would be estimated to be but it would be significantly more. So these are big issues.

Mr. Kraus: — I'm not too sure that . . . and again I'm not familiar with the assumptions they're using, but I don't know whether assumptions for ad hoc increases would be built in or not. You would think the actuary would give some thought to that, I mean that that would be built into the . . .

Mr. Strelieff: — We did in paragraphs .10 and .11 of the chapter on SaskPower, we did ask the . . . we examined the practices of other pension plans of corporations and asked about this issue. And the only exceptions were SaskPower and SaskTel.

Now our information may not have been 100 per cent but we did ask the questions. And my understanding is that those are the only two organizations that factor in the ad hoc increases in their pension liability. Those two organizations are also ones that have surpluses.

Mr. Van Mulligen: — Yes.

Mr. Sonntag: — just a question following up to Harry. I'd just be curious how within in-house estimates that you've done, how accurate have they been or has history been able to show that you have been relatively accurate on the estimates you have done?

Mr. Christensen: — I'd have to check sort of the forecasts versus actual, but I suspect . . . we make a broad assumption, and as I just mentioned, over the last 10 years it's ranged from zero to 60 per cent and we're using 30. So I think in any specific year we're going to be wrong.

Mr. Van Mulligen: — Forecasting on the basis of what government might be expected to do is not a science, it's an art.

Mr. Christensen: — I didn't want to say that.

Mr. Sonntag: — Good. I thought you may have that information, but that's fine.

Mr. Christensen: — The other thing I believe, if we don't include the effects of the ad hoc increases in our best estimates, I think that may cause our auditors some concern. Because I think there's a strong case for saying that these things have happened in the past and unless there's a statement of government saying that they're not going to happen again in the future, that our best estimates should include them.

Ms. Crofford: — On page 219 of the auditor's report, points .05 and .06, it says:

Note 10 to SPC's December 31, 1991 financial statements states, that in 1991, its pension plan assets of \$405 million are approximately equal to its pension plan liability . . .

Then when you move down to .06 it says — I'll just jump in the middle here:

. . . Those statements report that, at December 31, 1991, there were pension plan assets of \$421 million . . .

And I just wondered why the fairly big difference there.

Mr. Christensen: — I think in 1991 we had an actuarial report done and it was at September 30, and those were the numbers that were used for the December 30 Saskatchewan Power annual report. But some more information became available after that report went out or was finished, and we updated the superannuation statements; they were issued later.

And I was told this morning — and asked the same question this morning, why the gap was so large — and I was told they believed it was because the stock market had a fairly significant run up between September and December. But this problem and this confusion has been corrected for future years. We're now rolling forward to December 31.

Ms. Crofford: — Thank you.

The Chairperson: — I just have this one question. Does the change in the liability of the pension plan in any way influence the liability of SaskPower Corporation in its . . . let's say in its total liability? Does it impact in any way except in the wage increase, or the payment for this on a regular basis?

Mr. Christensen: — Well it's an actuarial liability, so it does affect the liability for future payments to pensioners of the pension fund. But I think the important thing to remember is that the pension fund is in a surplus.

The Chairperson: — Right.

Mr. Christensen: — So we don't expect to be making extra payments into the pension plan.

The Chairperson: — Okay, that's the question I wanted. Should I take your observations about these two points earlier, Mr. Van Mulligen, as the basis for making an observation in our draft report as it deals with . . . Mr. Kraus?

Mr. Kraus: — I was just going to say, I may have missed some of that discussion, but you have been talking about the fact that it would be difficult for the government through Treasury Board to do that, given, as the auditor has pointed out, teachers are in one hand, the Crowns are on the other, and then there's the government plans under Treasury Board. So if you make your recommendation for someone to take action, it might be difficult if you left it as is the wording in .17 now, through the Treasury Board.

Mr. Van Mulligen: — This is the government?

Mr. Kraus: — Yes.

Mr. Van Mulligen: — However they do it, it's . . .

The Chairperson: — You're expanding it to include all aspects of government.

Mr. Van Mulligen: — Well yes, because you've got obviously some Crowns that report to CIC. Are there Crowns that report to CIC that don't include these assumptions about future ad hoc increases? It appears that the main civil service pension plan doesn't, that the public accounts are . . . or that the government doesn't account for those liabilities. There's other agencies that report to the Treasury Board Treasury Board Crowns, I guess as they're called and they don't. So it's not just a question of through the Treasury Board; it's a question of government.

Mr. Strelloff: — Mr. Chair, members, the reason we put Treasury Board in our recommendation is that Treasury Board has the responsibility of approving all financial statements of all government organizations.

Now in terms of who do we ask or bring here in terms of trying to sort out what to do, it seems like there are a number of parties involved. And it's hard to get a clear fix as to what should be happening right across the government organizations.

Mr. Van Mulligen: — Why wouldn't we call in the minister of . . . or the deputy minister of Finance who is

the . . . Is he secretary to the Treasury Board?

Mr. Kraus: — Yes, he is indeed. He would speak to this and then at some point I believe . . . I can't speak for John, but I think he would still say there is some difficulty because, as we've talked about in several of these Public Accounts meetings, the Crown sector is still under CIC. And while some of the same ministers may sit on both boards, there are still two boards, and just . . . I'm not sure that he would say that Treasury Board would be directing the CIC for it, I guess is the point I'm making.

Mr. Van Mulligen: — I guess the real question is we shouldn't be telling government how it should address it. The question we should be raising of the government and encouraging . . .

The Chairperson: — Well do you want to put that in your recommendation so that we become inclusive rather than exclusive?

Mr. Van Mulligen: — Yes. I would just, in terms of no. .17, I guess we can just say that the government should ensure that under different actuarial assumptions underlying pension plan calculations the differences are appropriate, and encourage government to consider this matter.

The Chairperson: — Okay. I will take that as a conclusion then from item .16 and .17 and will deal with item no. .26 — the government should establish a process to ensure the timely appointments of boards of directors of Crown agencies. Is that . . .

Mr. Van Mulligen: — That applies really to SaskPower per se, I guess is the general . . .

The Chairperson: — Mr. Christensen, would you respond to that?

Mr. Kram: — I think you're correct, the recommendation wasn't really directed to SaskPower. I can explain to you, if you like, how I understand the process working at SaskPower now, if you would like to have that.

I think what had happened in the past that the appointments to SaskPower, and I'm assuming some other Crown corporations in the past — I'm talking about sort of pre-1990 — was that directors were appointed for an indefinite term. For some reason in about 1989 the SaskPower board was appointed — the members were reappointed for two-year terms — all of which expired on a particular date.

The appointments at that time were being done, I think, through the minister's office, or they certainly weren't being initiated through SaskPower, as I understand it. For some reason the board was not reappointed and I don't know . . . I don't think anybody really knows. I guess it's just fair to say there was some oversight on someone's part. But unbeknownst to the board and a lot of other people the terms had expired.

The practice now is that the board members are appointed for one-year terms and they're staggered. The responsibility for dealing with the reappointments as they come up from time to time has really fallen on the SaskPower legal department to monitor it, and that's really what we're doing. I can't obviously speak for the other Crowns, but that's how we're doing it at SaskPower.

The Chairperson: — Okay. Question?

Mr. Cline: — Well I just want to make a comment that actually this is kind of ironic when you think about it, because the recommendation of the auditor is that the government should see that the boards are appointed on time. But in this case it was very fortuitous that the board wasn't reappointed on time because if they had been, it would have cost us 1.35 million, since I think that's what the previous board had agreed, for some reason, in October '91 to pay to the former president of SaskPower. So I guess the point the auditor makes is a fair point, but sometimes it's not such a bad thing if things aren't done in as timely manner as they should be.

The Chairperson: — This proves that sometimes when decisions are not made, decisions are made.

Mr. Cline: — That's right, yes.

The Chairperson: — From the explanation that Mr. Kram has given us I think that the conclusion would be that this has been addressed and/or is being addressed on a regular basis. Would I make that assumption to be accurate and then allow that to be part of the draft resolution to the Assembly?

Mr. Van Mulligen: — I think we can certainly point out what SaskPower is doing in that way to keep tabs on it. But we still have a larger question, I guess, in terms of government, that the government should ensure that these things are done on a timely basis. I don't know if we want to throw in Mr. Cline's little vignette.

The Chairperson: — Well he wanted to get in on the record anyway, I think. We will deal then with item no. .33. I'd like an explanation from SaskPower.

Mr. Kram: — Well I think it's a recommendation that we heartily endorse and I think that again it relates to the circumstances sort of outlined in the paragraphs .17 to .32 inclusive. And it's a difficult one, I guess, to kind of explain because of the unusual circumstances that really involve the \$4.2 million payment.

I think one of the explanations is that the \$4.2 million payment was really just a progress payment alteration of a contract already approved by the board. The 4.2 payment was made under an agreement that provided that it would be an advance payment on the second unit of the Shand power station, unit 2. And there were other terms and conditions in this agreement, the August 16, '91 agreement which provided for the advance payment.

But there is some argument, I guess, on the proponents of that agreement that really all that was being done was that the payment schedule under an already authorized contract that had received order-of-council approval was being changed and that's an administrative, management type function.

There was also some question, I guess, when we looked at the whole issue and the circumstances involving the payment, there was certainly some question as to whether it had received the proper internal authorization. When you look at sort of the extraordinary nature of the \$4.2 million, there is some question that that should, as a matter of internal control of SaskPower, have gone to the board of directors for approval and it didn't.

At least there was no formal record of that having been . . . the board having been advised. Although I understand sort of informally, although the issue never really came to a head, that the board was well aware; certainly the chairman of the board was well aware of the circumstances of the MOU (memorandum of understanding), the August 16 agreement with the Babcock & Wilcox.

I can just add that since the change in government and what not there — I think it would have been the summer of 1993 — a presentation had been made to the current board of directors with respect to matters that should go to the board for board approval. And there's been a bit more of a formulation of the items and the nature of items that require board approval at SaskPower. And that has been done and there's been sort of a new list and direction given to management in matters that should come to the board.

Mr. Van Mulligen: — Who's the company in question?

Mr. Kram: — Babcock & Wilcox industries. It's a very large manufacturer of boilers, a company that SaskPower has been doing business with — and continues to do business with — for many years.

Mr. Van Mulligen: — Have you recovered any of the \$4.2 million?

Mr. Kram: — Well we haven't. As a matter of fact, we have just concluded another agreement with them to kind of tie up the . . . sort of deal with the 4.2. And it's going to our board, I believe, at the end of this month for approval. It's an agreement conditional on the board approval.

We had spent about, since early 1992 till just this previous week, I guess, an awful lot of time dealing with B&W (Babcock & Wilcox) trying to get that \$4.2 million back, and we weren't successful in doing it. I mean the fact of the matter is, the cheque was cut and the money was paid to them in September of '91 . . . shortly after that agreement was signed.

But we have concluded an agreement with them whereby they retain the 4.2. There are some other contractual things that we have resolved with them

and a number of loose ends I guess have been tied together.

We had an informal arrangement with them where we were withholding the 5 per cent payments from all invoices that they were submitting. But that was never formalized by way of a contract. It was always subject to formal contract with them and that never happened. So that 5 per cent payment is to go back to them and they retain the \$4.2 million.

Mr. Van Mulligen: — As I read the report, as I understand it, the president of SaskPower paid this company \$4.2 million on September 27, 1991 based on some agreement that we want you to take the \$4.2 million to expand your operation in anticipation of future work that SaskPower will require of you. And the money is going to be paid whether or not SaskPower actually undertakes this expansion?

Mr. Kram: — Whether or not Babcock & Wilcox undertakes the expansion?

Mr. Van Mulligen: — Or whether or not SaskPower actually does undertake to do this construction on unit 2 at the Shand power station.

Mr. Kram: — Yes, the idea was that if we didn't go ahead with Shand 2 at that time, the 4.2 would be forfeited.

Mr. Van Mulligen: — But the money was to enable them to undertake expansion enhancement of its Saskatchewan factory.

Mr. Kram: — Well I think if you look at it realistically, that was it. The contract didn't exactly tie it to that. I mean the contract had a provision that said B&W will expand their Melville facility and then it went on and had some other provisions. It didn't say in the contract that the 4.2 was to go towards the expansion of the Melville facility. But I mean I think a common understanding is that there was a connection.

Mr. Van Mulligen: — The question I have, between the time that they were paid the \$4.2 million on September 27, 1991, and the decision by SPC (Saskatchewan Power Corporation) to defer construction of unit no. 2 of the Shand power station, what kind of time had elapsed there?

Mr. Kram: — Well I think it's fair to say that in the fall of 1991 there began to surface some very serious, serious questions as to whether or not unit 2 would go ahead. It's also fair to say that, I understand it, in August of '91 Shand 2 was still a go.

And really even today there hasn't been a formal decision that I'm aware of. It's sort of understood that we won't be going ahead with Shand 2 but there's never been a formal announcement or decision. It just kind of . . . you know, as the forecast sort of began coming out in late 1991 and '92 about sort of the demands of the province and the need for Shand 2, it became more and more evident that first it was being pushed back, you know, the date, and then now it's

into the next century some time.

So it became very evident that Shand 2 was not going to go ahead. You know, early '92, I would think.

Mr. Van Mulligen: — Did Babcock Wilcox — is that. . .

Mr. Kram: — Wilcox. Babcock & Wilcox.

Mr. Van Mulligen: — Did they in fact undertake an expansion of the Melville plant?

Mr. Kram: — It's been done, yes. The plant was constructed. See, the original contract that was signed with them was for two boiler units, or two units. And the pricing was sort of done accordingly. And they built the Melville facility, or they refurbished a building, I believe, in the Melville facility and then employed a number of people. Then it was enhanced; they built an addition onto it. I think that was done by 1991, by about the time this money was actually spent.

Mr. Van Mulligen: — So the payment by SaskPower then was for an expansion after the fact, after the expansion.

Mr. Kram: — Well yes, thereabouts, yes. It may have been already underway. It's a huge Quonset and what not. I don't know the exact date when it was done but it was certainly . . . it was around that time. And it now employs about 75 people. I mean, it's a very . . . I think it's very important.

I mean if you look at it from . . . I mean I think the idea was of course to create some jobs here in Saskatchewan. We do a lot of work with B&W, and the idea was to have that work done in Saskatchewan. So I think there's about 75 jobs now then there. You know, it's a very efficient operation so it achieved that purpose, I guess, to that end.

Mr. Van Mulligen: — I don't have any further comments except to add parenthetically that in a two-week period some \$5.55 million walked out the door of SaskPower, which in retrospect, it probably ought not to have.

But I agree with the recommendation. It appears that SaskPower is taking steps to do that.

The Chairperson: — SaskPower, it appears, has taken steps so we would point that out in our draft report.

Going on to dealing with northern enterprise fund incorporated, there is one recommendation that is no. 58:

NEFI should prepare complete financial statements that show all of its assets, liabilities, revenues, and expenses.

Is that in fact already being done?

Mr. Kram: — It has been done in 1992.

The Chairperson: — 1992? Do they prepare a report for the Assembly?

Mr. Kram: — No they don't. We had commented, when we had commented on the report here, that the position of SaskPower is that really the comments relating to northern enterprise fund or a northern enterprise fund matter, like we've certainly been through this with the Provincial Auditor's office on a number of occasions. I think their last comment is we've sort of agreed to disagree on this issue.

But the comment was also at one point, I think- and it's one of the recommendations in here — that the financial statements should be tabled with the legislature. It's my understanding that the only way that can be done is that there has to be some legislative authority authorizing the tabling of a document. I stand to be corrected but that's the advice that we had received. So there's no formal mechanism for northern enterprise fund to table its financial statements.

But what has been done and is the practice is that copies of the statements are forwarded to every MLA (Member of the Legislative Assembly), a number of government officials, and so they're widely distributed. At least that certainly . . . the attempt is to make this information public, the financial statements public.

The Chairperson: — I asked the question earlier of the auditor and is it correct to say that there's \$2.5 million in the fund?

Mr. Kram: — I think it's . . . yes, for 1992, I'm sorry, the end of 1992, it's approximately that. Maybe just a bit less.

The Chairperson: — Okay. Basically the fund deals with two areas: one is to provide loan guarantees and then the other one is to provide direct loans. Could you tell me what volumes of dollars there are in each of those areas? If I read no. 64, it says 806,000 is the guarantee side. Is that correct? Or is that the total volume of dollars that have been guaranteed?

Mr. Kram: — As at December 31, '91 that's correct.

The Chairperson: — Okay. And then the rest of the money — let's call it 16 . . . 1.6 million — is that money then lent to other . . .

Mr. Kram: — No. It's been invested and held. The idea of the fund is to sort of deal with applications as they come in, and I suppose the \$806,000 of guarantees is really just a function of how many applications have come in that qualified for guarantee as well as . . . I mean it has to be related of course to the amount of money on hand to cover the guarantees. So there's sort of a balance that has to be achieved there.

The Chairperson: — So your investments of 1.6 million, where are they?

Mr. Kram: — Where are they now? There are actually . . . and I can provide you with a current list of them they're invested through Royal Trust. There's a number of Canada savings bonds, a number of different institutions in which they're invested. But I could certainly provide you, if you would like . . .

The Chairperson: — I would like that. You have to have 15, if you don't mind. And then the question I have is: do you have any way that you try and recover any of the funds that you have guaranteed and have to pay out on the guarantee? Have you taken action? And how many of them and for what dollar value have you taken those actions for?

Mr. Kram: — You're talking about 1991?

The Chairperson: — Yes.

Mr. Kram: — Again I would have to get that information, but I know that the practice is to . . . whenever a loan guarantee is approved, there is some security obtained for the loan guarantees. And when either . . . what happens is the applicant goes to the bank and applies for a loan. The bank takes appropriate security and what not; we guarantee the loan. When the loan is in default and the bank calls on the northern enterprise fund to pay out the guarantee, there's an assumption or an assignment of the security by the bank to northern enterprise fund and then steps are taken to realize on that. And I know it's . . . you know, we have ongoing collections on defaulted loans.

The Chairperson: — Is that default equivalent to the 8.6 . . . or 806, I'm sorry?

Mr. Kram: — No, it wouldn't be equivalent to that. I mean not every guarantee is called upon.

The Chairperson: — Okay. So would you be able to provide me with the numbers of defaults that there are, with the total volume of dollars there are in default?

Mr. Kram: — I could do that.

Mr. Sonntag: — Why is the northern enterprise fund headquartered in Saskatoon? I know there was a number of questions asked on the same grounds, but I'm not sure that that one was specifically addressed.

Mr. Kram: — It was. I mean it's a fair question.

Mr. Sonntag: — It's of particular interest to me of course coming from the North, representing a constituency from the North, so it's . . .

Mr. Kram: — Yes. As I understand it, it was originally headquartered in Saskatoon, you know, for some balance of convenience reasons with respect to the provision of professional services. The lawyers that were acting on behalf of the northern enterprise fund were there, the accountants were there, there was banking there. I mean in the North right now — and I'm not trying to skirt your question — I think it's

something that has to happen at some point. The head office I think should be moved to somewhere in the North.

Part of the problem with doing that, and maybe not an insurmountable one, is where. It's a perception problem and a practical problem now because it is in Saskatoon and, you know, people would like it in the North and it makes sense. But when you move it to the North, you've got to pick a location, and that may, in and of itself, create some problems.

The practical problems can probably be overcome. I mean there'll be some cost in putting it in a community in the North, you know, doing business, and trying to do banking services and some of these other services. Travel arrangements may be a bit more complicated. But I think it's an issue that has to be addressed. And if we could find, I suppose, an ideal location that would please all the Northerners, that would certainly make it a lot easier.

Mr. Sonntag: — Well I'm aware that certainly there's banking services in the North now. Am I understanding from your remarks then that this is being contemplated?

Mr. Kram: — Yes. And I can't . . . I don't know exactly when a decision would be made, but it's an issue that has been taking on more and more momentum in the last, certainly in the last year or so.

Mr. Sonntag: — You said there's some sort of a formal process and is something in progress right now formally?

Mr. Kram: — I can say that it's been discussed at the sort of board levels, but whether a formal . . . you know, agenda timing has not happened yet. But I think circumstances are going to dictate that happening probably sooner rather than later.

Mr. Sonntag: — Okay, thank you.

Ms. Crofford: — Thank you, Mr. Chair. This might be just an idle curiosity, but we just heard that we got 75 jobs in one instance for \$4.2 million. I'm wondering how many jobs we're achieving under the dollars spent under the NEFI (northern enterprise fund incorporated) fund?

Mr. Kram: — I don't have that number offhand, but it would be . . . the only kind of statistic I suppose we could give you is how many projects has NEFI been involved in and how many people do they employ. Now some of those are — a lot of them — I think it's fair to say have been individuals who start a small business of some sort; some are larger than that. And some succeed and some don't succeed. But all I would be able to do would be to give you . . . try to get some statistics on how many projects we sponsored that way.

Ms. Crofford: — Yes, the perspective I'd be coming from is obviously when governments make decisions about how to spend money, they're looking for a little

bit of bang. And I'm just wondering, if you could provide that, I'd appreciate it.

Mr. Kram: — Sure.

Ms. Crofford: — Thank you.

Mr. Van Mulligen: — Reading through paragraphs .43 through .55, diplomatically worded by the auditor or entitled: problems with access to information, it seems every time you were approached by the Provincial Auditor, you came up with a new corporate structure, making it appear you were avoiding making the fund accountable. And I'm wondering whether you can explain SaskPower's reasoning for this at that time.

Mr. Kram: — As I understand it, one of the sort of driving forces behind the creation of the NEFI was to create sort of a non-political source of funds. And I think that was really the driving force behind it. I mean the idea was to create this fund to provide this particular service without it being perceived as being politically driven. And I think when it was originally set up it was . . . and I'm just speaking from sort of my feeling about what would have happened here — is it wasn't anticipated sort of the kinds of comments that the Provincial Auditor would have made on it.

And so as those comments were addressed to me oh yes, here we may have a problem; it may be too politically driven, so let's change it and let's get it to where we really meant it to be. And that's, I think, sort of what was happening during this period here.

I mean the idea was to sort of make . . . you know, because of the nature of the fund and the expectation was to have it really managed by Northerners and to distance itself from SaskPower and government interference. So it's perceived to be operated again by Northerners for Northerners so far as reasonable, as possible.

Mr. Van Mulligen: — Given that, you now send out annual reports and statements to MLAs among others. I guess that's not the current thinking any more then.

Mr. Kram: — No, I think the current thinking is, as I understand your question, to still have it operate on a day-to-day basis. But I think what's been done is a recognition here, I suppose, that there's SaskPower money that's going into this thing. And you know, the North is important and the northern enterprise fund is a part of that, and let's let everybody know what's sort of happening up there as far as we can through the annual statement.

The Chairperson: — I have a question. If northern enterprises fund is an arm of SaskPower Corporation and the funds flow from SaskPower Corporation through a check-off or whatever you want to call it from SaskPower Corporation, and SaskPower Corporation is required by law to submit an annual report to the Legislative Assembly, the board of directors are appointed by SaskPower who are required to submit an annual report to the Legislative

Assembly, then why would it follow that the conclusion that you would come to would be that they don't have to submit a report to the Legislative Assembly?

Mr. Kram: — Mr. Chairman, I maybe just want to comment on your initial phrasing of northern enterprise being an arm of SaskPower. I think it may have been fair to say that that was the way it was originally structured when it was a subsidiary of SaskPower. It's not a subsidiary of SaskPower now.

There is a connection. I mean we can't deny there's a strong connection between SaskPower and northern enterprise fund. The connection is really a contractual one to a large extent. There's a contract between this entity, northern enterprise, and SaskPower where the northern enterprise manages this fund which is money derived from payments made by SaskPower based on a formula related to the amount of electricity sold out of the northern power stations. So it's a contractual arrangement.

The by-laws of the corporation provide that SaskPower can designate an individual to be a SaskPower representative on the board. And I don't think that's really sort of at odds with the way a lot of corporations operate when there's sort of funding provided by another body.

And again I guess it may be as a matter of legal interpretation. There have been legal opinions provided by sort of lawyers for northern enterprise fund and lawyers for the Provincial Auditor about whether or not there is some obligation to . . . whether or not these funds are public money and there's any legal obligation.

And I guess this is sort of where we have come to the point where we agree to disagree, that given an analysis sort of of the structure of it, that it isn't really public money and it isn't part of SaskPower's operations. And as a result there isn't any vehicle really, as I understand it, to report . . . formally to report the affairs of northern enterprise.

So we've arrived at an arrangement with the Provincial Auditor where we have permitted the Provincial Auditor to review the books and records of northern enterprise. We sort of had gyrations on that over the years, but I think that's sort of where we're at now, where there certainly is access provided.

The Chairperson: — When did you make the difference between an arm of the SaskPower Corporation and now, distanced it to be under contract? When was that done?

Mr. Kram: — I'd have to just check the timing of that. It may have been about '90 or '91, I think, when there was . . . I think there's some reference in that to . . . I think it may have been November of '90 that there was a formal change from a continuance of northern enterprise as a non-profit corporation under The Non-profit Corporations Act, and prior to that it had been a subsidiary of SaskPower. So it would have

been November of 1990, I believe, was when that formal sort of change took place.

The Chairperson: — Would it be illegal for the minister responsible for SaskPower to table this in the Legislative Assembly?

Mr. Kram: — I don't know that it would be illegal. I would think that — again I stand corrected — but I would think that there . . . because there is no formal authorization to do that, to formally table it. I mean he could, I suppose, present it but tabling it in the formal sense, I don't believe he can do that.

The Chairperson: — Any other questions? The general area of supplying the information has been done. I think we should note that the information is being supplied to members with a note that it's also not done as a tabled item. If that's in agreement with the committee, or does the committee have some other observations on this?

Mr. Van Mulligen: — Backtracking a sec here, no .58 that they:

... should prepare complete financial statements that show all of its assets, liabilities, revenues and expenses.

Are you currently doing that?

Mr. Kram: — That's been done in the 1992 statements.

Mr. Van Mulligen: — The auditor concurs? Okay, .67 — oh, that's the same . . .

The Chairperson: — .67 and .68 is the record of the liabilities, revenues, expenses and default loan guarantees.

Mr. Van Mulligen: — And that's being done?

The Chairperson: — That's been . . . that prepared statement?

Mr. Kram: — That's correct, in 1992. It's now part of the financial statement.

The Chairperson: — Okay.

Mr. Van Mulligen: — And again, tabled at the Legislative Assembly, you say that there is a legal reason you can't do that at this point? Legislative reason.

Mr. Kram: — Yes, because there isn't any specific authorization or provision permitting that to happen.

Mr. Van Mulligen: — Is it possible that financial statements such as SaskPower's have an appendix that could include the northern enterprise fund and they could be tabled that way? Is that possible?

Mr. Kram: — I don't know.

Mr. Christensen: — I guess my preference would be that SaskPower's financial statements be SaskPower's financial statements, and this corporation, which is not a subsidiary of SaskPower, not be included with SaskPower statements.

Mr. Strelieff: — Mr. Chair, members, who appoints the board of the NEFI corporation?

Mr. Kram: — The members.

Mr. Strelieff: — The members?

Mr. Kram: — The members of NEFI appoint the board of directors.

Mr. Strelieff: — Who appoints the board of NEFI? There's two corporations involved there.

Mr. Kram: — Well, no. There are two corporations there. There's, we call it the corporate board, which is the formal board of directors who are appointed by the members of NEFI. And then we have what's called an investment from directors and they're probably a bit of a misnomer there. They're really the Northerners that are appointed again by the corporate board to manage, sort of the day-to-day, if you will, the day-to-day activities. They're the ones that sort of meet on a monthly basis and deal with the applications as they come in and make decisions with respect to those.

Mr. Strelieff: — Who are the members of the corporation and who appoints those members?

Mr. Kram: — Members right now are myself; Harvey Jim, who was the former senior vice-president of finance of SaskPower . . . I'm sorry, it's not Harvey Jim; Frank Quennell, who is the lawyer in Saskatoon, and he provides . . . he's the secretary, as well his firm provides legal services, holds a membership interest, as does the executive director of northern enterprises, Ben Siemens.

Those memberships are really transferable from member to other member really. There's no formal sort of mechanism for the transfer of those, no sort of direction in particular with respect to the transfer of the membership interest from one member to another.

The Chairperson: — How do you become a member?

Mr. Kram: — By acquiring a membership interest, either by having someone who's leaving transfer theirs to you or there could be some mechanism, I suppose, for additional members. There certainly haven't been any additional members for some time.

The Chairperson: — You said you become a member by taking an interest. How did these original members get established?

Mr. Kram: — I think they were the previous directors of northern enterprise fund that were appointed . . . that when there was a conversion in November of 1990 to a membership corporation, I believe, my

understanding that the then-existing directors each were issued a membership interest.

The Chairperson: — Okay. Those members were issued a membership?

Mr. Kram: — It's really like a . . . it's sort of the equivalent, a non-profit, I guess, of a share interest; it's an equity interest, if you will. I think there's \$100 sort of in membership interest that have been issued by the corporation, so each one, you know, has . . .

Mr. Atkinson: — Does SaskPower still hold blank resignation forms pre-signed by its three members?

Mr. Kram: — It does, yes.

The Chairperson: — In The Crown Corporations Act of 1993, there is item no. 34:

. . . (2), every Crown corporation and every designated subsidiary Crown corporation in each fiscal year shall, within 90 days of its preceding fiscal year, submit to the . . . Executive Council responsible for the Crown corporation or designated subsidiary Crown corporation, in accordance with *The Tabling of Documents* . . .

Now is the minister responsible for SaskPower responsible for the actions taken by the northern enterprises?

Mr. Kram: — No.

The Chairperson: — And what defined movement away . . . designated it away from the minister being responsible?

Mr. Kram: — Well it would have been the continuation of the corporation as a non-profit corporation in 1990. I mean prior to that it had been established as a subsidiary of SaskPower; after that there was this legal status change where it was now continued as a non-profit corporation, no longer a subsidiary of SaskPower.

The membership interests were . . . the shares, if you will, formally . . . I'm not even sure that shares have been issued, but whatever shares had been issued to SaskPower before, they were then redeemed and converted into membership interests which were issued to the three individuals.

The Chairperson: — So you have an exclusive right by three individuals to use tax dollars — or if you want to use a different word — to use grants made available to them on the basis of a certain portion of the funds received from supplying power to northern residents that will flow into a fund that has three individuals who can control that.

Mr. Kram: — I suppose that's correct, but they certainly can't use the money. I mean there's a responsibility that certainly goes . . . ultimately the management of that corporation lies with the board of

directors and there is a mandate, there is a contract, you know, with SaskPower to use that money for particular purposes. There are those kinds of controls on the use of that money.

The Chairperson: — Okay. Is your assumption then that they are similar to a cooperative in a non-profit sense? Like I don't understand how you could take this and have it happen. I'm aware of different kinds of cooperatives dealing with loan guarantees in various areas and we have them in Agriculture in different places. But this is a little unusual in relationship to SaskPower. And that's why I say that if you have the right to have a check-off, and maybe that isn't the correct word, but we do that in lots of places in Agriculture, but those funds are required to be dealt with through a process. And we have the horn check-off, we have cattle marketing deductions check-off. And those funds are required to be tabled in the Legislative Assembly. And so I don't understand where you get the capability of doing this and not tabling them.

Mr. Kram: — I really can't speak to the examples that you've talked about, the circumstances there. And I guess I'm trying to find an analogous kind of a situation here. I mean again if you look at in the way we view it, there's a contractual arrangement where we had a particular purpose in mind. The background to this in the late '80s is that there were some communities in the North that were saying that SaskPower is taking out of the North but isn't giving anything back. You know, give us, give our communities something back.

The idea was, the philosophy behind the northern enterprise fund was to set up a program that would be accessible to all Northerners; a mechanism for SaskPower to sort of give something back, I suppose, to the northern communities.

And so as it evolved it entered into this contractual relationship where it says to this entity, northern enterprise fund, here's the money; we'll give you the money. Once we give it to you, we can't get it back. We can't just come and ask for it back. You have to take it. You have a responsibility now to deal with it in accordance with the terms and conditions of this agreement. You have to manage it; you have to establish this mechanism for trying to allocate it and make it perform some services in the North.

There's a connection there, obviously, but it's a contractual one. There's a board connection because SaskPower has the right to appoint some board members. But the day-to-day control of that money does not lie with SaskPower. We can't get the money back.

The Chairperson: — Then I would make this note, that we'll agree to disagree on whether you should or you shouldn't.

Mr. Van Mulligen: — Mr. Chairman, in the interest of time and recognizing that determining what is arm's length or what is shoulder to shoulder could take

some time, perhaps we could just note at this point that their financial statements, although not tabled in the Legislative Assembly, are being provided to members and the opportunity does exist, I suppose, for members to question SaskPower or to ask NEFI to appear before the Crown Corporations Committee.

Or the opportunity — supposedly that opportunity is there.

Having said all that, my guess is we may come back to this one at some future point.

The Chairperson: — There's one other item, no. .74, that we haven't talked about at all and that's should they comply with the authorities governing its activities in relations to investments. Would you like to speak to that?

Mr. Kram: — Yes, there were . . . if you refer back to paragraph no. .73, what had happened there was that the fund had been invested in a number of different types of investments including bankers' acceptances, mutual funds, and equity investments and a number of other things. As a non-profit corporation there was an argument that it was a charitable, non-profit corporation which was limited to the kinds of investments that were authorized for funds held by a charitable corporation. They were limited to investments that were approved under The Trustee Act which did not include bankers' acceptances, mutual funds, and equity investments.

An application had been made by NEFI for an exemption. An application was made to the Provincial Secretary's office I guess for an exemption allowing us to maintain some of these investments.

In any event, what has happened I guess through '92 and '93 is that all of these sort of unauthorized, if you will, investments have been converted to authorized ones. The most recent one, just in December of '93 we were able to deal with the last equity investment we had by converting that to a loan with an enterprise out of La Ronge. So all of these things have now been addressed.

The Chairperson: — Okay. We will note that they are complying now with item no. .74 — they are now complying with that and we will note that. Then item no. .76, we've talked fairly extensively on that. And I guess I have the responsibility to ask, are there any more questions for SaskPower officials?

Mr. McPherson: — I see several problems with NEFI as far as the reporting to the legislature. It is possible to have a motion put forward — I don't know if I need a seconder for this — to have the financial statements of NEFI be included with SaskPower reporting?

The Chairperson: — You don't need a seconder.

Mr. McPherson: — To be brought in within SaskPower's annual report.

The Chairperson: — You don't need a seconder to have a motion brought before the committee.

Mr. McPherson: — I'd like to make that motion.

The Chairperson: — Okay. We have no motion paper but we will make some for a motion here and write it out.

While Mr. McPherson is writing out the motion, after the conclusion of SaskPower discussion, we will take a brief break and come back about 25 after, and then we will deal with Energy and Mines.

Motion:

That the annual report of NEFI be included as a part of the annual report of SaskPower Corporation to ensure the members of the Legislative Assembly have an accounting of NEFI before the Legislature.

Signed by Mr. McPherson. Any discussion?

Mr. Van Mulligen: — Mr. Chairman, after listening to the comments about the relationship between NEFI and SaskPower, it is about as clear as mud for me as to what the relationship actually is.

And whether NEFI should be providing financial statements independently of SaskPower in some fashion to the Legislative Assembly, whether the statements should be included as an appendix to the existing SaskPower statements, or whether there is actually a prima facie case that can be made would suggest that there is indeed a bona fide arm's-length relationship between NEFI and SaskPower, or whether it's a pseudo arm's-length relationship, it's not really clear to me.

So I would not at this point want to say how it is that NEFI should report. And in the interests of time, and my guess is that the next auditor's report will likely make some mention of this issue and it will come back to us at some point again, and I'm prepared to deal with it at that point.

Having said all that, the officials from SaskPower are here. They see some interest on the part of members in terms of there being a somewhat clearer relationship that can be explained. Perhaps this issue might get sorted out by itself. But I would not at this point want to say, given the array of options, that this is the one that I favour. I'm prepared to let this one take a little bit of time to sort itself out and see how we might deal with it in the future.

Mr. McPherson: — Thank you, Mr. Chair. As Mr. Van Mulligen did state, this issue is clear as mud, that's why I proposed the motion, so that it would be brought up in the legislature so that it can be debated and brought in for public scrutiny.

And the arguments that I would put for this are the members that control the fund, which has large sums of money — 1.6 million investment fund right now those members I understand are appointed by the SaskPower board. The funding for the fund comes

through the SaskPower Corporation. Why wouldn't it be reported by the corporation in the annual report? It makes only common sense.

The Chairperson: — I'm going to call the question, if I have no more comments. Question before the committee is the motion:

That the annual report of NEFI be included as part of the annual report of SaskPower Corporation to ensure the members of the Legislative Assembly have an accounting of NEFI before the Legislature.

All those in favour of the motion so signify. All those opposed? The motion is lost.

I then would likely entertain a motion:

That the hearing on the SaskPower Corporation be concluded subject to recall, if necessary, for further questions.

Mr. Van Mulligen, moved?

Mr. Van Mulligen: — And having said all that, Mr. Chairman, and with due regard for the previous motion and not wanting to discuss the motion which was just defeated, I think the committee is certainly open to further, future discussion in this matter as to what an appropriate reporting relationship, if any, there should be between NEFI, SaskPower, and the Legislative Assembly.

The Chairperson: — Members of the committee, and I haven't thought about this very long, would it be possible for us to discuss this point on Friday morning, to make this observation at that point in time that at some future day that we would call them before this committee to discuss . . .

Mr. Van Mulligen: — Yes, we can also flag it for the next round of committee meetings when the auditor's '92-93 report . . .

The Chairperson: — Let's verbalize those thoughts on Friday morning.

Mr. Van Mulligen: — Sure.

The Chairperson: — Okay. Thank you, gentlemen. We will stand recessed for 10 minutes to powder our noses and then we will be returning with Energy and Mines.

The committee recessed for a period of time.

Public Hearing: Department of Energy and Mines

The Chairperson: — Energy and Mines. I just want to remind the witnesses that they are required to answer the questions. You have the same privilege as a member of the Assembly in relation to the answers; you cannot be held liable in a civil court. And you are required to answer the questions, however, and we want to have you know that you have to supply 15

copies to us if you have written answers that you do not have verbal answers for.

And with that I want to ask the deputy minister to introduce herself and the members of her staff.

Ms. Youzwa: — Thank you, Mr. Chairman. My name is Pat Youzwa; I'm the deputy minister of the Department of Energy and Mines. Today I have with me on my left, immediate left, Mr. Ray Clayton; he's the assistant deputy minister of finance and administration for the department. Next to him is Lynn Jacobson, who is our director of personnel. And on my right I have Don Stirling, who is our director of mineral revenue.

The Chairperson: — Do we have members who have questions, general questions? We have one specific item that the auditor has brought to our attention in his report — item no. .16 on page 129 that has initiated some discussion by the committee and with the auditor and we'd like to have the department give us a perspective of the opinion of the recommendation on item no. .16.

Ms. Youzwa: — On no. .16. This is . . . The issue of our administration of agreements for the NewGrade upgrader has been discussed before with Public Accounts and has been raised again by the Provincial Auditor.

With regard to the recommendation of the committee as stated on 129 we, in principle, don't have any problem with the notion of providing in the estimates as presented to the Legislative Assembly some information on the amount of the remission that we will be making or anticipate to make as part of the NewGrade arrangements. And we have in fact engaged in some discussions with the Department of Finance, who is responsible for the preparation of the estimates, on this matter.

The Chairperson: — And how far along are those discussions? Are they in a beginning stage or are they in a concluding stage or somewhere in between?

Ms. Youzwa: — Well I guess I would characterize them as somewhere in between. We are continuing the practice of administering these provisions as a remission of royalties. We have raised with the Department of Finance the notion of making a more explicit sort of reference to this remission and we haven't come to any conclusions with those discussions.

The Chairperson: — Under the process that you have done these, would you explain that to the committee — how you have taken it from, I believe, three producers. You've taken the money in from three producers and then allowed it . . . Would you explain that to the committee, how that works.

Ms. Youzwa: — The way in which we have been handling this is that the producers would supply gas to the NewGrade upgrader, receive a remission for the natural gas royalties that would be payable on that

gas. These producers have entered into agreements whereby they agree to assign the remission of the royalties to the upgrader itself, and then we under an order in council which gives us the authority for that remission, then execute the remission and flow the monies to NewGrade upgrader as per the reassignment agreements with the producers.

The Chairperson: — So that the monies flowing into the . . . does that money flow into the Department of Finance or does that money flow into the Department of Energy and Mines?

Ms. Youzwa: — The monies flow into Energy and Mines as per all royalties collected and then forwarded to the Consolidated Fund. Then in the calculation, after the calculation of the remission, the remission is paid out of the Consolidated Fund to the NewGrade upgrader.

The Chairperson: — Mr. Kraus, how many other places does this occur where this kind of a function happens in this fashion?

Mr. Kraus: — Mr. Chairman, I'm not aware whether there are any other instances. This arrangement may be unique, but I'm just not aware of any others off the top.

The Chairperson: — Someone mentioned this morning about the place in the *Public Accounts* where the information occurs and I was trying to find it.

Mr. Kraus: — It's on page 297 of volume 2. There are remissions that are reported here under The Crown Minerals Act, The Freehold Oil and Gas Production Tax Act. I stand to be corrected, but this may be — and maybe Energy and Mines would know better than I — but this may be the only case where there is an assignment made to another corporation by those companies who are in the first instance paying the royalties.

Ms. Youzwa: — We're not aware of any other arrangements for assignment of remissions of royalties.

The Chairperson: — On page 297, there are two others that receive a remission, and how do they operate then in contrast to the ones that deal with NewGrade?

Ms. Youzwa: — On page 297, there are three items there which is remission of royalties that ultimately are paid to, flow through to NewGrade. That is Lone Pine Resources, Oakwood Petroleums, and Saskatchewan Oil and Gas Corporation. Those in this fiscal year were the suppliers of natural gas to that project.

The Chairperson: — So what's Husky Oil doing there for 3.3 million?

Ms. Youzwa: — The remission there is in relation to a royalty and tax agreement which Husky Oil has as

part of its arrangements for the Bi-Provincial upgrader in Lloydminster.

The Chairperson: — And that flows through remission of taxes in a different format than what NewGrade does?

Ms. Youzwa: — Its a different set of agreements, but the actual administration of it would be . . . For the Husky Oil operations, they have an agreement which stipulates the royalties and taxes that they will pay on production. And there is a reduced royalty obligation in those agreements. This calculation is what amounts to the forgiveness of royalties that the government has agreed to under those agreements. So Husky doesn't really pay and then we remit it. What we do is calculate the amount which is the equivalent of what we have forgiven under those agreements, and it's listed here in the *Public Accounts*.

The Chairperson: — And that's the same under Consumers' Co-op?

Ms. Youzwa: — That's a different circumstance. For Consumers' Co-op, that is an amount which was settled as part of a lawsuit which the government had with the Consumers' Co-operative Refineries Ltd.

The Chairperson: — Okay. And what did that deal with?

Ms. Youzwa: — This is an issue which went back to expansions to the refinery which were undertaken in the mid-1970s. There had been an agreement whereby some of the expenditures which CCRI. (Consumers' Co-operative Refineries Ltd.) would make would be eligible for an incentive credit program which we were administering at the time. There was some dispute between what were eligible expenditures and not eligible expenditures as filed by CCRL. And that led to this being taken to lawyers and to the courts.

It was decided then in 1991 to reach an out-of-court settlement in the amount of \$600,000. And that is what is reflected on page 297 of the *Public Accounts*, the agreed-to amount to settle the suit.

The Chairperson: — Okay. Going back to the NewGrade situation, do you anticipate that there will be an arrangement made with Finance that will assume that they will then put the . . . that you will put that into the estimates, that that will be a part of the discussion and the process that we're dealing with? And is that going to be anticipated by us in the budget for 1993-94?

Ms. Youzwa: — As a remission of natural gas royalties, this becomes reflected in the revenue estimates for the fiscal year. And we would in principle not have any problem with a footnote to those revenue estimates which may . . . which would explain what our estimate of the remissions would be for the NewGrade project in that year. We have had some discussions, as I mentioned, with the Department of Finance. I guess ultimately it's the

decision of the Department of Finance, as they put together the Estimates books for the next fiscal year, on how they would like to have this reflected and whether they're prepared to accommodate this request.

Mr. Sonntag: — Just a question following up to the chairman's remarks. I'm trying to understand the mechanics. Why would the department — and I apologize, I guess, if I missed one question at the start when I walked in — but why would the department . . . or what would the rationale be for the department persisting in its position? Like is there some . . . does it make it much easier for you to operate under the remission versus what is recommended by the auditor?

Ms. Youzwa: — I guess from our point of view, once these agreements were put in place, we set up our administrative processes as guided by legal opinion from the Department of Justice, who views that we have proper authority to do it in this way, and continues to hold the view that we have proper authority to do it. And for that reason we . . . the system's in place. We believe we're acting with proper authority, and we continue to do it in that way.

Mr. Sonntag: — Then you're suggesting that it's a fairly . . . the system and process is fairly complex and it's not one that you want to dismantle or change if, in your opinion, it's not necessary to do so.

Ms. Youzwa: — Yes, I would agree.

The Chairperson: — You suggested earlier that you'd be prepared to put a footnote in the revenue section?

Ms. Youzwa: — Revenue estimates, yes.

The Chairperson: — Will you be also willing to put a footnote in the expenditures?

Ms. Youzwa: — Right now there's no appropriation. It's not reflected in the expenditures.

The Chairperson: — That's my point. If you did that very simple thing, then it would be an expenditure in the estimates in the same way that you would identify it in revenue.

Ms. Youzwa: — We couldn't reflect it both as a remission and an effect in our revenue estimates and on the expenditure side, because we'd be double accounting it, if I can put it that way. As a remission of royalties, it affects our estimated revenues from natural gas for the fiscal year. And so we'd be prepared to indicate, as part of those revenue estimates which are in the blue books every year, that it includes an estimated amount for the coming fiscal year that would be remitted to the NewGrade project. But it would not relate it in any way to the expenditures of the department. It would warrant us putting in, sort of, the estimates or the expenditure estimates portion.

The Chairperson: — Right, okay. Well you do that

with Husky, you do it with . . . I am assuming you do it with Husky. And you're somewhere going to have to do that with what you paid out in Consumers. Is that accurate? In either . . . I forget what you call it. You revise your estimates, and in a revision of estimates that would have to occur as a revision of estimates and cost to the government, right?

Ms. Youzwa: — Every year we prepare estimates of revenues, non-renewable resource revenues. Included in that would be our estimates of what the Husky agreements . . . the implication to the Husky agreements and the implications of the NewGrade arrangements.

The CCRL, the Co-op, is a separate matter that was a one-time payment to settle one particular dispute. But the other two, yes, we do that. We incorporate it in the revenue estimates on an ongoing fashion. And we report them in the statement of remissions.

The Chairperson: — My question still then is, why can't you do it in the expenditures? Because it's a double entry, in my view, not a double accounting. And that's maybe a slight variation but it, I think, should be identified as a part of an expenditure because that's really what it is.

Ms. Youzwa: — Well it can't be both an expenditure and a revenue at the same time, or revenue effect. As long as we administer it as a remission, it flows through as an adjustment to our revenues and that's where it needs . . . if we're going to make an explicit indication within the Estimates, it has to be in the revenue estimates portion. We couldn't make it in both the revenues and the estimates at the same time because we would end up reflecting it twice, and it isn't an expenditure, it's a reduction in our royalties revenues which we anticipate to collect over that year.

The Chairperson: — If you made it to the refinery, it could be said that way. But you're paying it back to the people who pay it in the first place so it is an expenditure.

Ms. Youzwa: — But it's an adjustment to the royalty revenues, royalties payable to the Crown, and that's always reflected as part of our revenues.

The Chairperson: — You state to the Department of Finance that you are going to receive X amount of dollars through revenue from the royalty structure within the framework of the Department of Energy and Mines. You relate that to revenue. You are prepared to make a statement that says that this will reduce that volume by whatever — 1.4 — in this year under review.

In dealing with it then the Department of Finance sets the volume of revenue in determining how much they will get over all the government. And then on the other hand, they then pay . . . today they pay back to these three companies the tax collected in relation to those royalties. And if that's the way it works, then why don't you say it that way.

Mr. Clayton: — Mr. Chairman, I'm not sure if I understand totally the point you're making, but the point we would make in this regard is if its explained once as a remission to revenue, then we cannot at the same time classify it as an expenditure. I mean it's either one or the other.

Our position is that it's a remission. Our position is that it is not a grant. That's the nub of the argument.

The Chairperson: — Okay, so then I'm glad you explained it that way. Now we can talk about whether it should be classified as a remission or as an expenditure. And that's where I say it should be classified as an expenditure, not a remission.

Mr. Clayton: — Mr. Chairman, it's been our view and our position that section 60 of The Financial Administration Act does not contain any mandatory direction as to the party that is to obtain the direct benefit of a remission, or what is to be done with the amounts remitted. We would also note that the remission may be made on any terms or any conditions that the minister considers advisable and that the remission may be conditional or unconditional.

It is our view that for the year in question that the producers of natural gas used by NewGrade have paid the required Crown royalties they're on, that they have been granted remissions pursuant to the order in council, no. 789, and that they have agreed to assign their right to the remission to NewGrade. It's our position that the order in council contemplated and specifically referred to these arrangements, and we're therefore of the opinion that the amounts so handled have been within the terms of the Act.

The department does . . . I believe it does have the authority to make the payments under section 60 of the Act. These arrangements were arrived at through explicit discussions with the Department of Justice when the arrangements were initially entered into and that continues to be our position.

The Chairperson: — Would you go through the mechanics of . . . you just, I believe, were reading there, and would you go through that again on how the mechanics of the . . . how you put it into place. You went from section 60 and then you detailed how you delivered the . . .

Mr. Clayton: — Well, the section 60 provides us with the authority under which the remissions were made. And then there's an order in council that's passed under the authority of section 60, and the order in council sets out the arrangements under which the remissions and the assignment of those remissions to NewGrade are made.

The Chairperson: — You made one other comment there that there was an agreement reached between the three suppliers of natural gas to NewGrade, that they would give the . . . I'm not going to try and put words in your mouth, you tell me what you said.

Mr. Clayton: — Well they agreed to assign their remission to NewGrade.

The Chairperson: — Okay. Then why don't you pay those three rather than NewGrade?

Mr. Clayton: — We would not pay them because they have agreed otherwise. The intent was to provide the benefit to NewGrade and they have agreed to this arrangement.

The Chairperson: — I think there's a uniqueness here that you're providing a remission to someone else than the individual who is collecting it.

Mr. Clayton: — That's right.

The Chairperson: — And that's why it should, perhaps, be an expenditure rather than in the remissions.

Mr. Clayton: — We acknowledge that that argument can be made but we would also state at the same time that it is our view — and it's a view that was supported by the Department of Justice at the time — that the other view can be sustained as well.

The Chairperson: — How long are you going to sustain that in relation to the discussions you're having with the Department of Finance?

Mr. Clayton: — Until we're directed otherwise, I suppose. if we're directed to do it by the Department of Finance to do it otherwise, we'll do so. But in our recent discussions with the Department of Finance there was not an objection to carrying on with the arrangements as they currently are.

There's still the question of whether or not there should be additional information by way of footnote in the revenue portion of the estimates and we have not concluded that element of discussion with the Department of Finance. But if we were directed by the Department of Finance to do otherwise, we would so do. But we have not been so directed and it's been indicated to us that they have no objection to our continuing to display it as it is currently displayed.

The Chairperson: — On chapter 16 of the report from . . . just tabled March 1993, indicates that the committee, Public Accounts Committee:

. . . reviewed the comments of the Provincial Auditor concerning a payment to NewGrade Energy Inc. relating to royalty remissions granted to producers who supplied natural gas to NewGrade.

And then it goes and details that:

Your committee reiterates its recommendation made in its Report to the Assembly . . .

And that details that it should be adjusted to reflect a little bit more of what the auditor is saying than

perhaps what the Department of Finance is saying. And that's why we are asking as a committee to . . . and this was passed by the Legislative Assembly.

So my guesses are that the Minister of Finance was there, and my guesses are that the Minister of Energy and Mines was there, and maybe that's where we need to put the pressure on.

Mr. Kraus: — You have received a report on your May 25, 1992 report or . . . the third report. I'm not sure what year your third report was but in any event the government's response — and it would be in that material I provided to you on Monday — to paraphrase, it says the government provides remissions to NewGrade and fully discloses remissions in the Public Accounts. So in terms of that response it . . . government was saying it was going to continue with the same practice.

My understanding of . . . I'm not just sure how to say this, but when you table a report in the House that doesn't necessarily mean that there is any compulsion — and the Clerk can certainly correct me if I'm wrong — I'm not sure there's any . . . the government isn't compelled to comply with the recommendations in that report and there's a technicality as to why not. But I believe I am right in that, am I not?

Mr. Vaive: — Most resolutions adopted by the House are really an order of the House to either public servants or to someone outside the House to act or to do something and the report is concurred in which contains a number of recommendations. Well those recommendations have been agreed to by the House and therefore they could be construed as an order of the House to act according to what's in the report.

Mr. Kraus: — If I could, that is different than what my understanding has been in the past. I'm sorry I can't remember — perhaps others can — but I think there's a slight twist on that. I'm sorry to disagree with you but just because the House . . . and you used a term there, accepts that report and so on — concurred in — it doesn't mean that those recommendations are binding on the government. Do you disagree with me?

Mr. Van Mulligen: — I agree.

Mr. Kraus: — You agree with me?

Mr. Vaive: — And I guess as well that remains . . . You know, through practice I guess it's a question of interpretation of how the concurrence in a committee report is construed by the House and by the government as well. Because the report, when it's adopted in the House, it is really a motion of concurrence and therefore it's an agreement by the House as to what is contained in the report; as to how the government reinterprets that then remains to be interpreted.

The Chairperson: — Mr. Cline.

Mr. Van Mulligen: — . . . resolutions of the House . . . recommendations contained in reports.

Mr. Vaive: — I guess there has been a practice as well that a number of committee reports that contain recommendations and the government has never found itself bound by those recommendations. That sort of practice that has evolved but in effect, in strict parliamentary procedure, any resolution of the House with respect to the recommendation of the committee is an adoption and an order of that House for those recommendations to really be implemented. With respect to committee reports, that practice might have deviated from classic parliamentary procedure I suppose.

Mr. Cline: — Well I'd like . . . I've been listening to this discussion and Ms. Youzwa indicated that her department is talking to the officials of the Department of Finance which I assume includes the Provincial Comptroller. And I'd like to know, in view of the recommendation made by the committee before, and I don't see any reason why we should depart from the recommendation we made before, because I haven't heard anything from the department that indicates that there is some huge problem here other than a difference of opinion between the department and legal advisers of the department and the view of the Provincial Auditor — but I'd like to ask the Provincial Comptroller if there's some huge problem with having a footnote in the revenue portion of the Estimates which would refer to amounts of anticipated remission so that it was disclosed in the Estimates.

I mean I don't have a strong view whether it should be in the Estimates in one form or another or as a footnote. But I am having difficulty just understanding what the insurmountable problem might be from the point of view of the Department of Finance and why this could not be simply resolved one way or the other.

Mr. Kraus: — Well first, I'm not responsible for putting the Estimates together so I can't answer your questions from that perspective. I know there's been consideration given to footnoting some of this information on the revenue side. And all I can say is that consideration has been given. As to whether or not a decision will be made in that regard, I don't know.

Although I would wonder whether that would reduce the concern of the auditor. The auditor is saying that he thinks this should be a grant and appropriated as such. And so I suspect even if there was a footnote to the Estimates that may not resolve his problem in any event. And I'm not sure I can say much more than that.

Mr. Cline: — Well I wonder if the Provincial Auditor would like to comment on that, Mr. Chairman.

Mr. Strelloff: — Sure, Mr. Chair, members, Mr. Cline. I view the transaction as not a remission. It's a grant to NewGrade. And I think the legislature should have the opportunity to review that grant in the context of the department's appropriation, to say yes or no. So as an offset to revenue or as a footnote in the revenue estimates, I don't think that provides the degree of

scrutiny and debate that should take place.

And my understanding of a remission is that it's remission to the person making the payment. Well the producers here are making the payment; it goes to the department. And my understanding now is the department then provides the money to the Consolidated Fund. And then there's a specific payment to NewGrade. I think the Assembly should consider those kinds of payments as part of appropriations and expenditures of the department. It takes the trappings of a grant, in my view.

Mr. Kraus: — You have a situation here where the Department of Energy has constructed an agreement according to section 60 of The Financial Administration Act. It was put together with their lawyer from Justice. And if I recall, a few years ago I'm pretty sure our . . . the Finance lawyer as well said yes, this is a legitimate way of constructing a remission; although it's not usual, it's legal. So they passed the order in council. And from Justice's perspective it's proper to take that money from these three producers and then, calling it a remission, forward that cash on to the upgrader in accordance with an order in council that's been, you know, duly drawn up and passed.

Your legal adviser has clearly said, well I don't think that's what that section of the Act was meant to accomplish. But the government did pass it with that intent. So you have two different legal positions on this.

Mr. Strelloff: — Mr. Chair, members, and Mr. Kraus, even if a technical argument could be constructed to argue for a particular practice, doesn't it make sense that when we make payments directly to organizations like NewGrade, that they come forward to the House for debate and scrutiny as part of the department's appropriation. I don't see an argument that would prevent that kind of open — here's what we plan to do with the royalty revenue that we have received, and we plan to provide 1.6 million, or whatever the amount is each year, to NewGrade. And then the Assembly knows how much money is being moved to all of the organizations in a very clear, open way.

Mr. Clayton: — Mr. Chairman, our view is that it would satisfy both the requirements of disclosure and provide the opportunity for debate by having that as a footnote in the revenue estimates. It's there, information to the Assembly, and they would be able to deal with it in the same way as if it were included as an expenditure.

The Chairperson: — I'm at the discretion of the committee to move on this issue.

Mr. Cline: — Well I think that, you know, in view of the fact that we have dealt with this before and made a recommendation to the Legislative Assembly, I think we should simply reiterate our recommendation to the Assembly. I mean while at the same time I would say that I certainly don't think the department or

Finance are doing anything improper, but I think we have dealt with the matter and unless there's some compelling reason why not, I don't see why we shouldn't be consistent.

The Chairperson: — Okay. We need to . . . we'll draft that in a part of a repeat of the last statement made by the resolution to the Assembly and then we'll include it as part of what we did the last time. Okay?

Are there any other questions that we have of the members, or the witnesses? If not, then I would entertain a motion:

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

Do I have a mover? Mr. Sonntag?

I want to thank Madam Deputy for being here today and discussing this issue with us; and would encourage you and the Department of Finance to see whether you can expedite the issue that we've discussed in a reasonable fashion, and encourage you to do that. And thank you very much for attending here today.

Ms. Youzwa: — Thank you, Mr. Chairman.

The Chairperson: — 1:30, and if I could suggest to you that we will meet in camera to discuss some of the items of the two departments that we're meeting with, namely Education and Economic Development. And then we'll start at 1:30.

The committee recessed for a period of time.

Public Hearing: Department of Education

The Chairperson: — I'd like to welcome in particular madam deputy minister. And I have a couple of things I want to say before we ask you to introduce your officials. First of all, that testimony that you give here is not able to be proceeded against in a civil court because of privilege of Assembly. And the information needs to be provided and answers to the questions need to be given. So that matter of privilege has been extended to you as well.

The other thing is that we'd like you to supply 15 copies to the Clerk of the Assembly if in fact you don't provide the answers and have the information here to give it to us.

And with those two items, I'd like you to introduce your officials to us please.

Ms. Hynd: — Thank you, Mr. Chairman. I have on my right Robin Johnson, the acting executive director of finance and operations; Brady Salloum, acting executive director of student support services; John McLaughlin, executive director of the Teachers' Superannuation Commission; and behind us John Janzen, who's the manager of student financial assistance.

The Chairperson: — Thank you. We have in the auditor's report dealt with some of these items with the auditor. And it's our information that item no. 13, you and the Provincial Auditor have reached an agreement, on page 117, you reached an agreement with the Provincial Auditor on that item.

Also it's our information that item 22 and 23 have also been addressed. Which takes us to item 32, and we'd like to have you make some observations in relation to that.

Ms. Hynd: — Okay. Thank you, Mr. Chairman. The issue here is the status of the Saskatchewan Indian Institute of Technologies within the regional college system. This is an issue that has been raised by the Provincial Auditor on previous occasions, and one that we have been attempting to deal with particularly over the past year.

The issue here really is that SIIT (Saskatchewan Indian Institute of Technologies) is covered as a regional college under the legislation in order that they can provide accredited training in the adult basic education area that's recognized in the system.

But the reality of the situation is that SIIT receives all of its funding from the federal government, receives no funding from the provincial government, and it's not feasible to insist that it comply with the provincial legislation which covers our other regional colleges in the system, all of whom are provincially funded.

What we have done on this issue over the past year, there was, and I believe I talked to the committee about this last year, there was a review of our regional colleges done in the past year, looking at the entire college system, and it was our expectation and still is, that we would deal with the issue of SIIT within the regional college system as a part of our response to the review.

We are working with all of the college system and particularly with SIIT right at this very moment on what we should do to change the system and particularly the legislation in this instance.

We have a committee under way with SIIT at the moment to determine many aspects of their relationship within the college system and particularly their legislative status. So the issue is not solved at the moment but we have every hope and expectation that it will be within the next year.

Ms. Crofford: — Thanks, Mr. Chair. I'm just trying to put this in the context. Would our scrutiny of that college be greater than our scrutiny of private schools, for example?

Ms. Hynd: — Basically our only scrutiny is on the programs that they deliver that are part of our provincial system. So the adult basic education courses have to meet certain curriculum and technical requirements and they have to meet those as well. So it's really just the program aspects that we're

concerned about, that if they're going to have provincially recognized standing from an education standpoint that they meet our requirements. The parts of the legislation that we're not complying with are not the ones to do with the program; they're to do with the financial aspects, the budget, that sort of thing.

Ms. Crofford: — Okay, thank you.

The Chairperson: — Any other questions?

Mr. Serby: — Just one question, Mr. Chairman, to Ms. Hynd. The composition of your committee that you've put into place now, could you tell me when it was put into place and who serves on your committee now that's looking at sort of changing the system and the legislation?

Ms. Hynd: — I might have to provide that to you, all of the membership. There's two or three people from our post-secondary side of the department. If you like I could get back to the committee on who those members are and give you a complete list, both of our members and those from SIIT if you like.

Mr. Serby: — I'd also be interested in knowing, Mr. Chairman, when the committee was formed to begin its work.

Ms. Hynd: — Yes, it was formed in the fall of '93.

The Chairperson: — I have a question as it relates to the preamble to this item and it talks about a matter of approval for per diems paid for board members, I believe. Is it your view then that the per diems because they're authorized by the . . . or paid for by the federal government that you have no reason to believe that you should be authorizing them? Is that the reason, or rationale? Or give me the rationale that you have for that.

Ms. Hynd: — Yes, I think you've captured it very well, that they receive all of their funding, including funding for per diems, from the federal government and it's the federal government's responsibility under their funding arrangements to make sure that the funds are spent for the purposes intended.

The Chairperson: — What's the difference in funding that the federal government give us for education versus that and what they do for other funding that they give for education like in a blanket for the province of Saskatchewan?

Ms. Hynd: — I'm not sure I understand the question, Mr. Chairman.

The Chairperson: — Okay, do you get the funding in a separate package for the Indian college as versus the funding that you get in monies that are appropriated from the federal government to the province for education?

Ms. Hynd: — The federal government funds SIIT directly under a contribution arrangement between them and the college. It doesn't come through the

province at all. And similarly, the federal government funds SIIT, as it does other colleges, through the Human Resource Development department for training programs, particular training programs; but again, they fund them directly.

The Chairperson: — Is that the same funding method that is used for Indians on reserves and funding coming through to teaching Indians on Indian reserves?

Ms. Hynd: — In that case the federal government, I believe, would fund the band. There are different arrangements depending on what level of education you're talking about. But for K to 12 for example, that would be direct to the band. I can't speak with any authority particularly though, I must add, on how the federal government does its funding. But that is my understanding.

The Chairperson: — You are still required to provide the standard for education on the Indian bands' land and reserves?

Ms. Hynd: — Now we're talking K to 12?

The Chairperson: — Right.

Ms. Hynd: — The requirement to follow provincial curriculum is I believe required under the funding arrangements that the federal government has with the bands.

The Chairperson: — Okay. What about beyond 12?

Ms. Hynd: — The federal government I believe would . . . well they would fund bands or other Indian institutions for particular programs. I believe it's probably the college, in this case SIIT, that wants to deliver accredited programs. And adult basic education is provincially accredited, not federally accredited.

The Chairperson: — Okay. For the committee's information, this issue was raised last time and it was our recommendation that:

Your committee reviewed this issue and recommends that the Provincial Auditor and the provincial government enter into discussions with the federal government, the Auditor General of Canada, and the appropriate organizations representing aboriginal people, concerning the question of accountability for the Saskatchewan Indian Regional College and similar institutions.

Would that recommendation still be a recommendation that we would make again? I'm asking the committee for some direction here.

Mr. Cline: — Could you repeat the recommendation, please?

The Chairperson: — Sure.

Your committee reviewed this issue and recommends that the Provincial Auditor and the provincial government enter into discussions with the federal government, the Auditor General of Canada, and the appropriate organizations representing aboriginal people, concerning the question of accountability for the Saskatchewan Indian Regional College and similar institutions.

Mr. Cline: — If I can make a suggestion, Mr. Chairman, I would suggest that we note that we made that recommendation and also that the deputy minister has indicated that, as I heard her, that they're in the process of having those kinds of discussions, I think consistent with the recommendation.

Ms. Hynd: — And our discussions are with SIIT and not with the Auditor General.

Mr. Cline: — Then we might note that, that the discussions are with the SIIT.

The Chairperson: — The question then comes in, does the Auditor General have access to a review of these funds that are being supplied to the college, and do they then provide an audit of any kind in relation to that?

Ms. Hynd: — I personally can't speak for the federal government and what they do. Well I guess I can't assume anything. And I think that's up for them to decide since the federal government funds the college.

The Chairperson: — Right. I guess I'm talking as a taxpayer. Looking at a way of covering the base, is what I'm looking at doing. And I raise the question because the auditor is included, the Auditor General of Canada is included in that recommendation, and that's why I asked. If it was, then we wouldn't have to have as much concern about what's happening as we would if he wasn't.

So I guess I just raise that point for the committee to think about. And maybe it's not significant if we just note that recommendation along with the observations by the deputy minister.

Mr. Cline: — I think that's right, that it's not that significant, Mr. Chairman, in the sense that the deputy minister has said that the steps that they're taking and the discussions that they're having, she thinks will lead to the issue being resolved within the year. So that if there's a problem then the problem should disappear, and I think that's the main thing. How you go about it may not be quite as important.

Mr. Strelloff: — Mr. Chair, members, the . . . do you know if the federal funding is contingent on the college complying with The Regional Colleges Act?

Ms. Hynd: — No. I'm not aware of that. That would be within their funding agreement with the college. I've never seen their agreement.

Mr. Streliaff: — My general assumption is that the federal government would probably rely on the reports and financial statements issued to it by the college, and that the Auditor General would see that as being a reasonable method. I don't think they would get too close to this. But that's a guess.

The Chairperson: — Shall we leave it in the context of my suggestion earlier? Okay, then we'll do that.

Item no. .40 and .41 were established by the auditor as having been dealt with, which takes us to deal with the aspect of the pensions and pension liability. And that takes us to item no. .59 on page 126.

The Government should propose changes to *The Teachers' Superannuation Act* to set out clearly the amount the Minister must pay to the Fund.

Some observations about that, and I'm sure we have some questions that we want to direct to you.

Ms. Hynd: — I want to say, mention to the committee, last year on this item, this is a matter for collective bargaining. And at the time that we met last year, we were in collective bargaining and this was one of the issues on the table. I'm pleased to report that as a result of the most recent agreement bargained with the Saskatchewan Teachers' Federation, that this issue has been resolved. And we're currently working on the necessary legislative amendments to reflect the collective agreement, including addressing this issue.

The Chairperson: — And I don't suppose that that volume, the dollars, would be disclosed at this committee meeting here?

Ms. Hynd: — I'm sorry, what was the question?

The Chairperson: — You wouldn't disclose the volume of dollars that you're talking about to this committee here? That will probably be in the budget.

Ms. Hynd: — Not at this point.

The Chairperson: — Okay.

Ms. Crofford: — I'll just repeat my question that I asked earlier of the auditor. When we get into quite a few early retirement kinds of packages, is there any chance this has a negative impact on the viability of the retirement fund overall? You know, more than would normally be there if these people worked their full span and then retired?

Ms. Hynd: — You're talking about the teachers' superannuation fund?

Ms. Crofford: — Teachers' superannuation fund.

Ms. Hynd: — Maybe ask Mr. McLaughlin, the executive director of the plan, if he can comment.

Mr. McLaughlin: — It certainly would impact on the fund if the funds required to pay the extra amount or

pay it over a long period of time were not somehow injected into the plan. So the answer to the question is, that if you collect the pension over a longer period of time than was anticipated when the contributions were made to pay for that, then in fact you would either have to inject more money into the fund directly or you would have to increase the contributions over a period of years or everybody who remained contributed to the plan.

Ms. Crofford: — What method are people primarily using now to solve that problem?

Mr. McLaughlin: — In other plans, you mean?

Ms. Crofford: — Well no. Well as it affects us here.

Mr. McLaughlin: — Well we haven't really had an early retirement plan as such. We have, through the collective agreement . . .

Ms. Crofford: — Other than the regular negotiated one.

Mr. McLaughlin: — Yes. There have been various changes to the agreement over the years that would reduce the amount of the years that one would have to contribute to the fund in order to pay for it. As it stands right now, the contributions have not been adjusted to reflect those kinds of things. And in fact that would have increased the unfunded liability.

Ms. Crofford: — Thank you very much.

The Chairperson: — When was the last time you did an actuary on the funds for the teacher's pension fund?

Mr. McLaughlin: — June 1982.

A Member: — 1982?

Mr. McLaughlin: — I'm sorry, 1992.

Mr. Cline: — That's reassuring.

Mr. McLaughlin: — And the amount, if you're interested in it, at that time was \$1.878 billion unfunded.

The Chairperson: — Okay. That's the difference between the assets of the fund and the total value of the fund?

Mr. McLaughlin: — Well the assets of the fund and the value of the fund would essentially be the same thing. But the liabilities as compared to the assets and their potential to pay is what we're talking about here.

So the total liabilities in the fund will be what will be required to pay out in the form of pensions over the next 35 years or so. And the assets of the fund incremented for investment over the next 35 years, plus contributions that come in during that time, also invested for that time.

The Chairperson: — And this number is the difference

between those two?

Mr. McLaughlin: — Yes.

The Chairperson: — Okay. What is that value that the actuary placed on the contributions and the contributions that have already been placed in there by the people paying in and the government paying in and all of that added together? What's that value?

Mr. McLaughlin: — Right now the adjusted value of the plan is, at this evaluation date, was eight hundred and forty eight million, nine hundred and sixty three.

The Chairperson: — That's in the year under review, or today or where? Or June of '92?

Mr. McLaughlin: — That is for the period ending June 30, 1992.

The Chairperson: — Okay. So that the total pension value would be \$2.7 billion?

Mr. McLaughlin: — That's correct.

The Chairperson: — There are basically three kinds of, I guess as the auditor has explained it, three kinds of people taking pensions out of the plan. And one is defined contribution, defined benefit, and defined benefit with a cost of living adjustment. Do you have them separate in the fund or is that all measured in this 2.7 billion?

Mr. McLaughlin: — That would be all measured in the 2.7 billion.

The Chairperson: — Okay. Do you have . . .

Mr. McLaughlin: — But it is all defined benefit and it is all indexed. From the date that a person takes the superannuation allowance from the commission, it's indexed at 80 per cent of the Canadian consumer price index year over year for the life of the superannuate.

Mr. Strelloff: — Mr. Chair, members. Just for a point of clarification. Earlier I said that the government sponsors generally three types of pension plans: a money purchase or defined contribution plan, a defined benefit plan without a cost of living adjustment, and a defined benefit plan with a cost of living adjustment.

The one that pertains to teachers is the third kind, a defined benefit plan with a cost of living adjustment, which is 80 per cent of the consumer price index.

The Chairperson: — So there are no teachers under the other two?

Mr. McLaughlin: — Since 1980, we've had no new members in this plan. And those teachers who commenced teaching after June 30, 1980 were placed in what was called the annuity plan at the time and that was a money purchase plan. In 1991 that was transferred to the Saskatchewan

Teachers' Federation and has been renamed the Saskatchewan teachers' retirement fund and that organization has converted it from an annuity plan to a defined benefit plan.

So we now have all teachers in the province essentially in a defined benefit plan but any liabilities associated with the teachers' federation plan is the responsibility of the federation and not of the province.

The Chairperson: — Okay. How much money was transferred . . . is that the year under . . . yes, you said '90-91. Could you give us the volume of dollars that you transferred from the defined benefit plan . . . no, the contribution plan, that they billed their annuities? Can you give me the dollar value of that?

Mr. McLaughlin: — At the end of June 1991 there was \$206.3 million in that fund, I believe. 206 million, yes, I believe so.

The Chairperson: — Is that what the contributions were or is that the value of the plan?

Mr. McLaughlin: — That would have been one and same thing in the sense that this was a defined contribution plan, so they hadn't defined the benefits to be anything more than what the contributions were. They are one and the same thing. So though they've changed the benefit formula since the date it was transferred, at the date of the transfer they were the same thing.

The Chairperson: — So they were . . . I guess the question that I have is, were there securities attached to that transfer or was it cash?

Mr. McLaughlin: — There would have been investments associated with that fund that would have been transferred.

The Chairperson: — And that was all transferred in one . . .

Mr. McLaughlin: — . . . in one fell swoop.

The Chairperson: — So they would now have had the plan pay out in those securities depending what they were for each of them and that is then their responsibility to handle all that. Could you explain the difference between the annuity section and the defined benefit contribution system that they are working under now? Could you explain the difference to us?

Mr. McLaughlin: — In detail I can't, but in fundamentals I think I can. The amounts that have been contributed under a money purchase plan accumulate under the name of the individual and they are incremented every year for investment of those funds, and so a balance grows during the working career of the individual. And at the point where they retire those funds are used to purchase an annuity which is intended to provide a pension for the remainder of that person's life.

Now a defined benefit plan is quite different in the sense that there really isn't any direct relationship; although there ultimately has to be some relationship, there is no direct relationship between the benefit as defined and the amount of the allowance as calculated. So we would, over the lifetime career of a teacher, deduct contributions which hopefully would be sufficient to pay for the pension.

But at the end of the person's working career there is a formula which fixes the amount of their pension. In our case it's two per cent of the average best five years, times the number of years that the person actually contributed to the fund, and that's how you get your unfunded liability. The amounts that are put aside for it don't bear any direct relation to the amount of the benefits that eventually get paid out.

Mr. Strelieff: — The new defined benefit plan sponsored by the teacher's federation — does it have a COLA (cost of living allowance) provision?

Mr. McLaughlin: — Yes, I believe it does.

Mr. Strelieff: — Is it the same as the old plan — that 80 per cent? Or do you know?

Mr. McLaughlin: — I'm not sure. I believe it might be 50 per cent. I'm not sure.

Mr. Strelieff: — Fifty per cent. So less than promised. Do you know if there is unfunded liability there?

Mr. McLaughlin: — No, they're required to comply with The Pension Benefits Act which would require them to conform to sound actuarial principles and fund this thing over its lifetime. So they're required by law not to have an unfunded liability. We're exempt from that law.

The Chairperson: — Okay.

Mr. Cline: — Yes. In terms of this transfer of the . . . well, I guess the creation of a new plan under the auspices of the STF (Saskatchewan Teachers' Federation) after 1980. This, and in terms of the unfunded liability for the teachers' superannuation fund as I understand it, and I just wish to clarify this, this is similar, I think, to what happened with the public servants in the late '70s and the MLAs also. That you went from a defined benefit plan which, and we've still got those plans and there's an unfunded liability for the people that are retired and the people that may still work, but we're in now. But for the new people, after 1980, we're at least not contributing to the creation of this unfunded liability any more.

Mr. McLaughlin: — That's precisely right, yes.

Mr. Cline: — Right. Thank you.

The Chairperson: — So just going on from that, is there going to be a decrease in the requirement of the fund over the next, I think you said earlier, 35 years? But is that reasonable to believe that there will still be people on pension in 35 years from now?

Mr. McLaughlin: — No, I think that would be a little bit unreasonable. The maximum amount of time that a person can contribute to this plan is 35 years and it's been closed now for 13 years. So another 22 years of active contributions are certainly possible.

But for the most part, people don't work beyond 30 years because they can achieve an unreduced pension indexed at 80 percent at that time, when they achieve 30 years. So the answer to the question, I guess, would be that sometime around the year 2015 we won't see any more contributions to the plan but we will continue to pay out over a period much greater than that.

The Chairperson: — I have one more question and it may be how you define it. On the plan that the Saskatchewan Teachers' Federation have, is that . . . and you mentioned that each individual teacher has his own identification about his contributions. Is that annuity that they buy when he concludes teaching, in his name as well? And can he withdraw that in its entirety as a paid plan on his contribution or does that go into the pool?

Mr. McLaughlin: — The teachers' federation plan is what we're talking about, I think I understood.

The Chairperson: — Yes.

Mr. McLaughlin: — It's now a defined benefit plan in the same way that ours is. They've redefined that so that the money purchase aspect to it is no longer applicable.

But I think in answer to what you're trying to ask, a person can in fact transfer out under certain conditions the commuted value of the pension and transfer it to another registered retirement savings plan or to another registered pension plan through a number of mechanisms, one of which would be a reciprocal transfer to another jurisdiction where teachers have a plan.

And so certainly those avenues are available to them. And they are required to conform to The Pension Benefits Act which allows them to take what would be government contributions with them in most cases. There will be circumstances, I'm sure, in their plan where some of the funds probably wouldn't be transferred, but that would depend on the wording of the reciprocal agreements for instance.

Usually what's transferred is the amount that's required by the receiving jurisdiction, and in some cases the agreement calls for the difference between what's required and what's to the credit of the teacher in the sending jurisdiction to be transferred to an RRSP (registered retirement savings plan) for instance. So that's a mechanism.

The Chairperson: — So when they change to the defined benefit plan, if I understand this right, they probably could choose between buying an annuity for their own particular plan in the system and then going

onto the defined benefit plan, or did it automatically occur? And I guess the question is, in relation to that, did they reach that agreement through collective bargaining or how did they come to that conclusion?

Mr. McLaughlin: — Well the agreement to transfer the assets and the liabilities of the former annuity plan to the teachers' federation certainly was concluded through collective bargaining. So that really was the mechanism by which it happened. Did I answer . . .

The Chairperson: — No. After that had happened, did the . . . Like you said they had changed.

Mr. McLaughlin: — Oh I see. I'm sorry. Yes, I didn't quite get to that. All right.

The teachers' federation has a process by which it governs its own plan. They have a board which is responsible for proposing policies which then have to be, as I understand it, ratified by their council. So they have representatives from around the province who meet and they vote on various provisions of their organization, including this pension plan.

So I believe that's the mechanism by which those things would be done. So there would be some form of democratic input into any changes that they make in the plan terms.

The Chairperson: — Okay. Are there any more questions from the committee about item no. 59? We can note that they have reached an agreement and then we'll probably see what that agreement is later on.

Then changing the topic, I want to talk a little bit about student aid or . . . yes, student loans and things like that. Under your student aid operations, what's the volume of dollars that you've written off in loans to students? And I noticed on page 84 and 85 that there's two groups, one — I believe vote 67 — student aid operations as \$5 million and that's probably the department operations. Then going down to subvote 4, you have \$32,257,000 as a total. Can you provide for me the amount of students that there were loans to?

Ms. Hynd: — I'll ask Mr. Salloum to give us the details.

Mr. Salloum: — The \$32 million figure that you see is the grant to the student aid fund. And your question was how much . . . how many students were awarded money. That figure doesn't really relate to the numbers of students that received money from the Saskatchewan student loan program. That figure represents the cost of borrowing that money to the government and the cost of providing remission and forgiveness benefits, but . . . (inaudible interjection) . . . Go ahead.

The Chairperson: — I wanted to know how many students got remission and how many students received those volumes of dollars in interest payments. And if there's other categories in there, I'd like to know the numbers of students that each of that dealt with.

Mr. Salloum: — Okay. For remission there were 1,458 students that received \$5.8 million in remission under Saskatchewan student loans and 3,800 students that received \$9.7 million in forgiveness of the loans that they took out. In total, there would have been about 13,000 students that received Saskatchewan student loans and there would have been about 16,800 students that received \$53 million in Canada student loans. So both the Canada and Saskatchewan student loans are administered by the student aid branch.

The Chairperson: — So of the 13,000 students, they would have received how many dollars out of . . . is that coming out of the 32 million as well?

Mr. Salloum: — No, it's not. The 13,000 students received Saskatchewan loans of about . . . 41.6 million authorized.

The Chairperson: — And the 13,000 received interest payments on those, that 41.6 million. Is that where the 32 comes in?

Mr. Salloum: — It's the interest payments that the government paid while that student was in school is part of that 32 million.

The Chairperson: — Okay. How many dollars is that?

Mr. Salloum: — 13.8 million.

The Chairperson: — Does your figure of 16,000 students under the Saskatchewan-Canada student program . . . that isn't added onto the 13,000? That's part of the same, isn't it?

Mr. Salloum: — It's part of the same.

The Chairperson: — Do you have the volume of dollars that that costs or is that . . . I don't think I have 32 out of this of the top numbers. How much does Saskatchewan pay into that?

Mr. Salloum: — Of the Canada student loan portion? That's entirely the Canada student loan that covers those costs.

The Chairperson: — Okay. I'm short about \$5 million.

Mr. Salloum: — The grant to the student aid fund includes several aspects. One of them is the interest that we pay the Consolidated Fund; another is the loan forgiveness grants that we pay on the students' account. The remissions that we pay students, the scholarships that we pay out of the fund, and evaluation allowance, bad debt allowance. That's what makes up the grant of the student aid fund. A separate amount of money entirely is the amount of money that the students actually receive.

The Chairperson: — Right.

Mr. Salloum: — Okay.

The Chairperson: — Okay. On those that are written off, how many dollars do you have in that portion?

Mr. Salloum: — Do you mean the allowance or the actual write-off?

The Chairperson: — The actual write-off. No. Is that reference made to those people who do not pay?

Mr. Salloum: — There's a default allowance.

The Chairperson: — Okay. That's what I'm talking about.

Mr. Salloum: — Okay. It's \$22.3 million.

The Chairperson: — That's the default volume?

Mr. Salloum: — It's the accumulated allowance from the beginning of time.

The Chairperson: — Okay. Under the year under review, how much did you have in 1991-92?

Mr. Salloum: — It increased by \$7.9 million.

The Chairperson: — 7.9. Is that a trend that's coming in or have you noticed a trend in that fashion? That's a little worrisome; that's fairly significant in relation to the total.

Mr. Salloum: — It's difficult to know a trend because we haven't been into the student loan arena provincially for a long time. A lot of students stay in school for three years. They then take many years to repay, so we don't know exactly what the trend is going to look like. So we make the allowances at the end of each fiscal year.

The Chairperson: — So 7.9 is still a third of the total. And that's the one year. So is that totally written off, or is that person at all followed in relation to having opportunity to access the student aid program again?

Mr. Salloum: — Once you go into default on a loan — that's the term we use — you're not eligible for additional funding. And accounts are referred to collection agencies. We follow normal commercial methods in trying to recover the loss unless there's extreme hardship in the family, and then we keep the account in limbo until the individual's circumstances improve.

The Chairperson: — So 22.3, when does that go back to?

Mr. Salloum: — It would be at the beginning of the loan program, the total loan portfolio that began in 1986.

The Chairperson: — In 1986? I have a question — and the committee can rule me out of order if they want to — but I have a question as it relates to negotiations on the Canadian-Saskatchewan agreements. And I've had lots of students complain about the fact that

so-and-so's daughter is a doctor and she gets a student loan, and I don't have any of that income.

In fact I got some letters indicating — they wouldn't sign their own name — but they had individuals who received and itemized the things that they owned and possessed, and never, ever batted an eye, and they got a student loan, and their children never did. And I'm sure you've received them as well.

Is there an opportunity for some place to change the criteria as it relates to the federal government and its response to the province and its response to the needs of students that are different today than they were when they were originally agreed with? Is there a process where you can change that, or are you negotiating a different position as it relates to what we're talking about here?

Ms. Hynd: — We have been in negotiations, or discussions at least, with the federal government over changes we think need to be made to the plan for the last several years. Last year the federal government announced some changes it was proposing to make to the Canada student loan program. Those changes have not been implemented to date. So we're in continuing discussions.

The Chairperson: — I guess what really concerns me a lot, and I had this raised by a lady who had four girls, and this is an actual fact, and the oldest one decided to go to university. Her parents were both working; couldn't qualify for a student loan. Her sister became pregnant and therefore moved out of the house and was not married to anyone; she got a student loan. The third one came along and said, now what choice do I have to get a student loan? And she was raising a whole lot of concerns about that kind of a family problem because of the way the system works.

And I guess . . . I don't have any girls so I have the other problem — they can't get pregnant. So I don't know what to do about it in order for them to get a student loan. Mine are obviously through school already so it's not going to make a significant difference to the answer, but there are a lot of people who have that concern in relation to that.

And I guess from observing some other things that I think are very important, and that is that the individuals who could probably reduce the volume of dollars of indebtedness in a clear way are those who are most capable of paying, and they also have the opportunity to pay that back. So you would reduce the . . . on a per capita student volume the cost of the program can default.

The total program may not be that, that you wouldn't be able to reduce the cost because you'd increase the cost obviously because of the students. But there are a lot of students who have to go their own routes in order to have an education and complete their education. And I'm not saying that's a bad idea either, but that's what's happening. And the imbalance between those who don't qualify for student loans and those who do is fairly significant.

You've probably all heard the stories about the people who have students who receive student loans who the day after they graduate drive away with a brand-new car as well. And that not only frustrates and irritates those students who have worked their way through university, and I've got kids to prove that. And that's the kind of thing that frustrates them. And I think those are some of the inequities that need to be addressed in relation to the Canada-Saskatchewan agreement.

I'm going to point this out to you as well. I've had a significant amount of cooperation from your student loan office in relation to all of these, and I appreciate that as well. So I want to put that in with a backhanded address on the inequities of the program.

Are there any other questions?

Ms. Crofford: — Well this follows a little bit up on that, Mr. Chair. When I was working out at the university before I got elected, I ended up talking to a lot of students; obviously that's where they are. And I was a bit shocked at the level of their debt load, given how young they were. Like they were investing as much in getting a degree that they may or may not get a job with as I would balk at investing that much in a house, and certainly in a car.

But what I'm wondering is, when they take out their loans — and this is just a little procedural question do they understand the full range of indebtedness they're taking on in terms of what that means in a monthly payment at the time of graduation? Do you realize that when you borrow this amount you're going to have to have a job that enables you to pay back 500 a month or whatever at the end of your . . . They know that. That's right up front with them?

Mr. Salloum: — We try to provide students with as much information as they need in order to make good choices in their life and oftentimes the last thing that students . . . that enters their mind is what I do four years from now. They enter university a lot of times believing that that is going to be the pathway to a job immediately and that the debt that they're going to have when they finish is, at first, irrelevant.

So we try and get out and get in front of students and say, you know these are problems that we've noticed in our experience with the students as they go through school and there are problems when you finish school. And some of those problems may be just the economy that we're in right now, that the people aren't getting into the workforce really quickly. But a lot of them are as well, when you finish school you get married, you have children, you buy a vehicle there are other payments and other responsibilities that you have.

And so we try to counsel them and we have tried to set up information sessions with every career day in the province almost. And we go out to every one of the schools trying to impress up on them that it's a debt, it's a real debt, and that it will affect their credit rating in a negative way if they don't seriously look at it. We've

also tried to get the schools to come on board in providing information sessions to their students as well.

But for the most part students, as they're entering school, they have a focus of simply getting in the door and the debt is an issue that two years down the road or three or four or ten and that doesn't seem to be a major concern coming in.

Ms. Hynd: — We also do give them annual statements on their indebtedness and updates on where they're at while they're going through school and getting additional loans. And then of course at the end we give them regular updates on where they stand with the plan.

Ms. Crofford: — This may be a little too philosophical for this committee, but harkening back to what you're saying, I mean the same thing. I've pondered that many times: how do you get around the fact that people who obviously could put their kids through school, even if they loaned them the money themselves . . . But let's face it, when you can get an interest-free loan for six years and keep your own money working for you and then if you get stuck with the kid's debt later well then you know you've had six years of making that interest.

And I know that that's . . . It's just a very difficult thing to get around, but I've thought about that same issue you're wondering about too. Thank you.

Mr. Kraus: — I just want to talk a bit about accountability and point out to the members that the cost of the student aid program as accounted for as well as management can estimate . . . and what I'm getting at is that they're making their best estimate as to what the loan losses will be, not only now but projected out into the future based on experience.

Some jurisdictions, particularly the federal government, but there may be several provincial jurisdictions as well, treat these loans as loan guarantees. That means they don't recognize the loan losses until they absolutely have to, which again leads to this situation where a federal government and some of the provinces are not showing their best estimate of the cost of this program.

And I just want to point out that here's a case where the Department of Education, the student loan program, the Government of Saskatchewan is providing the best accountability it can. So you're getting the best estimate of what this program is costing. You won't find that federally and you probably won't find that with some of the provinces.

And because we're usually on the . . . you know, defending what we're not doing, I just want to point out that here's a case where government is accounting very well for a program.

The Chairperson: — The grants to universities, you made a capital payment of \$28 million-plus. Is that the ag college or is that the geography college? Vote 68 it

is.

Mr. Kraus: — Page 86.

The Chairperson: — Page 84 and 85.

Ms. Hynd: — Mr. Chairman, if you would like a detailed break-out of what makes up that number, we could certainly provide it to the committee. We provide basically two main types of funding to universities for capital. On occasion we will provide them money for major capital projects such as the agriculture building. But we also provide them with capital grants each year for maintenance and equipment replacement and that sort of thing, and minor renovations.

This amount here would include both things. Undoubtedly, it includes some of the final monies for the agriculture building but probably includes some block funding. I don't have the details here but I could provide them if you wish.

The Chairperson: — I'd like to have that please. I have some of that but not for what it went for in the University of Saskatchewan or the University of Regina.

Mr. Paton: — Mr. Chairman, if you turn to page 86 you'll see the details of the capital spending on vote 68.

The Chairperson: — Yes. It still doesn't give me the breakdown of where it went in the University of Saskatchewan. I'd like to have that as well. Thanks.

Ms. Hynd: — Mr. Chairman, it's the 21 million that you're interested in, is it?

The Chairperson: — The 7 and the 21.

Ms. Hynd: — The 7 and the 21. Certainly,

The Chairperson: — Do you have the grants paid to the school construction? Is that . . . I don't see that in this. Oh, yes . . . no, I don't. Yes, I do.

Ms. Hynd: — You found the page?

The Chairperson: — Page 88.

Ms. Hynd: — These amounts here on page 88, grants to schools, construction capital, would represent the amounts that are being repaid in that particular year for school capital.

The Chairperson: — But not new capital.

Ms. Hynd: — That's not new. It's not built in that particular year. This is the repayments of capital that was built in previous years.

The Chairperson: — Would you be able to provide me the new capital and the new construction in 1991?

Ms. Hynd: — In the year under review? We could do

The Chairperson: — Okay. There was another question I had about . . . oh, what's the cost to the province of the official minority language office?

Ms. Hynd: — Mr. Chairman, on page 86 there's a listing of grant payments through our official minority languages office, payments to school divisions and other bodies for French language programming, totalling 7.6 million. Now this is the amount that is spent through OMLO (official minority languages office), but we do get reimbursement under cost-sharing agreements with the federal government for a considerable portion of this.

The Chairperson: — And what was that dollar value?

Ms. Hynd: — We would have to get that for you. Would you like just a total, a total amount in the year under review?

The Chairperson: — From the federal government for this minority language.

Ms. Hynd: — Yes, okay.

The Chairperson: — There are certain numbers here that are bigger than others, and I'd like to know some of the reasons why. University of Regina, for example, why is that so much higher?

Ms. Hynd: — Okay, the distinction here is the University of Regina has the language institute. And I believe in the year under review there would have been some capital monies here that were reimbursable by the federal government to complete the institute as well, some program money that's also cost shareable. The University of Saskatchewan, Saskatoon, does not have a language institute, so that would be the distinction.

The Chairperson: — What's the proportion of capital to operation?

Ms. Hynd: — In the 3.9, we have to get that for you?

The Chairperson: — Please. And College Mathieu, is there some reason for that as well?

Ms. Hynd: — That would be basically operating expenditures that are cost shareable, yes.

The Chairperson: — And there is not construction in there?

Ms. Hynd: — Don't believe so.

The Chairperson: — Okay, I don't have any further questions. Members? Okay, then I'd like to thank the minister and her office for supplying us with the answers. And if there's any way you can deal with that student aid program, it doesn't fall into place until next fall, but I am anticipating that it could likely be there again, and if you can do something about that, we'd appreciate that.

And for the committee members:

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

Do I have somebody to move that? Mr. Cline. Thank you.

And thank you to you, Madam Minister.

Department of Economic Diversification and Trade are scheduled for 3:30 or 4. I think Mr. Vaive is phoning them now. We can take a break here for a few minutes and then reconvene immediately they get here. Is that comfortable with you?

Mr. Cline: — What particular time, Mr. Chairman?

The Chairperson: — 3:30.

Mr. Cline: — Yes, just in case people leave the area.

Mr. Vaive: — 3:30, 3:25.

The committee recessed for a period of time.

Public Hearing: Department of Economic Diversification and Trade

The Chairperson: — I will ask the committee to come to order, and there are a number of things that I will say before we begin the discussion. One is that the witnesses are required to answer the questions, and under that preamble they're protected under the same basis of privilege that a member of the legislature is, and that is that no action can be taken against you in a civil matter.

And I want to tell you also that your answers are recorded and when there is an answer that you need to provide and don't have it and will provide it later, you need to provide 15 copies to the Clerk's office and then they will distribute those copies to the rest of us.

And so now would you, sir, please introduce your officials.

Mr. Perrin: — Okay. I'm Bob Perrin, acting associate deputy minister in the Department of Economic Development. And I have with me Sharon Roulston on my right, director of our internal operations branch; and behind me is Marg Moran McQuinn on the right, manager of the communications unit of our corporate affairs branch; and next to her is Wendy Gold, who is acting director of the tourism marketing unit in the tourism branch; and Bryce Baron is director of the sector development unit in the diversification branch of Economic Development.

The Chairperson: — Under Diversification and Trade there are a number of items that have been discussed and pointed out by the auditor's office and we will go through them. The first one that is there is item no. .13, I believe. Item no. .13 deals with:

The Department should establish rules and procedures to value its loans receivable at their net recoverable value.

The department is usually asked to respond to the statement. We've heard the response and the reasons why the recommendation is there. We'd like to have the department respond to us regarding item no. .13.

Mr. Perrin: — Okay, that recommendation was with respect to the northern economic development revolving fund.

The Chairperson: — Yes.

Mr. Perrin: — And the fund has been reorganized somewhat and rules and procedures to value loans receivable at the net recoverable value are in the process of being established. In addition, in preparation for year ends last year and also for the upcoming year end, a review of net recoverable value for all commercial loans has been and will be undertaken in the case of the upcoming year end.

This review will include evaluation methods including appraisals, various ways of estimating the value of assets and a review of financial information and also some consultation in an attempt to better value the net recoverable value of the assets that are pledged against the outstanding loans.

The Chairperson: — In dealing with the assets, that includes the value of this . . . well I guess it's implied that the value of the security taken at the time the loan was given, that that then is reviewed and re-established as to what the actual security is. Is that what you're going to do?

Mr. Perrin: — Yes. Depending on the nature or the type of asset, the evaluation procedure and method may vary. But that is sort of the objective of the evaluation, to get other market value of the asset that is used as security against the loan.

The Chairperson: — How many dollars of assets are we talking about here? And how many loans are there?

Mr. Perrin: — There are actually four sub-portfolios, I guess. There is what we refer to as an old portfolio of both what are termed commercial loans and fishing and trapping loans and then there is those two sub-categories in the new portfolio. The old portfolio was loans that were made, I believe, prior to 1983 that can be rechecked and verified. And then the new portfolio . . . At which time there were some changes in the loan program under the revolving fund and the new portfolio refers to loans made since that time.

I don't believe I have a summary of the total number of loans and we may have to return to you with that number as of March, 1992. I'm not sure whether I have the outstanding value of the portfolio right here.

Okay, I can give you account balances. But it's not for

the period ending March 31, '92; it's for a later time.

The Chairperson: — You mean 1993?

Mr. Perrin: — Yes.

The Chairperson: — Okay. If you can give that to me, that would be . . .

Mr. Perrin: — This is the end of March 1993 and this total is \$11,943,830, is the outstanding account balances for the new portfolio commercial accounts. The new portfolio fishing and trapping accounts — account balance outstanding — was \$310,026.

The Chairperson: — So a little over \$12 million.

Mr. Perrin: — Yes. Then on the old portfolio that I referred to, there were commercial accounts outstanding of \$313,840.

The Chairperson: — And how many loans . . . the number of loans on that 313 and . . .

Mr. Perrin: — I don't have a cumulative total . . .

The Chairperson: — Okay. Can you get that for me?

Mr. Perrin: — Yes.

The Chairperson: — Okay.

Mr. Perrin: — I can also verify the account balance outstanding . . .

The Chairperson. — As of '91 ?

Mr. Perrin: — As of '92 — March 31, '92.

The Chairperson: — '92, yes. I'd appreciate that. The processes being put in place now for item no. .13 that you're going to evaluate them, you've established . . . did you say you had established the criteria that you were going to use? Or you are establishing them now?

Mr. Perrin: — We had . . . Revised criteria during the past year is being reviewed again and will be, you know, updated by the end of this . . . the end of January actually, of this year, for completion of review of assets by the end of March.

The Chairperson: — Okay. is there a wish by the committee to acknowledge that? And if you wouldn't mind, I'd appreciate the response, if you wouldn't mind, for item no. .13.

Mr. Cline: — I wonder, Mr. Chairman, if we might note that the department is in the process of establishing rules to comply with that recommendation.

The Chairperson: — The next item was item no. .16 and the auditor has indicated to us that you've already begun the process on that.

Mr. Perrin: — Yes, that interest income that was

improperly recorded for the period in question has been reversed. And on a monthly basis the estimates of uncollectible interest will be made and reflected in the monthly forecast.

And again by the end of January the policy and procedures will be amended to ensure that the interest income will cease to be recorded as revenue when the collection of either interest or principal appears questionable. So when we had a loan that has some arrears, according to our policy and procedures, we will not be recording the interest as income.

The Chairperson: — Okay. Item no. .18.

The Department should prepare written rules and procedures for the collection of loans in arrears. The rules and procedures should address what to do with loans more than three months in arrears.

Mr. Perrin: — Again, Mr. Chairman, the new collection policy is in progress and we have undertaken to complete that by the middle of February of this year. And this will address the collection of all loans, including the loans in arrears, in addition to current loans. And these rules and procedures will address both loans that are chronically in arrears and those that are less than three months in arrears.

Now in addition to that, a management plan has been completed. The plan consists of a documented loan recovery plan for each commercial loan. By the end of March of this year, '94, the loan recovery plan will be combined with evaluation of loans receivable which will then form the basis of the collection of . . . or calculation of the allowance for doubtful accounts.

The Chairperson: — So in the volume of loans that are 12 million outstanding, how many of them are in arrears? Or how much dollar value is it?

Mr. Perrin: — . . . frankly is a loan loss allowance in excess of \$4 million on that portfolio.

The current number of accounts in arrears, I don't have that information. We can provide that as of March 31, '92 and for later dates if you wish.

The Chairperson: — March 31 is fine. Okay. You have a loan loss allowance of 4 million and you didn't write any off in '91-92?

Mr. Perrin: — There haven't been loan write-offs. The loan loss allowance is a provision that is made when there are some arrears on an individual account . . . on individual accounts.

The Chairperson: — Does that relate to principal and interest, or principal or interest?

Mr. Perrin: — Principal and interest.

The Chairperson: — I need the committee's discretion on item no. .18.

Mr. Cline: — I think we should note, Mr. Chairman, that the department is in the process of complying with the recommendation.

The Chairperson: — Item no. .21, the department should establish rules and procedures to obtain sufficient collateral when it makes a loan. And then item no. .22, the department should establish rules and procedures to monitor the value of the collateral over the terms of the loans.

Mr. Perrin: — Okay, just a note, as of March 31, 1993 lending for commercial loans by the fund was suspended. This was part of the budget decision last year.

So new policies regarding the establishment of rules to obtain sufficient collateral is — at least when making new loans — is sort of a moot point with respect to the fund for that portfolio. However, the fund is continuing to evaluate and process the primary production loans and will continue to secure all assets purchased with the loan fund so that the security value at the inception of the loan is greater than 100 percent of the loan value. And in the event that commercial lending is reactivated, new policies and procedures will be implemented to ensure that sufficient collateral security is obtained.

As we had referred to earlier, by the end of January of this year the rules and procedures to value loans receivable at the net recoverable value will be established. So as a result of that, the value of the collateral will be monitored on an ongoing basis and appropriate action will be taken as is necessary.

The Chairperson: — I'd like to have some discussion by the committee on this one.

Mr. Cline: — I think we should note that the department is in a position to and will comply with both recommendations.

The Chairperson: — Item no. .25:

The Department should submit accurate financial statements for the Fund to the Provincial Comptroller by the required date.

Does that have the same response as the earlier two items?

Mr. Perrin: — Yes, I think that we're in a position to comply with that recommendation.

Mr. Kraus: — Yes, Mr. Chairman, we actually have received financial statements audited by the Provincial Auditor, with a clean opinion for both March 31, '92 and '93, which provides you with evidence that some of the issues that were outstanding here and were causing problems, particularly for the year ended March 31, '92, loan loss provisions, the auditor wasn't happy with them. The department has revalued the loan losses and come up with a loan loss provision that was satisfactory and met the auditor's

test.

So we do have financial statements not only for March 31, '92, but for March 31, '93 as well. So from our perspective, this thing's done.

The Chairperson: — Is that loan loss provision an asset with the department, or is it an asset with the . . .

Mr. Kraus: — Well the loan loss provision is an allowance for doubtful accounts. So it reduces the amount of your asset, known as accounts or loans receivable. We have loans receivable on the balance sheet and the provision or allowance for doubtful accounts reduces the asset by the amount you think you won't collect.

The Chairperson: — Yes. So a loan loss provision under the department under this fund is treated differently than one in Ag Credit Corporation where there's a loan loss provision that was given to the corporation. Is that correct?

Mr. Perrin: — Well if I can, I'll try and explain it in layman's terms. The department, through its annual appropriation, has paid to the Minister of Finance the loan loss provision, so has reduced the amount payable to the Minister of Finance by the amount of the loan loss provision.

So the amount, let's say the outstanding balance is \$12 million roughly. And with a \$4 million loan loss, the amount that is payable to the Minister of Finance is, as I interpret it, \$8 million. The accountants can sort of clarify that if I'm incorrect.

The Chairperson: — So you're going to go through the security check and find out how much security you have. And if you've got \$9 million in that security then you're going to deal with it one way. And if you have a \$5 million security volume, you'll have to deal with it another way then, right?

Mr. Perrin: — We have an amount that we expect to get repaid of, let's say, 12 million. I'm not using the exact numbers. We expect to get repaid 12 million and we have determined that the assets or the security that we have in the loan portfolio is worth \$8 million, let's say.

So the amount that has been provided is the difference between the amount outstanding and the security on those accounts that are impaired, where there's some arrears. And that is determined, as I explained before, by various . . . the value of the assets in those accounts is determined by various techniques or methods.

Now in that portfolio, I must remind you that there are, you know, a number of accounts where there are no arrears, and in those cases, with perhaps a few exceptions, there is not an allowance set up. Because if an account is performing, repayment is proceeding without any delinquency, there's nothing to trigger establishment of a loan loss provision.

The Chairperson: — Okay. And you're going to have

this information put together sometime this coming year for where your securities are and where they're not, how much they're valued at and all that kind . . .

Mr. Perrin: — Yes. We have most of that. It's a matter of reviewing, you know, some individual accounts and updating that information.

The Chairperson: — Would you be able to provide us with the ones that are in arrears, the numbers? And then the ones that are . . . like, if you give us the numbers for the total, then we'll have them and then we'll be able to make that deduction ourselves.

Mr. Perrin: — Yes. We can provide you with the total number of accounts, the amount outstanding, the number of accounts that are in arrears, and the arrears, and we can provide various pieces of information related to how long they've been in arrears.

The Chairperson: — In that separate . . . Well I'll ask the question different. The \$4 million you said was for principal and interest loan loss, the principal and interest loan loss provision of 4 million must mean that there is significant more than \$12 million outstanding if that's what the principal was. Or did I . . .

Mr. Perrin: — I guess I'll defer an answer on that, but we can clarify the amount outstanding by principal and interest owing.

The Chairperson: — Okay. Good.

Mr. McPherson: — Thanks, Mr. Chair. My question is more general, just for my own information. The northern Saskatchewan economic development revolving fund, I just wonder, what is the role of this fund, and how does it differ from one we discussed this morning, NEFI, northern enterprises fund incorporated? I'm wondering, do we have . . . who do they lend to? is there duplication? I'm just not sure of the role of each of these.

Mr. Perrin: — Well, the northern enterprise fund I can't speak definitively to, but I was not aware that the northern enterprise fund's activities were primarily loans. I understood that most of their activities were a guarantee of perhaps some loans. And in fact the northern enterprise fund, in some cases, guaranteed the repayment of some loans that the northern economic development revolving fund may have made.

The economic development revolving fund provided loans to northern businesses in various sectors. It was a program that was established roughly 20 or so years ago. And as I referenced earlier, it had two portfolios.

The so-called commercial portfolio was loans to businesses in various sectors for various activities. And it was confined to the northern . . . what was known as the old northern administration district.

The other portfolio, which we referred to for primary activities, was loans to fishermen, trappers, and also

wild rice harvesting activities, primarily for equipment that was required in those operations.

The commercial portfolio had a wide range of types of loans. I would characterize them as . . . some of them were for . . . for instance forestry operations, for harvesting equipment, hauling equipment. Some were for fixed assets, for commercial stores, operation of commercial businesses of that nature.

Mr. McPherson: — That was my understanding this morning, what the NEFI did. Did I get a wrong assumption this morning when we were talking about the northern enterprise fund? Because my question then would be, if there is this duplication that I think there is, would it not be proper for your department, say, to take over that northern enterprises fund?

Mr. Perrin: — Well I don't know if this is the appropriate . . . is the forum to discuss those activities. The northern enterprise fund was formed some time in the late 1980s and was operated by SaskPower. And, you know, I expect that there was some duplication.

Mr. McPherson: — That's all the questions I have.

The Chairperson: — You made an observation about the guarantee that the northern economic fund had with relation to this fund. Could you give us the amount of dollars that that guarantee is.

Mr. Perrin: — No, I can't. And I don't know whether we have any existing loans that have been guaranteed by the northern enterprise fund. But I am aware that there were some loans made in the past by the revolving fund that obtained a repayment guarantee from the enterprise fund.

The Chairperson: — Okay. If there are any in 1991, would you provide us with that information.

Mr. Perrin: — We can provide you with that information.

Mr. Cline: — Well I think we should note, Mr. Chairman, that the department is complying with the recommendation.

The Chairperson: — Okay, that's item no. .25. Item no. .29 deals with another issue and that is the community bonds. The item is:

The Government should consider whether it continues to be appropriate to exempt Community Bond Corporations from *The Securities Act, 1988*.

And the discussion basically deals with those that are transferred to shares after they are bonds. Is it then in the interests of those investors at some point in time to allow *The Securities Act* to deal with the community bond program?

Mr. Perrin: — Okay, well I can address that in, I guess, in the following way. We have had ongoing discussions with the Securities Commission and as a

result of those discussions amendments to The Community Bonds Act have been proposed for the spring session. These amendments include the removal of the Securities Commission exemption from The Community Bonds Act. The Securities Commission has agreed to provide an order for the initial process of issuing the bonds.

The responsibilities and activities . . . as a result of that order, the responsibilities and activities for this process would remain with the department and then when the bonds reach their conversion dates the Securities Commission, as a result of this arrangement, will be responsible to ensure that the processes meet the regular requirements of The Securities Act. So that perspective is what has been proposed.

The Chairperson: — Okay, we will look with anticipation for what that contains. Will the committee give me a word for the Clerk to write down?

Mr. Cline: — I think we should note that the department anticipates that the government will be making legislative changes to comply with the recommendation.

The Chairperson: — Okay. Are there any other questions? I have some that relate to SEDCO (Saskatchewan Economic Development Corporation). In your total . . .

Mr. Perrin: — Sorry, we're not able to address SEDCO.

The Chairperson: — Oh, you're not. Okay. Is your minister responsible for the growth fund?

Mr. Perrin: — Yes, but the growth fund is not under the purview of the Department of Economic Development. Now I'm not sure what its status was in '91-92.

No, it's my advice that the department had no responsibilities for the Saskatchewan government growth fund in '91-92.

The Chairperson: — You manage some parts of the economic diversification and investment fund, right? It's under the title of economic diversification, page 61, of the . . . there's Economic Diversification and Trade advanced technology development programs. In the year under review were there payments made to those areas that dealt with advanced technology development programs? Did you make some monies available for that?

Mr. Perrin: — Yes, I believe so. We'll look for those.

Mr. Kraus: — Page 68 of volume 2.

Mr. Perrin: — Yes, I have located it.

The Chairperson: — Okay. What kind of programs were developed under the POS Pilot Plant? Or what

kind of programs . . . were they research programs?

Mr. Baron: — Well there were two expenditures, Mr. Chairman. One was a membership. The POS Pilot Plant Corporation is a non-profit corporation and various corporate entities have memberships. That was a \$50,000 expenditure. The department, on behalf of the Government of Saskatchewan, was a member of the corporation.

The other item was a grant of 52,604 to assist the corporation in purchasing some specialized equipment which they needed to do a number of testing and research programs for projects that were being done for companies in Saskatchewan.

The province of Saskatchewan . . . most of the public funding for the POS comes from the federal government; the Saskatchewan government has assisted the POS Pilot Plant by assisting them in buying certain specialized pieces of equipment that relate specifically to research projects done for companies in Saskatchewan, if there was some specialized equipment provided.

The Chairperson: — One I have a question about is Prairie Malt.

Mr. Baron: — That was a contribution to a research project by Prairie Malt. The contribution was slightly less than half of the cost of the entire project, the entire research project to develop some synthetic plant hormones for use with malting barley seed. And the total project cost \$87,010 to carry out. The department contributed \$46,043.

The Chairperson: — Was that research conducted by Prairie Malt?

Mr. Baron: — It was done at the NRC (National Research Council) facility in Saskatoon, the plant biotechnology institute.

The Chairperson: — Okay. Telecommunications research laboratories, \$250,000.

Mr. Baron: — The telecommunications research laboratories is a network of research laboratories doing primary research into new telecommunications technologies. The original laboratories were established in Edmonton in association with the University of Alberta. And slightly over two and a half years ago, a satellite laboratory was established in Saskatoon. This relates to provincial funding that was committed over a five-year period to the support of that laboratory.

The laboratory is funded by sponsorships from industry and from the federal and provincial governments. The 250,000 that was paid out in that year was an initial payment for the provincial commitment. The total provincial commitment over five years for that laboratory is almost exactly one and a half million, and the laboratory in Saskatoon currently employs 26 scientists.

The Chairperson: — The Saskatchewan Research Council of 233,000. Just give me the number of projects they had and some of the larger ones.

Mr. Baron: — Oh, okay. This relates to an ongoing larger program referred to as STEAR (strategic technologies in automation and robotics). It's basically the development of a centre of excellence in Saskatoon at the Saskatchewan Research Council in conjunction with a number of local companies that are working on projects to . . . in automation and robotics. There were one, two, three, four, five projects in total that were funded in that period for a total of \$233,417.

The Chairperson: — Did any of them have to do with wind research for power development?

Mr. Baron: — No. None of them appear to have anything to do with wind research, no.

The Chairperson: — Okay. Then I want to go to the export development projects. That's subvote 2. The University of Saskatchewan had a \$33,000 one. What was the purpose of that?

Mr. Perrin: — The payment of 33,000 to the University of Saskatchewan was a grant to support the centre for international business studies in the College of Commerce. That was the centre that was established at the university with support from the Government of Canada, primarily, and the Government of Saskatchewan provided payments under an agreement, I believe a three-year agreement initially, to support the activities of the centre; and those activities were primarily related to programs with both undergraduate and graduate students in business administration related to partnerships that they arranged with individual companies to undertake export projects. The undergraduate projects were primarily for companies to pursue exports into new markets in the United States.

The Chairperson: — The two others there, the Prairie Systems and Equipment Limited. What was that for?

Mr. Perrin: — That was a grant under the trade opportunities program and I don't have more information than that. The trade opportunities program was a program that operated prior to '91-92. I suspect that this was a sort of a final payment to that organization under that program.

Mr. Baron: — The trade opportunities program cost shared with the companies the cost of hiring university graduates to work in their trade area. It was essentially, I believe, 50 per cent of the one-year salary of the individual.

The Chairperson: — Is that also what is involved in Leon-Ram?

Mr. Perrin: — Yes, both Leon-Ram and International Road Dynamics, the three that were identified there.

The Chairperson: — Harvest Meats, under industrial

development projects, received 135,000. Was that for a specific project?

Mr. Baron: — That was a pay-out under a former program that ended the . . . called the industrial incentive program. The program actually ended in . . . the program was active until March 31, 1987, I believe. And this company had applied for an expansion which was phased over a lengthy period of time, and this was sort of a delayed pay-out for a number of jobs. The program paid \$7,500 for each new job created if there was appropriate capital investment. In this case, the pay-out of 135,000 related to the company having created 12 . . . or 18 new jobs in that . . . and it was eligible under the program, although the program had ceased to take applications some considerable time before that.

The Chairperson: — And Nygard International. I know what Harvest Meats does but what is Nygard?

Mr. Baron: — Nygard International is a sewing plant in Saskatoon. The former owners of the plant became insolvent. And Nygard is one of the large fashion manufacturers headquartered in Winnipeg, and they acquired the Saskatoon sewing plant from the receiver that was acting in the liquidation. And they required some assistance from the province to encourage them to maintain that sewing operation there.

The department, with special cabinet approval, made contributions for training of the employees — training and retraining of the employees there — which resulted in saving some 70 jobs at the time. And the employment there has now grown to, I think it's something over a hundred.

The Chairperson: — The Saskatchewan Research Council got another \$630,000 from a petroleum division lab, subvote 6.

Mr. Perrin: — That would be under another department. I think under Energy and Mines.

The Chairperson: — Okay. Right. I understand that. Okay, that's all the questions I had on that fund. I'll just go through this other one here a little bit too. Under your economic diversification and trade portfolio, there was a payment made of \$5,000 to Canadian Dehydrators Association.

Mr. Perrin: — Is there an area that the grant is listed in?

The Chairperson: — Under page 75 under trade, third main item.

Mr. Perrin: — I think we'll have to come back to you with the purpose of that.

The Chairperson: — Okay. Then there's another one under diversification and investment — Rotary Air Force Management Inc., \$7,200.

Mr. Baron: — That was a contribution to . . . when the company moved its operations from Alberta to Kindersley, Saskatchewan, the department became

involved in a commitment of about \$20,000 to assist them over a three-year period in marketing initiatives for the sale of those small helicopters they are producing. And the pay-out was over three years based on actual costs of attending certain trade functions in the U.S. (United States).

The committee adjourned at 4:45 p.m.

And in that particular year the cost was, I believe, \$7,300 roughly. And that would have represented 50 per cent of actual costs incurred by the company in attending certain trade shows and trade-related activities in the U.S.

The Chairperson: — Okay. And is that the second or third payment?

Mr. Baron: — That would have been I believe the second payment. There was one more payment I think for the past fiscal year.

The Chairperson: — Then just further down the page, Saskatchewan Place received \$68,000. That's under subvote 2.

Mr. Perrin: — That was a payment related to a business opportunity show that was conducted in Saskatoon, and was payment for the services that were provided by Saskatchewan Place.

The Chairperson: — That was a trade show, you said?

Mr. Perrin: — It was a Business Opportunities Saskatchewan show and it was scheduled to be held in September 27 to 29, 1991.

The Chairperson: — Okay. There is, on page 76, under northern Saskatchewan economic development revolving fund there's three names there that had a \$55,000 payment, 28 and 35. Are those staff ?

Mr. Perrin: — Those were staff and would be salary payments.

The Chairperson: — Okay. I don't have any further questions. Does any other member have? Well then I would entertain a motion that:

the hearing on the Department of Diversification and Trade be concluded subject to recall if necessary for further questions.

I want to thank you, Mr. Perrin, and your staff for coming here and providing us with the information. And those other questions that we have, we'll be expecting them to arrive directly. I appreciate you being here and hope the weather warms up.

Tomorrow morning we're going to be dealing with the Department of Health and the Investment Corporation of Saskatchewan, and then later on Department of Highways and Indian and Metis Affairs Secretariat and Sask Water.

I would entertain a motion to adjourn.