

**Public Hearing: SaskPen**

**The Chair:** — Good morning, ladies and gentlemen. We'll bring the meeting to order. Welcome to Ms. Croll and Mr. Black this morning, to our committee.

The process that we have adopted for our committee is to have the Provincial Auditor's department brief the committee about their recommendations in regard to the issues that are in front of us. Following that, we have a statutory thing that we have to read into the record, at which time then we'll invite a response from the people that are appearing before us. Following that, we then open it up to committee members to address any questions in general to any of the people that are here. And then finally we deal with the recommendations specifically.

So with that, I would like to open it then by turning it over to the Provincial Auditor to give us a background on the issues this morning.

**Mr. Streliaff:** — Okay, thank you, Mr. Chair, members. Good morning, everyone. With me again today is Fred Wendel, the assistant provincial auditor, and Jonathan Fogg.

By the way, as you know, we train students in our office and hire them from the universities to get their chartered accountancy designations. Well Jonathan found out last Friday that he passed the national CA (chartered accountant) exams and also obtained the gold medal for Saskatchewan. So we were quite pleased.

**Some Members:** Hear, hear!

**Mr. Streliaff:** — By the way, Jonathan, his father is Larry Fogg, who is the acting president of SGI (Saskatchewan Government Insurance), who is also a chartered accountant. So there's some family connections there. So our office was quite pleased with that last Friday when we were celebrating.

During our meeting in October we had discussed our recommendations pertaining to SaskPen and SP Two. It was in the context of our chapter on the Department of Finance. And in that chapter we informed you that when we were beginning our audit of SaskPen and SP Two, we had communicated with the appointed auditor of SaskPen and SP Two, who had advised us that the shareholders of SaskPen and SP Two had advised him not to provide us access to the '94-95 financial statements of SaskPen and SP Two.

So we brought that to your attention. And during the discussion, you decided that you would like to defer the related issues to this meeting so that you would have an opportunity to discuss the related matters with officials from SaskPen and SP Two.

So Fred Wendel is going to go over the underlying issues that relate to SaskPen and SP Two, as well as Greystone.

**Mr. Wendel:** — Thank you. Mr. Chairman, my presentation covers chapter 10 of the '95 fall report, paragraphs .24 to .40,

and chapter 22 of our '96 spring report and in those chapters report two issues. The first issue is the Assembly does not receive financial statements for Greystone, SaskPen, and SP Two. This committee recommended all government corporations should table annual financial statements in the Assembly, including those where the Crown owns less than a hundred per cent of the issue share capital.

We think Greystone, SaskPen, and SP Two are government corporations, since they were created by the Minister of Finance and government-appointed boards. The minister and the boards joined together to form these companies to carry out public policy. Regarding Greystone, the government wanted to remove investment services from the Department of Finance and have the advice provided by a corporation. The profits of that corporation accrue to the government-appointed boards.

Regarding SaskPen and SP Two, the government wanted to invest in real estate in Regina and Weyburn and needed these companies to do so. The government owns almost all of Greystone's and SP Two's voting shares and all of SaskPen's voting shares.

The second issue relates to the audit of these companies. We think The Provincial Auditor Act requires us to audit these companies. Greystone has not let us audit its account since it was formed in '88. Starting in 1995, SaskPen and SP Two no longer allow us to audit their accounts. Our office audited these companies directly for many years, and more recently through an appointed auditor.

I have no further comments.

**Mr. Streliaff** — Thank you, Fred. Chair, members, questions?

**The Chair:** — Thank you, Mr. Streliaff. As I indicated, what I will now do is read a statutory statement and then we will invite you to respond.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action. In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

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

A witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I ask that 15 copies be submitted to the committee Clerk, who will then distribute the document and record it as a tabled document. You are reminded to please address all comments through the Chair.

With that, I now invite a response from Mr. Black, perhaps.

**Mr. Black:** — Mr. Chairman, thank you. I will respond on behalf of all three companies. I am the chief executive officer of each of those companies. With me is Nancy Croll, who is the non-executive chairperson of the board of SaskPen Properties and SP Two.

So, Mr. Chairman, thank you for this opportunity to appear here yet again to present our position. This is my third appearance before this committee, which should give the members some appreciation of how long this dispute has been running.

By way of background for new members, Greystone is a shareholder-owned company incorporated under The Saskatchewan Business Corporations Act. It is based in Regina. It is in the business of managing investments and counselling investing. We also do business through a wholly owned subsidiary located in Edmonton, Alberta, called Greystone Managed Investments Ltd.

Our 38 employees, most of whom reside here in Regina because this is our head office, serve about 200 institutional and individual clients. Only about 20 of those clients are government-related accounts. In total we manage approximately \$6 billion on behalf of our collective clients, which places us about number 15 out of a field of about 150 investment managers in Canada.

SaskPen Properties and SP Two Properties are simply investment vehicles managed by Greystone on behalf of the clients who own them. They have no employees. They are special purpose companies used exclusively for holding investment in real estate properties. They are not instruments of government policy.

Government also has no ownership role in any way in either of these two companies, or for Greystone for that matter. SaskPen and SP Two exist only to allow those pension funds to hold commercial real estate properties in their investment portfolios, as I've previously stated.

The issues surrounding these two companies and the Provincial Auditor's office is not new. Indeed I have copies of the applicable portions of *Hansard* from my two earlier appearances, February 4, 1983 and January 20, 1994, and I have tabled those and they are being distributed to you.

I do apologize for covering some old ground here, but I must do so in order to help the members. It seems that the issues that have already been resolved by your predecessors on this committee have an unfortunate way of retreating behind the doors of the Provincial Auditor's office until they can again rise from the dead.

Despite the tendency from certain quarters to see bogeymen, there is nothing sinister afoot here. Government has no direct or indirect ownership in these three companies, so we are hardly created as a part of some plot to avoid the Provincial Auditor's scrutiny.

The two real estate companies in question are only investment vehicles for employee pensions, while Greystone itself is only one of the investment managers that are used by these pension plans. All of this has been aired before, and aired to the apparent satisfaction of both this committee and the Legislative Assembly. When it last reported to the Assembly, the Standing Committee on Public Accounts in its sixth report to the Legislative Assembly tabled on March 29, 1994, stated the following:

Your committee agreed to note the following:

The pension plans are audited by the Provincial Auditor;

the plans can choose their own (investment) management company, i.e. they can go to someone other than ICS (Investment Corporation of Saskatchewan) . . . (now Greystone);

ICS is a private company incorporated under The Business Corporations Act;

ICS shares are held by the shareholders as trustees for the beneficial owners of the shares who are the plan members;

each pension plan is accountable to its own members;

your committee could call pension plan officials for accountability purposes should the Provincial Auditor, through the audit process, identify any audit problems or for any other reason should the committee decide to examine plan officials.

So, Mr. Chairman, the committee is being asked to consider exactly the same points that it agreed to not less than three years ago. The arguments are the same arguments that satisfied your predecessors on this committee, and indeed the entire Legislative Assembly that received the report.

Notwithstanding all of that, essentially the same comments appear in the Provincial Auditor's report. Most recently in the fall report where a particular viewpoint was advanced without any suggestion that others held a differing viewpoint that was backed by solid legal opinion.

To give the committee a better appreciation of our continuing attempts to inject a little balance into the report of the Provincial Auditor's office, I've tabled a series of letters written during the drafting of the report being considered this morning and previously. It should give members a better appreciation of our respective viewpoints. I've tabled both the auditor's letters and our letters.

The Provincial Auditor's office continues to argue that they require access to Greystone for three reasons: to comment on investment performance; to ensure that public money is being accounted for; and to make certain that government has not found a way to conduct clandestine activities beyond the vigilance of the Provincial Auditor's office.

I've already suggested that none of these three reasons are valid because Greystone, SaskPen, and SP Two are not government organizations in the first place. We report to no minister and operate under no government statute. Likewise, the issue has very little to do with properly reviewing investment performance or the administration of the various government employee pension plans.

Mr. Chairman, the Provincial Auditor's office already has full access and complete audit purview of the pension plans and our reports to those funds. It has access to Greystone's financial statements which are duly prepared by our external auditors. It has access to detailed transaction reports and reports from the trust company custodians who actually hold the investments and execute the financial transactions on behalf of the pension plans.

The auditor's office would gain absolutely no new information from auditing Greystone, even if it could legally do so. And it certainly wouldn't gain any unique insights into investment performance. In any event, it's not the mandate of the Provincial Auditor's office to review, examine, or report on investment performance of the pension plans. Each of the funds has an independent board of trustees whose fiduciary responsibility it is to govern those funds and report on them to the appropriate audiences.

I'd suggest that the auditor's office take a moment to understand just what Greystone is and what it does. We are only one of several external managers used by the individual pension plans. We do not administer the plans or set the rules. We don't even handle the investments or the cash. Our books only show the revenues and expenses of a going concern which provides a service for a fee to those funds. They have nothing to do with the investment performance.

Now let me make the point another way. None — now I repeat none — of the billions of dollars of transactions that we direct annually on behalf of those funds actually goes through Greystone's accounts. Rather, they are properly recorded on the books of the individual pension funds, duly audited by the Provincial Auditor.

What's more, Greystone is not a sole manager of government pension plans, as I've stated earlier. Some of our government clients have in fact upwards of 50 per cent of their assets managed elsewhere. Since these managers are not called to appear and the Provincial Auditor does not seem to be claiming the right to audit them, we can safely conclude that he doesn't need access to those investment managers, or indeed us, to do his job. So then why are we here?

Well, Mr. Chairman, the issue continues to be the auditor's office holds the mistaken opinion that Greystone, SaskPen, and SP Two are government corporations. As we see it, the Provincial Auditor recommends that the government do something that it has no legal right to do so.

Simply put, Greystone, SaskPen, and SP Two do not table financial statements in the legislature because we are not government organizations and are not required to do so. We are

not Crown corporations with our own governing statutes. We are not departments. We are not agencies drawing on the Consolidated Fund. We do not provide an exclusive, in-house service to those pension plans, and we report to no ministers. This committee has already considered our position and agreed with it.

Yet here we go again. It seems we're in for a repeat performance every time there's a fresh audience at the Public Accounts Committee. We'd like to chalk our appearance up to our civic duty, except that Greystone competes for business in a very tough industry. Even an appearance before this committee, let alone repeated references to Greystone in the auditor's report, damages our reputation and denies us much-needed business opportunity.

The Provincial Auditor's office might view this as an interesting academic exercise and talk about the need to protect against precedent, to extend jurisdiction to follow every tax dollar to its final resting place and prevent government from creating subsidiaries with nefarious purposes. But we're talking about more than academics here and more than an *X-Files* conspiracy. In the process of chasing spectres, the Provincial Auditor's office is compromising the livelihood of a private, non-government business.

One of Greystone's objectives has been to contribute to a strong financial services sector in the province of Saskatchewan by attracting clients from all across Canada. These repeat performances could beg the question whether we'd be better off relocating to another province where we would truly be welcomed and free from harassment from the Provincial Auditor's office.

The position we are in is both curious and extremely frustrating. In essence, the Provincial Auditor continues to bring into the public eye what is basically a dispute between the bureaucrats and his office and a number of private companies. What makes it even more vexing is the fact that the issue has nothing to do with pensions, nor does it have much to do with money.

For example, our largest shareholder has only one one-hundredth of 1 per cent — that's one one-hundredth of 1 per cent — of its assets invested in the shares of Greystone Capital. To put this in context, if that same fund, which has approximately one and a half per cent of its assets invested in Bank of Montreal shares, roughly a hundred times what it has invested in Greystone . . . does the Provincial Auditor's office need to audit the Bank of Montreal then? I think not.

To put it another way, if the Bank of Montreal shares declined by only a modest 50 cents — and anybody who invests in the stock market knows that the shares of even a bank can go up or down 50 cents — then something really interesting happens. The fund loses much more than its entire investment in Greystone. Yet the auditor's office wouldn't launch, I don't expect, a special audit of the Bank of Montreal or indeed the Toronto Stock Exchange.

Thus not only are our repeat performances here an imposition on the committee's time, damaging to Greystone and irrelevant

to investment performance, but they deal with an investment that doesn't even pass the most basic of materiality tests. Still, we need to run through the legal argument here.

First, Greystone is not a creature of legislation. We are a privately owned, for-profit company; therefore as we understand it, the Provincial Auditor must rely on the definition of Crown agency in his Act to claim his audit rights.

Second, in subsection 2(d) of The Provincial Auditor Act, Crown agency is defined as a corporation that has at least 90 per cent of its shares vested in the Crown. In turn, Crown is defined as: "Her Majesty the Queen in right of Saskatchewan." The definitions are very important. Note that the Act defines both Crown and Crown agency. It's a basic statutory principle, as I don't need to explain to the members, that the same words have the same meaning and different words have different meanings.

Therefore by distinguishing between Crown and Crown agency, the Act means they are not interchangeable. Therefore the Act cannot be interpreted as saying the auditor's office has jurisdiction over Crown agencies that have at least 90 per cent of their shares vested in another Crown agency. To suggest that the Act gives this right means that it's adding words that just aren't there. The shares must vest in the Crown itself. As a result, the mandate of the Provincial Auditor as stated in the Act simply does not apply to Greystone, SaskPen Properties, or SP Two Properties.

Perhaps I can help the committee by drawing an analogy. For example, say you owned shares of a holding company. The holding company also owns a majority of shares of a subsidiary. For instance, Walt Disney's controlling interest in ABC (American Broadcasting Company) television, for example. Your Disney shares don't automatically make you an ABC shareholder. You can't vote your Disney shares at the ABC annual meeting. Similarly, the fact that you happen to audit the holding company doesn't automatically convey audit rights to the subsidiary.

The Provincial Auditor's argument seems to be that since the government appoints the pension fund trustees, by their definition that makes them government controlled. And since the pension fund's bought Greystone shares for their portfolio, the Provincial Auditor's office claims the right to audit. But using the same reasoning, if the Provincial Auditor has the right to do this over one pension fund investment, he must by extension have the right for all investments.

Thus the committee should focus on each investment, from the largest to the smallest. I'm sure the chairman of the Bank of Montreal eagerly awaits his audit by the Provincial Auditor.

Conversely, if the Provincial Auditor does not have jurisdiction over each and every pension fund investment, I submit that he has no jurisdiction over the investment in Greystone. It is just not logical to conclude otherwise. Yet the auditor's office appears to believe that the definition of Crown agencies somehow confirms the power that business law precedent and basic common law do not provide.

Even setting aside the definition of Crown or Crown agency, Greystone also fails the test of government ownership. Our shares, like any other investment in the pension fund, are owned on behalf of the plan members themselves. Suggesting otherwise implies that the shares of Bell Canada or the Royal Bank held in the public employees superannuation plan are actually owned by the government. Clearly that is not the case.

Once again Greystone is simply another investment by a pension plan, and it's important to remember that the money used to buy the shares in that portfolio isn't solely government money. Nor does government enjoy the benefits of share ownership. The shares were bought with the contributions from thousands of individual pension plan members and the government's matching contributions. Thus government's involvement is immediately diluted.

But it goes further than that. The various pension plans were established to secure the interests of their members; thus there are a number of legal safeguards built into pension legislation. For simplicity, these safeguards say that the plans exist for the benefit of their members, and the funds in those plans must be used responsibly for the exclusive benefit of the members. In short, once an employer's contribution is made to the fund, the employer — in this case the government — loses control of it and access to it.

Keep in mind that the pension plan contributions are simply deferred compensation owed to the employee under a contractual promise to pay. That deferred compensation ceases to be government money the instant that it is deposited in the pension plan. It's no different than saying the salary stops being government money the moment it passes into the employee's hands. To suggest otherwise would mean that the Provincial Auditor should audit Safeway because the employees spend their salary there.

Thus none of the funds used to invest in Greystone were within government's control. Once government's matching funds are made to the various pension plans, they belong to those plans and to their ultimate beneficiaries. It makes no difference that we're talking about a defined benefit plan or a defined contribution plan. The assets of those plans belong to those members and not to government. And Greystone is one of those assets, along with the Royal Bank and Bell Canada.

It would take an Act of the legislature to change control of those assets and to remove the funds once in the plan. We submit that's exactly what it would take before you could conclude that Greystone, SaskPen, and SP Two were government controlled.

From time to time the Provincial Auditor's office attempts to simplify the position by noting that government pension plan trustees, not surprisingly, are government appointees. Along with missing the point, this suggests our shareholders operate as a single unit with common interests and common purpose. It also suggests that government could or would even consider ordering its appointees to ignore their legal responsibility and disregard their members' interests. I find that a rather curious position.

Regardless, this position doesn't recognize legal reality. While these trustees may have gotten there through a government appointment, because that's how their enabling legislation reads, those trustees do not represent government. Their clear and unequivocal duty is to represent the best interests of the thousands of individual plan members. That is a concept of fiduciary responsibility. And it's more than a concept — it's a legal responsibility and one of the central safeguards of any pension plan arrangement.

Put another way, given the choice between serving government's wishes or serving the needs of its members, trustees must, by law, represent their members. The fact that those members differ widely in age, occupation, and industry, means each pension plan has different interests and different priorities.

One can call the boards of our shareholders government appointed, but to call them government controlled is another matter entirely. It would be entirely erroneous both in law and in fact.

That's our position. Once the staff of the Provincial Auditor joins us in this conclusion, then this simple bureaucratic, jurisdictional dispute will cease to be blown out of control.

Mr. Chairman, I recognize that this has gotten somewhat involved and perhaps longer than you had anticipated, but it's consumed a fair amount of our time and I think it's necessary that we put these points on the record.

Let me briefly summarize what I've said. Greystone is simultaneously both an investment holding of the pension plan and a service provider to those funds. While that can be confusing, it isn't unusual. Many Air Canada and McDonald's stakeholders take flights on the planes and eat the hamburgers.

Still the Provincial Auditor's office claims jurisdiction under both the share ownership and the service provider pretexts. First, the auditor's office maintains jurisdiction is required over Greystone as a service provider, in order to gauge investment performance.

We have demonstrated that the auditor already reviews the individual pension plans. Since no other external manager is audited, the auditor's office clearly agrees with us that audits of the managers are not necessary. Indeed all information relating to investment performance is already available to the auditor's office through the pension plans themselves. Thus jurisdiction over Greystone because of its service provider status is a straw dog.

Second, the auditor holds that jurisdiction is required since Greystone is a pension fund investment and the majority of its shares are collectively owned by a number of Crown agencies — not government itself, but by Crown agencies.

We have shown that this too is an invalid position and contrary to any reasonable interpretation of The Provincial Auditor's Act. We've shown that the Act does not extend jurisdiction to an ownership situation as remote as Greystone, SaskPen, and

SP Two. But more importantly, we've demonstrated the actual beneficial ownership of any investment held by the pension plans resides with the plan members and not with government.

Finally, we have seen the Provincial Auditor's office argue that pension plan trustees are government appointed; therefore the plan is government controlled; therefore government is the controlling shareholder, if you will.

We've suggested that that not only does not make . . . or that that not only makes bad logic but bad politics. But it also contravenes the legal principle of fiduciary responsibility. The trustees of our shareholders may be government appointed but they are not government controlled.

Lastly, let me turn to the committee's greatest concern: how to assure itself that public sector pension monies are properly administered. Our refusal to table financial statements or to agree to a Provincial Auditor's audit has nothing to do with avoiding financial accountability. Far from it.

As companies with shareholders, we honour that accountability. Greystone, SaskPen, SP Two, all engage external auditors and make those financial statements available to our shareholders, who in turn make them available to the Provincial Auditor through their own annual audit.

In short, we are already audited. To suggest we require a separate audit is identical with suggesting that the Royal Bank or Inco. (International Nickel Company of Canada Ltd.) need separate audits just because government or its employee pension funds happen to own shares in those companies.

I suggest the members keep in mind that Greystone is an investment manager. We do not administer pension plans. We do not set benefit levels, nor do we establish investment policies. Our clients have those responsibilities themselves. We simply make investment decisions within policy guidelines of the particular fund as conveyed to us by the trustees of those funds. We handle none of the cash and none of it passes through our accounts. In fact we are not the only investment manager, as I've told you before.

Mr. Chairman, that concludes my statement. I apologize for using up the committee's time, but I think it's important that the committee have a full understanding of what lies behind this dispute.

**The Chair:** — Thank you very much, Mr. Black, and I indeed assure you that time has not been wasted. I think a thorough briefing and understanding of your position is important.

**Ms. Haverstock:** — First of all, I'd like to begin by welcoming you again, Mr. Black, and your assistant . . . I'm sorry, I don't remember your name.

**Ms. Croll:** — Nancy.

**Ms. Haverstock:** — Nancy.

Mr. Chair, I would like to direct my question to the Provincial

Auditor. Given that I was present in the past when Mr. Black was here, I'm wondering if you would comment on his remarks this morning, being given an opportunity to of course address some of the issues that he's raised.

**Mr. Strelloff:** — Mr. Chair, Ms. Haverstock, members, and guests. The general point of the principle that we're concerned about is that when, several years ago, when the Minister of Finance and several government boards got together to form Greystone and also later on to form — or earlier, I'm not sure — to form SaskPen and SP Two, those government organizations and the Minister of Finance created Greystone and created SaskPen to carry out specific responsibilities. The share ownership resides with those government-appointed boards and the Minister of Finance.

And our concern is trying to ensure the Assembly is able to have access to what is going on through those organizations that the government creates. It's not anything more complex than that. We want to make sure that when government organizations and officials get together to create other organizations, that the Assembly still has a mechanism to receive their financial statements and receive our audit assurances related to those financial statements and compliance with legislative authorities and internal controls.

And that's just the general principle that we're trying to make sure that you're aware of, and also that as a result of not obtaining access to Greystone, SP Two, SaskPen — whether directly or through their appointed auditors — we're not able to fulfil our responsibilities to you to make sure that our assurances and information is brought to your attention.

**Ms. Haverstock:** — Mr. Strelloff, do you have, does your office have, access to the audited statements from the private sector?

**Mr. Strelloff:** — Members, we do receive access to all three financial statements through the . . . either through Workers' Compensation Board or SGI or the auto fund or the various pension plans that own shares and interact with Greystone and SaskPen and SP Two.

**Ms. Haverstock:** — Does that access then complete your requirements really, as perceived by your office? I mean are you satisfied with what it is that you receive?

**Mr. Strelloff:** — Well no. The Assembly, through The Provincial Auditor Act, has instructed our office to make sure that those financial statements are reliable. That they . . . that also that if there are any financial legislative authorities that pertain to these organizations, that they're being complied with, and that the basic financial management systems and practices of the organizations are adequate.

Now we don't . . . when we work through another auditor, we actually have direct access to that kind of information, and when we are involved we make sure that appointed auditors also carry out examinations that pertain — in addition to the financial statements — but also the . . . looking at or examining compliance with legislative authorities and as well as the basic

internal financial management systems.

So we haven't . . . we do get access to the financial statements but we don't do any work to make sure that those statements are reliable; and as well, the Assembly doesn't get access to financial statements of organizations which the government has created through the Minister of Finance and other government organizations and boards and officials.

So the general principle here is, how do you as legislators carry out your responsibilities to oversee, to scrutinize, the government, to hold them accountable when they get together — when various government organizations get together — to create other organizations. And the usual way that's done is through The Business Corporations Act rather than a statute of the Assembly; and we want to make sure that when you don't have access to the financial statements and when our office isn't allowed access to make sure that you're receiving the necessary information, you know about it.

**Ms. Haverstock:** — Let me just reiterate what I've heard said here then today, because it sounds to me like today there has to be a reconciliation between different points of view once and for all. And what I'm hearing from you is that really why this is being brought forward on a regular basis through your report to the Legislative Assembly is because of a principle; that this may be one particular circumstance, but there may be others in the future for which you do not want to just perceive this as a precedent and then there may be other instances where in fact we should be having further examination and may not.

Are you satisfied with the explanation given by Mr. Black, who seems very unequivocal in his comments that in fact it's not . . . not only not necessary but inappropriate that the Provincial Auditor audit these three — I don't want to call them agencies — companies.

**A Member:** — Entities?

**Ms. Haverstock:** — Entities, yes.

**Mr. Strelloff:** — Members, and Chair, when I look at The Provincial Auditor Act which directs me, which is the Assembly directing me to make sure that, through my office, reports are provided to the Assembly on how the government is carrying out its activities, that leads me to the view that our office should have access to Greystone and SaskPen and SP Two.

As you know, in our reports for years we even audited directly SaskPen and SP Two when they were originally formed in the initial years. And then SaskPen and SP Two decided to appoint another auditor. And then we worked through that other auditor for a couple of years, saying in our normal process where we work together to make sure that the Assembly is provided the necessary information about those organizations.

And then just recently, or maybe it's a couple of years ago now, we were informed by the appointed auditor that the shareholders — and the shareholders are the Minister of Finance, the Workers' Compensation Board, the auto fund, the

various pension plans — the shareholders had advised the appointed auditor that they should not provide any access to the financial statements of SaskPen and SP Two.

And I don't know why that had shifted grounds, but it does signal that the Assembly will not be receiving the financial statements of SaskPen, SP Two, as well as Greystone. So there's now three organizations where we have difficult access and where you don't have access to the reports.

So there is a general principle involved in terms of the slippery slope; that if you say that government organizations and ministers getting together to create other organizations, whether they hold a hundred per cent of the shares or over 50 per cent of the shares, that all of a sudden you shouldn't have access to that information, that's a worry in terms of the general principle.

But still as legislators, you have responsibilities for holding the government accountable for how it carries out its functions, whether it's through government corporations, whether it's through government-appointed boards and officials who create other organizations. That's your responsibility. And I just want to make sure that you know that you also are having a difficult time making sure that you have oversight over all the activities that government carries out.

**Ms. Haverstock:** — Thank you. If I may, I just want to then redirect a question to Mr. Black. Given what the Provincial Auditor has just said, that historically his office has had access to — in fact perceived a responsibility for through his Act — auditing these three entities, and that over time that has changed, and that that has included — and I'm repeating him, I know — that has included not only initially being responsible for the audit but moving to then receiving the audits from the private auditor, and now has no access at all, I'm very interested in, first of all, your response to that in answering the question: why has that changed over time? Why was it seen as acceptable initially and is not acceptable now?

And the second thing I'd like you to comment on is the comment from the Provincial Auditor regarding who the shareholders are.

**Mr. Black:** — Mr. Chairman, if I might respond. Thank you for that question because those were precisely the points that I wanted to address.

Let me turn to the ownership first so that that is clear and on the record, because there was some names thrown around here that are not owners of those companies.

First of all, SaskPen Properties. The company is owned by the public employees superannuation plan, teachers' superannuation plan . . . or fund — I tend to use the word plan and fund interchangeably, but it is the fund that owns them — Power Corporation superannuation fund, Saskatchewan Telecommunications superannuation fund, municipal employees pension plan, Saskatchewan Government Insurance superannuation plan, and capital pension plan. You'll note that Workers' and the Minister of Finance do not appear in that shareholders' list.

Secondly, SP Two Properties. There are only four shareholders in this company: public employees superannuation fund; teachers' superannuation; Saskatchewan teachers' retirement plan, which is distinct, separate and distinct, from teachers' superannuation; Saskatchewan Government Insurance superannuation. So that's the ownership of those four companies.

What's changed historically? Before I touch on that, let me just go back to Provincial Auditor's responsibility to audit. That is a basic and fundamental disagreement that we have in terms of the interpretation of this Act. And we both have legal opinions from eminent counsel supporting our position. I would argue that our lawyer is bigger than his lawyer, but anyway, that's beside the point. We both have positions supported by opinion.

Why has it changed? Well it's changed because the world changed. SP Two and SaskPen Properties were incorporated way back before Greystone was ever conceived. They were incorporated back when the Department of Finance had the investment responsibility as the service provider to these pension plans, separate and distinct from its role as managing the government financing. Although it was muddled and there was some question as to where the Chinese wall was and hence the whole reason for moving the investment of pension plan monies out of the Department of Finance.

So it was natural, when those companies were incorporated, being that it's done in Finance, that Finance would agree to Provincial Auditor audit. It was absolutely a natural. And you have to also remember that most of those plans at the time had no investment policy. They had no independent boards of trustees, many of them, and so it was Finance making all of the decisions.

What happened in the mid-'80s when Greystone was incorporated and those boards were also given, by the legislature, independence from the Department of Finance by amendments to their individual Acts at the time, I mean this was not something being done surreptitiously out there on the side. The legislature made a conscious decision to turn those pension plans away from the parochial shepherding of government, to give them responsibility for their own actions, and set up independent boards of trustees.

Once that happened, it became natural that as those boards became more comfortable with their roles, that they began to assume more and more responsibility for it. And they took the decision at some point in time — before I came along to Greystone — that it was appropriate to move the audit from the Provincial Auditor to a private sector auditing firm.

They also took the position that it was also natural, to give everybody comfort, that there be a transitional period where the Provincial Auditor was given access to the audit files through the independent auditor. But as time passes, it became natural, as children grow and leave home, to cut those ties as well. And so they were cut. And this is the source of the dispute now about SaskPen and SP Two.

I mean I find it somewhat disturbing that there is a suggestion

that somehow financial statements that are audited by the likes of Ernst & Young and Deloitte Touche are not reliable. That somehow they need to have the files examined by the Provincial Auditor. I mean I find that a very disturbing suggestion, and if I were a partner in one of those firms, I'd be even more disturbed.

But let me make one final point. Greystone has never, ever been audited by the Provincial Auditor. We have taken the position from day one that Ernst & Young are appointed by the shareholders. They do an audit. They pass an opinion on our financial statements, as to their fairness. We give those financial statements to our shareholders and the Provincial Auditor has access to those financial statements.

**Ms. Haverstock:** — Thank you very much, Mr. Black. I don't feel that I have to take a . . . or have a sense of responsibility for defending the Provincial Auditor's office, but I know that under different circumstances, with different private audits, that there has been given responsibility to his office. Not that his office believes that they should distrust Deloitte & Touche or Ernst & Young. Our understanding is that they indeed have a responsibility in many instances to review these audits. And that's been a relationship that has been created over time. And you may comment, if you wish, if I'm incorrect in stating that.

**Mr. Strelloff:** — Members, Ms Haverstock, yes, you are correct. The Provincial Auditor Act gives us the responsibility to examine all government organizations or government-controlled organizations, and it also gives us the direction to also rely on the work of other auditors, and to determine whether we are able to rely . . . we do work in terms of examining what the other auditors have done.

But the starting point is that The Provincial Auditor Act gives us the responsibility. We carry out that responsibility through the work of a whole range of other auditors across the province.

The other point I'd like to make is that for SaskPen and SP Two, the Minister of Finance holds the shares on behalf of the Saskatchewan . . . the teachers' superannuation fund, because the fund can't hold shares. So the Minister of Finance holds the shares in trust for that fund. In terms of the ownership of SaskPen and SP Two, it does go back to ministers.

**Ms. Haverstock:** — Thank you very much, Mr. Chair. I'll turn it over to Mr. Thomson.

**Mr. Thomson:** — Thank you. I want to follow up on Ms. Haverstock's line of questioning, because I found it fairly interesting. The question here — I think we need to focus in on this — is not whether or not the financial statements of SaskPen Properties and SP Two Properties are reliable, because we have no way of judging that because we haven't seen them. But we would assume that they would be. I have every confidence that there is no financial questions here.

The question we need to deal with though is, is this a government agency or not. And if a Crown corporation or two Crown entities create a third agency, is it a Crown? And I think that that's the question we're grappling with here today. It's not

a question as to whether the funds are at risk or anything else like that, but a question as to, is this legitimately a Crown agency that should have . . . the Provincial Auditor should have access to.

And I guess from what I understand — perhaps Mr. Black can clarify this for me — as I understand it, all of the shareholders in these two companies are Crown agencies. Is that true?

**Mr. Black:** — I'm not sure that all of them are. Certainly not all of Greystone's shareholders are Crown agencies. I don't know, for instance, Mr. Chairman, whether municipal employees would be classified as a Crown agency.

**Mr. Thomson:** — Setting aside the Greystone issue, perhaps I could ask then, is municipal employees considered? Are their shares held by the Minister of Finance?

**Mr. Wendel:** — For SaskPen, municipal employees superannuation plan, the Minister of Finance holds shares for the municipal employees superannuation fund. We audit the municipal employees superannuation.

For SaskPen, the Minister of Finance is a shareholder and holds shares in trust for the municipal employees superannuation fund. And that's how the shares are registered.

**Mr. Black:** — Mr. Chairman, a trust relationship does not convey ownership, I'm sorry. To suggest that would mean that all of the investments held by most of these pension plans in Royal Trust, as custodian for these pension plans, is to suggest that Royal Trust is the owner. It was just said very clearly, the Minister of Finance holds them in trust for. It's a trust relationship; it's not a ownership relationship. The owner is the underlying pension fund, not the Minister of Finance, I'm sorry.

**Mr. Thomson:** — I appreciate that argument. I think there's some merit to it. And obviously as you break down the funds, the individual owners are the people who are investing it. I mean I would obviously be an owner in the MLA (Member of the Legislative Assembly) superannuation fund. I would hold a certain amount of that, even though my investments would be actually held in trust by Finance, no?

**Mr. Wendel:** — You were not the owner of those investment funds.

**Mr. Thomson:** — Who owns these investment funds then? The question I want answered today is this: are these all government agencies? In which case if they are, the question becomes, can government agencies spin off private corporations that are outside of the government and outside of government's purview and investigative ability? Or are these funds in fact private funds; in which case then the Provincial Auditor should not be involved?

That's the question we need . . . and I want some consistency in the answers between these two individuals today, because we cannot have this coming back to us year after year after year. And I'm a little frustrated that this is coming back. I don't want us to be simply victimized because we are new members of this



committee. But I also don't want us to be snowed under if in fact these are government agencies that should be audited by the Provincial Auditor.

**Mr. Black:** — Mr. Chairman, some of them are government agencies and are audited by the Provincial Auditor. All of them are not government agencies, and indeed some of them are quite remote from government.

The Saskatchewan teachers retirement fund is not a government agency — and if we need to bring the general secretary of the teachers' federation here to explain it, we can do that — nor is the Potash Corporation of Saskatchewan.

And I don't know — I'm not a lawyer — I don't know whether the municipal employees plan is a government agency or not. I know its board members are appointed by government, but under certain predetermined guidelines, for the lack of a better description.

**Mr. Strelloff:** — Mr. Chair, for SaskPen and SP Two, almost all the organizations that own shares are government agencies. Mr. Black is right, that there's . . . for one of the corporations there's one — I think the teachers' fund — is not.

For Greystone, there's a greater portion of non-government agencies that own . . . (inaudible interjection) . . . excuse me. Oh. For Greystone apparently there's one organization, which is the teacher's plan, which is not a government agency, which holds shares of Greystone. The rest of the shares are held by government agencies.

**Mr. Black:** — Mr. Chairman, I wish other people wouldn't render opinions about my shareholders. Potash Corporation of Saskatchewan pension plan is a shareholder of Greystone and it is not a government agency, so there are more than one shareholders of Greystone.

**Mr. Strelloff:** — Sorry. That could be correct because there are new shareholders.

**The Chair:** — Excuse me. I really don't want this to become a debate between the two eminent people that we have in front of our committee. I think that the point that Mr. Thomson is trying to make is to get to the essence of what this structural thing is. You've indicated, as I understand, Mr. Black, the shareholders of the SaskPen and the SP Two holdings. I wonder if it would be useful — and perhaps I've missed it — for you to outline the shareholders of Greystone.

**Mr. Black:** — Certainly. I'll do them in declining order of ownership because they don't own the company equally: teachers' superannuation fund; public employees' superannuation fund; workers' injury fund; Saskatchewan teachers' retirement fund; municipal employees pension plan; Saskatchewan . . . or I think it's called Power Corporation superannuation fund; Saskatchewan Telecommunications superannuation; Saskatchewan Auto Fund; capital pension plan; SGI, which I think is SGI CANADA now; Potash Corporation of Saskatchewan employees' pension plan; Public Trustee; Saskatchewan Pension Plan; SGI superannuation plan;

Workers' Compensation superannuation; Saskatchewan Transportation Corporation superannuation; MLA superannuation; Liquor superannuation; Saskatchewan Development Fund; judges — judges of the Provincial Court superannuation. And that's it.

**The Chair:** — Thank you, Mr. Black. Mr. Thomson, I would like to return the questioning to you.

**Mr. Thomson:** — Mr. Gantefer, thank you. Mr. Chairman, I appreciate that.

This is a question we've grappled with before in this committee; on not this specific one, but this general issue as to what happens when Crown entities spin off and create other agencies that do not enjoy the same rights and privileges the parent group would have under Act, under a statute. And this is an area I'm just not clear about.

I tend to . . . Well I guess it's irrelevant whether I sympathize or don't sympathize with Mr. Black. But this is difficult issue and I think we need to have some clarification on, and, you know, we really do need to have straightened out. And it worries me when we see the Provincial Auditor, who obviously we trust implicitly in these matters, and yet then we also hear a compelling argument from Mr. Black which seems on the surface to have a great deal of logic to it.

And I'm not sure how we reconcile that and I'm not sure why this hasn't been reconciled over the past eight years.

Really I think this is a matter which we need . . . I'm not sure it can be resolved today, but I think it is something that we need to get a much clearer idea of in our mind. So with that I sit firmly on the fence.

**Mr. Toth:** — Thank you, Mr. Chairman, and thank you, Mr. Black, and Nancy. I note by the information that you've given us that it isn't the first time you've been before this committee but it's the first time I've had the privilege of hearing your side of the story. So I thank you for coming again. And I'm not exactly sure as we've had discussion on the table that we want to tie up your time two or three or four more times before this committee.

But I do have a problem understanding quite exactly what we're looking at here. I'd like to know from the Provincial Auditor, first of all, what are the problems that you see? Because as I understand it, we've got two or three holding companies here that basically are dealing with pension plans. And they're interested to invest monies on behalf of groups of people in this province, including MLAs (Member of the Legislative Assembly), to make sure that they invest their monies wisely so that at the end of the day there is money available to cover pension plans.

And I'm wondering if we've got a bit of a problem arising from the fact . . . and I just can't remember, but I believe the STF (Saskatchewan Teachers' Federation), if I'm not mistaken, invested in Pioneer Trust that faced some financial difficulties, tied up a pile of money, which may have been a problem to the

STF had there been not some protection for Pioneer Trust at the end of the day; if that's some of the concern.

Are you looking . . . Your arguments, Mr. Strelieff, are they on the basis of you're trying to determine that indeed the monies are being invested properly on behalf of the pension holders, or what are we basically, if you will, can I use the word, arguing over?

**Mr. Strelieff:** — Mr. Chair, Mr. Toth. My understanding of the basic argument is that — I think it was well articulated by Mr. Thomson — that is when government officials or organizations get together to create other organizations — and the list of shareholders that Mr. Black read out indicates other government organizations getting together to create another organization — is it important for the Assembly to continue to make sure that they have access to how that organization is functioning?

And one of the means that they have . . . or there's two main means that they have access to, to those questions. One is the financial statements of those organizations that are tabled in the Assembly and signal the opportunity for you to ask questions; and second, that our office also has access to those organizations and reports our findings and views and conclusions to you.

And so the way Mr. Thomson expressed it in terms of when government officials and organizations get together to create another organization, I think it's important that the Assembly continues to have access to those organizations.

**Mr. Toth:** — So when you talk about financial statements, what specifically are you talking about? Are you talking about the way the three — SaskPen, SaskPen Two, and Greystone — are managed? Or are you talking about where are all the monies are invested and how they've been invested?

**Mr. Strelieff:** — There's three questions that you ask us to examine when we examine an organization. One is, are their financial statements that are presented to you reliable? That's the first question.

Second one, have they complied with all the key financial legislative authorities that govern their financial activities? And three, do they have adequate rules and procedures to safeguard and control the assets that they're managing?

So those three audit assurances that we provide you on all organizations, working either directly at the organization or working through another auditor, are the type of information that you've asked me to provide you for all these types of organizations. And that's the type of assurances that I want to make sure that I'm able to provide you and that you have the benefit of.

**Mr. Toth:** — Okay, we've got the three funds we're talking of have external auditors. You receive the audited statements from the auditors.

**Mr. Strelieff:** — We receive the financial statements from the

shareholders, like the pension boards, the Workers' Compensation Board. That's the way we have access to the financial statements of SaskPen and SP Two and Greystone. We don't have access directly to Greystone. We used to before for SaskPen and SP Two, but no longer.

**Mr. Toth:** — Well in some of the Crowns in this province we do have external auditors. You have, if I'm not mistaken, in a number of cases if not all of them, come to an understanding with the auditors that the audit that you received, that you . . . and not that you necessarily do another audit — but the audit that they have done complies with what you would normally do and therefore then you would . . . can make a recommendation to the Assembly that this audit meets your approval because it's been conducted under the similar guidelines that you would operate under.

**Mr. Strelieff:** — That's right. We do the planning together and we go to the boards of directors to agree on the audit plans. And if there are any key issues that surface during the audit from our perspective or from the public accounting firm's perspective, we make sure we get together to resolve those issues before the audit is complete.

And then when everybody is finished their work, we go back to the board of directors and say, okay, here's our agreement or disagreement on the audits. And then the work is done that way and then we report to the Assembly on that process.

**Mr. Toth:** — But what you're saying in the case of these three related entities, you don't receive any audited statements. You just received some form of statements from . . .

**Mr. Strelieff:** — No. We do receive the audited financial statements.

**Mr. Toth:** — From the three — from SP, SaskPen . . .

**Mr. Strelieff:** — Not directly from them. From their shareholders, the list of, like, the pension boards. So, okay?

**Mr. Toth:** — Yes, okay. That's what I was coming to. I'd like to ask Mr. Black here then: Mr. Black, you indicated that you do have auditors that audit the three different funds here, we're talking of here. Would there be a problem with those audited statements being reviewed by the Provincial Auditor on the same basis that the Provincial Auditor reviews external audits for a number of other Crowns, and then just with his understanding of the audits falling into the same type of criteria and then giving the approval to the Assembly?

I need to hear what your view is or how . . .

**Mr. Black:** — Yes. Yes, Mr. Chairman, there's a problem. As the Provincial Auditor stands on principle, the owners of these companies stand on principle. And we're not being flippant. This is not a position that was arrived at one night over cocktails. This is a position that was well founded in solid legal opinion.

I find it ironic that a group of Saskatchewan pension plans,

acting through their independent boards of trustees . . . albeit many of them appointed by government, but that's just how they got there. Once they're there, they're responsible to that fund. Those independent boards of trustees incorporate a company called Greystone; generate millions of dollars of economic activity in this province, employ people, save these funds literally millions of dollars every year. Somewhere between 5 and \$10 million a year collectively between these funds, is saved by virtue of their ownership of this company.

And we are being hauled in here time and time again to explain this situation. I mean everybody throws around the spectre of the \$6 billion and how is that being invested? Is it being invested in the Pioneer Trusts of the world. That's got nothing to do with this argument.

As the Provincial Auditor's people will tell you, they see all of that. They see every single transaction to its minutest detail. All we're talking about here is the fees that those funds pay to Greystone and the fact that we turn around and spend it on office rent and employees' salaries. That's what they want to audit. It amounts to less than . . . The capital in Greystone amounts to less than 100th of 1 per cent of these funds. This is not material.

But that all notwithstanding, what we're talking about here is, is just because these things might be defined as agencies of government, The Provincial Auditor Act does not, in our opinion, supported by our counsel, automatically convey audit rights to Greystone. And that's what it's all about.

We argue that the Provincial Auditor has access to our financial statements through our shareholders. They are audited. They are signed off by Ernst & Young. We don't think that there is any benefit to be gained by the legislature, or anyone else, by the Provincial Auditor's people sitting down with Ernst & Young and going through their audit files.

Conversely, we think there is irreparable economic harm that will accrue to Greystone as an entity, and therefore to the people that own it. Because I can tell you that the other 180 clients I have do not want to deal with a government entity. And I go out of my way to convince them that we are not. But if we are audited by the Provincial Auditor of Saskatchewan, all of our arguments will go out the window. And we will lose those clients, as sure as the sun rises in the east every morning.

**Mr. Toth:** — So basically what you're saying . . . What the auditor is saying . . . Basically we're talking about the fact, like, teachers' superannuation which is really . . . teachers don't come under any provincial jurisdiction. They're kind of a separate entity. Potash Corporation is a separate entity.

So the only ones that would really . . . you would see as through their annual statements would be Workers' Comp, SaskTel, Power, and STC, and SaskAuto, because of the fact that they're Crown corporations, and in their annual statements, it would have some recognition of their contributions to pension plans, right?

**Mr. Strelieff:** — We do the audit of the teachers'

superannuation fund as well. That's part of the . . . one of the Crown agencies that we look at, but there's another teachers' fund . . .

**Mr. Black:** — Saskatchewan teachers' retirement plan.

**Mr. Strelieff:** — That's separate from that and we don't do that audit. But the main one in terms of the teachers' superannuation fund, we do the audit of those funds.

But Mr. Black is right in the sense that the key issue is, should our office examine Greystone because it's a Crown agency, and if we did examine Greystone, would there be damage to their business. Because as he said, it then becomes more visibly related to the government shareholders which own Greystone.

But those are the facts, and we're just wanting to make sure that you know that we're not able to carry out our responsibilities here.

**Mr. Toth:** — Well, unfortunately there's a number of areas that I'm trying to put two and two together and I haven't quite reached four yet.

**The Chair:** — So are you firmly on the fence with Mr. Thomson?

**Mr. Toth:** — I'm going to have to give a little more thought to this, maybe allow some other individuals to make some comments while I'm going to get some thoughts straight here too for a better understanding.

**Mr. Aldridge:** — Good morning, Mr. Black, and to your official. Could you just explain to me why your company, I guess would be the best word to use, why you have never sought court protection from the Provincial Auditor in this matter? Why have you only gone to the extent of obtaining a legal opinion at this stage?

**Mr. Black:** — Mr. Chairman, that's an excellent question, and the difficulty is that about the only avenue of resolve here from our research appears to be for the two of us to agree to submit to the Saskatchewan Court of Appeal a jointly agreed-upon set of facts and a question. And I have a little difficulty with taking that route, as do my shareholders. And I'm not sure whether the Provincial Auditor's office would concur. I mean as we all know, when you go to the courts to interpret legislation, it could go either way.

It seems to me that if the legislature wants clarity on this, the legislature should deal with it. I thought the legislature was pretty clear when they established Greystone outside the bounds of legislation.

**Mr. Aldridge:** — Well I certainly can sympathize with you in your position in that perhaps you're like a victim of unfortunate circumstance here. But we as a committee of government have a fiduciary responsibility as well here in this matter. And we did hear from you earlier that you suggested you had a legal opinion in the matter which supports your argument.

And I think you suggested a larger opinion. I don't know if you're referring legal or physical stature here. But certainly I also could share your reservations about seeking some resolution within courts, given that, as you say, I mean it can go either way.

However, as a committee, I would think that we should recommend that this whole matter be taken one step further. Because I don't think we're ever going to reach any resolution here within the committee, and for this to continue to come up in committee as it has, I don't think is suiting anyone's needs.

And there could be a precedent being set here, as explained by the auditor and some other members of committee, that might have some far-reaching implications in the future, not specifically related to Greystone itself but to companies that people haven't even dreamed of yet.

So I think that as a committee we should be resolving to recommend that this be referred on to . . . that the two parties agree to some sort of a mediation or in court, whatever the correct terminology would be for that.

But I think that's really the only ultimate solution. And it certainly won't be to the satisfaction of both parties, but I think it's at a stage where that should be our recommendation.

**Mr. Koenker:** — Inasmuch as SaskPen was created and SaskPen Two were created by members of the legislature, and we find ourselves here dealing with this issue again — and former colleagues have dealt with it before we have today — personally I feel a certain sense of obligation to come to terms with the issue as present day legislators, contrary to what Mr. Aldridge has suggested. If we can't, then I would certainly share your concern that we find another solution.

But I think there's an onus on us to find a resolution to this issue. That's the first thing that strikes me today. There has got to be a resolution to this issue because there's legitimate disagreement. How it gets resolved, I think is amongst ourselves, who are the designated representatives of not only the Government of Saskatchewan but the people of Saskatchewan, and thereby many of the shareholders who have their pensions held by these funds.

To that end, I feel that I need to review this issue personally and review some of the transcripts, because there are some conflicting things that have been said. I think I follow most of the arguments; I'm not sure I follow them all clearly. I would also like the benefit of comment from my colleagues, not only on the government side of the House, but from the opposition parties.

And I think that we need to wrestle with this jointly and see whether we can't find some resolution as we review our own mandate. Not just the facts, the material facts, in terms of SaskPen and Greystone or the material facts about the purview of the auditor, but our own legislative responsibilities in this regard. So I'm feeling a need to come to terms with this personally, and to do it as a committee on behalf of the two parties that have legitimately different perspectives on this

issue. I think we can find a resolution.

I think that the collective wisdom of the elected members here can find a fair and reasonable disposition to this issue if we have the time to reflect on it and we personally take the effort to digest the arguments.

**Mr. Sonntag:** — Thank you very much, and welcome, Mr. Black, and Ms. Croll. Much of what Mr. Koenker actually just said is what I . . . he summarized for me very well what I might have said as well. I think the arguments here today have been very compelling; I appreciate all of the points that have been made. The government's position in the past has been to support the auditor on the recommendations that he has made.

And I think that . . . Obviously in my opinion, I don't think it's fair to make sort of a final decision and force Mr. Black and Greystone and SaskPen or SaskPen Two into a position or to force the auditor into a position today. And I agree with what Mr. Koenker says, that maybe we need just a bit more time on this.

I have one question on process before I make a motion; that is, are we dealing with the two issues concurrently? Are we going to deal with SaskPen and the recommendations as made by the auditor, concurrently?

**The Chair:** — I think basically they're so interwoven that you can't fairly separate them. I think that it has to be considered concurrently.

**Mr. Sonntag:** — Okay. And that's fine too, with myself as well. And I agree as well, that I think that we as legislators should be able to find some resolution to this. Therefore I think that the logical recommendation would be that the — and I'm prepared to move this . . . we can come to a conclusion on this if we want without a motion. But I would recommend that the committee supports the auditor's recommendations as made in the report. In that way, it allows us the time to, as legislators, to get together and try and come to some resolve on this issue as well. And I know that's not going to . . . I know that's not going to be satisfactory to all sides, but that would be my suggestion right now.

So if you want a motion I'll put it in the form of a motion, but I'm suggesting right now that the committee simply supports the auditor's recommendation, which gives us time then to, as Mr. Koenker has said, to try to come to some resolution on this.

**Mr. Toth:** — Mr. Chairman, I'm not sure if the committee should just blanketly support the auditor's position right now, because then it puts Mr. Black and SaskPen, SaskPen Two, and Greystone in a difficult position; what do we do down the road?

I think we can agree to the fact that as committee members, we're going to sit down and we're . . . maybe talking to our other colleagues, come up with a resolve and determine exactly how we will address this issue rather just moving a motion to say we support one or the other. Because what you're doing by supporting the auditor's recommendations, then we're basically taking a stand with the auditor versus Greystone and the

representatives here today.

And it's my view, if we really haven't a clear definition on this, we should just go ahead and not make a resolve to accept these recommendations, but come to an agreement amongst ourselves that we will sit down and come to resolve and talk with our other colleagues over it.

And if it's through legislation, I tend to think that it should be handled in here rather than forcing two parties to go to the courts. I don't know if that's what we want. I don't think they need that and I think as legislators . . . it was created by legislation and maybe we should sit down and iron it out and come to a resolve that addresses the concerns that have been raised today.

**The Chair:** — I inadvertently missed Ms. Haverstock.

**Ms. Haverstock:** — Well it's perfectly fine, Mr. Toth. I just wish to concur with Mr. Koenker, and for the record, disagree with the suggestion that this should go to the courts. I think that that would be very unfortunate. And I also would like to suggest that rather than simply accepting the recommendations of the auditor, I would like this to remain as part of our agenda for the next meeting; that we do our homework; that obviously we won't come up with all of the answers, but we most certainly could come up with perhaps more questions that some of us could answer for the others.

And as I stated in my opening questions to both the Provincial Auditor and to Mr. Black, I think it's incumbent upon us and them to come to a resolution. I most certainly would not want to see this as addressed in any way at this juncture, because I don't think it has been, and that we simply make it as a priority for our next meeting.

**Mr. Koenker:** — A point of information. I agree with what the member from Greystone has just said, but I have a point of information for the Chair and that is, could you explain to me the provisions, if any, for our committee to go in camera as elected members only? Does that exist?

**The Chair:** — In essence my understanding is, Mr. Koenker, that the committee can virtually make any decision to operate in any methodology that they see fit. So it certainly is an appropriate thing if the committee so desires.

**Mr. Koenker:** — Could you clarify for me though what it means for us to go in camera?

**The Chair:** — It would be restricted to those members who are members of the committee.

**Mr. Koenker:** — Elected members?

**The Chair:** — The elected members of the Standing Committee on Public Accounts.

**Mr. Sonntag:** — Without any *Hansard*.

**The Chair:** — Without anything recorded. We can include or

exclude whoever we wish other than the members of the committee itself.

**Mr. Koenker:** — But strictly in camera means elected members only.

**The Chair:** — Yes.

**Mr. Koenker:** — Thank you for that point of information.

**Mr. Sonntag:** — I don't think that's necessarily technically correct, because I believe we could go to in camera and specifically request somebody be there with us as elected members as well. I don't think in camera literally means that we go in camera with only elected people.

**The Chair:** — No. I think that what I meant is that the only people we cannot exclude would be the elected members. Okay? We could include or exclude anyone else in an in camera session.

**A Member:** — Agreed.

**The Chair:** — If I could, I want to make my list. Mr. Aldridge.

**Mr. Aldridge:** — Thank you, Mr. Chair. I wonder if it would be possible that in order for the committee to make some further determinations, if both parties could make available any written opinions that they've obtained from counsel in order to assist us in this matter. It would certainly, I think, be most beneficial and helpful.

**Mr. Black:** — Yes, we'll be happy to do that.

**Mr. Sonntag:** — Do you feel more comfortable, Mr. Black, with a Court of Appeal or a bunch of elected members in camera?

**Mr. Black:** — I respectfully decline to answer.

**Mr. Sonntag:** — Yes. I'd suggest then, Mr. Chair, that we simply defer this. And I don't know if it has to be at the next meeting, but I'd certainly set as a priority this issue for discussion. I don't know if it's possible at the next meeting date, but we could agree . . . Oh, actually it won't be you and I. It will be Mr. Aldridge and myself.

Anyway, that would be my suggestion. I don't think we need that as a motion unless you wanted that.

**The Chair:** — I don't think we needed a motion. I think that for the record, we had agreement from the request by Mr. Aldridge that both parties submit the written legal opinions regarding their respective positions. I would think that we would ask that that be at your earliest convenience, because I think our next meeting would be required to have that information at our disposal before that would occur, supplied as requested in our opening statement through the Clerk.

**Mr. Koenker:** — Yes, Mr. Chair. I would just like to express a concern that we deal with this with as much dispatch as

possible. Because the issues are now reasonably clear in my head and I don't personally want a lot of time to elapse before we re-visit this.

I think we have the benefit of an excellent presentation this morning and good comment from the auditor. I think there's relative clarity that's been expressed today that I would like to capitalize on and not let this get stale. Let's digest this while it's fresh.

**The Chair:** — I appreciate the member's opinion. There is nothing precluding that this meeting could not happen before the session convenes. There is nothing that prevents us from doing that, and I would entrust Mr. Sonntag and Mr. Aldridge, as the new Chair-designate, to take your opinions into consideration. And I think they are well taken.

**Mr. Sonntag:** — So I just want it in the record as well, I think it would be appropriate to have, at the same time, an opinion from the Department of Justice as well. Okay?

I don't know whether you're going to take a vote on this deferring or not, but I think that we have general consensus on that issue. I want to take the . . . (inaudible interjection) . . . Okay.

**The Chair:** — If you would, I'm advised that it would be important for the committee to request the Chair to ask for these opinions. I think we have the undertaking by these two parties. But if you required an opinion from the Department of Justice, I think you should direct the Office of the Chair to undertake that so it could happen as well. It shouldn't just happen.

**Mr. Toth:** — I'm not sure, but would the Department of Finance have anything, any purview over this? Would it be appropriate to talk to . . . ask the Department of Finance for a view on this question as well?

**The Chair:** — The committee, I'm reminded, also has their own legal advice in the Law Clerk. We could use that. But I'm subject to any direction that the committee would direct the Chair. I'm not excluding anything. Whatever direction you see fit.

**Ms. Haverstock:** — I actually think that would be very valuable. I can understand where you would suggest the Department of Justice, but I think we should utilize someone who, with whom we . . . I mean we have access to him at any time.

As well, I think what he would be doing is assisting us in understanding that . . . I don't think there's any question that the Provincial Auditor's office is legislated to be having this concern and it's incumbent upon us to understand what it would mean, whether or not we're making a judgement call on if law should be changed to exempt Greystone so that you're no longer having to deal with it.

That is what I want to come to some understanding about. Because I think the Law Clerk could state very clearly what is the responsibility of the Provincial Auditor's office and us as

legislators. Then we can make decisions based on the information that Mr. Black's brought forward this morning as well in that context.

**The Chair:** — I think it's also important for us to remember that we are not a committee of government; we're a committee of the provincial legislature, and as such that it may be more important to have the Law Clerk advise us than the Department of Justice. So I think we should keep that role very clearly in our minds at this time.

**Mr. Pringle:** — Well I certainly agree with your point about the Law Clerk. But I also . . . we are also government members here, and I would like to put into the record that I would like to have access to a Department of Justice viewpoint as well.

**Ms. Stanger:** — Yes, I would concur with Mr. Pringle. I think it's really important that we have a legal opinion from Justice. So let's just be clear what we're asking for. We're asking for opinions from the auditor, legal opinions from the auditor, from Mr. Black, from the Law Clerk, and from Justice. That's what I'm agreeing to.

**The Chair:** — Yes. If that is a motion, then . . . I think what we should have is a motion directing the Chair to . . .

**Mr. Black:** — Mr. Chair, I think you need a fifth just in case of a tie.

**The Chair:** — Well you can throw in Finance.

**Mr. Black:** — No, please don't.

**Ms. Stanger:** — Mr. Black, we like doing things the hard way — four in a tie likely.

**The Chair:** — While Mr. Sonntag is drafting a motion, I would firstly like to thank Mr. Black and Ms. Croll for coming this morning. And I think that you can appreciate that the committee is determined to find resolution to this so that it isn't a never-ending, cyclical thing. And so we certainly appreciate the candour and the information that you have been able to provide with us today. And I think that you have the commitment from the committee that this will be dealt with very expeditiously.

Secondly, I would like to, for the members of the committee, to recognizing the time that we have before us, I think it'll be inappropriate for us to start dealing with the agenda item on the first report that we have tabled.

And so I think that that item will also have to be deferred to future meetings. Unless we have somewhere else in our agenda over the next two days, we find that we are running way ahead of schedule, then perhaps with your permission we could potentially look at that as well. But I don't think it'd be appropriate to open that issue in the few minutes we have remaining this morning.

A motion by . . .

**Mr. Sonntag:** — . . . as it pertains to, maybe Greg can do that

... because item has specific reference in that motion to the word "pertains".

**The Chair:** — Okay. As it pertains to these two ... to these issues. Okay, let's try this on for size, a motion by Mr. Sonntag:

That the committee direct the Chair to seek legal opinions from Legislative Counsel and Law Clerk, Department of Justice, auditor's office, and Mr. Black, as it pertains to auditor's recommendations as they relate to Greystone, SaskPen, and SP Two.

Is that agreed? Thank you very much.

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

**Mr. Sonntag:** — I as well on behalf of government committee members wish to thank you, Mr. Black, and Ms. Croll for being here. I can appreciate from both sides, it's been a frustrating — maybe that isn't exactly the right word but that's probably accurately describes it anyway ... and don't let this frustration ruin your Christmas though. So have a wonderful Christmas and a happy holiday season and we'll see you maybe after Christmas, depending on what this committee decides.

**Mr. Black:** — Thank you very much. I'll wait with bated breath.

**Mr. Toth:** — And I'd like to express our appreciation for coming this morning as well. It's about the fourth trip you've come to the committee but I think most members here are fairly new to it, and so your presence here this morning has certainly given us a better idea of what we've been discussing. Thank you. And Merry Christmas.

**Mr. Black:** — Mr. Chair, ladies, and gentlemen, thank you for the courtesy of giving us the time to express our opinion. We recognize that the Provincial Auditor's office holds a differing view, held intellectually, honestly; and we both, I think, would like to find resolve; and we, I think, both appreciate the resolve that the committee appears to have adopted to deal with this issue and we'd like to put it behind us. We will be happy to cooperate in any way we can and with that, all the best for a happy holiday season to all of you, and a healthy and prosperous 1997.

**The Chair:** — Thank you very much. This committee stands adjourned until 1:30 ... Recessed until 1:30. I'm sorry.

**The committee recessed for a period of time.**

**(Taping machines were not working for a short period of time.)**

**Mr. Pringle:** — ... we have internal audit or have access to the information that he's seeking on these three bodies, whatever we call them; yes or no?

And then although the arguments presented this morning, I don't say they're irrelevant, but the critical question is, does he have access or doesn't he? And that means is there ... What are

the definitions around determining whether the Crown has some responsibility. But beyond that I'm not ... it can get complicated unless it's a basic. Right?

**The Chair:** — We will have the question, or the request of the Law Clerk, drafted for tomorrow morning and we'll share that and if it's acceptable then we'll sign it and we'll get it under way.

**Mr. Sonntag:** — We want to make sure that everybody is answering the same question.

**The Chair:** — Exactly.

**Ms. Stanger:** — Okay, because the other guys know, but he might be off track.

**The Chair:** — So if that's acceptable to the committee we can do that, and if we need to we can make whatever revisions that are required.

**A Member:** — Perfect.

**The Chair:** — If there are no further items in this regard, I think we should ask the officials of the Department of Education to join us.

#### **Public Hearing: Department of Education, Training and Employment**

**The Chair:** — We'll begin this session this afternoon by certainly welcoming both departments. When the auditor's report looked at the year in review, of course that wasn't so, so I really appreciate the fact that both of your departments have cooperated in bringing the officials here today.

I would like to outline briefly the methodology that we've been using as a committee. What we've done is initially ask the Provincial Auditor and his staff to outline the issues as described in the chapter, following which I have a statutory kind of an admonition that has to be read into the record, and then we ask the officials from the departments to again respond in general to what the auditor's statement and comments in the report have been.

Following that, we open the floor to the committee members to direct questions to officials or to the auditor as they see fit. And once we've followed that general understanding that comes from that type of discussion, we then move into the specific recommendations as outlined in the report.

And in doing so, we ask the deputy minister responsible in the particular instance to respond to the specific recommendation so that we may make a decision as to how to deal with a specific recommendation.

So with that understanding, I would like ... I believe as well this afternoon, I've been remiss in not giving the opportunity for the Provincial Comptroller to introduce some of his staff people that are here, and I apologized for that this morning. Mr. Paton, if you would like to introduce some of your people.

**Mr. Paton:** — Yes, I've got two people attending with us from the comptroller's division today: Elaine Wood, who's a senior analyst in the financial management branch; and Jim Fallows, who's a manager in the same branch.

**The Chair:** — Thank you very much. And welcome to you. When we get to the department I would invite you at that time as well to introduce your people.

And now, Mr. Strelieff, if you would introduce the people you have with you and then introduce the topic.

**Mr. Strelieff:** — Okay. Thank you very much. Mr. Chair, and members, and guests, good afternoon. With me today are Fred Wendel again, Leslie Wendel — no relation, same last name — Leslie Wendel, Rod Grabarczyk, and Kelly Deis, all working in the Education group of our office. With me on my left is Mobashar Ahmad, who leads our work in Education.

So the discussion today relates to chapter 10 of our spring '96 report. And it begins on page 199 where we describe the department's responsibilities, and then in the first two pages provides you some financial displays of the significant financial responsibilities that the department has.

The first part on page 199 shows the amount that is voted to the Department of Education and then reconciles that amount to the cost of education as it appears in the summary financial statements. And the main adjustments relate to pension costs.

The next page shows something we showed last year. And that is the total costs of education that our province carries out. And what we've done here is add also the costs that are borne through the property tax system so that you get a total picture of the education costs in our province.

Table 2 shows what those costs relate to: the school divisions and the teachers' pensions, and universities and SIAST (Saskatchewan Institute of Applied Science and Technology) and department and regional colleges.

And you can see that the total cost of education, when you factor in the property tax component, is close to \$1.6 billion. So it's a significant cost of the province.

That's about the same amount for Health. It's about \$1.6 billion. And the third large program of the government that is about the same cost is debt management. The debt costs of the province are about \$1.6 billion, when you include the costs of debt in the Crown corporations and some of the unfunded pension liability debts. So 1.6 billion, 1.6 billion, \$1.6 billion — a very significant part of what the government is responsible for.

Table 3 then shows where the revenue comes from — the vote from the General Revenue Fund, the property taxes, the tuition fees, sales of goods and services, gifts and bequests, and sponsored research, investment income, and a whole range of other types of revenues. Again showing that here's where the money goes in table 2, and here's where it comes from. But as I said, we've also put in the picture the property taxes, so you get

a total picture of the responsibilities of the department.

Paragraph .06 then talks about some of the individual Crown agencies that the department is responsible for. And there's a wide range of them — community colleges, SIAST (Saskatchewan Institute of Applied Science and Technology), student aid funds, the Teachers' Superannuation Commission, which is the pension plans, and the two universities. Significant responsibilities that the department is responsible for.

Then paragraphs .08 and .09 talk about the results of our examinations of these agencies. In paragraph .09 we say that the financial statements for all these funds and agencies are reliable. In the next one we say that, in general, the department and agencies have adequate rules and procedures to safeguard and control their assets except where we point out specific issues.

And the third rubric relates to compliance with legislative authorities, and again we're giving assurance that those are being complied with except where we point out specific issues.

Paragraph .10 to .15 talks about the accountability for total education costs, and the dilemmas as to who you hold accountable for education spending and the quality of education. For example, it's very difficult to hold school divisions accountable for the quality of education delivered through school divisions and the costs of education, because a lot of their revenue comes from the General Revenue Fund, the department, the provincial government.

The provincial government does provide significant direction to the school districts on how the education program should be delivered. And the main component of costs for school divisions, which are salaries, are largely determined by a bargaining committee that is controlled by the government of the day. So it's very difficult for one to hold fully accountable the school divisions.

Now in .10 to .15 we say, well perhaps there's a . . . in terms of trying to ensure that the department is fully held accountable for how it carries out its responsibilities, there's perhaps some issues that the Legislative Assembly should consider in trying to strengthen the mechanisms. And then we go in the next few pages on some of the mechanisms that perhaps are important.

The first one relates to the pension benefits. And we noted that in 1990, when a new collective bargaining agreement was signed with teachers, the government didn't know what the cost was of that agreement — the amendments to that agreement which finally in '95, the department did receive an actuarial report showing that the costs were around \$63 million. So a recommendation in that section relates to making sure that when you do amend pension benefit plans, you know what the costs are.

Now as you know, the General Revenue Fund doesn't record the costs of pension benefits. It records the cost of the contributions to the plans. So perhaps one outcome, or maybe outcome, of not having the cost of all the pension benefits that are provided and have those costs put in the General Revenue



Fund each year in the annual estimates, is that the rigour and the accountability for amending pension plans is not there.

If you're not recording the cost, it doesn't become as significant an issue as it should be when negotiating those costs perhaps. So we're suggesting that certainly the department know what the costs are when pension plans are amended.

The next section, which deals with .24 to .41, talks about some mechanisms that could be considered in helping the department, or ensuring that the department is overseeing its responsibilities as they relate to school divisions and universities. Certainly the legislation that surrounds the department gives the ministers responsible the authority to obtain significant amounts of information from the school divisions, school boards, and universities.

We find that there can be some significant improvements in what the universities and school divisions report on to the departments. And that we are recommending that there be a strengthening of the reports provided to the department from universities and school divisions, as well as flowing that information through to the Assembly — things like annual reports that discuss the performance of school divisions, and universities of course.

So that you have a better window on how the department is carrying out its responsibilities. And with your support, the department also has a better opportunity of obtaining that information from universities and the department.

The next point, related to .42 to .47, relates specifically to an issue that exists in school divisions, and that relates to their financial statements. Financial statements are prepared differently from local governments, to school divisions, to governments very . . . well they are prepared differently. And when we had a look at what was going on in the financial statement information provided to the department by school boards, we find that there's a lot of significant improvement that can take place.

Right now you can't compare the financial statements of school boards, say with government agencies or with district health boards. District health boards have moved a long way to strengthening their financial reporting compared to school boards. And paragraphs .45, the rubrics in .45, outline some of the issues that make it very difficult to determine what the total expenses are of a particular school division, and then to compare those costs from year to year and from school division to school division.

So the reliability, the rigour of the financial information, is not there and we're recommending that the department strengthen the financial statement standards that the school boards do follow.

Now I'm going to ask Bashar to review some of the information that we have as it pertains to the individual organizations beginning with SIAST. Bashar?

**Mr. Ahmad:** — Thank you. Mr. Chairman, committee

members, guests, on page 208 to 210 relating to SIAST — and this is relating to year ended June 30, 1995 — as in the previous year, we've conducted joint audit with KPMG, this private sector auditing firm. And I would like to say here that SIAST had made significant progress on the issues reported in the previous years and they are working on the issues which have not yet been resolved.

On paragraph .52 to .56, we report that SIAST need to ensure the contract revenue is recorded in the correct period. I would like to point out that SIAST has strengthened that area during 1996.

In paragraph .57 to .61, we reported that SIAST did not have the adequate system development controls. Again I'm pleased to say that SIAST has strengthened this area in 1996.

Paragraph .62 to .68, we report that SIAST need a long-term human resource plan. We understand that SIAST is currently working on this issue and they intend to resolve this matter in the next year.

Paragraph .69 to .75, we report there was no internal audit function at SIAST, making it difficult for the audit committee to fulfil its responsibility. Again I'm please to report that SIAST has strengthened this area.

Paragraph .76 to .78, we report that SIAST needs rules and procedures to determine whether the involvement in international projects provide any benefit to SIAST. We understand that SIAST is working on this area as well.

On page 211 to 213, we report on the department's administration of student aid fund.

Paragraph .82 to .91, we report again that the department does not have the authority to limit the interest write-down subsidy on loans made from May 1, 1986 to July 31, 1989.

In paragraph .92 to .99, we report that the department did not adequately verify the information on student loan applications and therefore may grant loans in error or greater than the law permits.

Moving on to page 214 to 218, we are talking about the teachers' superannuation fund. In paragraph .103 to .112 we report on the need for the commission to have accurate and complete pension data on plan members.

We note the commission has made significant improvement in the accuracy and completeness of the information on members on its computer system. However in our audit for the next year, that is the June 30, 1995, we found some errors in pension calculations and they have been reported in 1996 fall report.

In paragraph .113 to .119 we report on the need for better internal financial reports and we are pleased to report that this matter has been improved.

Paragraph .120 to .125, we report that the annual report should be more timely and comply with The Tabling of Documents

Act. We note the commission has completed three years of annual reports in less than a year and are currently working on the current year's financial statement. This is a significant improvement in timeliness by the commission.

In paragraph .126 to .132 we reported that the investment made did not always comply with the law. We noted no deviations were found in June 30, 1995 audit; however in our fall report we recommend that the commission improve its procedure for monitoring investment.

In paragraph .133 to .136, we reported that the plan's shares in Greystone Capital Management Inc. are not properly registered. We are pleased to report that this matter has been corrected.

Mr. Chairman, we congratulate the commission for being the first pension plan to provide investment performance information in their financial statement. They're currently seeking cash-flow information from your actuaries and we encourage disclosure of this information in the commission's financial statement.

Moving on to page 218 to 220, we deal with the New Careers Corporation. And here in paragraph .140 to .144 we report that the New Career needs written rules and procedures for financial reporting.

And in paragraph .145 to .147, we report the New Careers should improve its financial reporting by accounting for construction revenue on accrual basis.

That's the end of my comments.

**Mr. Strelloff:** — Thank you very much, Bashar. Mr. Chair, questions or . . . back to you.

**The Chair:** — Thank you very much, Mr. Strelloff, Mr. Bashar. What I will do now, if I can find it, is to read the statutory admonition and then invite the deputy ministers to introduce their people.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as a subject of a civil action. In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

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

A witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I ask that 15 copies be submitted to the committee Clerk, who will then distribute the document and record it as a tabled document. You are reminded to please address all comments through the Chair.

With that, I'm not too sure if you've sorted out your speaking order, but I will invite the deputy minister of Post-Secondary Education and Skills Training, since you're at the top of my list, to begin.

**Mr. Perrins:** — Well, Mr. Chair, it's probably a reasonable place to begin, because I was the deputy of Education, Training and Employment at the time that the auditor's report was prepared.

It's a pleasure to be here this afternoon and in terms of introductions, which I think probably . . . should we do that now, Mr. Chair?

**The Chair:** — Please.

**Mr. Perrins:** — This is Lily Stonehouse, who is the assistant deputy minister of Post-Secondary. My colleague I should introduce as well. This is the deputy minister of Education. And from the student loan program is Brady Salloum behind me; and John McLaughlin, of teacher superannuation; and Tony Antonini from New Careers Corporation; and Mae Boa. In our new administrative arrangement, as members may be aware, we share . . . the two departments share many services and one of the services of people we share is Mae Boa.

Well it is a pleasure to be here. As you've already established, Mr. Chair, there was one department at the time of the writing, so now there's two. So I would make a few comments and I know my colleague would like to as well.

We've spent a great deal of time implementing many of the recommendations from the auditor's report and I was very pleased to hear the progress we made, especially with respect to SIAST. So that's most encouraging. And we're most appreciative of the recognition from the auditor himself and in particular a highlight for us was the presentation that he made to the SIAST board and senior staff where they were able to hear directly themselves that they had made progress. And I think it went down as a highlight to hear praise from the Provincial Auditor. It was praise indeed.

I think in terms of that, the whole question of accountability has been raised in everyone's mind. We've appreciated the work with the auditor and his staff. We've had him included to do orientation programs with the SIAST board, which has been very helpful, as well as orientations with all of the regional college boards, which again has been extremely helpful because when we then make the connection between the report and the content and the work we have to be done . . . that has to be done, it's much more focused and direct. So it's been a great asset.

We still have, as I'm sure will unfold, we still have some way to go with the universities. But they'll be here for a while so we have some time to resolve the problems there. But we haven't made quite the inroads there that we have in some other places. I'm sure when we deal with some of the particulars, we'll address those. So I do look forward to reviewing the details and I'm pleased to see the difference between the spring '96 report and the issues that were raised in the fall '96 report.

**Mr. Dotson:** — Thank you, Mr. Chair. My name is Craig Dotson. I'm the deputy minister of Education and I would just like to echo my colleague's observation about the fact that our two departments — which were at the time of course one and at that time had one finance and administration, finance and operations branch — have, notwithstanding the fact that we now have two separate departments, have continued with having . . . we are sharing the services of the same number of persons and the same offices doing the same jobs, except they now have to do it twice — once for me and once for him — as we move forward.

And in our view, that's an exercise in economy and efficiency in public administration. Thus far it's only an experiment but we're hopeful that . . . we have reason to believe that that's going to be successful.

I would just make three observations initially, if I may, please. Mr. Chair, first of all, as my colleague, Mr. Perrins, said, the auditor's report is always an opportunity for all of us in public service to reflect on the importance of and the dimensions of accountability.

Historically, I think when we thought of the auditor's report we've thought of accountability perhaps in a particular way. And I think in recent years all of us in Saskatchewan and elsewhere have had the opportunity to have our thinking stretched a bit on that notion of accountability, stimulated and prompted by reports from Mr. Streliaff and his colleagues or from other auditors across Canada.

But at the same time, in the world of public education there is a tradition of thinking about accountability that is, I would suspect, at least as old, but is quite a different tradition. And it's a tradition of accountability with respect to student performance or school performance or student achievement and the debates that have surrounded in the education community: what is it we mean by the performance of a student in school or what is it we mean by the performance of a school in terms of its accountability to society as a whole.

And I cite that simply because in the Department of Education we take the notion of accountability very seriously. But it seems to us that we are working within two parallel, co-existing, and simultaneous regimes or streams of thinking with respect to accountability. And I don't for a moment suggest that they are in any way incompatible. I don't think they are incompatible.

But on the one hand we have the accountability of the sort of things for which perhaps this committee is so often particularly concerned about — financial accountability and so on — but not exclusively that. But on the other hand, we are working within a tradition of at least worrying about — I don't pretend that our tradition has solved — but our tradition of at least worrying about accountability to parents and to students and to society as a whole regarding the education of children.

That's my first point, sir.

The second point I would wish to make, with your permission,

has to do with the tables that appear on page 200 of the auditor's report. And it is not entirely clear to me what the data displayed there seeks to convey or represent. I have no difficulty, I have no challenge, no quarrel, nor criticism of any of the conceptualization of the data nor of its display; none whatsoever. It is not clear to me, however, what it seeks to portray or represent in this regard.

If it seeks to convey the total cost to Canadian taxpayers of the cost of educating in a kindergarten to grade 12 schools within Saskatchewan of Saskatchewan resident children, I'm concerned that it appears to miss several thousands of children and the cost of educating them — those children being those who are educated on reserve in band schools.

And it's understandable that in an environment like this, we may properly wish to exclude . . . it seems to me quite appropriate that we may wish to exclude consideration of that cost from things before the committee.

I'm also aware that there may be, and indeed there are, many parents in Saskatchewan who incur private family costs for the education of their children — be it in private schools within Saskatchewan or be it in private arrangements outside of the province — and those two might be thought, in some larger construction, it might be appropriate to perceive those or count those costs up as somehow the cost of educating through from kindergarten to grade 12, Saskatchewan young people.

So I just reiterate, sir, that I have no quarrel, objection, or difficulty with the data that are displayed here — none whatsoever — it's just I'm concerned that these data may not report the full cost to Canadian taxpayers of the education of children who are resident in Saskatchewan.

My final point has to do then with an observation that the auditor made with which I very much agree — a set of observations about the difficulty of disentangling the respective responsibilities of the Government of Saskatchewan with respect to public education as distinct from the responsibilities of locally elected and financially responsible school boards.

Now we all know that in Saskatchewan, school boards are a level of government. They are a level of government whose members are duly elected by their electorate, and they are accountable to that electorate and financially accountable and they levy a tax, or they have the power to levy a tax. And The Education Act imposes all manner of duties, powers, and responsibilities on school boards, as it does on the minister and on the department.

As we move forward, I ask that we all remain mindful — those of us in the department and those elsewhere in the society — that we remain mindful of the danger of somehow diminishing or disempowering the authority and independence and potency of our locally elected school board. I don't for a moment suggest that just because the Legislative Assembly or the executive government or the department somehow gains more authority over what goes on in the school boards, that that somehow necessarily diminishes the power and authority of the school division board.

But at the same time, I just caution that this is a shared responsibility by virtue of the law and ask that . . . I need to remind myself of the need to be mindful and respectful of that. Those would be my initial observations.

**The Chair:** — Thank you very much.

**Ms. Stanger:** — Thank you, Mr. Chair, Mr. Provincial Auditor, and members of the two departments, and New Careers, I would like to make a statement that I'd really like you folks to respond to in regard to both the Education departments, Sask Education and Post-Secondary Education and Skills Training.

I am proud to say in reviewing the past year, that I observed the departments deal with education partners through a consultative and collaborative process. The department strategy has been directed at working in partnerships with the education section to develop an integrated, comprehensive system which provides relevant, quality learning opportunities for students throughout the province.

And this would certainly be an objective of mine because I believe in public education, strong public education.

I can honestly say that the functioning of the education system has been an excellent example of community-based decision making. For example, I would use the Saskatchewan Teachers' Federation, the STF; the League of Educational Administrators, Directors and Superintendents, LEADS; the Saskatchewan School Trustees Association, SSTA; along with other educational stakeholders, participate in a number of department advisory activities in areas such as curriculum and instruction and student evolution.

The SSTA is also representative of statutory bodies such as the Board of Teacher Education and Certification which advises the minister.

I believe this makes for an excellent education system which is accountable to the public it serves.

Another example, for instance in Sask Education, is the Saskatchewan Education indicators report, which I really appreciate getting, which includes information on all aspects of the education system in regular accounting to parents, educators, interest groups, and the general public, on how well the public system is serving our students. And this refers to some part which you made in your statement; that you are accountable to those folks — the general public and the parents that you serve.

Our college education system is one to be proud of. I think of Lakeland College in my constituency which is an adaptable, innovative institution providing, for example, courses relative to the oil patch, which it lives in, and even selling their expertise internationally in this area.

This is not to exclude SIAST, whose graduates — again, information that you send out — attain a high level of employment after they graduate from this excellent institution, or the two universities. The U of S (University of

Saskatchewan), which is my school, which again have graduates employed in Saskatchewan, Canada, and all over the world, as *The Green & White* shows us when it comes out. And I read about people that really are doing work internationally, nationally, and provincially, that we can be proud of. I think that these institutions have served the taxpayers well in our province, and I'd like you just to respond to some of the comments that I have made.

**Mr. Dotson:** — Thank you, member. Mr. Chair, I will restrict my own response to the public school system, the K to 12 side.

The member mentioned collaborative, cooperative, and community based, and partners in education. I would observe, Mr. Chair, and members, that in my view Saskatchewan has today — and has had for some considerable number of years — without exception, the most peaceful and harmonious public education system of any province in Canada.

I believe that that assessment would be shared by the school trustees association in this province and I believe it would be shared by the teachers' federation in Saskatchewan and I believe it would be shared by the directors of education.

That is not something that has existed only in the course of the current calendar year and that is not something that has existed only for the last four or five or six years. It's something that's existed in Saskatchewan for many years. And it is because, in large part, in my view, the factor that the member mentioned — collaboration. I will cite only one single example, but it is a telling and illustrative one.

And that example is curriculum. Saskatchewan embarked on a complete and total overhaul of the K to 12 curriculum in the early 1980s — late 1970s, early 1980s. That has gone on as per plan without interruption, year in and year out, without controversy within the education community that anybody remembers very much.

And I know there was some. But it had, from the outset, has retained throughout, and retains today, the wholehearted, complete, and enthusiastic support of the elected school trustees of Saskatchewan, of 10 or 12,000 school teachers in the province, and of the directors of education as well as of the provincial department.

We are the only province in Canada that has sustained, over any such period, collaborative curriculum reform and curriculum development in a partnership, collaborative way. That is something of which the Saskatchewan . . . And I am not an educator. I am not from the Saskatchewan education community. I take no credit for the facts upon which I observe. I wasn't there. But I report to your committee, sir, it is my assessment that that tradition of collaboration that the member mentioned is one which this province in its entirety, and all of the partners are . . . in which they properly take an enormous pride.

**Mr. Perrins:** — Mr. Chair, post-secondary education is facing a number of challenges, and in the spirit of the nature of the province, I think we're ready to face those; but rooted partly in

establishing the system because there hasn't been a systemic approach, over time, to education; the linkage between regional colleges, SIAST, and the universities. And in relation to that, an example being articulation by way of credits. So that credit transferring, portability, is one.

There are others, but I think in terms of the relationship that exists between the senior players in the system, I think there's a great willingness to do that and a lot of support from, obviously, from students.

All of this though is happening in an environment where the federal government is making significant changes, particularly through the employment insurance program, that are significantly affecting SIAST and the regional colleges. So over the course of this past year and this upcoming year, the challenge for us will be to address those changes and incorporate them and minimize the effects on students.

So I suppose I could say, unlike my previous role, we don't have the common equanimity in the education that's present in the education world, because we are going through some significant changes.

**Mr. Toth:** — Thank you, Mr. Chairman, and welcome, officials. I don't have a lot of questions here this afternoon because, as I was listening to the auditor's report, a number of areas the auditor did acknowledge already that there are areas that you've addressed, and I appreciate that. And it's good to know ahead of time. There's no sense going and beating around the bush on something that the department's already worked on.

And those . . . well I don't consider them, in some cases, very significant. It's obvious the auditor does and either it seems to me it's just ongoing, common sense type of suggestions that have been put forward that . . . and if we need a reminder once in a while, I guess that's the appropriate . . . the auditor's appropriate to bring that forward, and the response from the department side. Thank you for that.

I for one though, have . . . was boggled, and still a little perplexed as to why we have two departments; why we've gone to an elementary and then a post-secondary. If, with the involvement of the two departments as we have them today, we're spending the same amount of money on administration and operating, basically on the same principles, other than two separate names and entities and we haven't taken anything away from educating the public and putting the money into programs for students, then that really isn't a problem. And I can appreciate that. And I don't have a big problem with that.

But if by separating the departments we've added an administrative cost then, and taken it out of the student programing, then I think we do have a bit of a problem. And I'm not sure whether we have or not, but maybe you could respond — either one of the ministers could respond to that. And if you've operated the two departments as we have them today with the same administrative budget, I commend you for that; but I'd just like to know whether we do have that.

**Mr. Perrins:** — Well if I can go first, given I was in the other

job when there was . . . I was doing both roles, I could only say that the attention that I have been able to give to the issues and the complexity of the questions that have been generated through the various changes I was addressing a moment ago, I wouldn't have been able to, with the people I work with. But to specifically answer, no we've not added administrative costs to the government.

And in that sense I think when the deputy minister for Education was introducing or speaking about Mae Boa and her staff, and what we should probably just describe briefly, we have continued to share without adding any staff — we continue to share executive services in finance and administration.

So that remained intact, but now provides the services to two departments. We've continued to share human resources, so the same applies there, and we continue to share communications branch. So in effect we've continued to share the services, the support services.

The benefit has been that, especially in relation to I think, for example, the kinds of issues that the auditor raised around SIAST and universities, etc., we've been able to dedicate much more time to those kinds of issues, and especially — and I think underline here — especially negotiating with the federal government around the changes that have been implemented by the federal government through the Employment Insurance Act.

I think while we haven't really talked a lot about them, they're some of the most fundamental social policy changes that have occurred in the country in the last 25 years.

And so as we've been adapting to those changes, we've really had to focus our attention much more on the training institutions and the need for our training system in the province, and the complementarity in relationship all of that has to the universities. So as I said, I think we've done that without actually adding any administrative costs.

**Mr. Toth:** — I thank you, Mr. Perrins, because if there's any issue at all at any time, and this issue when it comes to education and how it hits me at home and the teaching profession, when they're lobbying, as soon as they see two departments, then they say well, we've just had . . . and they've seen a reduction in what's coming into the school. And in some cases those reductions come about as a result of student enrolment decreases and what have you.

But the numbers, as teachers or parents see them, are dollar values and they don't really reflect it based on students — and they've seen this split-up of the departments and were automatically — well we've just taken more out of the educational programing. And I think that's imperative and it's something that I had to ask the question, to be sure in my mind that we have indeed accomplished this without taking programing from, or the educational programing dollars away from, the student body. Because right now we see all of our post-secondary education programs, the tuition fees are just taking off on us — sky-rocketing — as a result of cut-backs in education.

And coming back to a couple of comments Mr. Dotson mentioned regarding this graph here, I think it's quite significant the way it's been put together and I think most of us, we've looked at the Department of Education in the past on the basis of about \$900 million in expenditures. And yet those of us who have gotten to the area of being property taxpayers and looking at that tax dollar that leaves our pocket on an annual basis, the realities are it is in addition. And I appreciate the way the auditor's laid it out here because that is an actual educational expenditure.

There is a problem though for people who choose to home school or private school. They still pay their property tax dollar to the public system, and then pay the total costs up front for their educational system. And that's something that I would like to see, an area, where maybe some discussion is needed.

I know there are some . . . the separate school gets some funding from the department. And I'm not sure if some of the public . . . different school levels have achieved some, although some of the . . . I understood the school divisions do have an ability to police if there's some public or private schooling, to make sure the programming that is done through home schooling, or say a small private school, is compatible with the educational system. And I don't know if they receive any help and funding for that, but I know that they can get permission to do a program in that way.

But I appreciate what is down here and I thank the auditor for that, because it just brings a little closer to home some of the actual realities of educational expenditures.

And I just talked to a mayor today, and he mentioned about they've basically gone through the new assessment and going through trying to figure out where it is with this new assessment coming in. The fortunate part, in his case, is they've had a chance to see where the assessment is, take a look at the mill rate. Their mill rate in education is dropping from 43 to 16 mills, but it's still going to take more dollars out of the property taxpayer.

But for most of us as property taxpayers, as soon as you see an assessment increase, you automatically multiply by the mill rate that is currently in existence, and, four times a hit in education, you say, what's going on? So this just kind of brings it more in the open and I appreciate the comments. And I think it's appropriate that these numbers are here so we get a better understanding of what we're facing.

The one thing I do have a problem with though — and I think the auditor did point it out — is the fact that bargaining takes place at the provincial level. And yet most school boards find at the end of the day, when the dollar values are allocated to their board, in many cases they may not receive the appropriate dollar value to pick up the difference in the bargaining agreements that have been arranged, that they really haven't had a lot of control over.

I guess there may be argument, well there is representation from the SSTA on the bargaining team, but when something is finalized at the end of the day, if there isn't quite an agreement,

the government can step in and decide, okay, well we've got to come up with some kind of agreement and work on an agreement with the union; then the SSTA has to pick it up.

I concur with the auditor. But I think once an agreement is reached, it's the responsibility of the department to make sure the funds are there to meet the costs, rather than school districts or school boards having then to go to the local taxpayer to pick up that shortfall of whatever it may be; it may not be that significant.

But I think this is an area that there's a responsibility to the Department of Education. And I guess as deputy ministers you can only lobby for the government, because at the end of the day their choice as to how they're going to split the dollars on the budget, and the Minister of Finance, is their decision. Hopefully you're lobbying on our behalf. But I'm not sure how it works.

But I'm certainly going to lobby on behalf of the school boards in my area to make sure that they are not being asked to pick up something, an additional cost, that they didn't have a lot of control over. And I'm wondering if, Mr. Dotson, you can respond to that, especially because this is coming from the K to 12 system I'm talking here.

**Mr. Dotson:** — Yes, Mr. Chair, I'd be pleased to respond to the member's question and his comments. For almost 25 years The Education Act in Saskatchewan has provided for a province-wide collective bargaining regime with the teachers of Saskatchewan. And . . . or about; it's not quite exactly 25 years; I think it was 1972.

The regime has provided in law for, as the member suggested, a provincial regime with the Saskatchewan Teachers' Federation on one side and a management team on the other side; management team comprised of designates of the Government of Saskatchewan and designates of the Saskatchewan School Trustees Association.

Throughout that period, in law, the number of such designates on the management team have been and remain, five designated by the Government of Saskatchewan and four designated by the SSTA.

It is within that regime that in the last three or four years, within that existing statutory regime, that we have sought to heed the school trustees' continuing desire for greater voice and greater role and greater weight on the management side of that bargaining relationship. That has been achieved and that is now in place and remains in place and this is about the third or fourth year that that is in place.

Secondly, and finally, it remains a matter of great interest to school boards individually as to how much the provincial grant will be to that board. And it remains of interest to them how those amounts shall be calculated each year. As a member suggested a moment ago, enrolment is a significant determinant of the amount of the provincial grant to a board. The lower the enrolment, the less the grant.

And as you mentioned as well, as the member mentioned as well, Mr. Chair, assessment is the second overwhelmingly important determinant. The greater the assessment, all other things be equal, the less the provincial grant. Notwithstanding those two determinants of the allocational formula, it remains a matter of interest to boards, and we're very respectful and mindful of their interest in the issue that the member raised.

**Mr. Toth:** — Well just a further question. When a bargaining agreement is reached . . . Now the minister has already indicated roughly in last year's budget as to the type of funding that school boards could expect and that was prior to the final agreement, I believe, reached in the bargaining process with teachers.

Now I'm not exactly sure whether it's the department's responsibility or government or what have you, but it would seem to me that the department must have some say or would feel they should have some involvement if a Minister of Finance suggested to boards of education that you can expect — I forget what the number is now — around 1 per cent increase, but all of a sudden they find there's a 2 per cent increase in salary that wasn't expected.

Who picks that up? Is it now your responsibility as a board to find that or is it going to fall on the local trustees to . . . You can give that funding out based on that commitment to the increase in revenue sharing with the boards and then they're going to have to go out and pick up the additional that they won't get to cover teachers' salaries. Is that what we're facing?

**Mr. Dotson:** — The provincial budget in 1996-97 provided an increase in the total grants, operating grants, to schools of \$2 million. The total cost to school boards across Saskatchewan of the new collective agreement incurred by school boards in the course of 1996 is \$2 million. The grant in the most recent provincial budget, the increase in the grant, was sufficient to cover the entire increase in the incremental costs to teachers' salaries negotiated with respect to calendar year 1996.

Let me stop there and now may I go forward, Mr. Chair?

**The Chair:** — Okay.

**Mr. Dotson:** — Just to repeat, the total increment . . . the agreement expired . . . the first 1 per cent increase for teachers in the current contract occurred in September of 1996. That was a 1 per cent increase. A 1 per cent increase two-thirds or three-quarters through the calendar year entails, province-wide, an increase in teachers' salaries faced by school boards of \$2 million in 1996.

A provincial grant for the current year which was announced and appropriated — announced in the budget and appropriated by the Assembly last spring — the grant increased by \$2 million in the current year and that was announced at the time. That is the current circumstance.

Looking forward, it remains an open question — the amount that may yet be negotiated with respect to future increases at the end, say of 1997. And at their end, it also is an open question

the amount of provincial government budgetary funding that will be made available to school boards through the operating grant. That's a budgetary decision that will be announced in due course in the spring of each year.

I'm deliberately not answering the question, but not out of the spirit of evasiveness but simply because that is a future matter. Both of those are future matters. I'd be pleased to be more explicit, sir, but I . . .

**Mr. Toth:** — Well I think we've got the general understanding though, that as contracts are arrived at, whether it's teachers or whether it's support staff, and whether it's in the post-secondary or the K to 12 system, that the department I think has a responsibility as well to make sure that the funds are available, versus leaving any school division to carry the load and pick it up from the tax base.

Maybe I could get a comment on what the department has done over the last few months in regards to, is it north valley, with their pilot project about the four-day school week; if there's been any assessment as to how this project is working. They did that to try and address the shortfall in their educational funding rather than making some major cuts, as far as cutting staffing and some programing. They rearranged their school periods — school day — and were able to make some significant savings.

**Mr. Dotson:** — Mr. Chair, the Scenic Valley School Division, which is east of Regina along the No. 1 Highway, sought permission last spring to embark upon an experimental project with a four-day school week. Permission to do so was granted. That commenced in September. The permission has been granted on a pilot project basis.

We're only three, not quite three, full months into that experiment yet. It started around Labour Day, whenever school started in that division. So September, October, November — we're into December; three months or so.

The department required, and the school board easily agreed, to have a formal evaluative regime in place. It's chaired by a professor associated with the University of Regina. And that evaluation committee has met on a number of occasions. I have not seen any reports from it. I think it would be probably premature, only three or four months into it, 8 or 10 weeks or 12 weeks into the experiment, to have a sense as to whether the students are being well served, or comfortable, or the staff is comfortable, or the community is comfortable. We will certainly have a much better view of that by mid-spring.

**Mr. Toth:** — I thank you. And some of the comments I've heard just from the parents — I really haven't talked to the teachers — they seem quite pleased with how it's been going. I realize it's just nicely got started so it's hard to make a full evaluation. We don't really expect to until we've had a full year. But it would seem to me you'd have somebody out there kind of evaluating through the start-up process, through the year, so you can get a better view come the year end.

The auditor, on page 205, makes a recommendation that the department should require universities and school divisions to

report on how well they safeguard and spend public money.

I'd like to ask the auditor just a question with regard to this. What specifically are you referring to, as it would seem to me that the way school boards operate right now — and I know that our local school boards at the end of the calendar year always print their audited statement and it's in full in our local paper. We get both the school divisions that I happen to be part of, printed in full, which I'm sure is what the department has and what you would go through.

I'm trying to figure out exactly what you're talking about here, Mr. Strelieff. It seems to me that that presents a fairly open picture of the expenditures, and what do you mean by the safeguard as such?

**Mr. Strelieff:** — Mr. Chair, members, in this section, .24 to .41, we recommend that the department receive from the universities and school boards more information about the performance of school boards and universities in respect of the departments have . . . has goals for education and how are the goals of the department being moved forward by universities or school boards.

If you remember, just recently the MacKay commission or report came out, and for the universities suggested that the universities present an annual report that includes more than just the financial statements; that the annual report actually talks about some of the issues and plans and priorities that the universities face, some of the ways that they monitor their success, and that they publish that information.

And we're recommending that that type of information be included or be provided to the department both by universities and school boards. So it's more than financial statements; and also that that information be made more accessible to the legislators. So more than the financial statement side.

And then on the financial statement side for school divisions, in the sections .45 we raise concerns about the rigour of the financial information in the financial statements of school boards. But the first section that you referred to, we're suggesting or recommending that the universities and school divisions do provide more information to the department on their performance in a broader sense as well as a financial sense.

**Mr. Toth:** — And when you're talking of performance, are you talking about programing that really meets the need of, and I'm going to use the word "the job market" out there? Because I think there's a lot of programing nowadays that is being offered even through universities, and we'll certainly get Mr. Perrins to comment in a minute, that we may be putting a lot of students out into the market-place where there just aren't a lot of opportunities.

Are you talking about universities looking at how they can best meet the needs of job opportunities for students versus just, well we've got a program here and we don't need teachers today but we're going still put through a thousand teachers this year. Is that the type of thing you're talking of? Their long-term

goals as to how they're really going use and be effective and use the money efficiently?

**Mr. Strelieff:** — But I think the starting point would be for the department, working in collaboration with the universities and school boards, to set out clearly what are the goals and objectives of the various sectors of education.

For example, I think it was stated earlier that SIAST certainly has a more focus on employment. Well okay, if that's clearly the clear, primary objective of that institution, well how are they performing? And then provide that information in a more public way to the department and also then to the Assembly.

So when you say, is employment the main focus, that issue is more of the policy discussion that would take place within the department and universities and also the Legislative Assembly. But once those objectives are clearly identified and stated, now how are the programs organized to make sure those objectives are being achieved; what's the actual performance; and that information being provided to the department and also the Assembly this spring.

**Mr. Toth:** — Thank you. Mr. Perrins, if you'd respond to that observation. Maybe you'd have some observations in regard to the comments just made.

**Mr. Perrins:** — Well the MacKay report, as Mr. Strelieff indicates, Mr. Chair, actually reinforces that point with respect to the universities especially. Because currently they submit a financial report. And I think what MacKay's proposing — and the minister has strongly urged us to consider this in our deliberations with the universities — has proposed, is a report that lays out, for the public to see, what they anticipate doing in the current year as well as accounting financially for what they've done. They lay a plan out and then in subsequent years report on the progress that's been made.

I think to that end, they also pointed out that there's an expectation on government to lay out in broad terms what it expects from the universities. And that was the point of this recently released document, in terms of the public interest and revitalization of the universities. So it lays out, in broad terms, the plan that government sees for universities. So it positions it then for the universities to work in that framework. So what's really expected is some sense . . . here's our plan, and then a reporting process on how they're doing in relation to it.

Some jurisdictions have gone further than that. I know when we met with the auditor with the AUCC, the Association of Universities and Colleges of Canada, they wanted to go to performance outcomes. And I think there's been a resistance, understandably so, to take it to that sort of narrow a focus, but rather to keep it on the broader picture or direction. And so I think we would concur with that approach for the universities.

SIAST and the regional colleges do that already. It's very helpful because it lays out expectations. It's done in a collaborative fashion and you can measure, in that sense, measure progress, or where progress isn't being made. And it isn't just a bottom-line financial accounting.



And I know, as Craig would, the deputy minister of Education, would know, that many of the school divisions had to do that as well already. So it's a very helpful document to communicate to the public with in particular.

**Mr. Toth:** — Thank you, and the reason I bring that forward is because I think we're finding ourselves at a point in time when there has and will continue to be ongoing stress upon further education. But I'm not exactly sure that many students are going to be well served just by going into an educational program that may not really put them into a, or fit them for, a job in the future — the changing trends of our times. We look at the province of Saskatchewan — I'm not exactly sure what our student numbers are, but I . . .

Fortunately, I think our aboriginal community student population has expanded, but the rest of it has decreased, which means that we're probably going to see fewer teachers in our public school system unless some of the aboriginal community continue to use the public school system.

But as Mr. Dotson has mentioned, we are seeing more and more schools on reserves and that takes students out of the public school system which puts pressure on the public school system.

But when it comes to universities, I think as well . . . And I think that's where I really appreciate the SIAST program and I appreciate the regional colleges as well. The fact that I think we've opened up an avenue for young people to maybe sit back and not necessarily get forced into going into a public university when maybe they're tired of 12 years of school and they're not quite ready to sit down and get into more full-time studying, but through the regional network or through SIAST, they can maybe take some programing that can benefit them in the future rather than just sitting and twiddling their thumbs.

And I think that's something that I want to see us encourage. I think you've addressed that fact, that you're looking at some of those avenues. So we're really starting to meet the needs of young people that are out there rather than saying, you must get a university education without saying . . . without trying to inform them and help them make a quality choice that doesn't put them into a program — I was going to come to student loans in a minute — puts them in a program that costs them an arm and a leg and they find out they've got to walk out with a four-year degree and a \$40,000 loan and they haven't got a job and no possibilities. So then they get to get some more education.

So I think these are some of the things that need to be addressed and looked at quite seriously. And I know that there's a lot of pressure to provide spaces for students in university, but I for one do not think you just add spaces if you don't have opportunities after the educational program is completed.

**Mr. Perrins:** — Mr. Chair, there's always a very delicate balance between — especially with respect to the universities — the value of education, intrinsic value of education, and the relationship to the job market. And so that's important for us to consider as well. It's one of the screens you would want to apply to the university in terms of employment.

I don't have it with me, but I have a very telling graph that plots, from 1990 to 1995, employment: young people who've not finished high school, and it's going like this; for students who finished high school, and it's going slightly like that, going down; for students who finished some post-secondary training, it's flat-lining; for students who have a diploma, it's going up; for students who've graduated from university, it's going like that.

So even though we often feel that, and we hear many times anecdotally — and this is a national poll, survey, that's been done — that people do complete degrees and don't find employment, in reality they're far more likely to find employment; perhaps not in what they were trained initially for, but they're far more likely to find employment.

So that's why I say it's a balance between just putting it through an employability screen, because even though you may be trained as a teacher — if we use that because that's the often-used example — you may not find employment as a teacher, but you may . . . you're still, I think this would suggest, far more likely to find employment than you would if you didn't obtain a university degree.

So it's a balance.

**Mr. Toth:** — And coming back to that, and something that I think may address university education as well, what has your department been doing to maybe talk with even private sector or large businesses as far as getting involved in the educational process so you've got maybe support for a program? And I know you're in these kinds of debates right now.

You talked about SIAST and the employment program that certainly was a benefit to the SIAST program. And it seems to me there might be avenues where even in universities, involvement with the large corporations and their need requirements . . . by coming to you and offering some funding which would help you offer more programing to meet these specific needs. Is there ongoing discussions in that area?

**Mr. Perrins:** — Well both universities, both of Saskatchewan's universities, Mr. Chair, are very successful in terms of the collaboration they've had with industry. The University of Saskatchewan, especially in some areas, probably lead the country.

In addition to that, we've been very involved over the summer and fall working through the developing of a Saskatchewan training agenda to supplement the changes that are being generated by the federal government. That's created an even better opportunity for us to revisit the relationship between business, industry, and all the education institutions.

SIAST already, and regional colleges, have a good record there, but this has really given us a chance to enhance that. And that's a critical . . . not only is it critical in terms of the job market itself, but the contributions that business can make to programs like apprenticeship. So they're an important player.

**Mr. Toth:** — Okay. Thank you, Mr. Perrins. I don't want to

monopolize all of the time. Actually I said I was going to be short, didn't I? Sorry.

I do have one other question and then I'll refrain from tying up time and let some other members in. But student loans is an ongoing question that arises, and one thing I need to understand is, do we administer student loans? In the province of Saskatchewan, who looks after the student loans?

I understand a fair bit of the funding does come from the federal government and if I'm not mistaken — clarify this; correct me if I'm wrong — the federal government also lays down the guidelines for student loans, how they're achieved, who qualifies. And maybe you could just fill me on . . . or whoever wants to answer that question. I think we have someone here to . . .

**Mr. Perrins:** — Mr. Chair, if it's appropriate, if Mr. Salloum could answer. Essentially I could say yes and yes and yes, but that wouldn't be very helpful, I'm sure.

**Mr. Salloum:** — Okay, I'll try and answer that. The student assistance program has two components: the Canada student loans programs and the Saskatchewan student loans program.

**The Chair:** — If I could interrupt, could you speak closer to the microphone so *Hansard* could pick you up, please.

**Mr. Salloum:** — Sorry. The student assistance program has two components: one is the Canada student loan program and one is the Saskatchewan student loan program. The initial program is the federal Canada student loan program and the Saskatchewan program mirrors the criteria of that program in terms of who is eligible for money. There are some special considerations in the provincial program. There are forgiveness components, but generally the way that need is determined is determined via federal rules. And we administer it provincially for the federal government.

**Mr. Toth:** — The question I would have is, how do you police student loans to make sure that people who are applying are complying with the rules? I hear complaints all the time; and frankly I guess, it boggles my mind that a doctor's son or daughter, or three of them, could all get student loans; and then I've got somebody who's on a minimum wage working as a gas jockey at a convenience store, can't get a student loan. And without getting into any specifics, that seems to be an ongoing debate that takes place out there, and what's the criteria.

And let me come to some of the things the auditor's pointing out: how are we managing these programs to make sure they're being used for their intended purposes with respect to them?

**Mr. Salloum:** — Okay. The students are basically considered to be dependent on their parents until they satisfy some conditions. One of them is that if you're out of the K to 12 system for four years, you're automatically independent of your parents. If you've been in the workforce for two years, you're automatically independent of your parents. If you're married or if you're a single parent or if you have been married, you're independent.

But parents' income is taken into account for the majority of students that apply for the student loan program; and based on what the parents' income is, the student may or may not get money from the program. Once you're independent though — and in the example you gave, the doctor's son — those students could easily be in their fifth or sixth year of schooling and then they would be independent of their parents and their parents' income wouldn't be taken into account.

The second part of the question was about how we make sure that the money's going to the right people, the people that are most in need. The criteria sets out a standard that is a fairly Spartan existence. And within that though, we get parents' income tax documents to ensure that the income is accurate. We also get students to confirm what their summer earnings are. And we go back to students on an audit basis asking them to update the information that they've given us.

**Mr. Toth:** — Thank you very much. I think there's some others who have some questions along this line as well and I'll just revert some of my questions right now to the members.

**The Chair:** — Thank you.

**Mr. Thomson:** — Thank you, Mr. Chairman. My question is not so much dealing with student loans obviously, but I did want to comment a little bit on . . . in following up to where Mr. Toth had been.

With the splitting of the department, one of the reasons I understand it was largely necessitated is with the massive offloading that we're seeing by the federal government in terms of education reform at the post-secondary level. We're seeing a complete decentralization of this system.

Now I am not one to say many good things about the Mulroney government, but I think even in their wildest dreams they wouldn't have come up with a scheme that would have offloaded not only responsibility for setting up essentially a provincial system and refusing to recognize any sort of national connection of our universities and our labour trading, but I think that what we were starting to see here with this federal Liberal government is a system which will put increased pressure on the province to deliver labour force training.

And I am just wanting to know: are we better equipped now, heading into early 1997, at a departmental level than I guess we were in 1995 when we had them combined?

**Mr. Perrins:** — Well in the spirit, Mr. Chair, of Mr. Flavel's advice to me, yes.

**Mr. Thomson:** — Thank you. That fully answers my question.

**Mr. Perrins:** — Mr. Chair, I could elaborate at some lengths but it still would come down to yes. There's no question we're better equipped because, as I say, I just think of my own time and the senior people I work with and the third parties.

Because one of the observations I wanted to make earlier to Chair, and members, was that the third parties in the education

world, if we look at them in sort of compartments and think of the K to 12, the LEADS, STF, SSTA, were very supportive of the change — again because of focus and attention.

That was mild in comparison to the response from regional colleges, SIAST, and the universities, because for the longest time they believed — and I used to get this regularly myself so I can speak directly to it — that they thought all our time, all of my time, all the senior people's time in particular, was committed to K to 12. We never did tell them that we weren't doing that either — but no, I just jest. So I have to get serious about it now.

But there's no doubt about it that we've been able to commit our time with the federal government and the officials, federal officials that are located in Saskatchewan, to working through . . . I probably should have explained in part the reason for that.

The federal government . . . There's two things that happened. One was the change to transfer payments through the CHST (Canada Health and Social Transfer) and probably everyone's familiar with that. And the other were the changes to the employment insurance. And what the Government of Canada did through the EI (Employment Insurance) Act itself was, in fact, change how the services will be delivered and how much, or in effect where the dollars which translate to how much, would be spent, and both those had significant effect on each province.

They've offered to each province the opportunity to deliver employment-related services and, as recently announced, the Alberta government has accepted that proposal.

So we've been working very hard with the federal government to examine the nature of that offer, what it means for Saskatchewan, and how we would in fact implement those services and tie them in with the rest of our post-secondary education training system.

So we weren't equipped to do that in the way that we are now. So that's the long way around to yes, we are better equipped.

**Mr. Thomson:** — I suspected so and I'm pleased that I was indeed correct about that. The follow-up question I would have is: do you have a dollar figure or could you provide a dollar figure in terms of how much money the federal government has withdrawn out of programs that they used to fund directly? I'm thinking in particular about ABE (adult basic education) and I guess also some of the seat purchases in SIAST that they used to do.

**Mr. Perrins:** — Yes, you'd like them now, right . . . (inaudible interjection) . . . Yes, we do. In apprenticeship, it's approximately \$7 million.

**A Member:** — That's 70 per cent.

**Mr. Perrins:** — Yes, which translates to 70 per cent of the funding that has been allocated in the province to apprenticeship training. So that's left the province, as the federal government withdraws, with looking to replace those

dollars or discontinue apprentice training for approximately 1,200 apprentices.

In addition, it's 20 per cent of the adult basic education funding, which is \$4 million. Now most of that is provided through SIAST and regional colleges; so it's in particular those two sectors that are hit very hard by those two changes.

In addition to that, there's withdrawal of project funding, because the federal government would fund through project specification both SIAST and/or for . . . actually recipients of unemployment insurance, but the money would actually be spent through SIAST and regional colleges.

And that's in the neighbourhood of about another five and a half million for seat purchases . . . (inaudible interjection) . . . Yes, that's right. That's for project. And another 4 million in addition to that for seat purchase. In other words, they would purchase a seat in an existing program for someone on unemployment insurance. And again this is regional colleges and SIAST where that impact is happening.

**Mr. Thomson:** — It's even more grim than I first suspected. So what is the total on that then?

**Mr. Perrins:** — Yes, the total is 25.

**Mr. Thomson:** — 25 million withdrawal in directly federally funded programs to support Saskatchewan people gaining education and skills training.

Do we know a number of how many people would be adversely affected by this? You said 1,200 apprentices are affected. Do we know how many people are, will be, denied access to ABE programs?

**Mr. Perrins:** — Yes, I think it's approximately 4,000 when we add them all.

**Mr. Thomson:** — 4,000 people?

**Mr. Perrins:** — Yes.

**Mr. Thomson:** — That is very sobering and disheartening news. I certainly think we all understand why this is such an important issue to Saskatchewan. And hopefully why all members on all sides of the floor will continue to make the point to Ottawa that they do have a role here to play and should live up to making sure that Saskatchewan people do have an opportunity to be educated here even if they do move on to other places throughout the country to find work.

With that, I'll end my questioning. Thank you, Mr. Chairman.

**Ms. Haverstock:** — Mr. Chair, I'm going to defer to your judgement here. I have some questions which are specific to the Provincial Auditor's report which I'm looking forward to having responded to not only verbally, but I do anticipate that there will have to be some written response as well.

My questions do not begin until pages 210 or 211 thereabouts.

If you wish, sir, we shall proceed with going through the initial recommendations until we come to the ones that I have questions about. Or I can proceed now.

**The Chair:** — I would . . . was hoping to conclude the general nature of our inquiries soon so that we can indeed go through the specifics. If it would be acceptable to you, once we get to the specifics I will allow you to have any questions related to specific recommendations that you like.

**Ms. Haverstock:** — On the condition that there will be some latitude if I go somewhat beyond these recommendations but . . .

**The Chair:** — Sure.

**Ms. Haverstock:** — Yes. Haven't I been patient?

**The Chair:** — If briefly I would . . . I intend for us to finish with the general queries by 3:30 so that . . . no, we're going to then move to the business I have on my list — Mr. Koenker, Ms. Stanger, and Mr. Flavel. So if you would keep your inquiries of a general nature as brief as possible then we'll move to the specific recommendations and allow Ms. Haverstock at the appropriate time to ask questions related to the specifics.

**Mr. Koenker:** — Mr. Toth and Mr. Thomson really covered the territory I was going to question pertaining to the division of the departments and the devolution of labour-force training.

**Ms. Stanger:** — Mine is very short, Mr. Chair. I just wanted to follow up on something that Mr. Toth brought up and that was the accountability of the school boards and the university. I really do agree with that recommendation that the auditor has made, and also agree with Mr. MacKay's suggestions that not only do we have a more detailed format of the annual report, which would be good to the legislature, but it also encourages the universities to meet yearly with the legislators.

And we have a Standing Committee on Education and there is provision now that we could be meeting yearly or biyearly with people. And I just really do agree with Mr. MacKay on this point. I think that the Standing Committee on Education should be meeting with our institutions, and since I've been elected we haven't done that. And I would encourage you to support this and to encourage that this happen.

I cannot see that it could do more than good because . . . I'll tell you why I'm concerned. Because I've been sitting in estimates, Education estimates, now I'm on Public Accounts, and even though Education is the second largest item in our budget, maybe there isn't as much interest in it as there should be. Education is a very important part of the society we live in.

It's been part of my life, most of my life, because I taught for 23 years before I became a legislator. And as we see today, we should have more people here interested in our education system. I'm not doing this for political reasons; I'm doing it because I'm concerned. The second biggest item in the budget, and we have people missing, you know, from Public Accounts.

And I'm saying that I agree with Mr. MacKay. It's about time that universities and colleges had more of an interaction with the people that they serve.

And I would encourage you to suggest, and I . . . Because when I read this I thought to myself, well there's a vehicle for it, the Standing Committee on Education, which I'm on and which, you know, doesn't really have a function right now. But there's a vehicle right here, and I don't see why we can't be meeting with . . . So I just say I agree with Mr. MacKay in that area.

The other thing is that I would be amiss or remiss — I forget the word; I don't know which one it is, but you guys know what I mean — if I didn't congratulate New Careers. I have to say that that is one success story. I want to tell the people at New Careers that you've done a marvellous job. People coming into my office, constituents, really appreciate New Careers.

In Lloydminster I don't know how often . . . And you know, you don't often get thank you's for many things. And I have to say that's just one agency where people have thanked me, is our work in New Careers. And they vary from agencies like the assault centre to the agricultural exhibition board. I mean it just seems to cover the whole gamut of people that we serve.

And so I would put my full support behind New Careers and maybe hope to see in the future some expansion of that program. I think it's been very successful.

**The Chair:** — Thank you.

**Mr. Flavel:** — Thank you, Mr. Chairman. Just a few questions for my own acknowledgement, I guess, or to bring me up to speed from student loans. Mr. Perrins, I will try to ask these questions in such a way that a simple yes and no will not do so that you'll have to expand on.

Three or four points, I guess. When the money is . . . a student is done with his education and starts paying the money back on a student loan, what does it go to first? Or is their Canadian student loan paid first? Or does half go to each and what is the criteria that's set out for the repayment? And when . . . third question is, when does the repayment start? Is there a time lapse after school or is it after he starts work or whatever?

And the fourth and final question, I guess, is you said it was based on the parent's income — I have a lengthier question, I guess — gross or net income. And I'm trying to relate this to farm income where we may gross a lot of money but net minus; whereas the Department of Education should not only be paying our kids to go to school but keep us too.

So those four questions, then I could . . . (inaudible) . . . if you would, please.

**The Chair:** — Make sure . . . if you could use the microphone for *Hansard*, please.

**Mr. Salloum:** — The first two questions were regarding when a student is finished school and when they begin repaying — does the money go to principal or interest? And they're two

separate loans right now. The Canada student loan is a loan that's held at the bank that the person negotiated the loan at; and they would make payments on that loan, interest and principal, on a monthly basis to that bank.

If they are in repayment right now on their Saskatchewan loan, they would have a separate agreement and they would make payments on their Saskatchewan loan to the government, both principal and interest, on a monthly basis. Okay?

**Mr. Flavel:** — So they could be making two payments at a time.

**Mr. Salloum:** — In fact they are making two payments. Now changes are happening in that program. They started August 1, and any student now will be negotiating a Canada student loan and a provincial loan with a private lender. So when those new students come into repayment, they will repay to a lender.

**A Member:** — One payment?

**Mr. Salloum:** — To one lender, one payment. The second part of the question in relation to when do they pay back? On the Saskatchewan student loan it's interest-free the whole time while they're students and for six months thereafter. And on the Canada student loan, it's interest-free the whole time that they're a student. And the six months after they finish schooling, they don't have to make payments but interest begins to accrue. Okay? So there's a little bit of differences between those two. And repayment starts the first day of the seventh month after you've finished schooling.

**Mr. Thomson:** — It's like the Eveready bunny. It keeps on going and going and going. I'm still paying on mine.

**Mr. Salloum:** — Generally, students that are in repayment right now, their amortization schedule is about nine and a half years. That would be the maximum amount of time. But that will change as well now with the new arrangements.

**Mr. Flavel:** — The payment schedule is set out in the amount of the loan, or is it hooked somehow to what they're earning?

**Mr. Salloum:** — It's not necessarily hooked to what they're earning, although students are given a variety of options in repaying. And one would be, if you want to pay off your loan in five years, this is what you would pay. If you want to take seven years, this is what you would pay. If you want to take nine years, this is what you would pay.

And if they're unemployed once they finish school, or underemployed, then they can apply for other programs that will suspend their payments and the interest on their loans for up to an additional 18 months.

**Mr. Flavel:** — Okay.

**Mr. Salloum:** — Okay. I think your last question was about the income. We take, on business people, farm incomes, we take their net income into account. So it's gross minus operating expenses. We take the net amount into account. And we don't

take assets, farming assets or business assets, into account when we're determining how much money a person has, the parents have.

For people that are wage earners, we take their line 150, which is basically their gross income, and subtract the income tax that they would pay and allowances for CPP (Canada Pension Plan) and UIC (Unemployment Insurance Commission).

**Mr. Flavel:** — I guess just a closing comment. I don't totally agree with the way the repayments are scheduled. I understand, like Mr. Toth said, they come out of university with an education, or whatever, as a teacher — and \$40,000 is a lot of student loan — and can simply find a minimum-wage job, but the repayments are set to the \$40,000.

And that's pretty tough to lay onto a person out there, you know. I mean nobody goes out with a minimum-wage job and buys a \$40,000 vehicle because you can't pay for it. But you are looking at, in essence, paying that through a student loan.

So I guess maybe that is something that I would sure like looked at — that it can be somehow hooked to what they're earning as well as what they owe, which I think would make a little more sense. Thank you.

**The Chair:** — And thank you. I have no other members on my speakers' list. Don't go away yet. We will begin with recommendations. And when you come to the recommendations, Ms. Haverstock, that you referred to, please catch my eye and you can ask questions.

We begin on page 203. And I'm not too sure if there's any . . . Perhaps Mr. Perrins could take the lead in terms of these questions since you were the minister responsible for all of these . . . or for this entire department for the year in review, and direct a response in any way you see fit, sir. It may make it a little easier.

Recommendation .22; your comments.

**Mr. Perrins:** — Mr. Chair, I'd prefer, in terms of the ongoing commitment, if we could do the division in the departments.

**The Chair:** — Fine, as you see fit. That'll be fine, yes.

**Mr. Dotson:** — Thank you, Mr. Chair. We acknowledge the importance of the recommendation that the auditor has made.

We agree with the importance of the need to identify costs of changes and benefits that are negotiated at the time they are. We don't believe in surprises; we don't believe in surprises to the system and we don't believe in surprises to the government. And we particularly do not believe in the propriety of financial surprises.

The example identified, in our view, was a distinctive and unique one, and we regret that it happened. And measures have been . . . We believe that measures have been undertaken to see that that does not happen again.

We respect the point the auditor has made.

**The Chair:** — So we concur and note progress and explanation. Agreed?

.34 on page 205.

**Mr. Perrins:** — Mr. Chair, if you agree, we will divide this one up because of the nature of the recommendation.

We completely concur with the auditor's observations and members' around that point and the MacKay report supports it as well, and we've been directed to move towards implementation.

**The Chair:** — Then do we concur and note compliance? Agreed? Is compliance happening or not? Progress?

**Mr. Perrins:** — Mr. Chair, we haven't seen the product yet, but certainly progress. We do.

**The Chair:** — Okay. Then can we have it recorded that we concur with the auditor's recommendation and we note the explanation as given by the deputy minister? Because I'm not sure it's progress, because we're sort of in expectation.

**Mr. Flavel:** — I think compliance is okay because they are complying with it. They're doing it. You're working towards it?

**Mr. Perrins:** — Yes.

**Ms. Stanger:** — Yes, but that isn't compliance.

**The Chair:** — Compliance is when it's completed.

**Ms. Stanger:** — It's progress.

**The Chair:** — Okay.

**Mr. Dotson:** — Mr. Chair, if I may . . . I don't know if this will be appropriate. The auditor recommendation .34 is comprehensive. Would it be permissible for us to provide discrete responses or is that inappropriate? One recommendation respects universities and it's in the same sentence here, university and school divisions, and I'm not sure that we would have an identical response.

I'm not trying to complicate things but . . .

**Mr. Koenker:** — I think that's germane.

**The Chair:** — Yes, I think that's fine.

**Mr. Dotson:** — Okay. With respect to school divisions, I would respond thus, if I may please, to recommendation .34. We believe that school divisions should report to the public on how they safeguard and manage public monies. We concur with that statement.

We believe that school divisions in Saskatchewan by law are duly and appropriately accountable to their electors, local

electors of school divisions as a local government set up by statute, with duties, powers, prescribed by law. We believe that school divisions have a primary legal and political responsibility to their electors.

My final point is we believe that in so far as school divisions must operate within The Education Act as enacted by the Legislative Assembly with respect to their educational responsibilities, that the provincial government and the Legislative Assembly have an interest in ascertaining that they manage their affairs in accordance with common practice and appropriate practice in Canada. And it's on that basis that we would certainly agree to work with the auditor and the school divisions to see that they can improve their public accountability.

**The Chair:** — I think then in light of the fact that indeed the point is well taken that really the recommendation addresses two individual departments now, that we should note these as two separate recommendations or responses from our part as a committee.

And so then I would like us to make sure we note in our first recommendation that we concur with the Provincial Auditor's recommendation in so far as it affects universities and note progress, is what we had done at the first instance.

And I think now we also would concur with the Provincial Auditor's report or recommendation and note compliance as it applies to the school divisions.

Is that agreed?

**Ms. Stanger:** — Do you think that we could, Mr. Chair, name the Act just as it refers to The Education Act?

**The Chair:** — I'm not quite following.

**Ms. Stanger:** — Well what the deputy said when he was explaining it is that they will comply completely to the auditor's suggestion as it applies to the rules in The Education Act.

**The Chair:** — Okay, then would it be more appropriate to note compliance in so far as the school divisions are concerned? I think I heard the deputy indicate that there's still progress being made, and so that complete compliance is not quite there, but significant progress. And acceptance of the principle outlined in the recommendation by the Provincial Auditor is there.

**Ms. Stanger:** — That's accurate. I would go along with that.

**Mr. Koenker:** — I have a concern that this one doesn't come back in next year's report from the auditor, because it has that potential to do so. So I think as the deputy indicated, in so far as school divisions are responsible under the Act, I think that's very germane. Because he points out very clearly and properly, accountability provisions to local electors. So shades of the discussion we had this morning.

I think we have to be very careful here in terms of what we're

talking about and the expectations that we put on the department and school divisions, vis-a-vis the comments made by the auditor, and we need to be clear about that. And I think that to that end then I think the deputy put it well in so far as it's required under the Act and that is our purview too as a committee of the legislature.

**The Chair:** — So would it be your suggestion that we concur with the auditor's recommendation and we note the compliance of the school divisions in fulfilling their reporting as required by The Education Act?

**A Member:** — Agreed.

**The Chair:** — Is that . . . well it's agreed to? Thank you.

.35 and I believe we again have the dual response.

**Mr. Perrins:** — Yes, Mr. Chair, I would agree we do and recommend, just as you've suggested, the same apply here. And again in terms of the universities, would agree that, as was already indicated, that the report should be tabled with respect to the universities. I mean it's the same, it's really the other . . . it's the same actually in my mind as .34. As they start to do .34, they're going to be doing .35.

**Mr. Dotson:** — My response would be different, Mr. Chair. May I make an observation, please? Would I be in order or would you please call me out of order if I am out of order then. It seems to me relevant that the universities in Saskatchewan are not governed by boards of governors that are themselves elected by the public at large. It seems to me correspondingly relevant that Saskatchewan Catholic school divisions and public school divisions are themselves elected by school boards, boards which themselves are elected by their respective electors. First point.

My second point, sir, is that — without placing too much emphasis on this — it is a fact that our universities in this province derive some substantial proportion of their annual operating revenues from the provincial treasury. It is not true however, that all locally elected and financially responsible school boards derive any significant proportion of their operating expenses from the provincial treasury.

Some of them receive a very, very, very small proportion of their total operating expenses from the treasury. With those two phenomena as backdrop, I would respectfully ask that the committee consider the appropriateness of accepting this response. The Department of Education would be pleased to consider, to continue to consider very seriously, the appropriate ways for elected school divisions in this province to report to their public in a public way, and would be pleased to continue considering the best ways in which we can, as a department, make such reports easily accessible to elected members of the Legislative Assembly. If I'm in order, I would make that suggestion, sir.

**The Chair:** — Okay. I think then we should deal with the recommendation firstly in so far as it applies to the universities. And I suggest that we concur with the auditor's

recommendation and note the progress as outlined by the deputy minister. Is that agreed?

I'm going to need a little help when . . . in terms of how we deal with it. I think the point that the deputy minister of Education is making, that when we're talking about boards of education we're talking about significantly different entities. And that you were indicating that, as I agree, that the school boards are providing appropriate reporting to their constituents in the public, if you like, and are making progress in that regard, and the department is willing to continue to monitor and try to improve upon those vehicles.

**Mr. Dotson:** — Yes, sir, I would concur with that summary of my remark.

**The Chair:** — Now if that's the case, I'm not sure we automatically agree with the auditor's recommendation at it applies in that effect and maybe we have to then make a motion that indicates that we're noting something to the effect of what I outlined.

**Mr. Flavel:** — I think — now whether the wording is right — that we disagree with the auditor's recommendation and note the deputy minister's explanations.

**The Chair:** — I think it would be best if we . . . I think a motion is an appropriate way to deal with this because it gets . . . I think it's going to be somewhat different than what the recommendation is.

**Mr. Flavel:** — I'm not sure that that's the wording. That's my wording, but . . .

**Mr. Koenker:** — I think the key here is found in the auditor's report itself, on page 204 and 205. I think sections being .26, .27, .28, .29 in which he sets the issue in the context of the educational Act . . . The Education Act.

And I mean he rightly, the auditor rightly, points out that the Act gives the minister broad powers to set these principles and requirements pertaining to public money. What he doesn't talk about is the relationship to local electors. And that's what the deputy has pointed out today.

He concludes in paragraph .29 by saying:

Without this information, the Department cannot inform the Assembly how well the universities and school divisions safeguard and spend public money. We think the Assembly needs this information and gives the Department sufficient authority in law to obtain this information annually.

I read that and I don't think it necessarily follows that we agree with the auditor, that we . . . that the department should table reports on how well the school divisions safeguard and spend public money to the Assembly.

I think there are broad powers, as the auditor says, given to the minister and to the department to police this, and that to date

there's not been any indication that there's been a problem in this regard. And I think we, again we come back to the principle of wanting to respect the role of local electors in this regard. So it's in that sense that I think we're disagreeing with the auditor.

**The Chair:** — And that's why I'd like a motion to clearly state what our position is on this . . . (inaudible interjection) . . . You're working on that one?

**Mr. Flavel:** — I think the motion . . . The deputy clarified it. Now whether you would want to go through that whole verbatim in the motion, but that's why I would say that we disagree with, noting the deputy's clarification of it. He made the distinction between an elected board and an appointed board being responsible to the electorate.

**Mr. Thomson:** — The secondary question that we need to address is that it is not simply the fact that this is a separate level of government that has its own electorate. It's not necessarily just the method they're selected by, but also the fact they obtain revenue from elsewhere; so in that regard it's different than a health board. So we may simply be able to . . . and perhaps . . . well is there wording?

**A Member:** — Yes.

**Mr. Thomson:** — Okay, but I think that that's key to understanding it. It's not simply the fact that it is a separate elected board but also the fact it has a separate tax base.

**Ms. Haverstock:** — Well I was concerned about simply saying we disagree with the Provincial Auditor's recommendation. I would feel far more comfortable with a preface to that. In other words, stating it — given that — with the clarification that was cited by Mr. Thomson and the deputy minister of Education, that that is from which the change to the recommendation comes, or perhaps the rejection of it.

I think it's important for us to have that clarification in the minutes . . . (inaudible interjection) . . . But it won't be in the motion. I'm asking that it be in the motion.

**The Chair:** — Okay, if I could have a motion by Ms. Stanger:

That the committee acknowledge the importance of locally elected school boards to safeguard public money and acknowledge that the department is continuing to seek to improve accountability to the public and to the Legislative Assembly.

Do you want me to go over that again or is . . .

That the committee acknowledge the importance of locally elected school boards to safeguard public money and acknowledge that the department is continuing to seek to improve accountability to the public and to the Legislative Assembly.

Is that agreed?

**Mr. Flavel:** — It sounds like on one hand we're saying they're an honest bunch out there, but we don't trust them and we're going to work towards . . . it contradicts itself in the two, is my opinion.

**The Chair:** — Are we agreed to the motion as presented? Agreed. That's carried.

Point .39 — point .39 we're at. I'm not sure who this applies to.

**Mr. Perrins:** — I support the auditor's recommendation. And the fact, as I was saying, in terms of with the agencies that we're speaking about specifically, SIAST, regional colleges, and universities, having already addressed the universities, I think we've already made much of the progress with respect to .39.

**The Chair:** — We concur with the auditor's recommendation and note progress. Agreed.

.40.

**Mr. Perrins:** — Again I would make the same observations.

**The Chair:** — Concur with the recommendation and note progress? Agreed.

.41.

**Mr. Perrins:** — And it would be the same again.

**The Chair:** — Concur with the recommendation, note progress? Agreed.

**Mr. Dotson:** — Mr. Chair, may I please make an observation?

**The Chair:** — Yes.

**Mr. Dotson:** — Forgive me please, but I feel compelled to make a similar observation in this regard as to my observation of a moment ago. If I'm understanding .39, .40, and .41 correctly, they are intended to deal with all of the agencies so-called funded by what was at that time the larger department, and thus to include SIAST, regional colleges, and the universities, which have no locally elected responsible boards and have no taxing powers. And also to include public and separate school boards, which do have.

Okay, so it's in that spirit. May I make an observation, please?

**The Chair:** — Yes.

**Mr. Dotson:** — I'll try to be briefer than I was a moment ago if I may. Further to the points I made a moment ago, Mr. Chair, and further to the point, that I'm particularly troubled by the phrase in .39 and .40 which say, "the agencies it funds."

I'm troubled by that and I'm troubled by that for this reason. It is possible and indeed it is likely that today or tomorrow or some near-term year, the Government of Saskatchewan will find itself in a position of providing — because all of our



monies are provided on an equalized basis to those school boards that have the limited taxing capacity; we provide our grant money on an equalizing basis — that we would find ourselves in a circumstance where we have some school divisions that have, forgive me, more oil wells than children, and would thus find themselves with very little educational requirements, from an expenditure point of view, but an enormously rich local property tax base.

In that circumstance the Government of Saskatchewan may very well find itself in a position of not providing equalized operating grants to schools, to such a school division. And I think the school divisions of Saskatchewan would all understand that and would accept that as being perfectly anticipatable and acceptable.

That being the case then, I would be troubled by an injunction to us to report on the activities of only those school divisions to whom we provide monies and leave out of any such reporting other school divisions to whom we don't provide any monies. That would be my first point.

My second point then is, notwithstanding that, I am wondering whether the Legislative Assembly of Saskatchewan wishes to impose a reporting obligation on locally elected school divisions which have duties and powers as set out in The Education Act with respect to the education programing, with respect to their compliance with or adherence to or meeting of the objectives as set out by the provincial Department of Education.

I don't object to that. I am asking whether this committee wishes at this time to make such an injunction — if I may seek to be helpful, sir — I would therefore recommend that your committee consider the — forgive me, sir, if I'm being presumptuous — consider the propriety of entertaining a motion perhaps, along the following lines: that with respect to Saskatchewan K to 12 school divisions that they ... it acknowledge that the Department of Education will continue to enter into discussions with the Provincial Auditor and others with respect to appropriate measures to improve public accountability of the Saskatchewan public school system.

**The Chair:** — Is that motion that Mr. Koenker is preparing?

**Mr. Koenker:** — I believe so.

**The Chair:** — I await your motion.

For clarity in so far as the record is concerned, we concurred with the recommendations .39 and .41 in so far as the Post-Secondary Education department is concerned. And we are now going to deal with a motion that deals with this issue in so far as the K to 12 Department of Education is concerned.

.39 to .41.

**The Chair:** — I have a motion by Mr. Koenker:

That with respect to the K to 12 school divisions, the committee notes the department will consult with the

Provincial Auditor and others with respect to improving public accountability of the province's public education system.

**Mr. Thomson:** — When we refer to the public education system I take it we're referring to both public and separate school boards? Or what is our relationship on the separate?

**The Chair:** — Okay. That's inclusive. Any other comment? If not, are we agreed? That's carried.

.46. I think this applies to the school divisions.

**Mr. Dotson:** — We are working with the secretary-treasurers of the school boards to develop, provide, standards, and we are working with the CICA (Canadian Institute of Chartered Accountants) study on developing reporting standards for school divisions. We do not have any significant difficulty with the recommendation.

**The Chair:** — We agree with the auditor's recommendation and note progress. Is that agreed?

.56.

**Mr. Perrins:** — That's been done, Mr. Chair. This has been raised in the new audit.

**The Chair:** — We agree with the audit ... (inaudible interjection) ... yes. Mr. Toth just asked for one second; so we agree with the auditor's recommendation and note compliance? Agreed.

I think with the committee's permission if ... (inaudible interjection) ... Did you have questions on .56? We're about to agree with the auditor's recommendation and note compliance in regard to .56 ... (inaudible interjection) ... We're okay there. All right. We were just checking. So that's agreed.

.61.

**Mr. Perrins:** — Again SIAST has implemented the recommended changes.

**Ms. Stanger:** — SIAST has implemented.

**Mr. Sonntag:** — .61?

**The Chair:** — .61.

**Mr. Sonntag:** — I just didn't hear what you said.

**Mr. Perrins:** — SIAST has accepted the recommendation and implemented the requested changes.

**The Chair:** — Okay. We concur with the recommendation and note compliance.

.67.

**Mr. Perrins:** — Yes, they haven't finished this one yet so ...

But again they've accepted the recommendations and are working towards implementation.

**The Chair:** — We concur with the auditor's report and note progress. Agreed.

.75.

**Mr. Perrins:** — Again that's been done.

**The Chair:** — We concur with the auditor's recommendation and note compliance. Agreed.

.78.

**Mr. Perrins:** — And this one again, accept the recommendation and they're working towards the full implementation.

**The Chair:** — We concur with the auditor's recommendation and note progress. Agreed.

**Ms. Haverstock:** — Mr. Chair, I do thank you ever so much and now it's my opportunity to welcome you and your officials, Mr. Perrins, and Mr. Dotson.

I'd like to have a discussion about the liabilities reported in the student aid fund, and my first question is about the interest write-down for loans granted during the 1986 and '87 funding years which was outlined on pages 211 and 212 of the spring report.

The Provincial Auditor has already identified the lack of authority to limit interest write-downs to students, and he also noted that cabinet directed the department to subsidize the interest rate for those student loans where review is requested. And my question is this: has the total amount of this liability been reported in the annual reports?

**Mr. Salloum:** — Yes, the total amount of the liability has been reported in the annual reports.

**Ms. Haverstock:** — I'm wondering about that. I'd like you to advise us of the total liability the student aid fund will incur if every eligible student were to request a review regarding their eligibility for an interest rate subsidy. And if necessary — I'm sure that you can't get that response immediately — and therefore would very much appreciate it if you would provide the committee with that information. I mean if you have it at your fingertips, I would be extremely impressed but . . .

**Mr. Salloum:** — I have it here. It's in the neighbourhood of \$3 million but I'll provide the exact number to you.

**Ms. Haverstock:** — That would be great. Would you also clarify whether students who have completely repaid their loans are still eligible for a review of their file?

**Mr. Salloum:** — Yes they would be.

**Ms. Haverstock:** — They would be? Okay. My next concern is

about a new policy reported in the 1995 annual report of the Provincial Ombudsman and this annual report was tabled in our legislature on May 1 of this year.

On page 3 — and this is related to the department and student loans — the Ombudsman states and I quote:

The new policy which recognizes the monthly shelter and food allowance as an expense for each parent.

Beginning with the 1995-96 funding year, the Canada student loan covered up to a maximum of 60 per cent of students' needs while the Saskatchewan portion — the Saskatchewan student loan — covered the remaining 40 per cent.

The total available funding from the Canada student loan program for special incentive students increased \$60 while the funding for regular students increased by \$30. For a regular student, 60 per cent of the need is \$165. For a special incentive student, it's \$231. The funding from the Canada student loan program is greater than the repayable amount of \$165 by a total of \$66. Does the federal government provide other subsidies for the Saskatchewan student loan program?

**Mr. Salloum:** — They provide no other subsidies.

**Ms. Haverstock:** — It doesn't.

**Mr. Salloum:** — No.

**Ms. Haverstock:** — Okay. Another comment by the Ombudsman states that, and I quote:

The new policy will no doubt benefit non-custodial parents who want to maintain contact with their children while struggling to obtain an education.

Of those students disqualified as single parents — and I'll actually give this to you and let you take it with you. This is what I'm quoting from — the Provincial Auditor's 1995 annual report. Because what he cites here is about a woman named Susan. And those students who are disqualified as single parents, as Susan is described in this report, did not receive these benefits. From 1991-92 until 1995-96 the Canada student loan program funded 29.2 per cent of the maximum recognized need for a special incentive student and 42 per cent of the maximum recognized need for a regular student.

Even though the regular student benefits were still available, the Saskatchewan student loan program saved a maximum of \$110 per week of study for each person disqualified. In other words, every disqualified special incentive student resulted in a savings of a \$110 a week.

On July 15 of 1993, a Bill was proclaimed in this legislature. It was Bill 38. And after July, discrimination on the basis of family status and the receipt of public assistance was prohibited under the code. In the 1993 annual report of the Human Rights Commission states, and I'm going to quote from that report: "Bill 38 provides the necessary legal foundation for fighting discrimination in many forums."

My question is this: has your department reported any liability with regard to those parents or other individuals who were refused funding and did not benefit from the student loan program prior to the 1995-96 funding year?

**Mr. Salloum:** — The answer is no. The special incentive program in and of itself has an exemption from Human Rights to offer the program. So students that are considered to be in the special incentive arena — those would be single parents with full-time custody, and non-status Indian/Metis students and northern students — those people are entitled to enhanced benefits from the program.

So 60 per cent of the program for regular students is funded by the federal government and 40 per cent by the provincial government. But for the special group it's almost switched around. The province invests much more money in the special groups than does the federal government.

**Ms. Haverstock:** — It would be very useful for me, because I really am struggling with trying to understand the things that come my way as far as questions are concerned . . . And as you can well imagine, any constituency office gets two forms of questions on a regular basis, one of which you happen to be having a great delight of being in charge of; the other is workers' compensation.

So if you could, for me, be willing to provide this — and again I don't expect you to have it at your fingertips — I'd like you to supply us, if you would, with the following: the breakdown of loans authorized by student financial assistance. And that's for the loan years from 1991-92 through this 1996-97, with the period ending April 30 for each year.

And this breakdown should distinguish between regular students and each category of special incentive students — pardon me — special incentive loans, and between status Indian students and other students. And if it would help you, what I can do is make a copy of this for you, rather than you waiting for the verbatim.

I'd also appreciate it if you would provide the number of students in each category for each year who withdrew prior to the April 30 deadline date, in each one of those categories.

And I'd also like to know the number of students in each category for each year who actually appealed their assessment results to the student financial assistance.

And finally — it's not totally finally, just about finally — if you would provide us, please, on this committee, with the administrative guidelines and appendices used to administer the Canada-Saskatchewan student loan program since January of 1991. I know that this has been alluded to earlier today by another member, but I think it would be useful to have it in its context of time.

The Human Rights Commission ratified an agreement between eight aboriginal students and the student aid fund in 1993. The 1993 annual report of the commission states that a status Indian, and I quote: "joined other status Indians in filing a

complaint with the commission alleging that the department's policy discriminated on the grounds of race."

I'm wondering, would you agree that this is another example where special incentive students were disqualified?

**Mr. Salloum:** — Up until the time that the Human Rights decision was made, status Indians were funded primarily by the federal government through the Department of Indian Affairs. And it was the position of the government at that time, up until that time at least, that the funding of post-secondary education was a federal responsibility. So would those people have been . . . I'm sorry, I didn't . . .

**Ms. Haverstock:** — I'm just wondering if that was another example where special incentive students were disqualified — that particular case.

**Mr. Salloum:** — Right now, the people that are eligible for the special incentive program would be single parents — whether they're status Indians or any other single parent — non-status Indian/Metis people, or northern people, regardless of their ethnicity.

**Ms. Haverstock:** — I'm wondering if you could provide a copy of the settlement agreement for the committee members as well. And at this point I really am pretty interested in how your department ensures that its policies are not discriminatory. I'm sure that you have a policy statement and I would be interested in that in writing as well so I have something to refer to.

**Mr. Perrins:** — If I can, on the other point, I think one of the pieces to address is sources of income. I think what Mr. Salloum was referring to was when there are other sources of income, as there was and as there continues to be, then that's addressed in the context of the . . . when you're accessing need.

So I'm not familiar with the '93 case but that's a critical factor. So it's not necessarily . . . and that's a client equitability. So whether it's income from parents or government or other sources, so when you're doing the sort of calculation that would be a factor.

**Ms. Haverstock:** — I'm just wondering . . . I don't know whether you would find this relevant, but I'm wondering if the commission approved any equity programs under section 48 of the code, the Human Rights Commission, and if . . . You don't know?

**Mr. Salloum:** — I don't know the answer to that.

**Ms. Haverstock:** — Okay. In the 1994-95 annual report of the commission, it states that:

Exemptions also involve public services (26%), education (16%), housing and contracts. Some applicants require exemptions for more than one area of activity.

I'm wondering if your department has granted exemptions under section 47 of the Saskatchewan Human Rights Code, and if you have, if you would cite those for me?

I'm really quite interested in your being able to report the number of active exemptions held by the Department of Education or continuing or Post-Secondary Education. Are those exemptions reported in the student loan guidelines? Are the exemptions reported in your annual report, and would the department provide a list of active exemptions to our committee just for my reference?

I'm coming to a close, you guys, almost, well not quite . . . (inaudible interjection) . . . Well no, that was finally on that one section. Okay. I also note that student financial assistance deducted the Family Income Plan, which I'll refer to as FIP, payments from student assessments, and I realize these amounts would not be classed as revenues, okay. They aren't, right?

**Mr. Salloum:** — No.

**Ms. Haverstock:** — Okay, however if these amounts were deducted from student loans, then the amount of forgivable loans would decrease. Correct?

**Mr. Salloum:** — Yes, that's possible.

**Ms. Haverstock:** — Okay. So if the FIP authorized such payments, then the level of student loans might well be below that required for a family as is defined by the Family Income Plan. And I'm wondering if you can tell me if these . . . if these deductions caused any liability in the student aid fund.

**Mr. Salloum:** — I'm not able to give you that information. I don't know the answer to that, I'm sorry.

**Ms. Haverstock:** — Okay, but you could find that out for us?

**Mr. Salloum:** — Yes.

**Ms. Haverstock:** — Great.

I'm hoping the department will advise us of the number of students affected for each year that the Family Income Plan payments were deducted and the total dollars involved.

And I have two other follow-up questions to that. Did the student aid fund deduct the Family Income Plan from the assessments of any students who were disqualified from this special incentive plan?

**Mr. Salloum:** — I'll need to check as well.

**Ms. Haverstock:** — That's fine. And I appreciate that very much. It's one of the reasons my eyes lit up when I read who you were and what your responsibilities were. I thought, I've lucked out today.

Would the department advise the standing committee as well, of the number of students affected for each fiscal period and the total dollars involved. Yes, I actually am thinking that it would be probably . . . I would like to read these into the verbatim but I don't want you to have to wait for the verbatim for this, so I'll simply make a copy and I'll forward it directly to you, okay? Even with my scribbles.

In a recent article on November 30 in the *Star-Phoenix*, the Minister of Post-Secondary Education announced the creation of a task force to revise the student loan fund. The Public Service Commission advertised for an executive director, institutions, September 20 it says, of the year, and on November 30 advertised for a research officer 3. And your department also advertised in the *Star-Phoenix* requesting letters of intent to be forwarded to the communications coordinator unit — coordination unit, pardon me — of Executive Council by November 6 of this year.

Now each of these advertisements deals with some aspect of the programs, the policies and objectives, and emerging issues affecting Post-Secondary Education. And it appears that the organization and implementation of this task force is already under way. Am I making the right assumption, Mr. Deputy Minister?

**Mr. Perrins:** — Well there's several events there. They are connected but I'm not quite . . . You know, the relationship between the task force and student loans is a much more . . . is a broader issue, not only around the implementation of it but the revisiting the national agenda on the student loans. The positions you refer to are just for vacant positions, so I'm not . . . Perhaps I missed . . .

**Ms. Haverstock:** — I'll tell you where I'm going rather than dangling a somewhat vague carrot.

**Mr. Perrins:** — Okay.

**Ms. Haverstock:** — On many occasions the Provincial Auditor, in fact in probably almost every chapter that we face year after year, has talked about comparisons between actual results and planned program results. And if the planned program is not available for this newly established task force, what I'm wondering is, if there's a way that you can provide information to our committee in light of the Provincial Auditor's recommendations.

Because one of the things I'm wanting to understand, and I think that our committee has been fairly committed to, is to be informed of the mandate of the task force, which will help us in understanding everything, from funding to goals and objectives and the staffing of such a task force and so forth.

So we're not mandated to be concerned with the rationale of government programs but we most certainly are when it comes to the economy and efficiency of their administration. So if you could provide that as well — and it is an aside from what I've been addressing with Mr. Salloum — I'd be most appreciative.

**Mr. Perrins:** — Yes, Mr. Chairman, we'd be pleased to provide that.

**Ms. Haverstock:** — Thank you very much. Everybody can be happy now.

**The Chair:** — Thank you. We will attempt to proceed and depending on how well this goes, we may have to beg indulgence for a few minutes — .90.

**Mr. Perrins:** — Well, Mr. Chair, this recommendation has been with us for some time and we do have a cabinet direction to handle it on a case-by-case basis, and we've continued to do that.

**The Chair:** — Does anybody want to speak to this? My understanding is that rather than a generic, blanket kind of a way of dealing with it, the cabinet has decided to deal with it on a case-by-case issue; is that correct?

**Mr. Perrins:** — That's correct, Mr. Chair.

**Ms. Stanger:** — We'd need a motion to that effect, wouldn't we?

**The Chair:** — If we accept that, or do we endorse the recommendation as made by the Provincial Auditor and note the explanation? I don't know if that covers it but it seems to me that this is going to be something that, if we adopt it as a recommendation, we're going to get a reply from the minister saying that they've decided to deal with it on a case-by-case basis.

**Mr. Perrins:** — That's correct, Mr. Chair.

**Ms. Stanger:** — So why don't we just make that motion?

**The Chair:** — I'm a servant of the committee and whatever direction you want to go.

**Mr. Toth:** — Just the one question. Why should it be done on a case-by-case basis for all students?

**Mr. Perrins:** — Perhaps I could read into the record the history of this, if that would help, Mr. Chair, because it goes back some time.

**The Chair:** — Please.

**Mr. Perrins:** — Pardon me if I read it, but it's just so I'll be accurate. The interest write-down plan for student loans was introduced in 1986-87 as per Treasury Board minutes 1071 on June 4, 1986. The minute was unclear as to the length of the interest subsidy period. A subsequent Treasury Board minute 1207, 1987-88 budget finalization, dated June 25, 1987, clearly stated that the subsidy period would be limited to the first three years of repayment.

By this time however, the interest write-down plan had been in operation for more than a year. The department's initial position was that the interest write-down subsidy would be limited to the first three years of repayment as directed in the second Treasury Board minute. In light of a subsequent legal opinion from Justice, which maintains that loans authorized in 1986-87 were eligible for interest subsidy for the entire repayment period, the branch — that's the student loan branch — requested approval in July 1989 for the additional expenditures required for the increased subsidy. No action was taken.

In January 1992, cabinet directed that this situation be handled on an individual, case-by-case basis. Any student who received

a loan in 1986-87 and who requested a review of their repayment obligations in relation to their eligibility for an interest subsidy, shall be entitled to have the interest on their loans reduced to 6 per cent for the entire repayment period. Only about six student borrowers have ever asked for the additional subsidy.

I would add, having finished sort of the reading section, it's the cost, and the difficulty of going back and identifying students. I think, as one of the members asked earlier for that actual information, sort of quantify what that means. But that's the background to why the position is as it is.

**Mr. Toth:** — So it's just based on, if a student applies or inquires about it then the deduction has been made, or repayment rather, I guess.

**Mr. Perrins:** — That's correct.

**Mr. Toth:** — And if . . . did I understand you correctly? You made a comment that it was intended for three years, but legal counsel basically said it's for the duration. So that would mean then if a loan is out over five or six years, that that subsidy is available for the five or six years, not the three years, if . . . (inaudible) . . . student applies for . . .

**Mr. Perrins:** — That's correct.

**Ms. Stanger:** — I have a motion here, Mr. Chair, and I'd like to just read it and see what people think. Moved by Violet Stanger, constituency of Lloydminster:

We direct the department to deal with any student who received a loan in 1986-87, and who requests a review of their payment, on a case-by-case basis.

**The Chair:** — I don't know if we can . . . I'm not sure of the wording but . . . I don't know if we can direct, but I think we can recommend.

**Ms. Stanger:** — Recommend?

**The Chair:** — I'm not sure of the wording, but it just caught me as maybe not being quite proper.

**Ms. Stanger:** — Okay, we recommend.

**Mr. Thomson:** — Mr. Chairman, I simply want to indicate that I believe I'm in conflict of interest on this particular resolution and as such will not participate in the vote.

**The Chair:** — I'm glad to report that I am not.

I made a small change. Moved by Ms. Stanger:

That this committee recommend the department to deal with any student who received a loan in 1986-87 and also request the review of their repayment, on a case-by-case basis.

Is that agreed? It's carried.

Point .98.

**Mr. Perrins:** — The department agrees and has to correct this problem. We've asked for employer verification of work-term earnings in '96-97 loan year.

**The Chair:** — We concur with the auditor's recommendation and note compliance?

**Mr. Thomson:** — May I just ask a question? Ms. Haverstock had mentioned how the committee, and particularly the auditor, increasingly interested in comparison of actual and planned results. I'm just wondering, when the auditor makes a recommendation like this, does he take into account the additional costs on the programs as opposed to what would be recovered?

**Mr. Strelloff:** — Yes we do.

**The Chair:** — Are we agreed with the motion ... or recommendation? Are you satisfied? He said yes, we do.

**Mr. Thomson:** — Well I'll leave it at that. And I'm sure we'll have a chance to revisit this whole issue.

**The Chair:** — .110, page 215 — .110, not .101.

**Mr. Toth:** — Oh, okay. I've got a question here though. Thank you, Mr. Chairman. Regarding the Teachers' Superannuation Commission, I'm wondering, the ... You talk about assets of 1.023 million, liabilities of 2,830. What I take from that then there is an unfunded liability in that plan of 1.87 ... 807. What's being ... what is the department doing to try and address the unfunded liabilities? And I see right here we're talking about the Teachers' Superannuation Commission. I don't know if there's any other unfunded liabilities that you have to deal with in the educational sector regarding teachers, but in this plan, what is being done to try and address that issue?

**Mr. Dotson:** — Mr. Chair, my colleague from the Teachers' Superannuation Commission is John McLaughlin. I would ask him to respond to that, please.

**Mr. McLaughlin:** — Well the first thing that was done was to create an annuity plan for teachers that started teaching in 1980, and that was the first step the province took to address the growing unfunded liabilities. So that's 16 years now of experience where there isn't any ongoing increasing liability for newer teachers.

For the older ones, they have about a \$22 million commitment from government to match contributions each year. There is actually about \$110 million going in, so we're putting about \$80 million into the unfunded liability each and every year. And that, if you take that over the remaining lifetime of the plan, which is about 35 years, that will pay it off.

Now with respect to whether that's enough or not, one needs to await a real good cash flow analysis, and we're in the throes now of having that done by our consulting actuary and that

should be ready sometime later this year or early next year.

**Mr. Toth:** — How long have you being put this additional funds into the ...

**Mr. McLaughlin:** — Since about 1991.

**Mr. Toth:** — So you say there's about \$80 million additional a year going in?

**Mr. McLaughlin:** — Yes. What happens is the pension payroll actually costs about \$170 million a year as it stands right now, and there are a couple of different sources of money that go toward paying for that. One of them is the amount of money that's to the credit of all the teachers that retire in that particular year. So there might be \$60 million say in the student aid fund ... or in the teachers' superannuation fund which becomes available to pay the pension payroll generally. The government is on the hook for the difference.

So the actual costs, less the monies freed up by retiring teachers, equals the government's contribution for the year, and that's about \$80 million currently.

**Mr. Toth:** — See that is the problem with unfunded liabilities. It's the ... While it may not be a cost today, somebody has to address it down the road. If all of a sudden there's a draw, and while any government can argue, well who really cares, because the general revenue pool is managed; it's balanced, unfunded pension ... somebody else can deal with that thing. And that's why I think it needs to be dealt with. Otherwise we face like in '82 and right through the '80s, some of the concerns raised there and trying to put additional funds in.

And I'm glad to hear that there is the ongoing effort to put that additional kick into the fund, to bring it into that funded liability position. Because even though it's going to take a period of years, it's better to start today rather than when you've got the draw and all of a sudden you find you need that revenue and you've got to go to the Department of Finance and say, we need some money because our plan cannot carry itself.

**Mr. McLaughlin:** — Yes, I think that's exactly right.

**The Chair:** — Item .110.

**Mr. Dotson:** — With respect to item .110, Mr. Chair, we believe that this issue has been adequately addressed and we concur with the recommendation of the auditor.

**The Chair:** — Concur with the auditor and note compliance? Agreed.

Point .111.

**Mr. Dotson:** — I'd made the same observation, Mr. Chair. We believe that this has been adequately addressed and we certainly concur with the recommendation of the auditor.

**The Chair:** — Concur with the auditor's recommendation, note compliance? Agreed.

Point .118.

**Mr. Dotson:** — I'd make the same response, Mr. Chair. We note that this was not raised in the 1995 audit. We believe that this has been adequately addressed and we certainly concur with the recommendation of the auditor.

**The Chair:** — Concur with the recommendation, note compliance? Agreed.

Point .124.

**Mr. Dotson:** — The annual reports for 1992-93, 1993-94, and 1994-95, Mr. Chair, have been released. I use that term deliberately. They have been released. Unfortunately we didn't manage to get them released in sufficient time that they could be tabled before the rising of the Legislative Assembly last spring. They have been released. I believe every member . . . and I know the auditor have received copies of these. I think they were all sent to members through the Clerk's office. These will certainly be tabled in the Legislative Assembly at the next session and we emphatically concur with the recommendation of the auditor.

**The Chair:** — We concur with the auditor's recommendation and note the explanation? Agreed.

Point .131.

**Mr. Dotson:** — Mr. Chair, the Teachers' Superannuation Commission is working more closely with its manager of its investments to ensure that there is indeed compliance with the law and we would concur with this recommendation.

**The Chair:** — Concur with the recommendation and note compliance? Agreed.

Point .136.

**Mr. Dotson:** — The commission is working with the Department of Justice, and more particularly with the holders or the managers of the fund, in order to ensure that the commission complies with the law, and we concur with this recommendation.

**The Chair:** — We concur with the recommendation and note progress. Agreed.

.143.

**Mr. Perrins:** — New Careers has . . . actually had approved and implemented, as of March 1, '96, the auditor's request.

**The Chair:** — We concur with the auditor's recommendation and note compliance. Agreed.

.147.

**Mr. Perrins:** — As of April 1, 1996, the corporation has recorded all revenue using the accrual basis for accounting.

**The Chair:** — Concur with the recommendation and note compliance. Agreed.

.150.

**Mr. Perrins:** — New Careers agrees with the recommendation and expects full implementation by the end of this fiscal year.

**The Chair:** — Concur with the recommendation and note progress. Agreed.

Thank you very much, ladies and gentlemen, and particularly members of the Department of Education, and Post-Secondary Education and Skills Training. We very much appreciate the time and effort you've spent helping us deal with this chapter and section of the auditor's report.

**Ms. Stanger:** — Yes, on behalf of the government members, I'd like to thank the deputy of both departments and their officials on the information given us. And we appreciate you coming here and sharing your expertise with us. Thank you very much.

**Mr. Toth:** — I'd like to also extend our appreciation for your attendance at our Public Accounts. Thank you and have a good Christmas.

**The Chair:** — It now being past 4:30, this committee stands adjourned until 9:30 tomorrow.

The committee adjourned at 4:40 p.m.