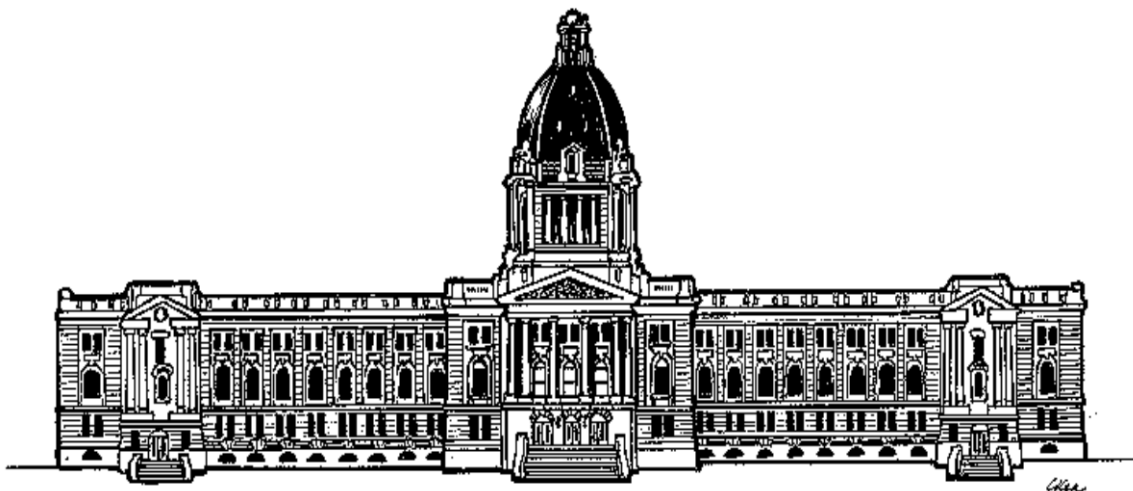




Standing Committee on Public Accounts

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STANDING COMMITTEE ON PUBLIC ACCOUNTS
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Melfort-Tisdale

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Regina Northeast

June Draude
Kelvington-Wadena

Jack Hillson
North Battleford

Walter Jess
Redberry Lake

Mark Koenker
Saskatoon Sutherland

Violet Stanger
Lloydminster

Andrew Thomson
Regina South

Grant Whitmore
Saskatoon Northwest

The Chair: — Thank you, ladies and gentlemen. It now being 10 o'clock, I will call the meeting to order and thank everyone who has been able to come on short notice. The first item is to approve the agenda as circulated.

Mr. Shillington: — I would move, Mr. Chairperson, that we strike from the agenda the item entitled, "Request for a special investigation by the Provincial Auditor concerning the bankruptcy of the Lake Diefenbaker Potato Corporation."

The Chair: — Do you have that in motion form, Mr. Shillington?

Mr. Shillington: — As a matter of interest . . . listen, you know me; I always bring the music with me.

The Chair: — I thought maybe. Thank you. I have a motion by Mr. Shillington as follows:

I move that the request for a special investigation by the Provincial Auditor concerning the bankruptcy of the Lake Diefenbaker Potato Corporation be removed from the agenda of the Standing Committee on Public Accounts.

Mr. Shillington: — I was just going to speak to . . .

The Chair: — To the motion?

Mr. Shillington: — I was just going to speak to the motion.

First of all, I want to complain about the failure on the part of the Chair to consult with other parties before the meeting was called. I received no telephone call, and simply a notice from the . . . ultimately from the staff of the Legislative Assembly that the meeting was being called. It is not only I think a good practice, it's also part of the written rules of this committee that before the chairperson calls a meeting, consultation takes place with the other parties. I want to publicly complain about the failure to do that.

I also want to say that the practice which is now developing of using the Public Accounts Committee as a platform to highlight whatever the issue of the day is, is I think an unfortunate practice.

I think this committee worked relatively effectively over the last year because it by and large worked in a fairly non-partisan atmosphere. To the extent that the opposition are, as I say, using it as a platform to highlight whatever the grievance may be, I think it's an unfortunate practice.

I want to speak, however, to the substance of the motion. I think we are all anxious to . . . we all want to see the facts brought out. We all want to know what's going on in this place, Lucky Lake.

And the Provincial Auditor, and in due course, or someone on his behest but under his supervision and subject to his guidelines, will do an audit of the Sask Water Corporation. And in due course we'll have that available and the facts will out.

I believe that it is . . . I believe that the Provincial Auditor's

office is not an appropriate forum for undertaking an inquiry into every alleged shortcoming of the government, which is sort of becoming the current practice.

On rare occasions, and I'm not sure this is one of them, but on rare occasions there's a need for a public inquiry. But the Provincial Auditor's office is not an appropriate office to do that. The Provincial Auditor has an important function — and I won't go over it in detail, but I think all members here at least know what the function of the Provincial Auditor is. He has an important function; he's not overstaffed; and as he has related to us, it's a challenge to do a complete and full audit as it is, without being drawn away for inquiring into one thing after another.

So it is my view that we should wait until the Sask Water . . . the audit is done in the normal course. We'll have that information, and that will allow the Provincial Auditor to continue doing his work.

Those, Mr. Chairperson, are the reasons why I moved the motion I did.

The Chair: — Thank you.

Mr. Hillson: — Yes, Mr. Chairman. Frankly I don't entirely understand the reasoning of my friend opposite as to why Public Accounts would not have an interest in this issue. And I also . . . I would like to record my objection to the hon. member suggesting that it's just grandstanding.

I would remind all members that the amount of money we're talking about here is more than the provincial surplus recorded this year. It's about double the amount of the GigaText fiasco — an issue which interestingly enough, members opposite did think was worthy of consideration by Public Accounts.

And we all know, all of us as MLAs (Member of the Legislative Assembly) and I think all people in this province, know that economic development, diversification of the economy, broadening of the tax base are terribly important issues. But we are very, very concerned that our forays into these areas have just all too often gone awry. And this is another example of where an economic development scheme financed by the provincial government has exposed us to large loss.

Now when the NDP (New Democratic Party) say that they object to the opposition using this committee as a forum for looking into losses of taxpayers' money, I have to say, what other possible function does Public Accounts have other than protecting the public purse? What other function does the Provincial Auditor have?

And members will recall that the last time we requested a special meeting of Public Accounts was over the cost overruns at Regina Health District. The NDP said, oh, the Provincial Auditor's too busy to bother about that money lost in Regina Health District and voted against the Provincial Auditor looking into it. And according to media reports, the Provincial Auditor has decided that indeed that issue does merit his attention.

So the Provincial Auditor apparently is quite comfortable with

the role of his office . . . to investigate losses of public funds, to see what could have been done differently, to tell us exactly what our exposure is, and to offer recommendations about how we can stop these continuing fiascos in areas such as economic development.

I can understand where members opposite may prefer that the review of these issues be done a couple of years down the road when they have become largely historical issues without any current or contemporary value. But it seems to me, if the message is really going to come home as to how we stop these losses in the economic development field one after another, we have to do it timely, while it's on the government's mind, on the people's mind.

The specific issues of what is our exposure, what are the possibilities of recovery, were there sufficient controls and reporting requirements in place so that the board and the minister and the Legislative Assembly would be kept informed on a timely basis as to risk and risk management — I think these are issues we want to look at, and we want to look at on a timely basis. And I'm disappointed that members here think that's not important, and for some strange reason, that isn't a function of the Public Accounts Committee. In fact it is the function of the Public Accounts Committee.

I'd also remind all members that while I agree that the Provincial Auditor is not overstaffed, there are 29 CAs (chartered accountant) and CMAs (certified management accountant) working in the office, and 18 articling student CAs. And assigning some staff members to this issue doesn't mean that all other issues in the Provincial Auditor's office need come to a halt.

This is an important issue. I don't think it's a question of political grandstanding; it is a question of saying, how does this province get involved in economic development in a way that will broaden our economy rather than just simply lose more taxpayers' money.

We need to know, not only for this but for future cases, if we have sufficient reporting mechanisms in place so that we can do the necessary risk management, which wasn't done in GigaText and it's looking very much as if it wasn't done here. And these are issues which I think, if we're really serious about them, we want looked at today and not a couple of years down the road.

And I would very seriously ask members opposite to reconsider their position on this in light of what happened over Regina Health District when they said the Provincial Auditor should not take an interest in these issues. The opposition said that that was appropriate for the auditor to look at, and the Provincial Auditor obviously agreed.

Ms. Draude: — Thank you, Mr. Chairman. I would also like to join with my colleague from the Liberal caucus to talk to members opposite about reconsidering their motion to look at this issue.

First of all, the issue about a failure to consult about the meeting. I notice that we do manage to have a quorum here today, so it wasn't impossible to get everyone together.

And using the Public Accounts Committee as a forum to bring forward grievances, I remember quite distinctly not too long ago with the Channel Lake issue when I was myself the Chair of the Public Accounts Committee and I was taken to task quite strongly. In fact I remember ranting and raving and a lot of personal beratement because I wouldn't call a Public Accounts meeting. And then we did see what happened. We had a Crown Corporation meeting, and it cost the taxpayers a whole lot of money that really resulted in nothing.

I was told when I came onto this committee that this is the one committee in the legislature that was supposed to be non-political. It was supposed to be the one where the taxpayers came first, where we talked about issues that were concerning them at this time.

I know right now that there are taxpayers that have lost money through the government; there's also people that have lost money personally. There are families that have been wrecked, business people that have lost their life's savings and earnings over it. And when my colleague said that we wonder what the government can do to get involved in economic development, well I would think that there's a lot of people asking that same question. We see what happened in the hog industry and the pig industry, and I imagine there's a few people in the film industry who are starting to worry too, since the government took an interest in that one.

I think that when we have the Public Accounts Committee, it is their duty and their obligation to make sure that the taxpayers know what's going on as soon as they can, not just when the government decides it's the right time for them to know. Taxpayers need to be informed immediately; it can't be something that's put on the back burner until someone decides they have a right to know. We're educated and informed people nowadays, and if the government puts their seal of approval on something, it's supposed to make them feel good.

I think that we have to do the inquiry right now to prevent taxpayers from losing any more money, not only in this area but in other areas. I think that it's going to look like a sham of this committee if we aren't allowed to do our job.

Mr. Whitmore: — The question facing the committee is not one of whether the committee would deal with the issue or not. It's a question of timing. The Lake Diefenbaker Potato Corporation and the partnership that's involved there is very complex and very complicated.

We're seeing right now the question of exposure in terms of, with the bankruptcy of the company, the Royal Bank, the Farm Credit Corporation are major partners in this in terms of equity positions. Sask Water to a lesser extent in terms of one position there. And also in the area of unsecured creditors in the communities of Outlook and Lucky Lake. Plus those people that have invested their monies into these, primarily from Lucky Lake and Outlook. Right now that is before a trustee. That trustee is working through in terms . . . an appointed trustee in terms of working through the assets and the deposition of those assets.

That will answer the questions in terms of exposure and of the question of recovery once those assets have been disposed of.

And within the structure of that committee base, we see people from those partners that I've talked about, including the community in that area, Lucky Lake and Outlook.

There's a process going on right now to deal with that deposition. I think it is rather hasty to bring in something else that is going to possibly disrupt or deal with the deposition of the trustee . . . of the assets. I think we deal with that issue right now, get that out of the way, see then what the exposure is; then deal with the questions that we're talking about in terms where the auditor and the auditor that's appointed by Sask Water that deals with those issues, and then come forward with a report that comes forward to the Public Accounts Committee.

But we have to also remember the other partners that are involved in there and the process that's going on right now in terms of the deposition of assets; and trying to recover such monies for those, particularly in the area of secured creditors.

Mr. Thomson: — Thank you, Mr. Chair. I want to correct a few comments from Mr. Hillson's little explanation here. I want to refresh the memory of people who did attend the last meeting of this committee when we were discussing the Regina Health District.

It was not the position of government members that this issue should not be investigated. The central theme, as you will remember, and the central argument was whether or not this committee should direct the Provincial Auditor. It was our decision at that point that the auditor should look into matters as he chooses. It had nothing to do with anything else, as Mr. Hillson may attempt to allude. There was no attempt to cover up anything else, and fully, of course, the auditor investigates these matters.

I also want to say in terms of the question of what the Liberals continue to call cost overruns, and Mr. Hillson identifies in his arguments, again just further shows the grandstanding on this member's part. When we refer to cost overruns as such things as making space for the new SaskTel MRI (magnetic resonance imaging) room, the new CT (computerized tomography) scanners, the new parking, bringing the buildings up to fire code — if those are cost overruns, well, I mean, I think that shows where the Liberals' priorities are.

As far as Ms. Draude's comments on attendance, I think she should know that it is difficult, particularly at this time as members who are farming are attempting to seed; they have taken time away to be here. And I think that it's simply arrogant on her part to comment on such matters. So those are my comments.

The Chair: — Thank you.

Mr. Shillington: — . . . let me just make a couple of comments. This really sort of reiterates what Andrew said. The member, Mr. Hillson, pointed out the Provincial Auditor said in due course he would do an audit. Mr. Hillson apparently would have been satisfied with that. Surely that makes our point that in due course the Provincial Auditor or someone at his behest or under his supervision will do an audit of Sask Water. In due course we'll get the information. If you were satisfied then, surely the same process ought to satisfy you now.

Ms. Draude's comments did prompt one thought. And that is, in due course you'll also have the Crown Corporations Committee where there's an opportunity to discuss this. You also have the minister present at the Crown Corporations Committee. It has never been accused of being a non-political committee. And if you wanted to get in depth into these issues, just offhand that strikes me as a better forum in which to do it than this committee.

Those are my comments, Mr. Chair. Thank you.

The Chair: — Thank you.

Mr. Hillson: — Mr. Chairman, may I first of all remind members that when this issue of the Lake Diefenbaker failure was first discussed in the legislature on May 3 this spring, the figures we then were told were in the region of 6 to 8 million. Now that figure has significantly inflated. So I think we have to know, what is the exposure of the provincial taxpayer in this?

I'd also point out that my letter to the chairman dated June 4, asked most pointedly what lessons can be learned from the failure of Lake Diefenbaker Potato Corporation. Now this is an issue that will not be discussed by the receiver, by the trustee in bankruptcy. He will not look into if reporting requirements are satisfactory; he will not look into what lessons can be learned in terms of public investment and economic development; he will not look at the issue of how we can avoid fiascos like this in the future.

The NDP showed great interest in GigaText. Well this apparently is two GigaTexts. And I just don't understand how they can sit there and say, well yes, this is important, but let's not rush into it. And I believe I heard one of the members opposite say that for the Provincial Auditor to involve himself in this could be disruptive. Well I fail to see how it could be disruptive for the Provincial Auditor to address the questions I have set out.

And I would just simply end with the final comment that the motion before us is that we make a request to the Provincial Auditor, so that the final decision as to whether or not this is appropriate for his office would be made by the Provincial Auditor.

But unlike the NDP, I am confident that the Provincial Auditor will consider it significant, just as he has considered it significant that unbudgeted and unapproved monies from the Regina Health District being spent is a significant issue, no matter how worthy those expenditures may be. Unbudgeted and unauthorized expenditures should be of concern to the member for Regina South, as I'm sure they are for taxpayers of this province. Thank you.

Mr. Thomson: — I appreciate Mr. Hillson's interest in this. And the point that I think we need to make again is that the auditor will decide the auditor's work plan. He's quite capable of investigating what he wants. For members of the legislature to step in and say he should or should not review particular files, I continue to believe is largely inappropriate.

I do also want to raise a question, which is how is it that a letter written on June 4, as Mr. Hillson points out, today, 10 days

after the fact, is now delivered to government members? Why is it we were not provided — if the opposition members are so caught up in process — why was it that we were not at least afforded the courtesy of having reviewed Mr. Hillson's letter some time in the past 10 days, when this was clearly faxed on the 4th of June?

The Chair: — It was my understanding it was to be included with the agenda. So for that oversight, I apologize.

Ms. Draude: — Yes, Mr. Chairman. It's quite obvious to me that we're not going to be able to change the government members' mind about discussing this issue at this time. But I'd like to bring to their attention that the main issue that you discussed this morning from the members opposite is timing.

Using the words like due process and looking into matters at appropriate timing and in due course, and all we hear about is the timing that would be appropriate for yourselves, and the issue isn't perhaps the auditor.

And Mr. Thomson said that it's not our job to tell the auditor what to do. Well I would think that it is our job as elected people to go to the auditor and say, this is an issue that's a concern to taxpayers of this province.

Sask Water is one of these hybrid departments that's not only a Crown corporation but also has funding from the General Revenue Fund, which will have a direct bearing on the surplus or the deficit that we have in our provincial budget. It's an issue that is of great concern to the taxpayers, whether you have potatoes growing in the Lake Diefenbaker area or not.

So I think that this issue has got to be looked at as something that's appropriate for the taxpayers of this province. I would think that as committee members, if we would direct the auditor, telling him that it's something that we feel taxpayers in this province need to have a handle on at this time so as to make sure that there's no more losses, he would take direction from us. We're not asking for something that's totally out to lunch.

So I do think that looking at your responsibility on this committee, it's something that should be looked at again.

The Chair: — Noting no further speakers, are you ready for the question?

All those in favour of the motion? Opposed? Motion is carried.

The Chair: — There being no further items on the agenda, a motion to adjourn would be in order. Mr. Whitmore? Thank you very much.

The committee adjourned at 10:30 a.m.