



First Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

39 Elizabeth II

*Chairman
Mr. Leonard Evans
Constituency of Brandon East*



VOL. XXXIX No. 2 - 2 p.m., WEDNESDAY, JANUARY 30, 1991



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARR, James	Crescentwood	Liberal
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward, Hon.	Portage la Prairie	PC
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Cliff	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALOWAY, Jim	Elmwood	NDP
MANNESSE, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold, Hon.	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PENNER, Jack, Hon.	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, January 30, 1991

TIME — 2 p.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Leonard Evans (Brandon East)

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Downey, Manness
Messrs. Alcock, Evans (Brandon East),
Laurendeau, Maloway, Reimer, Santos.

* Substitutions:

Mr. Rose for Mrs. Mitchelson;
Hon. Mr. Neufeld for Mrs. McIntosh;
Hon. Mr. Orchard for Mr. Helwer

APPEARING:

Fred Jackson, Provincial Auditor
Stan Puchniak, Assistant Deputy Minister,
Taxation Division

MATTERS UNDER DISCUSSION:

Public Accounts Annual Report and Supplement for the year ending March 31, 1989; and the Report of the Provincial Auditor for the fiscal year ending March 31, 1989, and March 31, 1990.

* * *

Mr. Chairman: Will the Committee on Public Accounts please come to order.

* (1405)

Committee Substitutions

Mr. Chairman: Before we proceed, I have a number of committee resignations. I have before me the resignation of Mrs. Bonnie Mitchelson, Minister of Culture, Heritage and Recreation.

Mr. Marcel Laurendeau (St. Norbert): I would like to nominate Bob Rose to replace Bonnie Mitchelson.

Mr. Chairman: Mr. Rose has been nominated to replace Mrs. Mitchelson. Is the committee agreed to that?

Some Honourable Members: Agreed.

Mr. Chairman: Agreed.

Mr. Chairman: The next resignation is from Mrs. Linda McIntosh, MLA for Assiniboia constituency.

Mr. Laurendeau: I would like to nominate Harold Neufeld to replace Linda McIntosh.

Mr. Chairman: Mr. Harold Neufeld has been nominated to replace Mrs. McIntosh. Does the committee agree with this?

Some Honourable Members: Agreed.

Mr. Chairman: Agreed.

Mr. Chairman: I also have the resignation from Mr. Ed Helwer, MLA for Gimli constituency.

Mr. Laurendeau: I would like to nominate Mr. Don Orchard to replace Mr. Helwer.

Mr. Chairman: Mr. Don Orchard has been nominated to replace Mr. Helwer. Is the committee agreed?

Some Honourable Members: Agreed.

Mr. Chairman: Agreed. Thank you.

* * *

Mr. Chairman: We have before us, to remind the Members, the Public Accounts Annual Reports, Volumes 1 and 2, for the fiscal year ending March 31, 1989, and the Provincial Auditor's Annual Report and Supplement for the fiscal year ending March 31, 1989 and March 31, 1990, for consideration today.

However, before we proceed, I would like to ask the committee your desire regarding adjournment time this afternoon. What is the will of the committee?

Hon. Clayton Manness (Minister of Finance): Four-thirty, Mr. Chairman.

Mr. Chairman: It has been proposed by the Minister that we recognize 4:30 as the cutoff—

Mr. Manness: Or sooner.

Mr. Chairman: Or sooner, if necessary. -(interjection)- Well, yes, obviously if the reports are

finished being reviewed before that, we can adjourn, but I think the agreement is, as I read the committee, that we will not go beyond 4:30 p.m. this afternoon. Okay? Thank you.

Mr. Jim Maloway (Elmwood): Mr. Chairperson, to the Minister of Finance, certainly over the last few weeks we have had a situation here that causes some concern as far as the security of Finance Department documents is concerned. The Finance Department has become a sieve for leaked documents. In recent weeks, we have had a case of a business file being leaked. Now we have the case of the entire list of the arrears of the provincial sales tax being leaked from the sales tax branch or from the Department of Finance.

I would like to ask the Minister: What is going on in this department, and what sort of laws does he have to prevent this sort of thing from going on?

Mr. Manness: Mr. Chairman, I would love to throw the question back to the Member and ask him: What is going on in society? What is going on today when individuals who take an oath of office, an oath of secrecy, are responsible for administering the retail sales tax?

There is a Clause 12(4), Information to be secret: "Subject to Subsection (5), except for the purposes of administering and enforcing this Act or any other Act of the Legislature imposing a tax, fee or levy, no person employed under the Minister shall communicate to any person not legally entitled thereto, any return, record, or information submitted by a vendor under this Act, or any information obtained therefrom for the purposes of this Act, or allow any such person to inspect or have access to any such return, record or information."

I guess my question is: What is happening in society when people come into office, swear an oath of office, oath of secrecy, and feel no compulsion or compunction to live up to their oath?

Mr. Maloway: The question remains, Mr. Chairman, also to the Minister. The question then is: Assuming that the source of the leaks is discovered, then who in fact gets charged in the process?

Mr. Manness: Mr. Chairman, what is the Member trying to say? Is he saying that the Government should save harmless those people who knowingly break a law or their oath? I do not know what he is trying to say. Does he know who the perpetrator is? Is he trying to protect the person? What is his reason for asking the question?

* (1410)

Mr. Maloway: Mr. Chairman, well, the Minister should know. He himself has seen a copy of this list, as has the Provincial Auditor. There was a copy here in this committee room yesterday in the possession of one of the reporters. So the Minister is quite aware of who has a copy of it. What no one seems to know is who in fact leaked the list in the first place.

What I am asking him is: Is there any penalty for people who have the documentation in their possession or knowledge of the documentation? We know there is a penalty for people who leak it, but is there a penalty for people who convey the document or have the document?

Mr. Manness: Mr. Chairman, we are plowing new ground here. Up until this point, I do not know if this has ever happened before. I will look at my officials. I doubt that it has. We are seeking a legal opinion. I saw the list yesterday presented to me by a reporter. That information, as of course you know, is privileged to the department. I guess it calls into question any one of us who are not in a position of delegated authority through the parliamentary system as we know it and, in this case, myself as the Minister and the officials to whom I delegate my responsibilities. I guess it calls into question the motives or indeed the principles of any other individual who has access to it to how they handle it including, I dare say, yourself, Mr. Maloway.

Mr. Maloway: Mr. Chairman, I would like to ask the Minister whether there is any procedure in place in his department for him to attempt to find out how the leaks are occurring. I mean I am sure that there is some sort of activity going on, on the part of the management over at the Finance Department to find out who is doing this and how it is being done.

Mr. Manness: Mr. Chairman, I would think that if this matter were taken as seriously by Mr. Maloway as it is by me and the Government and my officials, he would not even be posing that question. It seems to me he is asking the question, what is it that you might be doing to try and find out who it is who is leaking this information, which also then makes me believe that he would like to see forewarned the person who maybe is leaking the information.

Mr. Maloway: Mr. Chairperson, well, I was simply trying to determine whether the Minister was in fact doing anything, because it is obvious that the department is a sieve, that entire documents are leaking. What we had yesterday was a copy of the

complete list of arrears of the sales tax branch in this committee room, shown to the Minister, shown to the Provincial Auditor. The list is available. I would think that is fairly serious. So I wanted some assurance on the part of the Minister that he is making an effort to make certain that there is no more leakage of confidential documents. That is all I am asking.

Mr. Manness: Well, I am finding this stranger by the moment. The reason there continues in part to be some leakage, not to in any way agree with Mr. Maloway's word that the department is leaking like a sieve, because I can assure you it is not, but the only individuals who would tend to aid and abet, knowingly or unknowingly, and I will use the word "unknowingly," those who might be tempted to leak very, very secretive files would be as a result of the action taken by those who receive indirectly those files and who would want to report on them. So I ask you, Mr. Maloway: Are you helping the process or not?

Directly to your question, are we sitting back and doing something, are we sitting back and doing nothing? I can assure you we are stepping forward and will take whatever actions we can.

Mr. Maloway: You are not monitoring the situation. Mr. Chairperson, I am going to defer to other Members on the committee.

* (1415)

Mr. Conrad Santos (Broadway): I would like to pursue this matter, Mr. Chairman, and discuss the philosophy of the policy itself, whether it has outlived its usefulness or not.

In our society, we have an established rule that all Government information, as a general rule of policy, will be confidential unless disclosure can be justified. I find that very inconsistent with our notion of a democratic and open society. It seems to me that philosophically the opposite assumption should be the rule, that all information should be open to the citizens unless secrecy can be justified on public policy grounds such as war secrets, trade secrets and other justified grounds for keeping the citizens uninformed about the procedures and workings of Government. May I hear the Minister's opinion in this regard?

Mr. Manness: Mr. Chairman, I cannot believe the bizarre goings on in this committee. You have now a Member from the same Party as Mr. Maloway saying that all this information should be public.

Now let us follow that a little bit forward, obviously to Mr. Santos. Tax information is information that should be made public. What he seems to be saying is that the files of individuals who remit tax to the Government, in essence, should be made public.

Mr. Chairman, the reason I take it that has not occurred is, firstly, because of the incredible opportunity it might provide to competitors within the industry. Secondly, in the cases where there are arrears, it might indicate to the community at large that an individual company who maybe was not current with their remittances somehow was a bad credit risk. Indeed, maybe they were not trustworthy business people, which may have absolutely nothing to do with the reason why there is an arrear. Yet it may cause the community as a whole to lose confidence and faith in those individuals.

That is what Mr. Santos is asking for, and that is why there is strict secrecy around tax files, and that is why there has to be. If you are asking and somebody interjects and says there was, well, I dare say, just like we cannot legislate integrity on the floor of the Legislature, unfortunately, I am powerless as a Minister to force all of the two hundred and some people within the taxation division to maintain the integrity of their oath of office.

Mr. Santos: Mr. Chairman, it seems to me that if there are cases where secrecy or confidentiality are justified, then they can be specified. What I am saying, as a general principle, it seems to me that a democratic and open society will adopt the opposite assumption as it is, I guess, in some Scandinavian countries, in which all information is open to the citizens, because the citizens are the people who bear the burden of civilized society. They are the ones who pay taxes, and they are entitled to know who is delinquent in the payment of those taxes. I suggest that secrecy encourages people to continue going on violating the laws, not paying their taxes, because it is confidential. I suggest that if they are known all over the community by sheer pressure of public right to know, they will be forced to obey the law.

Mr. Manness: Mr. Chairman, what Mr. Santos is advocating is that not only businesses' tax files should be open, but every individual around this table should be expected to make public their own personal financial matters by way -(interjection)- oh, no, no, the Member says he is talking about arrears. Where do you draw the line here as to arrears and basic tax filing information? It is all on the same file

on the corporation sense. I mean, are you talking now basically about sales tax arrears? Are you talking about all business tax arrears? Are you talking about individual personal income tax arrears, which I dare say, I bet there is somebody around this table who is not current with the remittances on their personal income taxes?

Mr. Santos, are you suggesting that that should all be public?

Mr. Santos: I am suggesting that the rule of confidentiality of not complying with the law encourages these practices of not paying your taxes. I suggest that secrecy encourages people to be deceptive, and if everything is open, they will be honest by reason of the environment. After all, we live in an open and democratic society, do we not?

* (1420)

Mr. Manness: Mr. Chairman, he said open and honest. These tax filers are not dishonest. These are law-abiding citizens. They just have not paid their taxes on a time that is due. They have been using Government funds for which they are penalized severely by way of interest rate and penalty for doing. These corporations, in this case, or businesses are not dishonest. They have broken no laws. They have just simply not paid on time their commitment to the Treasury of this province.

My goodness, certainly, surely, everybody around this table understands what it is we are talking about.

Mr. Santos: I am not imputing any motive. All I am saying is that if all information—

Mr. Manness: You said dishonest.

Mr. Santos: Mr. Chairman, I did not impute any motive. I am discussing philosophically the virtue of an open society where all information is available to all citizens with the exception when it is justified by public policy that it can be kept secret. The exception becomes the rule.

I am saying let us reverse the rule—everything open unless it can be justified. If you do not have the justification to keep it secret, there is no reason in an open, democratic society to keep anything secret because it is secrecy that breeds all kinds of deceptive practices. If it is not known, people can go on doing what they are doing, and nobody questions the activity.

If everything is known, then everyone in society will have an idea of how people are complying with

the law, and there will be more compliance with the law. It has been shown that it works. Right now in the city of Winnipeg, for example, those who have not paid their parking fines for so many years—and some of them run into the thousands—when they were publicized, they paid.

Mr. Chairman: Just before we go on, I remind you that we should be very careful with the use of the word “dishonest.” It has been declared unparliamentary on many occasions. I just remind various Members, all Members, of this.

Mr. Manness: Mr. Chairman, we are trying to open up our Government to society. We have a Freedom of Information Act which is very wide in scope. The best legislative and legal minds in the country put together the legislation. They saw fit to exclude certain information.

Certainly tax information has to be almost No. 1 on the list. The Member says, well, publish it and people will pay their taxes. Let me again reiterate what I said the other day, that over the course of, it seems to me, is it 17 years now where I read out the other day, that \$7 million—over 23 years, \$7 million has been written off; 99.999 percent of the sales tax revenue has come in. The Member can philosophize all he wants. The system is working and it is working well.

Mr. Santos: Mr. Chairman, I am not denying that there are instances where confidentiality is essential and crucial. In matters of negotiation, for example, it can be justified. In matters of national security, it can be justified. In matters of protecting trade secrets, it can be justified.

All I am saying is that a general assumption that every citizen has access to public information will be good for society in general. It will be consistent with our democratic and open society. It can be justified to revert to that rule. I suggest that all the rules have their own lifetime.

There are certain rules of public policy that can only last so many hundred years and then they become useless. Probably the policy of secrecy is one of those. That is why we are witnessing what the Minister was wondering about, what is going on. Maybe the rule has outlived its usefulness.

* (1425)

Mr. Manness: Mr. Chairman, I do not want to belabour this, but what the Member is asking ultimately is this. All of us in our income tax filings, if there is an amount owing, we were to make it payable April 30 of the year in which we file. What

the Member is advocating, if we miss that deadline, any one of us around this table, that there should be ultimately published in the paper, part of the public record within whatever narrow time frame he wants to talk about, whether it is one or two weeks after, indicating that we have not paid our taxes.

I say to him he would be, he and his Party would probably be the first saying that was discriminatory to those particularly lesser advantaged or lower income people who maybe did not have the means to pay, and that they were not afforded the protection that they would be needing with respect to entering into a place of business and doing business. I say to him his argument is false in the extreme.

Mr. Chairman: Are there any further questions?

Mr. Santos: I would like to go on another point.

A couple of days ago the Honourable Minister, when confronted with an allegation that some personnel in the Finance Department are manipulating files to keep them from scrutiny, he said, and I quote, this is from the Winnipeg Free Press, January 26, "no doubt I will be asked this question next week in public accounts committee. I will provide a full response at that time." I would like to hear that full response now from the Minister.

Mr. Manness: Mr. Chairman, I do not know if Mr. Santos was here yesterday or not. I read a half or two-thirds of that response into the record. I indicated the breakout of numbers by dates, March 31, 1990 to December 31, 1990. I further broke out the arrears by way of sector in the economy.

I further spelled out the manner in which we ultimately write off through Order-in-Council those arrears which can no longer be found because a company is bankrupt, or that we can no longer attach to other earnings, or placing a lien against property.

I also indicated the comparison of our sales tax arrears to other provinces, and I also disclosed to him the interest in the penalty provisions. I also disclosed how it is that we hope to improve the system. That is all part of the record, Mr. Chairman.

Mr. Santos: I also gathered that there are two ex-RCMP officers who had lengthy professional careers behind them. They were lured into the Finance Department in order to help to chase tax dodgers, but then out of frustration, out of their sense of integrity, they said they would quit because some companies walk away untouched while other

companies have been pinned down. How does the Minister react to this allegation?

Mr. Manness: Mr. Chairman, there must be new marching orders in the NDP Caucus room. I have sat with Mr. Santos in the House since 1981, given a two-year break, and it is so out of character to pose a question like he just has. Let me say that the two individuals who did come to work for the department—when he says "lured," that is very much a subjective statement and only he knows why he made the comment. Certainly we were elated to have these two individuals come forward into the department, we wish they were there yet.

I can tell you that the two individuals in question—and I am kind of reluctant to talk about this because this is still an open file, there is still an open grievance as between these two individuals and the Government, but I can tell you, from my point of view, they left basically on a situation where we had some procedures, some hiring procedures, that we used that I guess were not in the complete accordance with the Civil Service guidelines and regulations. Their hiring was challenged by somebody within the department.

* (1430)

In the process of the Government being what it is—and I certainly do not defend it, matter of fact it at times bothers me—caused undue delay in my point of view in the review and the grievance procedures. The two very fine individuals in question could not wait for this to sort itself out, and I can assure you that was the essence of the meeting and not on one occasion, not for five seconds, was there commentary or discussion as around the morale, as around the procedures used by the department at the meeting in which I attended.

Mr. Santos: I also gathered from reading and following up this article that there are some unspoken, unwritten, selected tax enforcement policy whereby some small firms are forced to pay while other firms, well heeled, well financed, well connected walk away untouched. Is that the case?

Mr. Manness: Mr. Chairman, that is a very, very strong statement. It is bordering on a statement, I think, of an indictable offence. You are talking to an Executive Councillor of the Province of Manitoba, and your question is suggesting that I have used my good office to allow those who have been assessed and are expected to pay certain amounts of taxation,

that through my interference they have now been allowed to flee their debt. That is a very strong statement, and I ask the Member to either withdraw it or to make his charge, not to me, not at this table, but firstly to the Provincial Auditor and secondly to the police and to the justice officials in this province, because it is the most serious matter that a Member can bring forward and, furthermore, when the House reconvenes on the 7th, that he use the powers under the legislation of our system to state his case and call amongst his peers, me or indeed somebody else, the Premier, to the table to answer his charges.

Mr. Santos: I am not making any charges, all I am asking is whether a certain case is true or not. All you need to say is it is not true.

Some Honourable Members: Withdraw.

Mr. Manness: If the man has honour, he will withdraw the statement or put forward his allegations, not something he has read in a newspaper.

Mr. Santos: Mr. Chairman, if anything has to be indicted, it is the newspaper, but all I am asking is whether a certain situation is true or not. If it is not true, then the Minister can say it is not true and that is the end of it.

I have another question. Is it the case that the tax department -(interjection)- I am not imputing any motive. If I had, I am withdrawing any imputation.

Is it truly the case that the tax department is understaffed?

Mr. Chairman: Mr. Santos, you have indicated you have withdrawn any imputing of any motives?

Mr. Santos: Yes, if I have imputed any motive, I withdraw.

Mr. Chairman: Thank you.

Mr. Santos: Another question. Is it truly the case that the tax department is understaffed?

Mr. Manness: Well, that is a difficult question to answer. I mean, every department of the Government would like to have more resources, obviously. This Government had a choice to either increase resources or to reorganize in a fashion such that when our field staff and our officers visited at a business, whether or not they had the understanding with respect to The Retail Sales Tax Act, to many of the other Acts of taxation or, in other words, they should have a general understanding of all the taxes or be there specifically for one. What we have chosen to do is—and the term is

functionalization—such that when an inspector comes to a business, they will have an understanding of all the tax laws, so when the files are opened up in their presence, they will be able to look for more than the specific tax specialization than maybe they have been working in the past. That has been our approach rather than increasing staff.

Mr. Santos: Mr. Chairman, if it is understaffed, logic and reason dictate that it cannot perform its responsibility adequately, and if it cannot, then the revenue collection will be hindered and, of course, that will be one reason why the Government will have a deficiency in its funds.

The next question is related to my original philosophical argumentation with the Honourable Minister. Why should not the tax dodgers—

Point of Order

Hon. James Downey (Minister of Northern Affairs): Mr. Chairman, I ask for your direction. Are we not dealing with the Auditor's Report of the last two years, plus the Public Accounts, or are we dealing with a philosophical approach which this Member wants to bring to this meeting? Can I ask you the question, Mr. Chairman, are you keeping any form of guidelines as to what we are dealing with, or is this a wide-open, free debate? Would it not be the desire of the committee to deal with the specific issues that are before this committee? We have a lot of people here from the Auditor's department, from the Finance Department, and I have sat here since this committee began and really have not heard anything dealing with the Auditor's Report.

I am just wondering if you have any ruling that you should be considering at this time or if the committee has any other comments to make. I think there is some form of responsibility here by the Members to deal with the matters that we are supposed to be dealing with.

An Honourable Member: That is a reasonable point of order. Any parliamentarian would take heed of it.

Mr. Chairman: Yes, thank you. Mr. Downey makes a good point. We should try to all be as pertinent as possible in our questions, although generally speaking the Taxation Division is referred to in the Public Accounts and if reference is made to the operation of the Taxation Division I would think that

is fair, but we should be pertinent and try to be as specific as possible with our questions and comments.

* * *

Mr. Santos: I would like to know the extent of computerization of tax files in the department percentage-wise?

Mr. Chairman: Would you repeat that?

Mr. Santos: Percentage-wise, to what extent have all the tax files been computerized? I mean, rather than hard copies of files, that they will be in the memory of computers.

Mr. Manness: Mr. Chairman, in every taxing statute we have hard copy and computer files.

Mr. Santos: I understand that. I just want to know what proportion, let us say on the average, of tax files, would be on memory and what proportion would be on hard copies?

Mr. Manness: Mr. Chairman, I am going to ask Mr. Puchniak.

* (1440)

Mr. Stan Puchniak (Assistant Deputy Minister, Taxation Division): There is a complete data bank on The Retail Sales Tax Act, The Health and Post-Secondary Education Tax Act and The Corporation Capital Tax Act. All the financial data and the information data for licensing is on computer files. In all of those statutes, the information that is on computer files is also on hard copy. Letters and correspondence that are on hard copy are not on computer files. In The Gasoline Tax Act, The Motive Fuel Tax Act, The Tobacco Tax Act and The Pari-Mutuel Tax Act, there is hard copy of all the information including correspondence, but as far as the data bank file is concerned, the only information on the data bank files relates to licensing. In The Mining Tax Act there is no computer bank, and all the information is on hard copy.

Mr. Santos: Is there any plan in the long run or in the immediate future to put even the hard copy correspondence in computer memory?

Mr. Puchniak: There is no plan to put all the hard copy in memory because it is counterproductive. We have, at the request of our Minister, visited three different jurisdictions now, the province of Saskatchewan, the province of Quebec and the province of New Brunswick where there are

functional operations in effect. No one has all their information on computer banks.

We have been doing research for the past year on looking for the most efficient method of integrating our tax system so that, by computer, we can get information on the activities of a taxpayer for collection purposes—importantly, collection purposes—licensing purposes and audit purposes. Further to the collection area is to put on a collection file, a computer file, all contact with the taxpayer in an integrated basis.

As a matter of fact, I was just sent to Quebec to review what they have there in their integrated system. Apparently, they received a substantial increase in productivity in that regard by using that system. We are investigating the systems and also the cost of certain systems that are in place and the effectiveness of the system. Some of the systems that we see in computer are very, very expensive, and we are looking at assessing all of them to see which one would be most effective and cost-benefit productive.

Mr. Santos: Mr. Chairman, if it is investment in capital equipment like computers, certainly it will be expensive, but in the long run, if it leads to more efficiency and more effectiveness, not only in keeping the files in order, it probably will be good for the tax system.

Mr. Puchniak: We visited a province where their computer system costs such a substantial amount of money that we would not recommend it be put into the province, because our investigation with our computer systems experts indicated that there was an easier way to achieve the goal at a substantially reduced cost.

We are looking at the most efficient and effective system, not a system at the lowest cost that is not going to provide the information that is necessary but a system that will provide the necessary information at the lowest possible cost.

Mr. Santos: Mr. Chairman, I surmise, and this is just speculation—I am not an expert, I just have a very broad knowledge—that if all correspondence, all exchange of letters and things are also scanned and then put into computer memory, then files cannot be buried away. Even if they are buried away, the hard copies, there will still be the image that can be retained, and there can be no reason why anyone who is, like the Auditor's office, investigating can be hindered by the fact of the physical file being away.

Mr. Manness: Mr. Chairman, that would appear to be logical to the Member in theory, but we are aware of situations where income tax files have been stolen by way of microfilm.

Mr. Santos: I agree, because even the Defense Department in the United States has been penetrated by some little boy who was a computer wizard.

Mr. Manness: So you are saying, it is not foolproof either.

Mr. Santos: Nothing is foolproof. As long as it is a human invention and a human creation, there will be imperfection. People will always find ways of circumventing everything. I suggest that our rule of secrecy is a hindrance rather than an aid to effective enforcement of our tax policy, because it is the secretiveness that covers up all the hidden, illegal or immoral acts that should have been open. If it is opened, then people will comply.

Mr. Reg Alcock (Osborne): Mr. Chairman, I appreciate the philosophical discussion about openness and secrecy. I think, if Mr. Santos were to read a little more closely, he would find that every time a freedom of information Act has been enacted, a privacy Act has followed, or actually accompanied it, for matters such as this. I do not have any question about the need for these documents to be confidential. I think that should be respected.

However, there are a number of reasons why things come out of departments, and Mr. Manness has referred us to the Auditor. I can state that I met yesterday with Mr. Mayer from the Auditor's office, and we had a lengthy discussion. I am quite satisfied that they are both capable of and interested in pursuing this matter vigorously to ensure that some of the allegations that arise and may lead to the release of such confidential information are investigated to determine whether or not there is any substance to them, because I do not know that, certainly I do not feel that, I am in the position to pass judgment on it. I am not privy to the detailed information, but there were some questions yesterday that were asked about what kind of audit the Auditor would undertake, what kind of notice, if any, was given to departments.

There were a number of allegations contained, as you will recall, yesterday. I can say that I discussed at some length with Mr. Mayer the processes and the details of the allegations that were made, and I am quite satisfied that the processes they have in

place are adequate to the task. I have agreed to prepare a list for Mr. Jackson of the specific concerns that have been raised by the variety of people who have raised concerns, but I think we have gotten a little off track today, because I think the substance of whether the files are opened and closed, I hope, is not a for-real dispute.

The question is, when you see this kind of thing—and the Minister said earlier, at the beginning of his statements, that this was an unprecedented action, that they never had a case like this before. So in answer to whether you charge or not, he said it was unprecedented, and I believe the Deputy Minister nodded at him when he looked over for confirmation of that.

It may be that the reason this is now occurring, this unprecedented act, is because there are a number of people—and again I stress, more than one, more than two, in my particular case all of a sudden now more than half a dozen—who have raised a concern. I cannot comment, like I say, on the substance of it, but I am asking if the Minister is investigating down one track to determine whether or not or how confidential information got leaked. Is he also investigating down the other side of it, which is to follow up on the nature of the concerns that have been raised by staff using the only channels that they feel they have open to them?

Mr. Manness: I take that question to mean around the allegations that somehow—and again I would ask Mr. Alcock to be more specific, because we have had here commentary with respect to not pursuing files vigorously. We have had commentary with respect to not having some files not in place when the Provincial Auditor has come, and we have had a couple of other charges. Specifically what is Mr. Alcock referring to, the totality of them all or specifically any one?

* (1450)

Mr. Alcock: There are two schools of thought currently before us. Files are leaking out of the department from obviously a variety of sources. Now the Minister responded yesterday that maybe because the division is undergoing some change that there is some stress on people and it may be a reaction to the stress. That is one school of thought. That may be quite possible and that may be found out by the Auditor that there in fact is no problem.

The other possibility though is that there are people at a line level in the department who are

legitimately concerned about certain practices in the department and that is why they are availing themselves of this avenue. The question is: If the Minister is pursuing the one line, which is, who leaked this information and let us get them, is he also pursuing the other line of inquiry, which is, is there any substance to these concerns?

Mr. Manness: Again I pose the question, these concerns, if the Member is saying about practices, I mean, that is very wide. If the Member is saying, am I concerned about the whole list of issues that have been made public recently by way of the Free Press, certain of them most definitely I am, others no. So I wish Mr. Alcock could be more specific.

Mr. Alcock: Perhaps the Minister could help us narrow it down. Which issues are you specifically concerned about?

Mr. Manness: It comes as no surprise. I was very concerned about the two RCMP officers whom we had hired as collection officers and the fact that because of requirements and because of Civil Service regulations for the most part and because of methodologies around ways of hiring in the Government, we lost these two very good individuals. I found that very disconcerting and very dismaying.

Mr. Alcock: I found it interesting too that if the Minister of Finance cannot manage his way through the Civil Service, who can? I would be interested actually in understanding how this occurred.

Mr. Manness: Again, Mr. Chairman, I have to be very careful what I say here, because again there are still, I understand, grievances that are open within this area. I have to be very careful, but my dismay was for two reasons, one, of the two people whom we lost, and secondly, because as a senior Minister of Government I could not appear at least on the surface and even under the surface to force a quicker resolution to the problem.

Mr. Alcock: Okay, that is one issue, and if I am correct in summarizing the Minister's response, he is saying there is no substance to the allegations that the two individuals left because they felt thwarted in the responsibilities that they had, that it was simply a dispute with the Civil Service Commission. Would that be a fair summary?

Mr. Manness: Well, I met with the two individuals and not once did that come forward. I do not believe it came forward to senior staff either. I mean, they could not do their jobs, because they were not firmly

or properly installed in their positions. At no time was it made apparent to me that there were some other reasons why maybe they had chosen to make the decision to leave the department.

Mr. Alcock: There was a second allegation about the collection and remittance of retail sales tax, not the arrears, but a dispute—as I understand it—on a specific issue about whether or not tax was being collected properly and remitted properly. I wonder if the Minister can tell us how he is following up on that particular case?

Mr. Manness: I assume that we are talking now about the possible inclusion twice of the retail sales tax. We very, very quickly as a department looked at the legislation that governs us and quickly found out that we had no powers other than to force remittance of a tax that was imposed and collected properly and fully spelled out as the provincial sales tax, but also that these individuals had to have remittance numbers. They had to have the authority to collect, but if individuals, unscrupulous people in society, again, choose to use as part of an estimate or as a cost of doing business, something that appears to be the provincial sales tax, we are powerless to do anything about it. If they chose to, first of all, apply that to the purchaser of the service or the good, and in most cases is the good, and secondly, in a legal fashion, so we were powerless to do anything about that.

Mr. Alcock: Well, that is the specific concern I think that is raised in this case. I would be interested in ferreting that out. It strikes me that there is a significant public policy concern here that if the department becomes aware that someone is misrepresenting costs to the public and collecting money under the guise of collecting tax and not remitting it to the department, because you do not have to remit it, because the department is saying we have got our rightful amount of tax, the issue still remains that the people who are purchasing from that particular person believe that they are paying tax that they have to pay.

So it is—and the Minister used the word unscrupulous. I mean, it would seem to be an illegitimate and unscrupulous and incorrect, if not an illegal action. Does the department have any responsibility then when it becomes aware of that to act to make that information more widely available, or does the Minister have any responsibility as the representative of the citizens of the province to act to see to ensure that their rights are protected?

Mr. Manness: Mr. Chairman, my first answer talked about our legal grounds to do anything. I think most of the Members around this table have done a good job of reading the exposés of the Free Press on this issue. I said at that time that my responsibility as a Member of Government is to go beyond that and to visit those businesses, firstly, that are identified as maybe using practices, however defined, and secondly, beyond that, which I have done by the way, make representation to the Departments of Co-operative, Consumer and Corporate Affairs and also Justice to see whether or not through consumer education and maybe through another manner if further legislation can be brought forward to try to eradicate an unscrupulous practice.

Mr. Alcock: Then in this particular case you have initiated meetings with this particular individual, you have met with the Minister of Justice (Mr. McCrae) and the Minister of Co-operative, Consumer and Corporate Affairs (Mr. Connery) to determine—I mean am I to assume that you have determined that the allegation is substantial and that there is a need for action on the part of the Minister of Justice and the Minister of Co-operative, Consumer and Corporate Affairs?

* (1500)

Mr. Manness: Mr. Chairman, I have dialogued personally with my colleagues. Hard requests for information are being sent. We are in dialogue with the Department of Justice now for the best part of over a week, and we are also looking to see what changes can be made to The Taxation Administration Act, where we are trying to see if we can develop certain procedures to again try to save harmless the unwary and those of course who forget. I tend to be one of them as a consumer too, that as a consumer it is our ultimate responsibility to beware.

Mr. Alcock: Then let me ask some specific questions and then come back to that general response. Was this an isolated case? Was this one business or is it indicative of a category of businesses?

Mr. Manness: Mr. Chairman, this occurs most infrequently. I cannot even put a number to it. I mean it just does not occur, but in our visits with businesses, our field staff, there are some businesses that come into being over a period of years and, in almost all cases, when we talk to them

they are not aware that it is not in keeping with the law.

Mr. Alcock: Well, I would have to question that statement. I mean surely if a person collects \$10 in what they identify on their invoices as retail sales tax and remits \$5 to the Government, they must have some inkling that there is a difference. I mean it seems a little illogical or a little hard to believe that someone could collect \$10 in retail sales tax, remit \$5 and believe that they have done the right thing.

Mr. Manness: Mr. Chairman, under that circumstance I agree with Mr. Alcock that there is no question there. What I thought we were discussing was whether or not—for instance, if I am going to install carpet in your home, is it included in the global estimate that I provide to you? Is the sales tax included or not? Am I supposed to know as a businessman as to how it should be shown to you?

I would think some businesses do not know that. Not to defend those that legitimately do and who are abusing it, but you are asking me how widespread this is and I am saying, firstly, it is not very widespread; and secondly, in cases where we do find it, we believe there is some legitimacy as to error. Obviously in some cases, there is not; it is obviously purposely done.

Mr. Alcock: Then let me come at it this way. In the Minister now being aware that this has occurred and said earlier, I believe, that it was a difficult case for the department because they really did not have the grounds to collect that tax, but now being aware that in at least one case and, if I understand your most recent response, perhaps others, small in number, but perhaps others are in this position where they are collecting, under the guise of collecting retail sales tax, additional monies that are not truly tax, how do the consumers who are dealing with those corporations become aware of that? Is the Minister satisfied that the practice has ceased, or is the corporation referenced or the others in this group continuing to practise in that fashion?

Mr. Manness: Mr. Chairman, I guess I never will totally be satisfied, and I do not think I can satisfy the Member and certainly all of the consuming public. I do know that in cases where we have approached individuals and asked them what type of practice they were employing, some of them said, I do not know what you are talking about, talk to my bookkeeper. Still, the person responsible ultimately is the person whose name is on the file. So in that

case there are bookkeepers out there who obviously do not know all the rules also.

Secondly, as a buyer of a good asking for an estimate of good combined service, to what degree—I mean, I guess I have to look at it the other way. What should the legislation say, that whenever you get an estimate, whenever you and I try to get an estimate, it is not binding on anybody unless it spells out in detail or has a breakout as to the good, as to the sales tax, as maybe to the labour and whatever else?

Otherwise, if we do not do that, then as a right of a business person, I know I have a right to go to an individual customer, who comes into my place of business and asks me how much will it cost to supply and do this, to say it is going to cost you \$500.00. You as a customer have the right to ask, and if I do not tell you what is in the \$500, you as the customer have the right to go down to the next business and either get the breakout or be satisfied with another lump sum, which is \$480.00. That is your right as a customer, and that is what we are talking about here.

I mean, to try and keep it black and white purely in the context of what it is a business person should be expected or by law forced to show as an estimate breakout, I think we are moving into a whole new area of consumerism, and maybe we should. Let us not tie it to the existing taxation laws that are in place and administration of those taxation laws that are in place today.

Mr. Alcock: Is that the term caveat emptor and buyer beware?

An Honourable Member: Yes.

Mr. Alcock: I appreciate that you cannot legislate, as the Minister has mentioned, morality, behaviour and all of those kinds of things, and that there always will have to be vigilance on the part of consumers.

I guess the question here really—I mean, we have recognized over the years in public policy that, given the increasing complexity of the tax laws, given increasing complexity of doing business in this world, consumers need some level of protection. So we have come up with consumer protection legislation. We have a whole department that has some responsibility for this.

My real question here is: What is your responsibility as the Minister of Finance when you become aware, as you are now, that this practice has taken place, that somebody for some period of

time, and I would be interested in knowing how long, has been doing this, has been collecting, under the name of the sales tax, more tax than they are entitled to and has been pocketing the difference. If you are today aware of that, what is your responsibility as the Minister to protect the people who have been doing business with that company? Do you have none? Do we just say it is caveat emptor, or do you take some action to ensure that those people are reimbursed the funds that they have willingly paid in the belief that they were paying tax?

Mr. Manness: Mr. Chairman, I take the question seriously. Certainly what we are planning to do first of all is, again with the Department of Consumer Affairs, to see how it is we improve consumer education in this area. Secondly, we are in the process of developing a circular to go out to all of our vendors to again clearly spell out the law with respect to the proper way of applying our provincial sales tax. After that, if the Member is suggesting that we have to go beyond that, then I would say the only next step after that is—I would logically look at this.

It would have to be a herculean step that would demand that businesses, in doing estimates for consumers—and I do not advocate this, by the way, but I am saying what would have to come after that, if some real Government wanting to ensure, because caveat emptor meant nothing anymore, that the consumers were totally protected, a law demanding that every estimate break out its components into the original cost of goods, the labour component, the profit component and the taxation components that ultimately led and leads to the total global estimate.

Mr. Alcock: It strikes me that is a broader operational concern. It is an important issue. I appreciate the complexity of trying to solve that one. Today, you are aware that this has occurred at least with one business. You are probably aware of where that business is located, what sort of business it is, and the numbers and type of consumers that have done this. You are probably also aware, having been through the file and calculated, of the exact size of this difference between what was rightfully due and what was collected.

* (1510)

So if there is substance to this concern, then people in some part of this province have been paying more than they should have in the belief that

they were paying tax to you, and that difference has gone into the pockets of the operator. You know about this. This is not a hypothetical situation now. You are now aware of it.

What action have you taken to see that those people are reimbursed the additional monies that they paid in the belief that they were paying tax? What action have you taken to see that this practice has ceased in that particular place of business in addition to the broader concerns of seeing it does not happen in other businesses of similar category?

Mr. Manness: Mr. Chairman, I think I know who it is Mr. Alcock is referring to. I can assure him that the Government did not receive the provincial sales tax twice. It did not. So what he is indicating then is that this company, its position and its viability, which may or may not be in question, would it allow us somehow to force this business out of existing resources to pay back to all of his clients and customers over many years an amount which may be equivalent to some fraction of the sales tax being paid twice. I do not think that that would be humanly possible. Is he demanding that is what we should do?

Mr. Alcock: In discussing this matter, we referenced all sorts of very complex situations and all sorts of problems, and hypothetically we talked about the difficulty in dealing with this and that and all of those other kinds of things.

They are all important considerations, but today you are aware of a case. You have a place that it happened. You can identify with some certainty a region of the province in which this occurred, and the consumers who purchased from this particular individual paid more money than they should have. You know that. It is not hypothetical anymore. It is not, maybe this slipped through the system. You are aware and you are aware that some difference exists there.

Do you just now say, well, that is tough, we better send out another circular, or do you take action to see that this particular person who has been collecting tax incorrectly—and I reject the argument that this could be a simple bookkeeping error where a person collects \$10 in tax and pays \$5 to you and puts the other \$5 in his pocket. The person has to know that there is some problem with that procedure.

If you are aware of that, do you just say, well, or do you take some action to see that those people

are repaid what was wrongfully collected from them?

Mr. Manness: Mr. Chairman, firstly, the Member, I know, believes in the rule of law. I guess the easy answer is that I can only do what the law says we can do, and the tax has been remitted properly. Within the technical understanding as we have been told by legal opinion, we have done everything within the law.

To compound this, though, which makes it even more difficult, is that an audit was done. Indeed, the tax filer was found not to be outside of the law.

Mr. Alcock: If I understand the Minister correctly—and now he is saying there was an audit done, so you would have detailed information on the transactions that have taken place relative to sales tax. -(interjection)- Well, you would have more than a scratch pad's worth of calculations.

You say he is not guilty of failing to remit tax due to the department. Nobody has said that he is, but if I understand what you are saying, you are saying that is the limit of his liability. Since he has paid us the tax, the fact that he may have collected some portion more than that in the name of collecting sales tax and leading the people who were buying from him to believe that they were paying sales tax, and the fact that he has simply taken that difference for his own use—I am not even going to say that this was done wilfully, but if you have identified that it was done, do you simply wash your hands of it and walk away because you have your pound of flesh, or do you have a responsibility to the people who have been purchasing from this particular corporation?

Mr. Manness: Mr. Chairman, I am going to read two paragraphs from an individual who may be the person whom we have talked about or may not, after we had visited the same. I quote: "I understand that the carpet and linoleum that I install are supposed to be non-taxable. I was never aware of this fact. What it all boils down to, as I see it, is that we are overcharging the customer, but we were sending the correct amount to retail sales tax. I always give my customer a quote prior to doing a job; the quote is a total price, including materials, labour and tax. When the job is complete, I give the customer a bill that says: Installation, as per quote. Our bookkeeper would then attempt to break that bill down and separate the labour, materials and tax so that they can make the entries into the proper columns in our

books. This is where we were making the mistake. The customer always knew the total amount of the job before the work was ever started."

So, Mr. Chairman, some have chosen to take that and appear to represent the fact that there are businesses, and some businesses, and maybe a lot of businesses—which is not the case—that are deliberately bilking consumers. I say to the Member, in this example, by the legal interpretation of the law, nothing has been done wrongly.

Mr. Alcock: So then are you stating now that there is no difference between the total amount which was represented to the purchasers of goods and services from this particular individual, that there is no difference between the total amount that he claimed to be collecting for tax and that amount that is being remitted? Are you saying that this entire case is inaccurate?

Mr. Manness: I am saying that the ones where we have gone to and looked at in depth, in most cases what the Government has received is the right amount and consumers have not been bilked. There are some others, there are a very small handful of others where maybe—and again it is impossible to prove the intention of the store or shop owner in the application as to whether or not the tax was presented twice.

* (1520)

Mr. Alcock: But surely a business that you are auditing keeps receipts. They tell the customer when they give them a receipt how much they paid for the goods and how much they paid for tax, and later on, as you track that through, you find out how much is paid to you for tax.

Mr. Manness: Mr. Chairman, this is very much a judgment call, very much a judgment call by the department; that is why you have auditors. There is no black and white in situations like this. You go in and you audit the accounts and you get a feel through the paperwork that you see, the paperwork that you uncover for a history of the file, you make a judgment call as to whether or not obviously something has been done wrong in some cases, and you have to make a judgment call as to whether it was deliberate and/or an oversight. Of course, in those cases where you sense it is deliberate, then accordingly you take actions.

Mr. Alcock: In the file in question, do you have a legal opinion on how the department should proceed on this particular file?

Mr. Manness: We had an early verbal opinion a couple of weeks ago when this particular matter came to mind. We have a written legal opinion, I believe it came into the office today, and that opinion is that we have handled this case in the proper fashion.

Mr. Alcock: Do you have any earlier legal opinions?

Mr. Manness: The answer is yes, we had an earlier written legal opinion, but it certainly was on the basis of incomplete information. The proper information was subsequently taken to the individual, or to the law officer in the Attorney General's office, who subsequently altered his opinion.

Mr. Alcock: Well, I am going to let Mr. Maloway continue. I know he wishes to ask some questions and the time is drawing on and there are some substantive concerns about the Public Accounts Committee itself that the Auditor has raised. I am surprised—and I shall not belabour this at this point—I am surprised that the department does not see that they have some other responsibilities than simply to extract the funds due them, that if they are aware of these practices I would have thought that they would feel it was their duty to protect the public interest, as well as their own.

Mr. Manness: Well, I categorically reject that comment, Mr. Chairman. Certainly—I think we have taken the action that we should, within the department firstly, and secondly, as a greater representative Government I made representation to other departments which I feel should have some input into the development—or at least a consideration of a development of policy toward greater consumer protection in this respect.

Mr. Maloway: Just to follow up a bit on the questions from the Member for Osborne (Mr. Alcock) and the follow-up on the questions that I asked yesterday on this same subject. Regarding this case of the carpet store basically overcharging for a period of years on the sales tax side and, upon the Government finding out about it, the Government deciding that they had no legal right to collect the excess. So what you have here, potentially, is a business person enriching themselves at the expense of the public.

Now I thought the Minister yesterday showed some inclination to listen to the advice that was given at that time, which included everything from a trust fund requirement for businesses to keep the sales tax receipts separately, to a recognition that perhaps the law might be changed so that the Crown

could receive the benefit of the overcollection, or that the business would be forced to reimburse the public who had overpaid over the years or, finally, perhaps there might be some recourse to the recent federal law that was passed allowing for ill-gotten gains to be turned over to the Crown, as in the case of drug monies and others.

Now, I thought the Minister was taking these suggestions to heart and was going to consider them, and now he comes out today and indicates that he is washing his hands of the whole matter and he has no intention of looking at a solution along that line.

Mr. Manness: Mr. Chairman, I think my statements have been clear and concise. I take the matter seriously and, as I have indicated to Mr. Alcock, there are discussions that have been entered into now for the best part of two weeks and will continue even in a more formal manner over the next ensuing weeks or months to see whether or not we can provide greater protection for the consuming public.

Mr. Maloway: So I gather from that then that the Minister is in fact looking at this particular case in an effort to either recoup these funds for the benefit of the Crown, or the rebate of such funds to the people who have overpaid?

Mr. Manness: Mr. Chairman, what is in question is roughly, as I understand it, \$12,000.00. It is a judgment call, our legal opinion says that we are powerless to force a division of this total back to the original customers and beyond that, and I will state this quite clearly, I am of the mind, having read the file, that this is not a purposeful error, that this was a bad procedure put into place unknowingly by a business.

Mr. Maloway: The Minister I do not believe should wipe his hands of the issues so easily and say that, on the basis of a letter and reading the file, somehow this business did not understand or know what they were doing. I mean, businesses have accountants, and accountants have malpractice insurance to guard against such omissions that were obviously made here, and to say that this was just a minor omission I think is stretching it a little bit because obviously we are looking at a considerable amount of money here, we are looking at \$12,000.00. I do not know how a business could collect X amount of money and remit only half of it and then feel that they have fulfilled their obligations to the tax department. One would think that one would notice that there

was a surplus of money accumulating on the tax side of things. It would be different if it was maybe only a half a percent one way or the other or a small amount, but certainly in this kind of business it sounds like they were overcollecting on a bigger scale than just a small percentage here or there.

I did want to move on from this area right now and get back to the question of the arrears in the sales tax—and other arrears, by the way. I would like to ask the Minister, given that his Deputy made reference yesterday in explaining the way sales taxes are collected, explained that it was really a pretty wild and woolly situation out there whereby the tax collector got and collected as much as he could whenever he could, there was really no set procedure as to when a certain account was going to be put in the hands of the court system, I would like to ask the Minister as to how long an account would currently be left in arrears before the individual or company would find themselves in court?

Mr. Puchniak: The provisions of The Retail Sales Tax Act do not require us to go to court. Further to the statement made is that the issue of lack of procedure is really not appropriate. What the issue is, is that any person who has some knowledge of collections from corporations recognizes that a debt situation with a corporation requires an individual look at that corporation.

*(1530)

I could refer to the association of the credit institute or to the bankers' association or anyone else, it is not a wild and woolly procedure. There are activities that take place within the Taxation Division including letters for demands and liens. We are not required to go to court to issue a lien. We are not required to go to court for a third party demand.

Mr. Maloway: Perhaps Mr. Puchniak could explain to me then whether there are any circumstances whereby the department has to resort to the court process to collect these overdue accounts. Is there any example where an overdue account ends up in the court system given that you have already indicated that you can act through liens and so on?

Mr. Puchniak: There have been and I am speaking from memory. There have been circumstances where a corporation has been charged with an offence of failing to file a return and at the same time the amount of the tax involved has been stated, and the court has ruled that the person is guilty of having

failed to file and also that they are required to pay the taxes on which they are charged with failing to file.

There are also circumstances where a company has been charged with failing to pay the tax, and the court has ruled that they are guilty of an offence for failing to have paid the tax and orders the corporation to pay the tax.

Mr. Maloway: I had asked the Minister back on November 2 questions concerning other areas of tax arrears. I would like to know what the situation is regarding the payroll tax and whether it has a serious arrears problem.

Mr. Manness: Mr. Chairman, the arrears in payroll tax October 31, 1989, over a year ago, was \$1.445 million; as of October 31, 1990, it is \$1.320 million.

Mr. Maloway: Mr. Chairperson, does the Minister have a breakdown on these arrears as to their ages, like what percentage of them are over 90 days versus under?

Mr. Manness: Mr. Chairman, I do not have that information here, but I could obtain that.

Mr. Maloway: I assume that, given the threshold on payroll tax has been increased over the last few years, these arrears would be almost exclusively in the domain of the large corporation sector then. Would that be a fair assumption?

Mr. Manness: I do not think that would be a fair assessment because these could be carried over from smaller firms for a couple of years, interest growing, and the Government has seen not to write these off, so I do not think his statement would be accurate.

Mr. Maloway: Mr. Chairperson, perhaps for the next meeting—because we will be having another meeting, as I understand it, in March—the Minister could obtain for us that information, a little bit of a breakdown of the arrears in the payroll tax area as to an aged accounting of the arrears and as to the arrears tied to the size of the businesses. I appreciate that in an older arrears situation it may be more applicable to smaller companies.

A comment was made about the list of names and so on, and I would only have to comment that may be coming in due course as well. I asked back in the fall about the Government's policy and the law regarding the availability of tax information in view of the fact that the City of Winnipeg seemed to be able to produce a list last year of people who were

behind in their property taxes and so on. That list managed to get out into the public domain, however I have no idea, but I do recognize the requirement for some sort of secrecy when you are dealing with taxes.

However, we are talking about arrears of taxes. We are talking about tax delinquents, and there is probably a different rule to be applied when you are dealing with delinquent cases as opposed to people who are current in their tax situation. That usually comes about when a court case ensues, for example, with the ICG recently a radio commentator read a list of people who were delinquent in the paying of their gas bills. That is fair ball from his point of view because he is not doing anything illegal there. That list is available in the public domain as part of the court records. These tax arrears would be in the same sort of situation once they would be proceeded with through the courts, I would assume, if we got to that point.

Mr. Manness: Well, but the operative part at the very end, once they proceed through the court system, he assumes, but what he seems to be asking for, as soon as you have got a list of arrears, make it public. As I explained to his colleague, Mr. Santos, I mean surely to goodness you have to think out far beyond what it is you seem to be asking for now. If there is a judgment in court and you, as a tax filer, have made an error somewhere or another and there is a judgment that comes down upon you, naturally that is public information.

Individuals who do not pay their taxes on time, firstly, have not broken a law—have broken no law—secondly, again, are assessed a very high level of interest and, thirdly, a penalty.

Mr. Maloway: Mr. Chairperson, the Minister understands my point. I am saying that tax information must be secret, as any kind of a legal situation that develops is secret until the papers are filed. It is fair ball for the use of the situation with the gas customers to be read over the radio stations, I suppose, provided that those lists are obtained from the public domain, but certainly not from confidential files. Nevertheless, I assume the Minister is making a commitment that we will get the breakdown of the arrears in the payroll tax area for our next meeting.

Could the Minister also tell me whether or not there are any arrears in either the corporation tax arrears or the corporation capital tax arrears?

Mr. Manness: The corporation capital tax arrears as of October 31, 1990, are \$1.506 million.

Mr. Maloway: Mr. Chairman, \$1.506 million in corporation capital?

Mr. Manness: Mr. Chairman, that was corporation capital.

Mr. Maloway: For 1990.

Mr. Manness: Yes, or as at October 31, 1990.

Mr. Maloway: Could the Minister give me the figure for the year prior to?

Mr. Manness: Mr. Chairman, \$1.332 million. I just again want to remind all Members that these are arrears not occurring necessarily over one year and, for the most part, basically, arrears had been building over many, many years, which have not been written off yet by the Government and may very well not be. As a matter of fact, in the sales tax area 90 percent of them are never written off because, indeed, they are collected.

Mr. Maloway: Mr. Chairperson, I appreciate the Minister's explanation. Just to reconfirm here that in the corporation capital tax arrears situation right now as of October 31, 1989, it was \$1.3 million. This year from October 31, 1990, it has increased from October 31, 1990, it has increased year over year from \$1.33 million to \$1.506 million. That is my understanding.

As regard to the payroll tax arrears, we got the figures only for October '90 at \$1.32 million, and what was the \$1.445 million?

Mr. Manness: That was October '89.

* (1540)

Mr. Maloway: In fact, Mr. Chairman, in the area of the payroll tax arrears it has actually dropped year over year from 1989 to 1990 by a bit.

Mr. Manness: Correct.

Mr. Maloway: Now would the Minister give us the arrears as far as the corporation tax is concerned?

Mr. Manness: Mr. Chairman, I would have thought the Member would know, we do not collect that tax.

Mr. Maloway: That is federal, is it?

Mr. Manness: Federal, the federal Government collects that tax.

Mr. Maloway: My next question has to do with the tax holiday that the Minister announced a couple of years ago now for new corporations, those are ones that make money in their first year. I had asked the

Minister previously as to how much of a revenue loss the province had suffered as a result of this tax holiday?

Mr. Manness: Mr. Chairman, I do not have that information. I will undertake to provide that.

Mr. Maloway: That was also a question that I asked back in November, and I am still waiting for the answer so I assume that what has happened is the Minister has passed on the request for an answer to somebody in the department, and they are still working on an answer. Certainly this question was asked. I really would appreciate quicker responses from the Minister. I know in some cases he has provided them albeit a bit late, but in some cases I have yet to get answers at all on a number of areas.

He also indicated, or could he indicate to us how many companies are involved in this tax holiday for small businesses and what the procedure is for their remission?

Mr. Manness: Mr. Chairman, I cannot answer the first question, but in the second question the Member asked what procedures are in place for their remission. The first year there is a holiday in place so the 10 percent tax, small business tax rate, and let us be fully understanding, we are talking about small business, the tax rate presently being 10 percent. In the first year they will not pay any tax, the second year they would pay a rate of 2 percent of their taxable corporate income, and third year, 4 percent, to a point when they were in the sixth year paying again the 10 percent rate.

Mr. Maloway: Does the Minister know roughly how many companies are affected by this, and could he give us the procedure—it seems to me that he had told me previously that there were not a tremendous amount of companies in this category, but he did not have a number at the time. He had indicated that he has to sign a document in each and every case and that is what I am trying to get. I would like an elaboration as to how many of these documents he is signing. How much of his time is spent in this exercise?

Mr. Manness: Mr. Chairman, again I will attempt to get a count as to how many remissions have been granted under this tax since its inception. My rough guess would be somewhere between—and one should never do this—100 and 200. There have been quite a number over the last two months, upwards I can think of 70 or 80.

I sign them after they have been reviewed by the department. I do not go into the files specifically and make my own determination. I accept the recommendation of the department that all of the proper work has been done to ensure that this does just not represent a flip from one company to another, that we are talking about legitimately a new business.

Mr. Maloway: Well, that is an area that interested me and especially when the Minister told me that he personally had to sign these forms absolving these companies of the payment of tax. I guess it is an explanation to say that in fact he personally does not go into the files and decide which company gets the tax holiday and which ones do not.

Nevertheless he has been able to I assume make the judgment or sign the certificates giving the tax holiday to between 100 and 200 Manitoba businesses.

Has he rejected any? I mean, certainly he knows the ones he is signing, but has he rejected any of these applications?

Mr. Manness: Mr. Chairman, on a few occasions I have called for greater information, again not going into the file, but I want to have a better understanding as to what business the firm does. Well, mainly that is the question I ask and secondly again I want to reassure myself that it just has not been a flip from an existing business into a new one, so-called new one.

Mr. Maloway: Mr. Chairperson, I assume that all of the tax documents that we are talking about here come under the confidentiality rules that apply to other tax documents as well?

Mr. Manness: That is correct.

Mr. Maloway: I see. Mr. Chairperson, so what we are waiting for from the Minister then, as I understand it, is the extent of revenue loss over the last couple of years of this tax holiday for small businesses. When we get the extent of the revenue loss, we will be able to divide that by the number of companies who got the tax holiday and be able to determine roughly how much is involved here on a per company basis.

Mr. Manness: Mr. Chairman, let me remind Members that when we brought this new tax holiday in, we indicated that the first-year cost would be under \$1 million. As a matter of fact from memory, it was far below that. The second-year cost would be maybe around a million dollars.

Mr. Maloway: Mr. Chairperson, I wanted to draw the Minister's attention to a piece of the Provincial Auditor's Report in dealing with the area of insurance premium taxes. I wanted to ask—well, I have to find the page first. It seemed to me that the insurance premium tax carried with it a penalty of only 6 percent I think it was. It is page 43, I believe. What I wanted to ask was whether there are any arrears in this particular area of provincial revenue?

Mr. Manness: Mr. Chairman, I do not have that as one of my tax lines at this point. We will endeavour to provide information on that.

Mr. Maloway: Perhaps I can continue then and ask the Minister whether there is any other area of taxation arrears in the provincial Government domain that he has with him today that he would like to share with us.

Mr. Manness: Mr. Chairman, tobacco tax, there is an arrear of \$1.8 million. This has been on the books for some period of time. Gasoline tax, motive fuel tax, pari-mutuel tax, Revenue Act, 1964 and mining tax, there are no arrears in any of those.

Mr. Maloway: I am still waiting for the answers to the questions regarding The Insurance Corporations Tax Act, and the reason I am asking whether there are any arrears in this area has to do primarily with the fact that there is only a 6 percent interest penalty assessed on late payment of tax in addition to a 1 percent penalty for late payments. Given that a 6 percent interest is sort of low in this economic environment, there may be some incentive here for insurance corporations to hold off in paying their insurance corporation taxes because the penalty is 6 percent.

* (1550)

Mr. Manness: Mr. Chairman, part of our problem in the insurance corporation assessment is that I do not believe it is in our division. It is in Co-operative, Consumer and Corporate Affairs so we are not the responsible department for that, but again we will obtain that information for the Member.

Mr. Maloway: I did want to ask a whole series of questions about a number of other areas, but I have by agreement agreed to turn over the microphone every once in a while to the Liberal Critic, so I will do so at this point.

Mr. Laurendeau: Mr. Chairman, I only had one question and while the Minister is getting these other things researched, I would like to know what percentage of the arrears would be interest and how

far back and how old these accounts are, and how much they are in interest accrued over the years?

Mr. Manness: Mr. Chairman, we will attempt also to find that information. Certainly over 50 percent is tax that has been on the books for a long period of time.

Mr. Santos: Mr. Chairperson, how does the Honourable Minister feel about whistle-blowers in Government? That is to say, individuals who give out information about activities that presumably are wrongdoings within the department they work in.

Mr. Manness: I guess I hold them at the same level of disdain that I do anybody who breaks their oath, whether it is a marriage vow or a promise made between two people.

Mr. Santos: Mr. Chairperson, these individuals are motivated by good intention so that people will do the right thing within the department. If there are some mischievous activities going on, they leak out the information systematically so that those who have the capacity, power and influence to change things around can do so. Without such information there would be no such reform.

Mr. Manness: Mr. Chairman, again, if oaths and swearing allegiance mean that little to some individuals, then why do they do it? I can tell you this, the Taxation Division has been engaged in a major reorganization—I have said this before. It has taken much longer than originally anticipated and the Provincial Auditor has attested to this. Certainly in Government we feel badly as to the length of period that it has taken. Many employees are unhappy with the progress and where they feel they may fit into a restructured organization. Let us put that as the backdrop, and then ask your question again.

Mr. Santos: Should not the identity of these people be protected by the same rule of confidentiality and then the nefarious activities be leaked out?

Mr. Manness: I did not hear the question, Mr. Chairman. I will just give an answer this way. I also addressed—

Mr. Santos: I will repeat the question, Mr. Chairman, so the Honourable Minister will hear the question. What is good for the goose is good for the gander.

An Honourable Member: That is pretty sexist.

Mr. Santos: Therefore, if the same rule of confidentiality can protect those who are delinquent in their arrears, then the same rule of confidentiality should equally apply to those who leak out

information about some nefarious activities going on within any particular department. I am not saying this department.

Mr. Manness: Mr. Chairman, as my colleague indicated to me, I am surprised that the Member would get into a sexist comment like that.

Mr. Santos: I just picked it up in the local thing, I did not know that it was sexist. This is ignorance, and I do not plead ignorance because 'ignorantia legis neminem excusat'.

Yes, Mr. Chairperson, on page 5 about Crown Agency Accountability to the Legislature, about halfway, the middle of the page, the second sentence in fact under Crown Agency Accountability says: "The Government has taken action to improve accountability for a number of Crown agencies." Specifically, can the Honourable Minister (Mr. Manness) or somebody enlighten us about what these actions are?

An Honourable Member: What line again?

Mr. Santos: Page 5, second sentence, under report.

Mr. Manness: Mr. Chairman, I guess, too, I will ask the Provincial Auditor to give further explanation of his comment.

Mr. Fred Jackson (Provincial Auditor): What we were referring to when we said that the Government has taken some action in that regard is that as indicated on page 35 of our report, there are now 13 Crown agencies that are under the aegis of The Crown Corporations Public Review and Accountability Act, under the Crown Counsel. The Counsel is working with them to enhance public accountability, part of which now includes the periodic interim financial reporting by those institutions, so that the members of the public can have an idea of how their operations are going during the year, in comparison to their budget, without having to wait until some significant time after the completion of the fiscal year to know how they are doing.

Mr. Santos: Are there any other Crown agencies or quasi-agencies in the department that should, in principle, fall under the same rule?

Mr. Jackson: Mr. Chairman, we indicated on page 36 of our report certain of the other Crown agencies which we thought might also fall under the Crown Corporation's Counsel or some alternative review agency so that there could be a fuller accountability

perhaps to the Members of the Legislative Assembly.

Mr. Santos: Specifically, Mr. Chairman, can we know the number of Crown agencies that should in principle be also under the Accountability Act?

Mr. Jackson: Mr. Chairman, we have indicated on page 36 those that we think might qualify for that.

Mr. Santos: I do not understand the first sentence on page 5, under Public Trustee's Office. It says the Public Trustee's Office needed to strengthen its comptrollership function. Can the honourable Auditor explain comptrollership function?

Mr. Jackson: Mr. Chairman, we generally consider the comptrollership function to play an important role in the planning aspects of an organization so that there are appropriate internal controls built into an organization. Systems are built up that enable management to get the type of information that is essential for them to understand how the organization is running, how its operations are running in comparison to expectations, that there be an ongoing reporting process taking place so that there can be a meaningful evaluation function, et cetera.

* (1600)

Mr. Chairman: Excuse me, gentlemen, I wonder if some Members of the Committee who are engaging in private conversations, if they wish to do so, withdraw from the room or go to the back of the room. We cannot hear Mr. Jackson's response even at the front here, so I would ask the co-operation of all committee Members. Thank you.

Mr. Santos: Thank you, Mr. Chairman. The literature on reporting and communication, it had been observed by some scholars that those people in the lower rank of the department usually will only report upward in the communication those things that are pleasing to their superior, and they will suppress those which are unfavourable or negative information. This seems to be the pattern, and they call it the conspiracy of smoothness. In other words, the superiors are left unaware about what is going on beneath. Has the Auditor any experience about this observation?

Mr. Jackson: Mr. Chairman, I am not familiar with this concept particularly, but it sounds like the Member is advocating both a bottom-up and a top-down approach to communication, and if that is the case, we certainly advocate that. That is part of what we understand the Government is working

towards with their strategic planning emphasis that encompasses the involvement of various levels of staff, so that there is a better understanding of what the organizations's role, mission and goals are.

Mr. Santos: Let me explain now, Mr. Chairman. The idea is those people who are working below in the operational level are familiar with information, possibly negative, about performance and about things relating to the activities. When they report to their superior upward in the communication, they only will report those that are good, that are positive, and they will ignore or suppress or neglect those that are negative. This is the stuff of which whistle blowers are made. They are familiar with all those activities going on and they would like their superior to know something about it, and so they leak out the information of some activities going on.

That is probably the reason, because of the existing environment of confidentiality in our system. If everything is confidential, you cannot say anything. If something is going on against your conscience, you cannot say anything, and so whistle blowers are born out of that experience.

Mr. Chairman: I am not sure, is there a question for Mr. Jackson there? I gather that was a comment. Mr. Santos, do you have any other questions?

Mr. Santos: I have another question. On page 13, about the third paragraph it says, "On January 16, 1989, the Minister of Finance issued a directive to all Ministers, Deputy Ministers, heads of agencies and directors of administration outlining the legislative requirement for the Government to make information available to the public on all untendered contracts over \$1,000 in value." Again I ask the Minister how information is made available to the public.

Mr. Manness: Mr. Chairman, it is made available to the public by way of people visiting my office, whether they are elected people, whether they are media people, whether they are individual Manitobans who come to see my office and ask to see the filings associated with this provision in the conflict of interest information Act. It is certainly all on file and registered in and around my department.

Mr. Santos: Mr. Chairman, we know for a fact that the public consists of two kinds of individuals, generally, two classes. Those who are very active and are motivated, and those who are not, those politically apathetic. People who are oftentimes—I am talking about the ordinary man on the street, the

ordinary citizen—they are intimidated by even the very thought of going to the Minister's office. A large segment of the public are like that, and how will they ever know this kind of information is even accessible to them?

Mr. Manness: I cannot believe my ears. Mr. Chairman, the individual person on the street is also worried about their tax dollars. What the Member seems to be advocating is that the taxpayer should go out publicly and present all of this information.

The Member is a member of the Opposition. It is his role; he has paid a good dollar as an MLA. It is his role to go through those listings, and if there is something he does not like about it, to make it public. That is the guarantee in the parliamentary system that we have. That is your role as a member of the Opposition.

An Honourable Member: You are shirking your role.

Mr. Santos: Mr. Chairperson, if the public consists of the numerous people out there and if they are entitled to anything at all in a democratic system like ours, they are entitled to know when contracts are being tendered, when contracts are being let out which is their money and yet there is no tendering process. Is there any other way by which such accessibility can truly be meaningful in the sense that everybody will be aware of it?

Mr. Manness: Mr. Chairman, there is good reason in all cases when contracts are not tendered out. The Member would have to be sitting around either Treasury Board and/or the Cabinet to probably know those reasons or at least to be in a position to understand why it happens that way.

Most of the Government's activity as far as purchasing goods and services are tendered. As a matter of fact at Treasury Board, on a weekly basis, those of us both who are on that committee of Cabinet will go through for instance a listing, pages of listing of Government purchases of goods and services. The odd occasion when a sole tenderer comes forward, the first question that we ask is, how come there is only one tendering company?

Now, in the other area, in the non-tendered areas where Government specifically, either through time, purposely because of time and that is usually the main constraint, or secondly because of sometimes past experience or because of specialization, Government in its wisdom will make a decision to enter into a contract untendered. That has been the

practice for years. The reporting of that has now occurred over the last two years.

Mr. Santos: The Minister should certainly agree with respect to those cases where it is justified that the contract be given out without any tender that the general public should have a right to know this. Does he consider it the right of the public to know or not to know these kinds of contracts?

Mr. Manness: Mr. Chairman, I guess the application and the theory is how—I do not know what the Member is advocating. Is he advocating that at the end of these public accounts that there be a page dealing with the making public of that type of information? Is he suggesting once a month we put out an advertisement in the paper, listing—I do not know where he wants to lead the practical application of his theory.

Mr. Santos: The idea is to let the general public know, and this is what has been stated here, make information available to the public. I want to make that phrase operationally meaningful in the sense that there is some kind of official publication, like the official Gazette, or any other official form by which these kinds of contracts that have been let out without tender can be read by the general public.

* (1610)

In the same way as to those people who dodge their tax obligation, in a legal way, you can always stay within the framework of the law and still get away with it in a sense in a practical way because of the legality and the rule of confidentiality and other rules that we have built on our society. Because of the secretiveness, there are certain kinds of knowledge that are not let out for justifiable reasons, and one of these is in the area of taxation or in the area of national security.

Why should those who are really delinquent in their tax obligation, even if technically they have not violated the law, why should not the public have a right to know them, ultimately so that they will at least take their respective share of the burden of taxation and the burden of civilization?

I am asking the Honourable Minister if there could be some way by which ultimately those who we know have the capacity to pay but who do not pay, and are hiding on the argument that this is not illegal can ultimately be open to the public knowledge. The public will know them, and they will obviously be pressured by public opinion to pay, like the

delinquent people who did not pay their parking tickets.

Mr. Manness: It is because we have that very system in place is the reason why your remittances are so high, because today those who defy the taxman, to use the colloquial, are brought into public view and court, and it is because that does happen, in my view, most taxfilers remit the tax that is owing. So you have that system in place today. Nobody escapes unless one, they have no property, two, they have access to no income either by wage or other means, or three, they decide to wind up their business and run.

Mr. Santos: This is what I had in mind, Mr. Chairperson. Those who hide under the veils of corporate separate personality, they establish business corporation X, do the business, not pay the tax, wind it down. It will establish another corporation. Why the same interest hiding under the veil of corporate separate personality? Just to get away with things.

Mr. Manness: Mr. Chairman, nobody can escape their tax liability. If they go through bankruptcy proceedings and their debts are discharged by the court because they no longer have the means or the wherewithal to pay them, then obviously they can start again. I mean, society has said that, but if they do not discharge that, if they are not discharged by the courts with respect to their indebtedness, then they cannot just move over to the next corporate entity.

Mr. Santos: The idea of a business corporation is that it has limited liability. Only what is invested in the corporate framework will be liable to all the obligations and liabilities of the corporate firm. If the corporation somehow had found adverse circumstances in its doing business, it certainly has the right to file for bankruptcy proceedings and start afresh. If the Government is all the time writing off uncollected obligations because some corporation had declared bankruptcy without full information as to who the real owners of these corporations are, in a sense they are helping these individuals resurface again, and they form another corporation and escape the obligation that is justly due to society.

Mr. Manness: Mr. Chairman, \$7 million in 23 years has been written off in retail sales tax, \$7 million in 23 years. I dare say that out of that \$7 million, \$6.9 million was because the company went under, not because some entrepreneur, some principal, some

business person was trying to bilk the tax department, but because they legitimately had gone broke. What is it the Member is trying to do? I mean, would he like to invoke a system? Why do we not cut off their arms? Is that what he is advocating? What is it he is trying to say?

Mr. Santos: What I am saying, Mr. Chairperson, is that no one should be able to hide under the veil of corporate separate personality, and if they resurface again in the form of another corporation and the same individual, the same interests, the same group, then there should be a trail by which they can be traced by the Government. The whole obligation should be recoverable and should not be written off.

What I am saying also is that only those meritorious cases where there is full information would be written off, that the individual really has lost his enterprise and there is no other resource and he cannot pay all his obligations. Is there full investigation before anything is written off?

Mr. Manness: Mr. Chairman, Members should be aware that there is access to the directors of the corporation if they have knowingly tried to escape taxation, or if they are trying to use the vehicle of the corporation to safeguard their own personal interests. So the veil of the corporation has been lifted significantly over the past number of years.

Mr. Santos: Occasionally the courts will lift the veil if there are some problem practices beneath the corporate personality, but there are also cases where individuals can manipulate the corporate world in such a manner that they are able to escape their due share in society by declaring bankruptcy and declaring one corporation bankrupt and then pulling out the money and going to some other jurisdiction, investing in another enterprise. Such kinds of practices would, of course, make the burden of taxation heavier, and the innocent taxpayer will then be asked to give their respective share of the burden. All we are trying to do here is to equalize the burden of taxation so that all the Government services can be properly undertaken and everybody will be sharing in that burden, because all those who benefit in the system should justly and in principle be able to share also in the burden.

Mr. Alcock: I am a little concerned, Mr. Chairman, given the shortness of time, and there are a number of issues that I think the Auditor has raised in his reports that are worthy of discussion. One I would

like to raise right now, because it is germane to how this committee might proceed and when we might meet again, et cetera. This question is to the Auditor, to begin with.

The Auditor has, in several of his past reports and again in the most recent one, taken some time to look at the role of the Public Accounts Committee and has made some specific recommendations, though, I should say, actually some general recommendations. I wonder if the Auditor would like to be a little more specific in some of the concerns he has and some of the ways in which he feels that this committee could better serve the interests of the Province of Manitoba.

* (1620)

Mr. Jackson: Mr. Chairman, one of the things that the committee is undertaking today is to review the Public Accounts and the Auditor's Report for March 31, 1989. One of the things that we have mentioned for a number of years is the timeliness of this undertaking. I will be honest, from a personal point of view, it is extremely difficult even to remember back to that point in time. So that is one of the things that we have recommended.

We have also over the years pointed out that there is a committee of chairmen of Public Accounts Committees who have been working for some time to develop what they consider to be a model for Public Accounts Committees to follow. Each of the jurisdictions, however, has its own needs, and the recommendations of even that committee need to be put into perspective for the needs of a particular legislature.

So, in relation to some of our specific recommendations, we are aware that in times past the committee has sought questions in advance of holding a committee meeting so that both officials of the Department of Finance would be in a position to have information available prior to the meeting starting so that if there was an interest in, we will say, tax arrears or the interest component of tax arrears, that information might be developed and put forward for the first meeting. So the Members might concentrate on what they think is pertinent information and have as highest a level of effectiveness as they might have.

We have also indicated in times past that if such questions were asked, it may have been possible for somebody to be present from the Department of Co-operative, Consumer and Corporate Affairs so

that that question on the insurance aspects could be answered at this time. To my mind, that would be more effective than discussing the question and then taking it under advisement to have to answer the question sometime later.

So those are suggestions that we have put forward. We are also aware that the chairmen of the Public Accounts Committee in Manitoba, past chairmen, have been working with the Minister of Finance, who has been receptive, as I understand it, to work towards improving the committee. I understand that the present Chairman has undertaken to work again with the Minister of Finance (Mr. Manness) to make some changes. What we are left with, as I understand it, is the will of the Members present to make this as an effective a committee meeting as is possible so that the Legislature has a vehicle to hold the Government of the Day accountable for its administration.

Mr. Alcock: I appreciate those remarks, and I think the Auditor has phrased his recommendations very well in the report. I think they are solid recommendations. I would like to ask the Minister now, given that this is not a new issue, that there was a great deal of work done on this in the past while, and that the Auditor has been speaking about this for some time, what action is he prepared to take to see that some of these recommendations are implemented?

Mr. Manness: Mr. Chairman, before I answer that question specifically, I can tell you I have never been more disillusioned with the process than I have over the last two days, because I was a Minister of Finance who was prepared to really dialogue around some reform with respect to this committee.

Certainly the former Member from Niakwa, Mr. Herold Driedger, certainly was very active in wanting to see changes, and I thought there was good reason, and I still do, to bring to bear at least a discussion around some possible changes.

What we have had demonstrated over the last two days though is that more important to certain Members of the Legislature, much more important than trying to in the first meeting get this committee sort of restructured so it can focus on very important issues of the day, but the most important issue has been what has come out again of the latest article out of the paper. I can tell you that in my two attempts to hold this meeting, since we have been in Government, two years of the last three to hold this

meeting, at an expeditious time, to consider the report of the Provincial Auditor so that it was not held out till April or May or June, but indeed was held as soon as possible after the tabling, I see really that there are those in our midst who would rather just try and make politics of the moment.

So, Mr. Chairman, yes, I will commit myself to still some dialogue in this area, but I can tell you I have very little enthusiasm as of this minute.

Mr. Alcock: I must confess, I am exceptionally disappointed in that response from the Minister. To think that an issue could come before the public as serious as the leaking of confidential tax files and that Members would avail themselves of an opportunity to ask some questions about that and that would be treated spuriously by this Minister, I just think is completely irresponsible on the Minister's part.

The other thing is if the Minister had been serious about coming in here to deal with reform of this committee, he might have, if he really meant what he just said, he might have served notice of that before he came to this meeting. He might have indicated that was the issue he wished to talk about. I can tell the Minister that we are prepared to talk about accountability and restructuring this committee any time he wishes to, but also there are opportunities, there are darn few opportunities to sit and talk about the operations of this Government afforded by this Minister who has only sat this committee—this is the third time in three years. I think there should be some opportunity—fourth time in three years—there should be some opportunities for Members to sit down and spend some time with the public accounts and with the Auditor's reports.

Mr. Manness: Mr. Chairman, the prime reason if one wants to look at the reason we were called here as Members was to review the Annual Report of the Provincial Auditor and the Public Accounts. These books here. That was the prime reason we were called here into place by the Legislature.

We were not called here to give veracity or to deeper insight into political writings in a newspaper, and if the Members—we all have a lot of high-powered people. I have the Department of Finance officials whose responsibility it is to be here, fine, and certainly officials from the Provincial Auditor's, but my goodness if it is not the intention

to ask questions of the Provincial Auditor's department at this time, then let us have the courtesy of letting them go back and do their work, because their resources are stretched also. The same with the officials in my department, their resources are stretched also.

So if this is going to be a political game, fine, but if you want real reform, I am glad to be part of it.

Mr. Alcock: Just one very short question, very, very short question.

Taking what the Minister has just said, his final comment at face value, when will this committee sit again to discuss the restructuring of this committee?

Mr. Manness: Mr. Chairman, the Government is very, very involved in budget preparation. This committee again will sit when it is called.

An Honourable Member: Next year?

Mr. Manness: Mr. Chairman, that is something we do not do. Mr. Chairman, that is not true. This committee would sit several times if the Government can see where it is being productive, and I question whether it has over the last two days. I mean, I would think Members would want to go through the Provincial Auditor's Report, chapter and verse, that they would not want to ask them every question dealing with the qualification. I would think that would be the primal purpose, but that is not at issue at all. What seems to be of greater importance is an attempt to try and somehow besmirch the Government through an article that comes out in the Free Press dealing with the Department of Finance.

So, Mr. Chairman, this committee will be called again in the springtime and it will be called hopefully at that time to deal not only with reform but its primal purpose to consider the Report of the Provincial Auditor of the Legislature.

Mr. Chairman: Gentlemen, Members of the committee, we are near the agreed-upon adjournment time. Is it the will of the committee to pass some of these reports? We remind you we have a couple of reports before us. We could pass '89. We still have not had 1990. So no agreement on that?

Okay, well, the hour being 4:30 then, by previous agreement, this committee is adjourned.

COMMITTEE ROSE AT: 4:30 p.m.