



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

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

40 Elizabeth II

Chairperson
Mr. Leonard Evans
Constituency of Brandon East



VOL. XLI No. 3 - 2 p.m., MONDAY, JANUARY 27, 1992



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
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward	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, Clif	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
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda, Hon.	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PENNER, Jack	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, Hon.	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary, Hon.	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP

**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

Monday, January 27, 1992

TIME — 2 p.m.

LOCATION — Winnipeg, Manitoba

CHAIRPERSON — Mr. Leonard Evans (Brandon East)

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Enns, Manness
Messrs. Evans (Brandon East),
Helwer, Maloway, Penner, Reimer, Santos

* Substitutions:

Mr. Lamoureux for Mr. Carr

Mr. Connery for Mrs. Render

Mr. Laurendeau for Mr. Rose

APPEARING:

Fred Jackson, Provincial Auditor

Stan Puchniak, Assistant Deputy Minister,
Taxation Division

MATTERS UNDER DISCUSSION:

Report of the Provincial Auditor to the
Legislative Assembly for the fiscal year ended
March 31, 1991.

1990-91 Public Accounts, Volume 1, for the
fiscal year ended March 31, 1991.

1990-91 Public Accounts, Volume 2, for the
fiscal year ended March 31, 1991.

* * *

Mr. Chairperson: Good afternoon. The Standing Committee on Public Accounts will please come to order. This afternoon we will be resuming consideration of the 1991 Provincial Auditor's report and as well will be considering Volumes 1 and 2 of the 1991 Public Accounts.

You might also note on the agenda we have an item No. 3 regarding a discussion between the committee members and the Provincial Auditor on the way that issues are covered in the Auditor's report. We put this item on the agenda at the request of the Auditor, and we will be getting into this in more detail a little later.

I noted that we did ask members for agenda items and any advance questions, but we received none, so we have none on the agenda.

Committee Substitutions

Mr. Chairperson: Just to put it on the record, I have received a resignation from Shirley Render, MLA for St. Vital, effective today, from this committee. Also I have a resignation from Mr. Bob Rose, MLA for Turtle Mountain, effective today, January 27. Is that agreeable?

Some Honourable Members: Agreed.

Mr. Edward Helwer (Gimli): I would like to substitute Mr. Connery for Mrs. Render, and Mr. Laurendeau for Mr. Rose.

Mr. Chairperson: Excuse me. I am reminded, Mr. Helwer, that we have to deal with them separately, so the first one was Mr. Connery to replace Mrs. Render. Is that agreed?

Some Honourable Members: Agreed.

Mr. Chairperson: It is agreed by the committee. The next one is to have Mr. Laurendeau replace Mr. Rose. Is there agreement by the committee?

Some Honourable Members: Agreed.

Mr. Chairperson: I have also received a resignation from this committee effective today from Mr. Jim Carr, MLA for Crescentwood, so I note that on the record.

Did you have a substitute recommendation, Mr. Helwer?

Mr. Helwer: Yes, Mr. Chairperson, I would like to substitute Mr. Lamoureux for Mr. Carr.

* (1405)

Mr. Chairperson: Mr. Helwer recommends that Mr. Lamoureux will replace Mr. Carr. Is that agreed? That is agreed to? Okay, agreed.

Mr. James Carr (Crescentwood): Mr. Chairperson, I would like to thank the committee for an opportunity for me to say a few words that will have very little to do with the Public Accounts

committee of the Legislature, and everything to do with a decision that I took last week.

I was reading Hansard just a few minutes ago, the December 17 session. I had asked a question of the Minister of Energy and Mines (Mr. Neufeld) and had said, in the context of posing the question, that this was probably the last opportunity I would have to ask him a question as the minister. The world turns strangely. Little did I know that it would be the last question that I would ask of any minister in the Manitoba Legislature. Of course, at the time I had no way of knowing that there would be an opportunity for me to join the editorial board of the Free Press, an opportunity that I felt I could not pass up.

I do not want to talk about the reasons for that decision or to justify it to my colleagues. It will speak for itself in time, but I did want a chance to say good-bye to the Manitoba Legislature and to say good-bye to colleagues with whom I have served over the last four years.

Let me start by thanking the Speaker of the House. The Speaker of the House, as we all know, is an unusual fellow. He is a man of terrific warmth and generosity, and always made me feel as if I was part of a legislative family. My colleagues sometimes in moments of their own candour accused me of not quite being partisan enough. They thought that every once in a while maybe I should be a little nastier than my personality would enable me to be or become. I really never felt that way. I felt that it was possible in public life to make a contribution without being nasty and without even being partisan, and that sometimes you could become more effective by being yourself and by trying to move public opinion forward with the force of argument rather than with the force of a bludgeon, so I make no apologies for that.

Maybe I could have been more effective from time to time if I would have sharpened my teeth and sharpened my rhetoric, but it just was not in me. For that I guess I can blame my mother and father.

The Speaker taught me many things, but I think above all he taught me a respect for the institution that we all serve. We tend to get caught up in the issue of the moment and the headline of today or tomorrow or in anticipating a political point that can be scored off an opponent. Not often enough do we pause and realize that we are not really here to defend the interests of one individual or even a

group, but we are here really to look after the interests of our province. That puts us from time to time in conflict with colleagues and with opponents, but that is a very noble profession and a noble calling.

I do not look back on my almost four years of service in the Legislature with any regrets whatsoever. I am sure I speak for many members of the Legislature when I say that our most satisfying moments are not those in Question Period when we rant and rave and shout. They are not the moments when our faces are seen on television or when we read our comments in the newspaper. The most satisfying stories are the ones that people never hear, the ones which are never told widely. The great satisfactions are those when we accomplish something for an individual or a group of individuals, when we are able to use the prestige of our office in order to advance a cause or to advance an interest.

People do not know that. People do not always have an appreciation that so much of the importance of our work is done quietly, without fanfare. They do not make the headlines, nor should they, but we have served the people who elected us in the most important way of all, and that is that we have helped their lives in one way or another.

* (1410)

Not only are we there to serve the provincial interest, but we are also there to advance the cause of people. I think the most satisfying moments of my political career were those when I really felt that the office that I held was able to advance an interest of one person or a group of people.

I would also like to thank some of those men and women who are not known to those beyond this building, I guess through you, Mr. Curtis, to the public service of Manitoba, public servants who work without recognition, with great loyalty to the political process and to the people of Manitoba. Often they are the butt of criticism; often they are objects of derision, but always I know they give unselfishly and with sincerity to their province. Through you to the public servants of Manitoba, I say thank you for the job that you have done and will continue to do.

To all of my colleagues in the Legislature, we sometimes think of political parties as families. I know my Leader likes to think of the—my Leader, this letter has not yet been given to the Speaker—Liberal Party as a family. I agree with her,

but I also see politicians as members of the same family because their objectives are really the same. Sometimes we may disagree on the best way of getting there, but I do not think there is really any insincerity in the 57 men and women who make up the Manitoba Legislature. Their profession is a noble one, and we have so much that we share in common. We may on occasion choose to emphasize those things that divide us or those things that create tension, but really ultimately we are in the same business serving the same purpose and the same people.

I suppose when I was a journalist years ago I did not have the same respect for the political process and politicians that I do now after having served with you all these four years. The member of the Legislature is a very important person, because he or she takes with him trust. Democracy really at its very framework and foundation is the transfer of trust from the people to those whom they elect, and no one in this building takes that responsibility lightly. I can honestly say, Mr. Chairperson, that there is not one individual in this House whom I do not like personally, and I respect and admire all of their strengths of character and of personality they bring to their job.

I think more than most I realize the sacrifices that are made by men and women in this building, sacrifices that we make for our families, sacrifices that we make for the people we represent. There is a cost to political life that is not well known. I know it, and I think that people ought to enhance their appreciation of just what it is you give up when you put your name on the line or on a ballot. It is a very serious responsibility, and it is a very serious mission. I think in a way it is calling it a mission.

I want to especially say thank you to my colleagues in the Liberal Party. I have always felt at home in that party. The editorials I write will not be partisan, I assure you, but they will be written by a liberal. They will be written by a liberal who, until about five o'clock today, or maybe a few hours earlier, has a large "L," but I am who I am, and in every bone of my body I believe in the principles of liberalism. I expect that Mr. Dafoe hired me in part because of that, but there will be no meanness, I hope, no bitterness, and I hope I can always comment and attack the issues and never personalities.

As members around this table will know, the personal attacks always hurt. I suppose when you

have been around a while—the Chairperson has been around longer than most of us. He will tell us that the blow perhaps softens over time, but there really is no room and no place for personal attacks in this profession. I think that those personal attacks are more of a reflection on those who are doing the attacking than those who are attacked, and I think all of us have a lesson to learn from that.

I would like to thank caucus staff and researchers and all of those people who work so hard for their cause and who do so without recognition and without a lot of money either to soften the blow of their commitment, and to leave you with the thought that I feel much richer for my experience as a politician in this Legislature. I will miss you all terribly, but I also leave knowing that the affairs of the province are in good hands on all sides of the House.

Thank you, Mr. Chairperson.

Hon. Clayton Manness (Minister of Finance): Mr. Chairperson, it is a pleasure to provide a brief response to Mr. Carr's last presentation, for posterity's sake, to Manitobans.

* (1415)

I personally was not surprised to learn of Jim Carr's resignation. Partisan politics is not easy for some. Tough partisan politics I do not think is easy for many. It certainly is not easy for me, and I certainly acknowledge the opportunity that was presented to Mr. Carr. No doubt the decision to accept it did not come easily. We all bring our own styles into the House, all 57 of us. I guess it is not for any of us to judge as to who is better or who is right or who is wrong. After all, we are nothing more than 57 different people elected by roughly a million people, although certainly a million people do not vote. I have sat and watched Mr. Carr, as he indeed has watched myself and the other members of the House. Unquestionably he brought in an open-mindedness and a desire to see democracy as it was meant to be played, a desire to see that continue.

I give him his due in that he spent many hours in the Chamber, probably more hours than almost any other member in his tenure, and most of that time listening. Not everybody can say that. I cannot say that, but certainly he took his role seriously and felt that those of us on any side who had gone to the effort to prepare the presentation, at least people in

attendance should provide an opportunity that that message be heard.

I am sorry that Jim will not be here for the first sitting of the Crown Corporations Council. He pushed me on several occasions, of course, to call that committee, and it will be called.

I am even more saddened that Jim will not be here to maybe see come to conclusion an area of discussion, consideration and rule changes that I know he sensed was most necessary if democracy in the modern age, so to speak, was to remain meaningful. Democracy, although it is basically in its fledgling period of time, only being basically a few hundred years old, still requires change. Certainly the rules that are practised in our House require change, and I know that in the sense that that change required some leadership, Jim was prepared to be an agent for change in that respect. That process is just beginning. I am hoping that all members of the House will keep in mind your contributions to that, and in that stead will try to work towards the changes that I think we all want.

Let me say, Mr. Chairperson, in closing, on behalf of the government, that Jim Carr was a good legislative public servant. We wish him well in his next career and of course all future endeavours that flow from there.

Mr. Jim Maloway (Elmwood): Mr. Chairperson, on behalf of the opposition in the Legislature, I want to wish you well, Jim, in your new job. You and I go back quite a long way, actually to Wolseley in '75, which would be about 17 years ago. When you became an MLA, I certainly was not surprised to see you get elected. I could never see how that would happen though in those days, but you persevered. You were one of those loyal few who stuck with the Liberal Party and certainly were there when you made your big jump to your 20 seats in the Legislature.

* (1420)

I have to also reflect and agree with the Minister of Finance (Mr. Manness) when he said that you spent a lot of time in the House and were certainly an even-tempered member in the House, certainly not partaking in some of the jibes and so on that occur from time to time, which of course I am part and parcel of every once in awhile, but you have managed to refrain from that. As I said before, I know you will do well with whatever you plan to do in the

future. We certainly wish you well in those endeavours.

Mr. Kevin Lamoureux (Inkster): Mr. Chairperson, maybe I will just take this opportunity to put a few words on the record also. It seems that Mr. Carr is actually from the Liberal caucus. No one can underestimate the importance that Mr. Carr played in our caucus. Every one of us has seen Mr. Carr's participation inside the Chamber. What he did inside the Chamber he did inside our caucus. Many of his colleagues looked up to him and respected the individual for who he was and what he was able to say. Many of us in fact learned a great deal from the individual.

For the Liberal Party, he will be dearly missed, because since 1968, no doubt even before then, he contributed to a party that might not necessarily have been the most popular party, especially during the '70s. The Liberal Party will definitely miss Jim Carr. I believe that the Legislative Assembly as a whole will miss Jim Carr's presence inside the Chamber. For us, we have to look now towards the future, and we believe that if one can be somewhat political, we will be able to recapture Crescentwood. The biggest challenge will be to find a candidate that has the same qualities as Jim Carr. I do not think that really can be done, but you will definitely be missed inside the Chamber.

Mr. Conrad Santos (Broadway): Mr. Chairperson, I would be remiss if I did not say a word. I would like to pay tribute to a great and honest person that I have ever seen in public life, Jim Carr. He is not really relinquishing an important role of being in opposition, because traditionally in our institutional arrangement the press is a continuing and perpetual opposition to any government in power, to see to it that they stay in line along the expectations of the population.

The freedom of the press is the mantle under which they perform that role, but along with that freedom of the press is the responsibility that goes with it. I know that Jim Carr will be cognizant of that fact.

Thank you, Mr. Chairperson.

Mr. Jack Penner (Emerson): Mr. Chairperson, certainly I take great pleasure in voicing my respect and best wishes to a member of the Liberal Party and the Liberal caucus, which I have gained a great deal of respect for in the last few years. I feel very fortunate to have been part of that whole legislative

process, of having been able to sit in the same Chamber with somebody like Jim Carr. I deeply respect somebody who is able to refrain from the rhetoric very often that emanates out of the debates in the Legislature, and Jim certainly did that.

I also want to concur with what Mr. Manness said, that Jim probably did spend more time than any of us, during that period of time that he was there, listening. I think that describes his character. I would suspect that would be reflected in some of the comments and remarks that we are going to read emanating out of his future career. I want to encourage Jim to use the kind of integrity that he displayed in the House to further his career, and I think we will all be the richer for that. Thank you, Jim.

Mr. Chairperson: I do not see any further hands up or people about to make comments, but as Chairperson I would therefore like to say one or two things. I want you to know, Jim, I think you are in the process of setting a precedent here. We usually do not get to say pleasant things about an MLA until he has passed away. I am personally sorry to see you leave. I agree with the other comments that have been made. You indeed have made a substantial contribution to this House, and the Legislature will be a poorer place because you have left.

* (1425)

I want to wish you well in your new challenge. I know all of us will be looking with some great anticipation as to the future editorials in the Free Press when it deals with legislative matters. At any rate, we know you will be in there. I simply want to wish you well in your new challenge. Good luck and God bless you.

Mr. Manness: Mr. Chairperson, moving on to the purpose of the meeting, it has been the practice of the Minister of Finance to provide members of the Public Accounts committee with a formal response to concerns and recommendations that are provided within the Provincial Auditor's report to the Legislative Assembly.

I have developed for this meeting current status and the government's reaction to certain of the Provincial Auditor's recommendations and significant concerns. I have a report therefore to table to the committee at this time.

Mr. Chairperson: We will ask the Clerk to distribute copies to members of the committee. Was there any anticipation on your part, Mr. Manness, that members discuss this report at this time?

Mr. Manness: Mr. Chairperson, the Report of the Provincial Auditor, of course, is to be reviewed by the members of this committee in no specific fashion. I just thought in the interest of time that if there were specific questions as to government reaction to either recommendations or concern, it would be best that I provide a response to each and every one of the major areas. In the interest of time, I am hoping this report does it. No, I am not trying to lead the discussion in any direction; I am just giving to members a government reaction to the Provincial Auditor's report.

Mr. Chairperson: Thank you, Mr. Manness. We could receive it as information unless any member wishes to respond or comment on the government's reaction, the government's response to items raised by the Provincial Auditor.

Mr. Maloway: Mr. Chairperson, I wonder whether it might be appropriate for us to take maybe five minutes to read the report. Would that be fair?

Mr. Chairperson: Mr. Maloway, what we have here is the government's response to matters raised by the Provincial Auditor and staff. This is rather unusual because I do not believe we have had such a response tabled in the past, so this is very useful for members of the committee. -(interjection)- I am corrected, this has occurred in other years.

At any rate, if the committee feels inclined to recess for five minutes to allow members to read the government's submission at this time, the Chair is willing, but it is up to the committee, of course.

Everyone is engrossed in reading the submission. Perhaps we can take maybe two minutes and allow members to study the document, and we will simply resume in a couple of minutes. Is that agreed? [Agreed]

The committee is recessed for three minutes.

* * *

The committee took recess at 2:29 p.m.

After Recess

The committee resumed at 2:38 p.m.

Mr. Chairperson: I wonder if the committee could come to order now, please. Just on a matter of procedure, in past years these past ministers of Finance have tabled reports responding to comments made by the Provincial Auditor. For the information of members, at some point, subsequently, perhaps if members had questions

further to this it is fine, but I would suggest we carry on at the moment at least with our agenda.

The next item is the Provincial Auditor's report for the year ended March 31, 1991. As I indicated, we have been going through the Summary of Concerns and Recommendations, and we concluded on page 10, Classification of Trust Funds.

What I would propose is that we carry on and ask the members if they have any questions or comments on this item, and we can proceed from there. If I could draw your attention to page 10 of the Report of the Provincial Auditor for the year ended March 31, 1991, Classification of Trust Funds, are there any comments or questions on that item?

Mr. Lamoureux: Mr. Chairperson, I wonder if this might be the opportunity just to receive from the minister any type of remarks regarding the Fiscal Stabilization Fund. Would that be an appropriate thing to ask at this stage?

Mr. Chairperson: I believe we had covered the Fiscal—there was an item referring to the Fiscal Stabilization Fund previously. I do not know whether the minister feels inclined to respond or not.

Mr. Lamoureux: Mr. Chairperson, it is just to find out if in fact questions were asked. Unfortunately, I was not able to make it at the last meeting. If they have been asked, then there is no problem.

Mr. Manness: No.

Mr. Chairperson: Okay, fine, proceed. Any further comment on Classification of Trust Funds?

The next item is Matters Considered Significantly Improved, page 11. Any items, discussion, any questions? Hearing none, that concludes the Summary of Concerns and Recommendations. How do you wish to deal with the rest of the report? Do you have any further questions on the Provincial Auditor's report?

If there are no further questions on the Provincial Auditor's report, it would be in order to pass the report at this time.

* (1440)

Mr. Maloway: Mr. Chairperson, I had a question or two of the minister, and I guess I can bring it up in this section as well as the next one, because I believe that the next section deals with the discussion the Provincial Auditor and staff regarding information presented. I would assume that is generic types of information that apply to annual reports. My question is more specific, so perhaps it

would be more appropriate to bring it up under this section of the agenda.

I think I would be interested if the Provincial Auditor could make some comments on and perhaps do some audit work as far as the Linnet Graphics case and the Wang contracts are concerned. I think that some of us are concerned about the amounts of public money that are being committed to these deals in a sense. In essence public money is being used to subsidize private sector companies. In the case of Wang, there seems to have been an example of some renegeing on the deal when they did not come through with the jobs as promised. Perhaps the Provincial Auditor could make some comments with regard to these two contracts and could let us know whether he can look into them for us.

Mr. Chairperson: Mr. Maloway, I do not believe these items are specifically mentioned in the report, but were you wondering from the Auditor as to when and if he would be commenting on them?

Mr. Maloway: While they may not be specifically mentioned in the report, they certainly did come within the time frame of the report. As such, I would think that they would be certainly within the power of the Provincial Auditor to make a comment on them.

Mr. Chairperson: I guess it is up to the Provincial Auditor if he wanted to make a comment at this time, but he has not dealt with this matter as such in his report. Mr. Jackson, did you want to make any comment on this?

Mr. Fred Jackson (Provincial Auditor): Mr. Chairperson, my understanding of the purpose of today's meeting was to review the Report of the Provincial Auditor for the fiscal year ended March 31, 1991. The two subjects raised were not matters that were included in our report to the Legislature. They seem to be matters that have some interest on the part of some of the members of the Legislature. We are always cognizant of the interests of the members of the Legislature. The interests of the members of the Legislature help us set our priorities for the future. The comments made have been noted and will come into play.

Mr. Manness: I think, although this is not the time or place to get specifically involved in a discussion like that, I always sensed that government support of private enterprise is always a good public policy

issue and should be discussed in forums either on the floor of the Legislature or elsewhere.

I think I will just leave it at that, other than to say that every dollar that government spends should be questioned as to the value and as to whether or not the taxpayer is receiving value for that money. I think the question in a different forum is genuine and one that should be discussed over and over.

Mr. Chairperson: Mr. Manness, were you proposing that some response be made to Mr. Maloway's concerns at this point? You were not suggesting that?

Mr. Manness: No, as Mr. Jackson said, this is not the forum specific to that, but the question should be asked somewhere and sometime.

Mr. Lamoureux: Mr. Chairperson, I do not want to belabour something here, but I want to ask a question to Mr. Jackson regarding the Fiscal Stabilization Fund in hopes that it was not asked the other day. That is in regard to that many people perceive in terms of the redemption of shares that the province now has and having it in the trust fund. The Provincial Auditor has commented in the past that this might not necessarily be in the best interest of the province in having it done in the way that it is being administered currently. I am wondering if the Auditor has, or Mr. Jackson has, recommendations specifically in terms of where these preferred shares or how they should be recorded. If there is anything else that has set the precedent in previous administrations—because previously the Fiscal Stabilization Fund was not there—if the Fiscal Stabilization Fund was not there, what in fact would have happened?

* (1450)

Mr. Jackson: Mr. Chairperson, the member's questions really were discussed at, I believe, considerable length in earlier meetings. We do not have the problem with the preferred shares being in the Fiscal Stabilization Fund account. Our concern mainly relates to the evaluation that was placed on the Stabilization Fund shares held in that account. We recognize that there is a real difficult problem in coming to grips with what a fair evaluation should be on those shares.

A determination was made and it was decided that the future value on disposal of the shares sometime in the future should be used. That is one approach that could have been used.

Our problem was that the value of the shares was really dependent on future profits of Manfor being realized, and that is sometime in the future. Our problem was one of asset valuation back at March 31, 1990.

Mr. Lamoureux: According to the report, the redemption value has been put at \$77.6 million. Would that be today or how often is that in fact reviewed? Is there any mechanism to ensure that it is worth \$77 million, or will that \$77 million stay there indefinitely until when?

Mr. Jackson: The evaluation is reviewed on an annual basis in that it is an asset that is a significant asset of the province. For us to provide an audited opinion on the financial statements annually would have to look at that evaluation and determine whether the evaluation is changed, being enhanced or decreased.

Mr. Chairperson: Any further questions on the Provincial Auditor's report?

Mr. Santos: Mr. Chairperson, I have some questions about collection of accounts receivable. Why is the report saying that action is required to bring in a more effective approach to the collection of accounts receivable? What is the current problem now?

Mr. Jackson: We addressed that concern from a generic perspective for the government as a whole, and then we address that problem from an individual department perspective where there are departments that have significant accounts receivable that require ongoing effective collection actions. Depending on whether it is from a departmental perspective or from a generic perspective, the answer might be different.

Mr. Santos: Mr. Chairperson, I would like to know if under the present practices and procedures there is any real difficulty in pinpointing or laying down the taxpayers' liability?

Mr. Jackson: Mr. Chairperson, the answer is different in different circumstances. When we referred to the Department of Labour situation, we were commenting on a situation where invoices were being generated where in fact no work had been done, and the control system over the receivables was not as good as it should be, because invoices would have to be cancelled that were issued.

Mr. Santos: On page 3 of the Response of the government under B, it says, "Response: Concerns

regarding the establishment of taxpayer liability have been corrected by requiring the prompt issue of assessments under all statutes except in situations where taxpayers have agreed to the tax liability shortly after an audit." What happens if the taxpayer does not agree to any liability?

Mr. Jackson: Mr. Chairperson, I think that would be a question that would be both best responded to by the Assistant Deputy Minister of Taxation.

Mr. Chairperson: Is that agreeable?

Mr. Manness: Mr. Chairperson, I would call up Stan Puchniak, the ADM of Taxation to answer that question.

Mr. Stan Puchniak (Assistant Deputy Minister, Taxation Division): When a person who appears to be indebted to us for taxes does not agree to the results of an audit after that audit has been reviewed with him or her, we give that person a reasonable period of time to review those results depending upon the complexity, usually between a period of, I would say, 10 days to a month. If they do not agree with the results at that time, we are satisfied they have a liability. We issue a Notice of the Assessment, and that issue of a Notice of Assessment makes that amount of money a debt due to the government by that person or company.

Mr. Santos: Is it on the date of the assessment that the taxpayer's liability is established?

Mr. Puchniak: That is correct.

Mr. Santos: If he does not pay within the time that you give him like a month or so, what happens?

(Mr. Jack Reimer, Acting Chairperson, in the Chair)

Mr. Puchniak: A taxpayer is allowed 30 days from the date of a Notice of Assessment to pay the debt. If the taxpayer does not pay the debt within 30 days of the Notice of the Assessment, then it is treated as a regular collection issue which would mean that within the 30 days from that date, there would be action taken to collect. That would depend upon circumstances.

In some cases where the taxpayer appears to be in some difficulty, there could be third-party demands issued against people who owe that company money; there could be a lien put against the property owned by that individual. Alternately, usually what happens is a person, once they realize that there is a debt, they make provision to pay the debt. Sometimes they ask for terms to pay the debt;

in other words, pay it over a couple of months, say over two months, half of it in one month and half of it in the month following. It depends upon the debtor's circumstances and also the circumstances that we perceive. For example, if a person were known to leave the province, then we would go ahead and attach. To protect the Crown's right, we would attach assets by way of a lien against property.

Mr. Santos: If the taxpayer makes no action or decision whatsoever and there is no arrangement as to the terms, how the payment of these obligations should be discharged, do they get any penalty automatically under some rules of regulation relating to this amount of the obligation?

Mr. Puchniak: They are required to pay interest on the debt, and there is no other penalty other than interest.

Mr. Maloway: Mr. Acting Chairperson, I have some questions for Mr. Jackson, but I also have them for Mr. Puchniak, so perhaps I could ask Mr. Puchniak first.

With respect to the receivables problem that the government had, has there been a major improvement in your retail sales tax receivables over the last year? I have no recent receivables stats, but perhaps you could tell us at this point whether things are improving, and if so, how they are improving.

Mr. Manness: Mr. Acting Chairperson, I would ask Mr. Puchniak to give answer to that.

* (1500)

Mr. Puchniak: Statistics are a function of many factors. One of the things that has happened in the last year is that the economy has not been as strong as it has been previous to that. What we do know has happened is that our collection activities have improved radically. We now have a system in our retail sales taxes where our collection clerks can call up in the computer screen in front of them the situation relative to a taxpayer by just putting in the taxpayer's account code, and all the history comes in front of them. They can also put in there the time that a taxpayer should respond so the file can be brought forward. Our systems of dealing with the taxpayer have been speeded up radically. Before it had to go to a typing pool, we can also produce a pre-designed letter using the computer system that day; whereas previously it might take a few days to produce a letter. It can be produced immediately, so

the correspondence with the taxpayer is speeded up for collection action.

(Mr. Chairperson in the Chair)

Has the system improved? I believe the next time the Provincial Auditor's staff go in there, they will witness the changes that have taken place. In my opinion, they have improved significantly.

Mr. Maloway: Could you fill us in with some of the details in terms of levels of arrears? It is good to know that your procedures have improved, but I would like to know whether the level of sales tax arrears is higher than last year or lower than last year.

Mr. Manness: Mr. Chairperson, the last date that we have arrears documented is October 31, 1991. Whereas a year previous they were a little over \$9 million, October 31, 1991, they were \$8.58 million.

The member probably is going to ask some of the other tax areas too. Payroll tax, arrears have dropped from \$1.32 million in 1990 to \$1.25 million in '91. Corporation capital tax has increased from \$1.51 million in October 31, 1990, to \$1.90 million October 1, 1991. Tobacco tax arrears are constant, and that is mainly because it is one account at \$2.194 million. There were no gasoline tax arrears, no motive fuel tax arrears, no revenue tax arrears and no mining tax arrears.

Mr. Maloway: I was not going to ask that question, but I appreciate the minister having given me the answers to that.

I would like to ask Mr. Puchniak a further question regarding the forgiveness of taxes and whether or not those totals have increased this year over last year. You recall that there is a list published by the Minister of Finance (Mr. Manness) for arrears over \$5,000, I believe that are uncollectible, that the Minister of Finance forgives. Is that list an increasing list each year?

Mr. Puchniak: I do not have that information available here.

Mr. Maloway: Perhaps the Minister of Finance can provide us with that information then.

Mr. Manness: Mr. Chairperson, I will endeavour to do that. I see though that for the Public Accounts year ending March 31, 1991, that by Order-in-Council those numbers over \$5,000 were in the retail sales tax area that we wrote off \$2.355 million, and what the year-end will be for this present

year we will know in approximately three more months.

Mr. Maloway: Perhaps the minister could endeavour to get us the figures for the year prior to the year where it was \$2.3 million, give us an idea of where the figure has gone. What we have essentially or what we can assume, I gather from all of this, is that while the arrears in sales tax are constant or have dropped slightly from about \$9 million to \$8.5 million, in fact in the end, 25 percent of them proved to be uncollectible and are forgiven. I see the Auditor shaking his head. Perhaps he could tell me why that is not a correct statement.

Mr. Manness: Mr. Chairperson, I have percentages by provinces. I will let either Mr. Curtis, or indeed the Provincial Auditor if he wants, to make comment. I invite them to do that.

Mr. Jackson: Mr. Chairperson, we have had some statistical information from the Department of Finance that has an ongoing information system that compares itself against other jurisdictions. The information suggests that the Department of Finance in Manitoba is doing a pretty fair job in its collection of taxes, ranking in the top third of the jurisdictions across the country.

I am not just sure that it is a fair relationship that the write-offs are 25 percent of the arrears. I think perhaps a better perspective might be what percentage are these of the total revenues, because if an account is seriously in arrears it may be almost automatic that it becomes a write-off, and you lose perspective as to what their collection efforts really are if you do not compare that to the total of the accounts receivable.

Mr. Maloway: Mr. Chairperson, I appreciate the Provincial Auditor's comments on that point. The minister made a statement—

Mr. Chairperson: Excuse me, Mr. Maloway, were you going on to another topic? I believe Mr. Manness, the minister, had further information along the lines.

Mr. Maloway: It is relevant to this point. I wanted to ask the minister whether the \$2.3 million that was forgiven last year was the total or whether that was just the total of accounts over \$5,000, and if so, if it is not, then what is the total under \$5,000, and do we add those on to the \$2.3 million?

Mr. Manness: No, Mr. Chairperson, it is fully inclusive. It includes both Order-in-Council plus the discretionary write-off that I have available to me.

I might point out, though, to quantify the statement made by Mr. Jackson, that provincial comparisons—and this is a percent of arrears compared to a full year's revenue. Let us put it in a different term, uncollectible amounts written off during the year compared to a full year's revenue. Our percent is .39 of 1 percent, Saskatchewan was .43 of 1 percent, and Ontario was a very low .14. I might point out, Mr. Chairperson, however, that the Ontario number, as a percent taking into account arrears compared to a full year's revenue, is beyond ours at 1.33 percent and is growing. This is basis March 31, 1991.

Mr. Maloway: Mr. Chairperson, I accept what the minister says, and his statistics show that he is not performing all that poorly when compared to other provinces. I might have the same criticism of them too, though, that they are not collecting as efficiently as they might. I guess it is impossible to expect that you can get your receivables down to zero or collect them all, but you are the tax department and you are supposed to have better ways of dealing with it than the average business person out there. The minister loves to talk about private business and how efficient these small business people can be and so on. I am aware of small businesses that have almost no receivables. They advance collect and so on, and they run their businesses very efficiently. I would like to see the government in a position where it could get its receivables down to the point where it did not have to be writing off \$2.3 million. I do not know that that is possible, but perhaps you can work towards that and give us an improved picture on this next year.

Mr. Manness: Mr. Chairperson, I know we could drop that rate—I am talking about \$8 million or \$9 million—down by three-quarters next month, but we would drive out of business a significant number of employees and companies. That is the other side of the heavy-handedness that government has available to it if it so chooses. I mean, you have got to use some common sense in these areas. We tend to and I think it is proven.

Mr. Maloway: Mr. Chairperson, I would like to ask the Provincial Auditor to expound on some comments he made earlier in a question that was asked concerning the Department of Labour. He had indicated to us that in that particular department there were some examples of invoices generated but no work having been done. I wondered if he

could tell us when this happened, how it happened, and who found out about it.

Mr. Chairperson: Excuse me, Mr. Maloway, could you indicate which page in particular you are referring to?

Mr. Maloway: The question came out of Section E, Department of Labour, in the minister's response to the report. Mr. Jackson has already responded to the questioner and provided an answer. I am just looking for more information regarding that.

Mr. Jackson: Mr. Chairperson, that is found on page 85 of our report. What we were as concerned about as anything was having an efficient system so that once the work was done it was invoiced and you were dealing with real receivables throughout. We thought that the process of issuing invoices and then having to keep track of them as to whether the work was done at a subsequent date added an extra manual effort that worked against efficiency. When this was brought to the department's attention, they took our comments seriously. The comments of officials on page 85 is that officials stated that they are continuing the process of developing a revenue management system. The system is anticipated to be operational late in the current fiscal year. The new system will address all of the Auditor's concerns regarding accounts receivable.

Mr. Maloway: Mr. Chairperson, I was interested in knowing what kind of services or what sort of examples of work that they were in fact issuing invoices for before the work was done.

Mr. Jackson: Mr. Chairperson, that work related to the inspection services provided re: pressure vessels, boiler inspections and elevator permits.

Mr. Chairperson: Any further questions? Okay, shall the Report of the Provincial Auditor for March 31, 1991, be passed?

Some Honourable Members: Pass.

Mr. Chairperson: Is that agreed?

Some Honourable Members: Agreed.

Mr. Chairperson: The report is accordingly passed.

I shall now proceed to item 3 on the agenda which is with reference to Provincial Auditor. We would like to invite the Provincial Auditor to make some remarks regarding this item.

* (1510)

Mr. Jackson: Mr. Chairperson, what we are intending to do is to involve certain members of the

Legislative Assembly once again in providing some input to our office as to the contents of our reports. We are interested in developing the type of report that provides the members of the Legislative Assembly with the type of information that best satisfies their needs.

About three years ago, we contacted certain members of the Legislature through their Leaders and got some useful comments as to the type of information that they best found suited their needs. Over time we thought it was appropriate to get back in touch with certain of the members to see if the report was meeting their needs, what type its content best met their needs, which types of graphs on which subjects they found useful, where they thought that there was some redundancy, if any, and generally, how they thought the report might be modified to suit their needs.

One of the things that has happened over time is that right across the country there has been an appreciation to try and present a more balanced type of report, so that if the audit effort was expanded in an area that was considered to have some risk, if the audit disclosed that the operations were being well and efficiently managed, that comment should be included in our report as well as the situation where deficiencies only were noted. By doing that there tended to be a better balance, at least less negativism to the report. That is the type of thing that we are interested in relating to members from all parties to get their perspective as to how our report may better meet their needs.

Mr. Lamoureux: Mr. Chairperson, I find that it is actually a good initiative to do that. What I will take the liberty of doing is bringing it back to our caucus, and possibly other parties that might want to consider doing that. In going through it, I know myself, personally, reading in terms of the per capita debt here in the report, the thing that I find that is missing is how does that relate with some of the

other provinces and things of that nature that might better be able to facilitate MLAs from asking questions because we do not have the background information nor the expertise and knowledge to be able to ask maybe the questions that we should be asking. By having comparisons of sorts, we are better able to ask what would be classified as hopefully is more intelligent questions. I will definitely bring it back to the caucus and get some type of correspondence to the Provincial Auditor, and it is good to see that type of initiative taken.

Mr. Chairperson: Is there any further discussion on this item? As I understand it, the Provincial Auditor has indicated a willingness to look at ways and means of improving the presentation and is seeking comments and advice. I presume it cannot, of course, be done very quickly, but over the course of the next few months, as Mr. Lamoureux has indicated, the Liberal caucus will be prepared to look at this and offer suggestions. Perhaps the Provincial Auditor's office may be wishing to contact individual MLAs in addition, many of whom may not be members of the committee but may be concerned with the way the Auditor's report is prepared. We will take that as information assuming we will carry on from that point.

The next item on the agenda, item 4, regards Volumes 1 and 2 of the 1991 Public Accounts. Any questions on these reports? Once again, any questions on these reports?

Some Honourable Members: Pass.

Mr. Chairperson: Volume 1 of March 31, 1991, Public Accounts—pass. Volume 2 of March 3, 1991, Public Accounts—pass.

This concludes our agenda for this meeting. Hearing no further comment and it is now 3:15, we shall now adjourn until we meet again. Thank you.

COMMITTEE ROSE AT: 3:15 p.m.