



Second Session — Thirty-Second Legislature
of the
Legislative Assembly of Manitoba

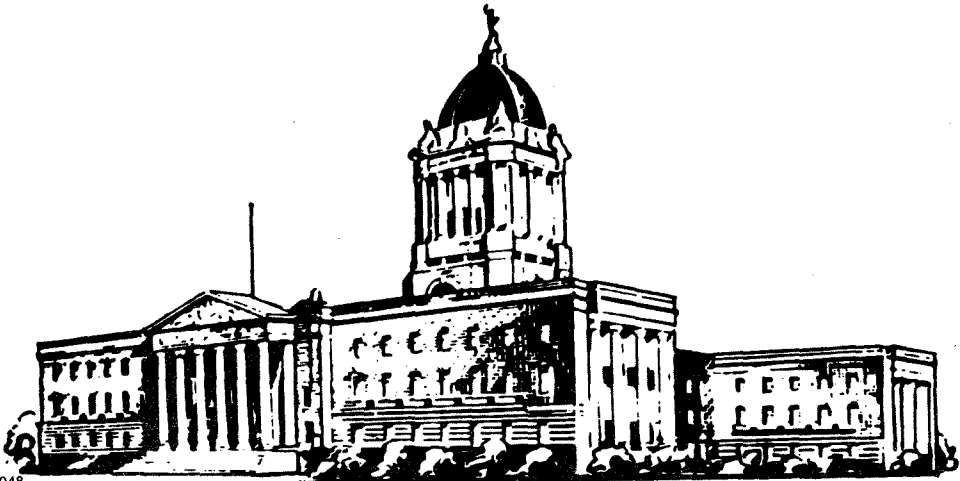
STANDING COMMITTEE

on

PUBLIC ACCOUNTS

31-32 Elizabeth II

Chairman
Mr. David Blake
Constituency of Minnedosa



MG-8048

VOL. XXXI No. 1 - 10:00 a.m., TUESDAY, 17 MAY, 1983.

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

| Name | Constituency | Party |
|--------------------------------------|--------------------|-------|
| ADAM, Hon. A.R. (Pete) | Ste. Rose | NDP |
| ANSTETT, Andy | Springfield | NDP |
| ASHTON, Steve | Thompson | NDP |
| BANMAN, Robert (Bob) | La Verendrye | PC |
| BLAKE, David R. (Dave) | Minnedosa | PC |
| BROWN, Arnold | Rhineland | PC |
| BUCKLASCHUK, John M. | Gimli | NDP |
| CARROLL, Q.C., Henry N. | Brandon West | IND |
| CORRIN, Brian | Ellice | NDP |
| COWAN, Hon. Jay | Churchill | NDP |
| DESJARDINS, Hon. Laurent | St. Boniface | NDP |
| DODICK, Doreen | Riel | NDP |
| DOERN, Russell | Elmwood | NDP |
| DOLIN, Mary Beth | Kildonan | NDP |
| DOWNEY, James E. | Arthur | PC |
| DRIEDGER, Albert | Emerson | PC |
| ENNS, Harry | Lakeside | PC |
| EVANS, Hon. Leonard S. | Brandon East | NDP |
| EYLER, Phil | River East | NDP |
| FILMON, Gary | Tuxedo | PC |
| FOX, Peter | Concordia | NDP |
| GOURLAY, D.M. (Doug) | Swan River | PC |
| GRAHAM, Harry | Virten | PC |
| HAMMOND, Gerrie | Kirkfield Park | PC |
| HARAPIAK, Harry M. | The Pas | NDP |
| HARPER, Elijah | Rupertsland | NDP |
| HEMPHILL, Hon. Maureen | Logan | NDP |
| HYDE, Lloyd | Portage la Prairie | PC |
| JOHNSTON, J. Frank | Sturgeon Creek | PC |
| KOSTYRA, Hon. Eugene | Seven Oaks | NDP |
| KOVNATS, Abe | Niakwa | PC |
| LECUYER, Gérard | Radisson | NDP |
| LYON, Q.C., Hon. Sterling | Charleswood | PC |
| MACKLING, Q.C., Hon. Al | St. James | NDP |
| MALINOWSKI, Donald M. | St. Johns | NDP |
| MANNES, Clayton | Morris | PC |
| McKENZIE, J. Wally | Roblin-Russell | PC |
| MERCIER, Q.C., G.W.J. (Gerry) | St. Norbert | PC |
| NORDMAN, Rurik (Ric) | Assiniboia | PC |
| OLESON, Charlotte | Gladstone | PC |
| ORCHARD, Donald | Pembina | PC |
| PAWLEY, Q.C., Hon. Howard R. | Selkirk | NDP |
| PARASIUK, Hon. Wilson | Transcona | NDP |
| PENNER, Q.C., Hon. Roland | Fort Rouge | NDP |
| PHILLIPS, Myrna A. | Wolseley | NDP |
| PLOHMAN, John | Dauphin | NDP |
| RANSOM, A. Brian | Turtle Mountain | PC |
| SANTOS, Conrad | Burrows | NDP |
| SCHROEDER, Hon. Vic | Rossmere | NDP |
| SCOTT, Don | Inkster | NDP |
| SHERMAN, L.R. (Bud) | Fort Garry | PC |
| SMITH, Hon. Muriel | Osborne | NDP |
| STEEN, Warren | River Heights | PC |
| STORIE, Jerry T. | Flin Flon | NDP |
| URUSKI, Hon. Bill | Interlake | NDP |
| USKIW, Hon. Samuel | Lac du Bonnet | NDP |
| WALDING, Hon. D. James | St. Vital | NDP |

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday, 17 May, 1983

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — David Blake (Minnedosa)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Lyon and Schroeder; Hon. Mrs. Smith; Messrs. Anstett, Blake, Eyer, Malinowski, Manness, Ransom and Scott

APPEARING: Mr. W.K. Ziprick, Provincial Auditor
Mr. C. Curtis, Deputy Minister, Department of Finance

MATTERS UNDER DISCUSSION:

Report of the Provincial Auditor for the fiscal year ended March 31, 1982

* * * *

MR. CHAIRMAN: We have a quorum, so we will commence the examination of the Provincial Auditor's Report on the Public Accounts for 1981-82. The Minister has some information he would like to pass out to committee before we get into the Auditor's Report. So, Mr. Minister, if you would like to do that at this time.

HON. V. SCHROEDER: Thank you, Mr. Chairman. There are a couple of proposals I have for the committee. I would suggest that I pass them out now and maybe we can deal with them at the end of the hearing; one dealing with some changes to the Expenditure Object Codes, and the other dealing with Public Accounts Reporting Levels.

MR. CHAIRMAN: While the Clerk is distributing these to members of the committee, we will consider the report of the Provincial Auditor. Firstly, what is the wish of the committee? Do you wish to take the report in its entirety and question the Minister and the Auditor and then adopt the report in full when we've finished our line of questioning, or do you want to go through it page-by-page?

Mr. Ransom.

MR. B. RANSOM: I think, Mr. Chairman, as you've outlined, the terms of general questioning and there will no doubt be reference to individual pages, and then when we've completed the discussion we will just pass the report.

MR. CHAIRMAN: Do we have agreement in committee for a method of going over the Provincial Auditor's Report? Agreed? (Agreed)

All right, the Provincial Auditor's Report is open for discussion. Mr. Minister, do you want to start it off or do you want to wait for the questions?

HON. V. SCHROEDER: I'll wait for the questions, Mr. Chairman.

MR. B. RANSOM: First thing then, Mr. Chairman, I think would be to ask the Minister if he might, another year, be considering a meeting about six months earlier than this. The Auditor's Report is due before the end of December and was available substantially before that. The Public Accounts documents were available substantially before that. It is my belief that there would not have been anything preventing the committee from meeting in December, for instance, while the House was in the first part of the Session in December, that we could have then been meeting to discuss the Public Accounts and examine them because here we are today, almost 14 months after the close of fiscal '81-82, and we're looking at the Auditor's Report. Obviously, there is no opportunity for any change in '82-83 to flow from any recommendation that the Auditor might make in his 1982 report.

Perhaps the Minister would give us an undertaking, if not a commitment, that he would call the meeting earlier, because it has been done before. I know that it has met intersessionally before, and perhaps even in the December before, during the period of our government.

HON. V. SCHROEDER: Mr. Chairman, obviously it would be nice to have this meeting a little closer to the year end. If the member is suggesting that we meet during that time of year when we have the Throne Speech Debate going on, I would have to take that under advisement. I can't see initially any objections to doing that. If we come back this coming December for an opening again as we did last year, then that might be a very worthwhile use of our time during the mornings while the Throne Speech Debate is going on.

MR. B. RANSOM: It would depend upon the Session being in at the time that the documents are available. Surely a month after the documents becoming available is enough time for study and review, we could then meet and have some discussion while it's still relatively new information that we are talking about.

So I would just like a little stronger commitment from the Minister if we could as to meeting then, because we now are in a situation not only where we're almost 14 months removed from the end of the year, but we also have a great backlog of committee meetings at the moment. We've got Telephones hanging fire in Public Utilities; we've got Hydro hanging fire in Public Utilities, and we've got more work backed up than we know what to do with at this stage of the game.

HON. V. SCHROEDER: Well, Mr. Chairman, I wouldn't be prepared to give an undertaking with respect to an

intersessional committee. I would be prepared to look at going considerably earlier in a Session.

MR. CHAIRMAN: Any questions?

Mr. Anstett.

MR. A. ANSTETT: Mr. Chairman, to the same question, I realize the Minister can't make a commitment, but I would certainly like to advise the Member for Turtle Mountain and the Minister that I share Mr. Ransom's concerns.

I think the precedent was established during the previous administration but prior to that, the experience generally was that when the House wasn't in Session, committees didn't meet unless they had special intersessional assignments. The reason for that at that time was that most members were not around intersessionally on a regular basis, and there wasn't a recognition that an MLA's responsibilities were, for all intents and purposes, full-time.

I think there is now, on behalf of most members in the House, the opportunity for having regular Standing Committee obligations such as consideration of these reports and reports that are considered by Public Utilities, Natural Resources and by the Standing Committee on Economic Development is now there.

I think it's recognized that members are going to be here much more often throughout the year rather than just during the Session. I think the government should give very serious consideration to looking at most of those committees, not just Public Accounts and not just the Provincial Auditor's Report and the Public Accounts, but to all of the various reports being considered intersessionally, so that the load is not placed on members during the actual Session of the Legislature and that most of the committee work during the Session can relate to bills being considered during committee stage.

I think that's an excellent suggestion. I think it's something that, although it wasn't extensively used by the previous government, it was only done the once with regard to Public Accounts. I think it's something the current government should be looking at and I'll certainly encourage them to do it, but with more committees than just this one.

MR. CHAIRMAN: Any discussion on that item? If not, Mr. Ransom.

MR. B. RANSOM: On Page 3 of the Auditor's Report, there is reference made to the special Municipal Loan and General Emergency Fund. It was closed out in the year under review and was treated as revenue, as Mr. Ziprick says, but the amount was not revenue according to the report because money had to be borrowed to fund it in the same way as the deficit.

I wonder if Mr. Ziprick would care to just outline a little more detail of the background of that fund, how a fund such as that would be on the government's books presumably as an asset without any funds provided for it, or maybe it's a liability, I'm not sure just where it shows up. Perhaps he'd have an explanation on that.

MR. W. ZIPRICK: This fund was an extension of the War and Post-War Fund. When the war and Post-War

Fund was created, the province was in a substantial surplus and, of course, being in a surplus position you can create a reserve and set aside money for other uses. Then the reserve got depleted and, basically, there was no money left and when this legislation was changed to be a Special Municipal Loan and Emergency Fund there was really no surplus money. So, in effect, it was just setting aside or creating an authority to make these kinds of expenditures out of this fund. As a result, in effect, it was increasing the deficit and putting it in this authority and, therefore, when it was being closed out, it was highly questionable as to whether this kind of money could be considered as revenue or you could create an awful lot of revenue by increasing one year's deficit and setting it aside for revenue for the next year.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Yes, Mr. Chairman, in the year that it was closed out, as I understand it, it decreased the nominal deficit of the Province of Manitoba by \$25 million, and in the fiscal years 1973-74 and 1974-75, it increased the nominal spending of the province by approximately that amount as well, is that not correct?

MR. W. ZIPRICK: That's right.

HON. V. SCHROEDER: So that what it showed for those years was higher spending by the province or a greater deficit or less of a surplus, whatever it happened to be, for those years and for the last year of the previous administration it showed \$25 million less of a deficit than there would have been had the fund not been closed out, is that correct?

MR. W. ZIPRICK: That's correct.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: How did it show on the books of the province then between 1973-74 and until it was eliminated?

MR. W. ZIPRICK: Prior to 1979, we had quite a number of reserves but when the new accounting system came into effect, the Reserves were basically closed out, while subsequent to 1979, although the Reserve was maintained in a live position to have this authority to spend, at the end of the year it was combined with the deficit and just melded it with the deficit. So in the fiscal year 1981, the total deficit was a certain amount, then you reduced the deficit by the \$25 million to give you a total combined deficit of \$25 million less, which as far as I was concerned was a proper way of showing it because it just reflected back to the previous years when the Expenditure was increased and made this deficit larger. So by a netting position, it reflected the net debt position of the province properly.

MR. B. RANSOM: So, Mr. Ziprick, then you don't object to the way it was handled.

MR. W. ZIPRICK: The way it was handled in '81 I found that to be satisfactory, but in '82 it should have been

closed out. If it was closed out it should have been closed out with the prior year's deficits and reduced the prior years instead of 1982.

MR. B. RANSOM: As I recall, two years ago when the committee met, Mr. Miller asked me, as Minister, what was the intention with respect to this Reserve Fund - and I believe Mr. Curtis answered at that time - that it was the intention to treat it in the manner in which it has since been treated. There was no objection raised, either by the opposition at the time, or no comment made by you, Mr. Ziprick, as to that being an unsatisfactory way of dealing with it.

I take it then that during the existence of that fund that any money expended out of it would similarly have reflected upon the deficit of the government, assuming there was a deficit in that year.

MR. W. ZIPRICK: Prior to 1979, a different accounting system was employed; but commencing with 1979 we went into the net debt accounting system and since 1979 there were no expenditures through this Reserve Fund. All the expenditures for these kind of things were all put through the appropriations in the usual way, so I felt that was the proper way to do it and I felt that closing out the fund was a good approach.

Now I don't recollect the discussion, but I know that during the year this question was raised with me and I said that I felt that treating it as revenue would require an observation on my part because I could not consider it as revenue.

MR. B. RANSOM: Perhaps Mr. Curtis would recollect the discussion that took place two years ago.

MR. CHAIRMAN: Mr. Curtis.

MR. C. CURTIS: I do, Mr. Chairman, and the discussion, I think, follows in the vein that Mr. Ransom has mentioned. We had indicated that this was our intention, following our general policy to eliminate all of the existing trust funds and other reserves and we didn't, as I recall, have any opposition from the opposition at the time. Mr. Miller, I think, was aware of it and didn't seem to have a problem with it and this is what we've gone ahead and completed.

MR. B. RANSOM: I take it from Mr. Ziprick's comment in his report where he says, "What has happened demonstrates how these unfunded reserves serve to undermine the accountability. These kinds of reserves have now been disposed of." That was at the end of his quote then, that he was happy to see it eliminated because they do tend to undermine accountability. Following from that then, was this the last of this type of reserve available and have they now all been eliminated?

MR. W. ZIPRICK: Yes, there's the Highways reserve and that has been eliminated; there's the Queen's Printer reserve, that's been eliminated. So now all the reserves have been eliminated and all the expenditures will be carried out through the appropriations.

MR. B. RANSOM: On Page 5 . . .

MR. CHAIRMAN: Mr. Anstett.

MR. A. ANSTETT: On the same page, Mr. Ransom asked a question earlier and I was interested in the answer and I didn't quite understand Mr. Ziprick's response.

Mr. Ransom was asking, once again, on the first paragraph on Page 3, had money from the \$25 million Special Municipal Loan and General Emergency Fund been spent in the last fiscal year in which it had existed. Mr. Ransom asked, "Would that not have then contributed to the size of the deficit in that year?" And if I understand the nature of the accounting of that fund, it would not have contributed, whether it was spent or not, would not have contributed to the deficit and that would be your concern about accountability, because that would not then show in the deficit. Is that correct, that had all or a portion of that money been spent in fiscal 1981-82, that would not have affected the size of the deficit reported for that year?

MR. W. ZIPRICK: If it had been spent and charged to the reserve, it would not have affected the deficit. This is where there would have been some distortion and I would have commented in the same sort of way, that all the expenditures were not included to establish a proper deficit position.

MR. A. ANSTETT: Mr. Chairman, through you to Mr. Ziprick, would there have been a way of spending those funds without charging them to the reserve? You said, if they were spent and charged to the reserve. How could you spend them and not charge them to the reserve, or how would the government have?

MR. W. ZIPRICK: I think it was basically established that this kind of fund is incompatible with the present system of accounting and, basically, it should have been closed out when the changes were made. Now it was carried on; there was no expenditure put through, charged to this fund. Each year since 1979, at the end of the year it was assembled with the deficit. In other words, a reduction of the deficit and adjustment of prior expenditures, so that the treatment was consistent with that kind of accounting. If there had been an expenditure and a charge to that Reserve, then it would have been inconsistent with the present method of accounting.

MR. A. ANSTETT: Would it have been more consistent - I take it from your comments - you're saying it would have been more consistent had it reduced the deficit in the year in which the accounting system was changed, but that effectively it doesn't reduce the deficit in the year in which it was actually closed out. Am I understanding you correctly?

MR. W. ZIPRICK: When it was set up, basically, there were no surplus monies and so this was just set up on the Statutes as authority to spend without having to go to the Legislature to get an appropriation. Under the prior system, there were a number of these kinds of authorities that were used to spend money which were not included in the appropriations and consisted as part of the deficit. There were these Capital votes

and any number of others. When the accounting was changed in 1979 to the net debt position, then these kinds of unfunded reserves just have no place in this kind of accounting.

So under the present method of accounting, if you are going to have this kind of situation, you could create it through a special levy, for instance. There's nothing wrong, by law, to set up a special levy and put that money aside into a fund to be used for this specific purpose, not only the credit side, but the money would be locked in and would be used for that purpose. But to just create a reserve as an authority to spend, without the raising of the funds and locking them in there, is inconsistent with this method of accounting.

MR. A. ANSTETT: Does it logically follow then, from what you're saying, that since all there was from 1974-75 was an authority, that unless the special levy was actually raised and the dollars, in real terms, rather than just in paper authority set aside, then the closing out of a fund wouldn't affect the size of the government's deficit?

MR. W. ZIPRICK: No, it wouldn't affect the deficit of that year and, in effect, it was already assembled commencing with 1979 as a reduction, so the net debt position shown through that period, from 1979-81, reflected the proper net debt position, because the amount of increase in expenditure in that particular year is offset by this reduction and the net debt position continued to be properly reflected.

MR. A. ANSTETT: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Perhaps then this would be an opportune time, Mr. Chairman, to ask Mr. Ziprick a couple of questions about The Jobs Fund Act, because I have some concerns that Act may be creating a somewhat similar situation in terms of establishing funds of money which might then be spent without the usual type of legislative control. Therefore, it might be acceptable to have some discussion of that and to get, hopefully, some confirmation from Mr. Ziprick that indeed the Act doesn't allow for that type of thing. I would like to know, first of all, that it makes no provision for monies borrowed under The Loan Act to be spent for the general purposes of the Jobs Fund.

Could Mr. Ziprick, if he's had an opportunity to look at the Act, give me that assurance?

MR. W. ZIPRICK: I've taken a look at the Act and there's nothing in there that states that there be a provision for borrowing and charging expenditures outside of the appropriation system. So as long as the present accounting policies are being followed then there's no way that a deferment can be made in the form of an asset on the books of the province in that way. In other words, for instance on Page 62 under the definition of assets it says, "The assets and liabilities reported in the financial statements by the financial claims consisting of assets which are claims by the government on other parties and the liabilities which are claimed by the government on other parties on the

government." So recording something as receivable from subsequent appropriations would be inconsistent with this kind of accounting, so unless there was changes in accounting policy I would say, no, under the present policy it shouldn't happen.

MR. B. RANSOM: Well, I'm specifically thinking about a situation where money is borrowed for the Jobs Fund, as it was in Bill 29 I believe, and was designated as money for the Home Insulation Program, I just would want the assurance that there is nothing in this bill that would allow that \$20 million to be spent for anything other than the Home Insulation Loan Program.

MR. W. ZIPRICK: I repeat that in accordance with the present accounting policies, that's the only way you could do it; and any expenditures that are recoverable from third parties can be set up as a receivable and would not be charged to appropriations.

But any expenditure by the form of a grant or a direct expenditure by the government must be recorded as an expenditure to the appropriations and reflected in the deficit position. So any expenditures that would be deferred as recoverable from the Consolidated Fund in subsequent years would be inconsistent with this accounting policy and would be improperly reflected.

MR. B. RANSOM: The only thing that concerns me about that answer is the reference to policy. Is Mr. Ziprick saying that this could be changed as a matter of government policy or are we saying that it would have to be a legislative change, that policy could not be implemented unless there was a legislative change?

MR. W. ZIPRICK: I would have to study that more specifically. Of course, the accounting policies can be changed, as I understand it, without a legislative change to a degree, but legislative changes are required to basically depart from the net debt concept that's been established because when The Financial Administration Act was amended in 1979 the net debt concept was reflected in the Statutes. So there'd have to be some legislative change to depart from the net debt concept, but specifics I would have to study it in more detail. But as far as the accounting policies themselves, they can be changed without any legislative authority provided they are not in conflict as to what the legislation says.

MR. B. RANSOM: Perhaps the Minister or Mr. Curtis could tell me then, under the Act it says, "Whereunder an Act of the Legislature, authority is granted to transfer monies authorized to be expended for any purpose to an appropriation to be expended for the purposes of this Act." Then it goes on, "The Minister may further transfer these monies to a trust account." Will there be specific Acts to allow for the transfer from one appropriation to the Jobs Fund appropriation? It is my understanding that you can't transfer from one appropriation to another. Now the specifics on this one might be the situation where there is supposedly \$10 million in the Salary allotment that would be transferred to the Jobs Fund. Will that require a specific Act of the Legislature to transfer that?

MR. C. CURTIS: It's provided for within the framework of the legislation. The Jobs Fund itself will be accounted

for in accordance with the present accounting procedures that we have in effect and we don't see any inconsistency at all with the method that we're using and has been approved by this committee.

MR. W. ZIPRICK: The comment that Mr. Ransom made that there is no transfers between appropriations, that's generally correct except that there are provisions on occasion in Statutes to make transfers for administration of funds. For example, The Northern Affairs Act, I think permits transfers to be made to other appropriations for spending and then the expenditures are reflected, so where an appropriation is approved where there is no administrative mechanisms to administer that appropriation there's generally a provision that it can be transferred to a line department for carrying out those obligations for convenience of accounting and then it's accounted for in the other appropriation.

MR. B. RANSOM: Well, how specifically will the \$10 million, contributed to the Jobs Fund by the Manitoba Government Employees Association, be transferred out of the Salary appropriations into the Jobs Fund?

MR. W. ZIPRICK: I'm not aware that there's going to be that kind of a transfer.

MR. C. CURTIS: My understanding is that we will be accounting for that in the trust fund and it has been provided for in Interim Supply, so it is covered in the legislation as far as the specific treatment of the expenditures are concerned.

MR. B. RANSOM: So the Interim Supply Bill is the authorization to transfer from the Salary appropriations into the Jobs Fund, then the money will go into a trust fund. Does that trust fund then presumably lapse at the end of the fiscal year?

MR. C. CURTIS: The intention is that the funds will be spent out of the Jobs Fund and accounted for on a specific basis, so that we will be able to show in some detail how the funds that were provided for through the MGEA Agreement have been spent.

MR. B. RANSOM: Well, that really wasn't the question. My question was will all the funds in the trust account be lapsing at the end of the fiscal year?

MR. C. CURTIS: No, they won't lapse. They will be transferred out and spent in accordance with the manner in which they've been provided for, that is, for job fund creation.

MR. B. RANSOM: What if all the money isn't expended, if there was money still left in the trust account at the end of the fiscal year? Will that money lapse then or will it be carried over and potentially be expended in the next fiscal year?

MR. C. CURTIS: It will carry over and be spent, in all likelihood, in the next following year.

MR. B. RANSOM: I would ask the Minister or Mr. Ziprick if that doesn't then contradict or change the policy

which had been established by the previous government and which I believe the Auditor was in agreement with that funds should be voted by the Legislature and that they lapse at the end of the fiscal year? If all the money isn't expended at the end of the fiscal year, then it lapses, and you have to have a new vote of funds in the Legislature. Unless I misunderstand the answer that's been given by Mr. Curtis, it would seem that this fund is going to, once again, revert back to a situation where funds are being carried over from one year to the next.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Yes, Mr. Chairman, I would point out that the total amount involved here is \$11 million. I believe that there is no chance that this money will not be spent by the end of the year, but I would point out that it was the view of the government that without the agreement there was a legal obligation for us to pay this money out to our employees. If we were to hold the money back on the understanding that we were going to spend it on jobs and then indeed not spend it and lapse it; that we were then in violation of our agreement with the MGEA who had understood that in return for their entering into that agreement that there would be job creation measures by the government to the full extent of what they had given up.

So I recognize the concern of the member, but I can assure him that in all likelihood those funds will be spent in the year '83-84.

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: I haven't studied this area as yet, but if there is a specific agreement with the MGEA and the employees that this reduction is to be treated as a contribution by the employees towards the Jobs Fund, then it would be a third party agreement of a contribution and would in effect be trust funds. Then the expenditure of those trust funds would be just like any other contribution that would be made by anyone else.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Is that the only way that money is going to get into this fund then, only from the salary appropriations? Could it not be possible to have a further Act, it would be included in The Appropriations Act, that transfers will be made from some other appropriation and into this fund, or is it the Minister's intention that it only deal with the MGEA contribution?

HON. V. SCHROEDER: Mr. Chairman, I am not aware of any governmental funds other than this item that won't lapse. Any other funds would lapse at the end of the year, any other Jobs Fund, that is, governmental funds and not Schedule A would lapse.

MR. B. RANSOM: One further question then, Mr. Chairman. The Act also says that where money is received from outside the Consolidated Fund for purposes similar to the purpose of this Act, from what

sources might money be received from outside the Consolidated Fund?

HON. V. SCHROEDER: Mr. Chairman, there are occasionally negotiations going on with outside agencies, with the private sector, dealing with specific job creation efforts that could conceivably result in funds being transferred into the Consolidated Revenue and then being transferred out. It may be that will never happen but just, for instance, we're fairly close to one arrangement where the Jobs Fund would be providing some funds to an operation. There would be some funds provided in general by way of a collection effort in the private sector, and then there will be a further effort by a specific non-profit group to raise other funds. That might or might not result in funds going into the Public Treasury, and if it didn't of course we wouldn't need the provision. If it did, then we would need the provision in order to pay out the funds that would be additional to the Jobs Fund.

MR. B. RANSOM: There is no possibility that this section can be used to receive funds arising through The Loan Act where there might just simply be a line, Jobs Fund, and the funds raised then would go into the fund by this route. That is not a possibility?

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: The present policies and legislation - no, it would be a contravention of the present policies and legislation and then would require other legislation and government policy to change it which is, of course, always possible.

MR. B. RANSOM: Thank you. If we could look at Page 5 of Mr. Ziprick's report, he says that the ratio of assets to liabilities is mainly dependent on the timing of long-term borrowing to refinance short-term bank borrowing. I take it then from the information presented in that statement and above, where there is an increase of \$91.6 million in the increase in the working Capital, that arises as a consequence of the government undertaking long-term borrowing before the end of the year to increase the working Capital.

MR. W. ZIPRICK: Yes, that's what it basically arises from, and this working Capital is contingent on the time of borrowing. Sometimes it is proper or appropriate to go to the market sooner and when that's done, of course, there is more cash available at the end of the year and, because it's in Current form, it will show up over here. Now there are other factors that have some minor influence, but the major influence is the timing or the borrowing.

MR. B. RANSOM: So the government would have considered that it was appropriate then to go to the market long-term before the end of March and get enough money that would, in this case, increase the working Capital by 91.6 million.

MR. W. ZIPRICK: Yes. The determination as to when to go to the market, and Finance could elaborate on it further, but it's on the market situation at the time

and as to whether you go one or two months sooner or later, depends on the advice that they get on the market outlook. So whenever you go, that could have an influence on this particular position.

MR. B. RANSOM: Further down on the same page, Mr. Ziprick says, "The recording of transactions in accordance with the present accounting policies does not reflect a complete working Capital position." He goes on to speak about the handling of accounts payable pertaining to school divisions. Could Mr. Ziprick give the committee some elaboration of this problem, if that's what it is?

MR. W. ZIPRICK: The way the schools are financed is quite different, for instance, from the way the hospital expenditures are financed. The hospital expenditures are brought up-to-date to take in all the expenditures that were basically made by the hospital and that reflect a charge for that particular period, are picked up as payable and reflected as expenditures.

In the schools, the period from 1st of January to March 31st has traditionally been deferred over the years. At one time, the regulations provided that there was a delayed payment and the school financing was much more substantially done by way of bank borrowing. This has been changed, and now the province has moved up, and on April 1st basically, they are up-to-date. They provide the cash and are up-to-date to cover the province's expenditure, as the expenditures flow in the schools. To be up-to-date from January 1st to March 31st you would need, in this case, another \$66 million which is really expenditures of the old year.

I also point out that there is an offset and there is revenue that flows in the early part of the year that's in the hands of the agents, and that also impacts on the cash flow. So this particular revenue comes in at the early part of the year and is used to finance this. A better picture would be reflected if all these various items were taken into account. For instance, the Province of Quebec takes that revenue in and, in my view, it presents a much better picture of working Capital.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Mr. Chairman, I just wanted to make one brief comment on the issue of the increase in working Capital. I would point out that at the end of March of 1981, there was a deficiency in working Capital of over \$71 million. At the end of March of 1982, there was an excess of assets over short-term liabilities of 20.4 million which, in terms of the spending of the province, is not, I would suggest, a large amount.

In terms of this particular issue, obviously if we were to make this kind of a change, the effect for the first year of the change would be a paper increase in the deficit of approximately \$29 million although there would be no change in spending because what in effect we would be doing, is showing 13 months of expenditures and 12 months of revenues.

MR. W. ZIPRICK: The effect would be more than just paper. By sending the money earlier to the school

divisions, you could reduce the amount of their bank financing and there could be possibly some net saving to the province and to the extent that the province could get the money cheaper, but I don't know. The saving would not be consequential.

I think that, basically, being up-to-date as at April 1st certainly brings the position into a much more favourable situation than it was.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Mr. Ziprick says in this report that consideration should be given to changing the accounting policies to more appropriately reflect the year-end financial position. Has the Minister given consideration to that recommendation?

HON. V. SCHROEDER: Mr. Chairman, as I have indicated, it would in the first year show a paper increase in the deficit of \$29 million. That's something that certainly is still under consideration.

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: This would be probably another area where there would be justification to move back to the prior year's deficits and adjust the opening balance rather than apply it to the year in progress. If it was felt that this reflected the position better and provided for a better cash flow to the school divisions, I would urge that this concern of increasing the deficit of that particular year could be avoided by putting the charge through to the preceding year's opening balance. Whatever is the most effective way to carry it out should be proceeded with, without concern for this other item which would be a paper adjustment only.

MR. B. RANSOM: I suppose the difficulty with that, Mr. Chairman, would be that you end up with different sets of published figures then, if you're going back and trying to adjust for previous years.

MR. W. ZIPRICK: Occasionally, if an error is found somewhere, you might have to make some previous year adjustment, and it only happens once on a specific policy decision, so that's been done occasionally. It's not done very often. It is done occasionally. So if it was deemed that the change in policy was desirable, and I agree to reflect an increase in deficit in that particular year which is really just a paper adjustment, it has a lot of negative to it. So this would be another way of doing it.

All I'm suggesting is that it would be possible to do it and, if this approach would assist in the cash flow and more effective administration, I would say that there is always a way to proceed without disturbing the situation unduly.

MR. B. RANSOM: Mr. Chairman, the way the deficits are going lately, it would hardly be noticed there anyway.

On Page 6, there is . . .

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Just before we go to Page 6, let's remember, with all these discussions about about

the funds that have been eliminated, the Emergency Municipal Loans Fund and all the other funds of that nature, all of them served to decrease deficits under the previous administration. The '81-82 deficit - people always refer to it as \$250 million - they don't refer to it as the real deficit of \$275 million. Now that does make a difference. I certainly notice it and if the member was Finance Minister he would remember it every time people talk about a \$250 million deficit when they know that it's, in fact, \$275 million, and if, for next year I'm supposed to start off with an additional \$30 million before I get going, I will remember that, as well, as I'm going through the numbers. So it may not make any difference to people outside of government, that we would start off with a negative of \$30 million, but I can assure him that it would make a great deal of difference to me.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, I'm just trying to find out, on the basis of the Provincial Auditor's recommendations, what the Minister's intentions are and if he's sensitive about it I can understand that. What's happened in the past, of course, indicates the need to avoid getting into circumstances where expenditures and revenues aren't on the top of the table, very clearly set out, because eventually there comes an accounting for it.

On Page 6, Mr. Chairman, there is shown an investment in Tantalum Mining Corporation of Canada Limited, of \$3.3 million. Where could I, or a taxpayer, find out what the return is from Tantalum Mining or, on the other hand, the cost incurred to the taxpayers to have that \$3.3 million investment in Tantalum?

MR. CHAIRMAN: Mr. Ziprick.

MR. W. ZIPRICK: Maybe I'd defer that to Mr. Curtis.

MR. CHAIRMAN: Mr. Curtis.

MR. C. CURTIS: Mr. Chairman, we're a minority shareholder, of course, and as such we don't really control the financial statements of the corporation. I'm sure that we could obtain copies and make them available if that was desired.

MR. B. RANSOM: Well I'm interested in knowing whether there is any place in the province's accounts that would identify a dividend coming from Tantalum Mining Corporation, for example.

MR. W. ZIPRICK: Yes, if there was a dividend received it would show up in the Investment Income, just like interest on any investments and bonds, so we'd have to look in the Investment Income to see whether there was a dividend received. I don't know offhand, but it certainly could be found out and how much, but every time there's a dividend received that would be recorded in the Investment Income.

MR. B. RANSOM: So the dividend would show up; is there any place where the cost of the investment would show up? We've \$3.3 million invested, is there any place

where it's possible to say, there's the cost of having that investment?

MR. W. ZIPRICK: In this vein, we are getting into another area. You're making the assumption here that this \$3.3 million was borrowed by the province and they are required to pay interest on those particular debentures and there's a cost. There's a cost involved in every kind of investment and when there are advances made, of course, to Crown agencies, for example, and there's a provision for interest charged, that is reflected, but if the Crown agency cannot meet those obligations, at some point or other, it's converted to some other instrument other than an interest charge and then, from that point on, there is no particular booking for the cost of that money. Otherwise you could get into a horrendous situation of building up charges that would really be meaningless because the particular agency could not pay.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Mr. Chairman, there's also - I'm not sure how it shows on the books, but I know that for a substantial period of time and indeed maybe today - the company had lent its shareholders significant amounts of money; I believe we had more than \$1 million in our account for several years. I believe that money had come, indeed, when the member was Minister of Finance and that money was lent to the shareholders at no interest. It was \$1.6 million; it shows on 5-9, in the Trust Fund Statements, so there's that kind of offset, in addition to any dividends that may be paid, there's that kind of offset which does at least offset the amount of the principal, the \$3.3 million that we've paid for the shares, although obviously we're paying interest on the money borrowed there, we're also getting interest on the money that we have lent interest-free from the corporation.

MR. B. RANSOM: Mr. Chairman, this is an area that I think that this committee and government should be concerned about because there is a tendency on the part of government to create more and more Crown corporations, and I'm sure that we're all familiar with some of the comments that have been made at the federal scene, the federal level, where no one seems to know how many Crown corporations there are and they seem to be able to operate almost totally without reference to Parliament, and I would be concerned that the same kind of thing might tend to develop, as the years pass, at the provincial level. We presently have now a situation where the government has a bill before this Session of the Legislature dealing with establishment of a Crown corporation to undertake exploration for oil and gas.

My concern will be that the government will put \$20 million worth of equity, to start with, into this corporation, and the corporation will show no cost for that money and there will be no place in the accounts of the province that the taxpayers will be able to determine how much it has cost them to have an investment in - call it ManOil for short - but, on the other hand, there probably will be identified then, somewhere, a dividend that might at some time flow

from this corporation. I can use, as an example, of the sort of thing that I would not like to see develop in Manitoba, is what has happened with SaskOil, because SaskOil, at the end of fiscal 1982, showed Retained Earnings of \$14,677,000 and they paid a dividend. I think somewhere in this report it's rather proudly proclaimed, as a matter of fact, that for the first time in the history of SaskOil they paid the dividend.

Now, what isn't generally appreciated, of course, is that SaskOil has advances of \$125,500,000 interest free, some of which comes from the Government of Saskatchewan, some of which comes from their Heritage Fund, and I know that if one went back, as I did, in looking at their 1981 report and calculated an interest cost on the advances made to SaskOil dating back from the establishment of the corporation through the end of '81, one would find an interest cost of approximately \$37 million while the company was then showing retained earnings of \$22 million. So really up to that point it cost Saskatchewan's taxpayers \$15 million to own SaskOil.

Now, what kind of structure could be used to clearly identify what is happening with a corporation such as this? Is it possible for the government to simply take a dollar in equity in a corporation and then provide debentures as some of the debentures provided to Manfor - I think they're called non-cumulative interest bearing debentures - and what the government does I believe each year is issue a further debenture to cover the interest costs on that debenture if the company hasn't made any money and that way it doesn't restrict the cash flow of the company but the cost is identified.

On the other hand, presumably the government might establish in the Crown Investments Department a portfolio of investments made in Crown corporations and they would identify the interest costs of having equity in them or, hopefully, at some point they would show the profits, the dividends, coming back.

This, to me, is a very real concern, that we should be able to identify very clearly the costs and the benefits of investments that we make. I would like to hear some reaction from the Minister or from Mr. Ziprick, from the Minister as to whether or not he agrees with the general thrust of my argument, and from Mr. Ziprick as to how we might be able to accomplish that.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Yes, Mr. Chairman, there is as much concern on my part as on the part of the honourable member with respect to control of Crown corporations. I think one of the most frustrating things that we found in government in terms of trying to get a handle on what's going on out there is the discovery that - over the last many years, certainly not only our administration but also the previous administration and the administrations before that - Crown corporations have basically been allowed to go entirely on their own.

They had been just simply contacting government to say how much Capital they required for the next year; they would sign their own agreements of various sorts without any kind of central reference and sometimes that has caused us a lot of difficulties. There is all kinds of examples one could use.

In terms of demonstrating some form of return on investment, I think there's nothing wrong with, in some

way, showing interest costs because they are certainly very real costs. In terms of the example that was used, SaskOil, I'm not entirely familiar with the numbers, but it seems to me that one looks not only at the dividends paid and at the costs incurred by the shareholder - and you don't just equate those two but you also look at the market value of what you have as opposed to book value - and it may well be that when you're dealing with smaller oil companies as that company is, in fact, it's most unusual for these smaller oil companies to be paying dividends out for many years. Very often they just keep plowing back their money into their companies and eventually shareholders make their money, not by way of dividends, but indeed by way of Capital gains because the shares in the corporations increase in value.

Now with Crown corporations you don't have the increase showing in some stock exchange but you can determine, I suppose if you want, that after a certain number of years SaskOil has properties that are quite valuable. Just for instance, I believe they purchased some leases in the Waskada area a few years ago and certainly at that time the prices were considerably lower than they are today. Would that increase in property values show on their books? If not, then it certainly would reflect if it was a privately held, widely held corporation, it would reflect in the stock exchange.

So I think that while we should show the costs, we should also recognize that there are benefits other than specifically dividend payments. If there is a way of doing this I think that we should be looking at coming up with some way of allocating interest costs to the various Crown corporations. Just by way of showing the seriousness of our concern that the Crown corporations not be unnumbered and totally unruled.

We have created the Department of Crown Investments which is getting a handle on what is going on out there and I believe that it is being effective. It will take us time to get on to all of the things that happen out there but we are very frequently, even now, surprised by Boards of Directors who make decisions that are possibly against or somewhat against current government policy.

Sometimes we find out just before a decision might be made and we can head it off; sometimes decisions are made on fairly vital issues without us having been consulted at all. We are hoping that gradually our Boards of Directors will learn that they are a part of the whole operation, that although their subsidiary of this operation may be doing very well financially, etc., - and for them it appears that a certain direction makes a lot of sense when it comes to the government as a whole - it may be that we feel we can't afford to go for more Capital authority for whatever project they have; that if we have a choice between two sets of Capital authority we would rather go with another Crown corporation with which they are entirely unfamiliar but which, we believe, will have greater benefits to Manitobans. So we're slowly trying to get a bit of a better handle of what is going on out there.

MR. CHAIRMAN: Mr. Ziprick, do you want to comment on that?

MR. W. ZIPRICK: Yes. I would just add to what the Minister has said. Now here, as far as the number of

corporations - and it's not the same kind of problem that we've had in Ottawa and we knew all along the corporations that there are - for instance, my report at the backup always has a schedule of the corporations that are involved and a review of them.

Now, as far as the allocation of interest costs, there could be an allocation but if, obviously, they cannot meet those interest costs, the question arises, what does it all mean? I was concerned that to make sure if there were any profits realized, there was some way of drawing them down methodically, to ensure the gains that were made were not being used to expand operations in various ways without the government and legislative approval.

By and large, this kind of approach has been used in Manfor; the idea was that there was a substantial write-down of investment. Let's say there is a good example and if we had booked the interest charges, and on a cumulative basis I am sure that it would be getting on to about a half-a-billion dollars of investment, or the borrowing set aside against that entity.

Well, it would just be such a massive figure and really be meaningless. But when it was capitalized to something that at that time was felt could sustain, which is usually a good thing to do because it is a motivating factor for them to operate and be able to come up with a profit, when they know that they can never come up with a profit of any kind or a break-even position at least. It is a negative effect against management and not really that desirable.

So the arrangement was made with the idea that if they manage it effectively on that capitalization basis, they could break even. Well, then if the situation improved, they could realize significant profits which they did in a year or two, that there was a way to take these off methodically and not leave them with a corporation that they could go into various kinds of expansions on their own without Legislature and the government providing funds. So the preferred share, with specific interest or the income debentures are a means that could be used.

Now as far as booking, I guess some kind of a memo system could be used to arrive at these costs, but as far as formal accounting, I don't know just what they accomplished.

MR. B. RANSOM: I have a question for the Minister. How many Crown corporations are there in Manitoba?

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Well, Mr. Chairman, I believe the member can count the schedule as well as I can.

MR. B. RANSOM: Probably better, Mr. Chairman.

Mr. Ziprick has made a couple of interesting comments. He seems to be more concerned about Crown corporations expanding without control and spending profits that they make. I am not sure that's been a significant problem. I think it's been more of a problem that Crown corporations have been spending tax dollars and that it hasn't been clearly identified to the taxpayers that that's what is happening. That's what my first concern would be here.

Mr. Ziprick talks about an horrendous situation, building up charges that a company couldn't pay. If a

company can't pay for the equity that it has in it, then it seems to me that the company is not viable and shouldn't continue. One understands that for a period of time you don't expect them to be returning, to be making a return, but eventually there must be a return on the equity or else people aren't going to make that kind of investment.

So I think it would serve a very useful purpose to have a corporation set up in such a way that they get the funding they require from the government as they set out to try and meet the objectives that the government has established for them. But all that's required is that the government identify the cost, either within the corporation or outside. If it means that the Crown corporation needs another million dollars to pay interest costs, then they'll have to advance them another million dollars, but it will be identified, as some of the cost is with Manfor. That, of course, is not a good example because of all the background to it, but here is a situation where we're starting with a clean slate and everything can be clearly identified.

Now, something the Minister said that also causes me a little concern because it's different from the position that his Leader has taken and that his party has taken certainly during the election in 1981 because ManOil was put forward then as being a corporation that was going to return profits to the people of Manitoba to help finance the services that the government is going to provide. The Minister has just indicated to me that he really doesn't see these sorts of corporations operating that way. He sees them ploughing back their gains into the company, and I can understand that that might well be the case, especially when one looks at the history of SaskOil which I guess has been in operation for close to ten years now and to this point has been nothing but a cost to the taxpayers of Saskatchewan. There may be market value in the assets, as the Minister says, but I am not sure what good that is to the taxpayers unless it can be translated into cash flow.

If the Minister is going to have to go each year and borrow more funds to keep propping them up, at some point I think he's going to begin to want to say, look, all that huge public debt figure that shows up in my Estimates, there is a good portion of that belongs to ManOil, in this case. So I would certainly like to see the government give some very serious consideration to somehow identifying these costs very clearly. Then if the corporation makes money and returns a dividend and there is a net gain to the province, great. But if there isn't, then surely we should know about that as well.

HON. V. SCHROEDER: Well, Mr. Chairman, first of all, I believe that where there is a resource company specifically set up to make a profit, that's an expectation that they should perform on that basis; they should be making a profit over the long haul. I have no difficulty agreeing with the member on that issue. But I don't agree that all Crown corporations in the province should have that necessarily as a primary goal which, if it isn't met, the corporations have to fold.

I remind the member that we have corporations set up specifically to assist - well, partially - individuals who are underemployed, unemployed, require job skills.

We have corporations such as some of the logging companies up north. We have other types of training projects which I suppose we could do within departments rather than doing it in the Crown corporation fashion. But I think we have to look at the Crown corporations, especially those types, in a different fashion from the way in which an individual would look at purchasing a corporation. An individual would say, well, this thing has to, in the long run, return some bucks to me, otherwise I am not going to put anything into it.

In terms of the province, there are other accounting items involved; that is, the company may never return a so-called profit on the investment, but meanwhile the company may very well be building up the human capital of the province, may be providing the individuals who work for it with training and skills that they can utilize elsewhere and become self-sufficient for themselves and their families. That is worth something for the province; I would compare that.

The analogy I would make would be, say, somewhat similar to The Bay deciding on whether or not to keep an unprofitable department. They may say that the department itself isn't making money, but it is bringing people in who purchase elsewhere and, in total, strengthen the operation. If it doesn't in total give them a net benefit, then they should close it down, but it doesn't follow from the fact that one item or one department loses that money that it necessarily would close down.

Neither should a Crown corporation just simply on the basis of losing money be required to close down; you should look at the other factors involved. Is it strengthening our human capital in a way that we can't do in another more profitable fashion? If so, then that certainly is something to be considered.

In terms of companies ploughing back profits, and again we're talking about SaskOil, I disagree with the member when he says that SaskOil has cost the taxpayers of Saskatchewan money. I suppose that's where he and I have maybe a fairly fundamental difference, yes. I would say that where you set up a corporation and borrow the money and when you continue to plough money in without it being anything other than Capital borrowed, which the taxpayer does not have to pay back unless that company can't in the long run do it, then you have not indeed cost the taxpayers money.

In that particular instance, you have a corporation, which, surely, the Government of Saskatchewan has gone out and borrowed I don't know how many millions of dollars but it's many millions of dollars, the only way you can say that it has net, cost the taxpayers money, is if after you add up the loans, the interest and any other expenses, once you have that number, if you can't sell the assets for that amount, then you could argue that there has been a loss to the taxpayer. In fact, you couldn't only argue it; there would be a loss to the taxpayers. But my understanding of the situation with SaskOil is that indeed, if they were to sell all of their assets today, they would be worth an awful lot more than all of the loans ever made by them and all of the interest ever paid and any operating deficits for any specific year.

If you somehow say that is a loss to the taxpayers of Saskatchewan then, quite frankly, I disagree with

you. I think that it is a gain to the taxpayers of Saskatchewan because they have had employment out of this; they have created more exploration out of this; they have had all kinds of tax revenues as a result of this. So the net gain to the taxpayers of Saskatchewan, I think, is simply undeniable.

To suggest somehow that the taxpayers of Saskatchewan have been paying money for this, I believe, is inaccurate, because when you talk to the people who look at your ability to repay money and you show them an asset for a liability they're quite happy. If you don't have the asset, then they are not very impressed with your liability, but if you have a liability of \$100 million, and you can show them that you've got an asset that's worth considerably more than that, that does certainly go a long way toward alleviating their concerns about your debt position.

MR. W. ZIPRICK: I appreciate what Mr. Ransom was saying that the problem is not basically of profits but of losses. I don't know whether recording or building up book figures would add too much discipline to the system. Probably one way that you could add some discipline to the system if it was mandatory that the losses be recovered by a special levy, let's say, over five years, then you wouldn't have this accumulation of debt on a compounding basis, and there would be a recovery of the losses which the taxpayer would recognize as having to provide through a special levy. So some other mechanisms like that could bring more discipline, but I don't see that just creating book figures would bring about any discipline. As a matter of fact, I have a feeling that it would be a negative effect on the overall picture.

HON. V. SCHROEDER: I just wanted to add that if we're going to do this with public corporations we should start doing it with private corporations as well.

Just for instance, I had a broker phone me the other day, telling me about a really good new oil deal. As part of the pitch, and he was quite legitimate, said, you know, 80 percent of the cost of the drilling is actually paid for by the government. You guys are only paying 20 percent if you invest here. I think that when you set up the Capital accounts of that company, maybe they should also show that 80 percent that the public has invested that certainly there is a real tax expenditure there. There are interest costs on that tax expenditure, and maybe if we could show that as well as the expenditures on public corporations I would feel a little more comfortable about what we're doing.

MR. CHAIRMAN: Mrs. Smith.

HON. M. SMITH: Just to build on that last point, some of the invisible supports that are often going into private sector activities don't get listed on their accounts. There are often public infrastructure investments that are required before a company can function. There are what are called tax incentives but, really, looked at from a government point of view, are really tax expenditures. They rarely get listed. Well, they don't get listed as a grant from, or subsidy to, from the public, yet from a total Public Accounts perspective, they really are of that nature.

To get back to what is a legitimate approach for a government to investment, I think there are levels of analysis which are required before investment makes sense from a public perspective. The first level has to be the commercial viability. I think that's what Mr. Ransom or the member opposite was referring to.

There is another level where you look at the impact on the provincial Budget. There are some cases where a commercial viability test does not succeed, but the net impact on the provincial Budget test does.

There is also a third level, and it's one that we look at from our end, and that's the economic impact. Because you could have a case where the first two tests came out negative, but in the development of the economy over time you could find a justification for an investment. I think these analyses can be done in a rigorous way, should be done in a rigorous way, and the level of risk as it were, the rationale for investment, clearly understood by all parties before a decision to go ahead is made.

But I think there is a disciplined approach that can be taken and I think as the Crowns are gradually analyzed and approached in this consistent manner that we are going to have a really good, respectable and disciplined management system for public investment.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Thank you, Mr. Chairman. First of all, I wouldn't want the Minister to leave on the record a misrepresentation of what I had said about SaskOil. I didn't say there was a loss; I said there was a cost, and I'm sure that the Minister will realize that when he goes to raise \$20 million for ManOil, that there is going to be a cost. He's going to have to pay some interest on that and it's going to show up in the Public Accounts; it's going to show up in his department as Debt Servicing Costs, just as there is a cost to taxpayers of Saskatchewan to have interest free advances to SaskOil of \$125,500,000.00. There's a cost to that.

Now there may be assets, as the Minister says, everyone recognizes that, but out there in the private sector, you've got to have some cash flow. If you don't have cash flow from the assets and you go to your banker and tell him, I can't raise any money to pay the interest costs I've got, but I've got a lot of assets, he's going to tell you to get rid of some of your assets then, and get it down to where you can generate some cash flow. Now eventually, who knows, SaskOil may make the taxpayers of Saskatchewan just a real bundle of money over the next decade or two, but at the moment they haven't; they've been a cost to them. It's simply my view that the cost should be identified and that eventually there may be some benefit.

Now what I've been talking about here primarily is the oil and gas corporation that the government proposes to set up. The Minister made some general comments about other Crown corporations as well. I realize that a Crown corporation can have a different purpose for existence and if their purpose is to employ people who are underemployed or difficult to employ, then perhaps that should be identified as the clear purpose of the corporation and you could make a grant to them, if you want, out of Community Services or

Labour and Employment, money to assist in employing underemployed people, then you can at least identify where the money is going, what it's going for and hopefully you've got some assessment of whether it's going to be worthwhile.

Now this term "tax expenditure," of course, keeps creeping in and I guess it's one that's generated largely by - I think it probably originated with the federal bureaucrats and it's one that I may even have used myself at one time - but I think it's in itself a dangerous concept because it makes the assumption that all the money that's out there are potential tax dollars that belong to the government somehow, rather than money that belongs to whoever or whatever generated it, and that the government may find it necessary to tax some of that money away. If we're talking about letting people keep some of their own money, I think it takes a considerable bureaucratic bend of mind to see that as an Expenditure, rather than allowing an individual or a company to keep money that they've earned.

But since the Minister wants to distinguish, as I think we should between corporations that are intended to make a profit and those that may have some general social purpose, is ManOil intended as a profit-making corporation?

MR. CHAIRMAN: Mr. Schroeder.

MR. V. SCHROEDER: Certainly it is, and just on the last point of the member. He refers to my use of the word "tax expenditures" when I say that brokers tell us that 80 percent of drilling costs on new wells in certain areas of Canada, will be paid by the taxpayer. That is a tax expenditure. When Dome digs a well for \$1 million and the Federal Government gives Dome \$800,000 and Dome pays \$200,000 of that well, then they're not keeping their own money; they're being subsidized by the Federal Government. — (Interjection) — Of course they're getting a cheque.

Mr. Chairman, maybe members opposite haven't been following tax laws in the last few years, but the fact of the matter is that it is the taxpayers of Canada that are paying for a lot of those wells that are being dug up North and maybe they should just do a little bit of checking on what's going on out there.

Now when the member talks about no cash flow, I would make several points with respect to ManOil and companies like that. First of all, I think it's regrettable that our system doesn't look at long-term viability as opposed to short-term viability and maybe there should be some changes, because when you look at just short-term management, you wind up sometimes running down corporate assets because managers are just concerned about making a profit this year instead of seeing what is down the road 10 years or 20 years, as they do in some other parts of the world, where they're very successful.

Secondly, when you're looking at capitalizing Crown corporations, it seems to me that it would not be unfair to compare it to the private sector, where for instance, you very frequently have corporations issuing shares in order that they can expand their operations. When they do that, they don't pay interest; that is, Dome may issue \$10 million worth of shares and go and do something as a result of that. When they do that they

don't have any interest costs. They don't show interest costs on their books as a result of that. Indeed, there are a lot of financial experts who are suggesting that the reason Dome is in a lot of difficulty was, that they got rather greedy and instead of issuing more common shares, they decided they didn't want that many shares out there - they wanted to keep them within the people who already had shares - they went and borrowed money and that was what was killing them. They were having to pay interest rather than having shares which would have dividends paid on them when a profit was made.

So I would hope that the member, when he looks at showing or suggesting that all of the costs of Crown corporations be shown as borrowings, pay some attention to that. If he's wanting to compare it to the private sector, then certainly in the private sector a lot of corporations gather their funds, not by way of borrowing, but rather by way of common or other share issuings.

MR. B. RANSOM: Mr. Chairman, I'll just asked the Minister a question then about tax expenditures. If Dome doesn't drill a hole, how much of the tax money does the government get?

HON. V. SCHROEDER: Mr. Chairman, if Dome doesn't dig a hole, then indeed the government doesn't have to pay 80 percent of the hole.

MR. B. RANSOM: So that if the hole that wasn't drilled was \$10 million, the government would be \$8 million better off if they didn't drill it?

HON. V. SCHROEDER: Well, Mr. Chairman, if Dome didn't dig a \$10 million hole, yes indeed, there would be \$8 million that the Federal Government has that it wouldn't have if the hole was dug. I would point out that some of those holes have been dug some years ago and there's an awful lot of interest that the Federal Government has been paying, not on its - I suppose you don't even have to call it a tax expenditure, it's a subsidy - but the words "tax expenditure", my recollection is that the first time they were used in federal documentation was in the Budget of John Crosbie a few years ago, when he was the one who referred to the fact that you don't charge some kind of a tax on your own residence as a tax expenditure. I found that offensive; I thought he was wrong, but he was the one who did that.

It was a Conservative Government who listed all of those various items that they referred to as tax expenditures and since then the Federal Government has continued on with it. This oil subsidy, I'm not sure that - well, maybe you can call it a tax expenditure - it's a giveaway, you can call it that.

MR. B. RANSOM: Mr. Chairman, I didn't call it that, the Minister's colleagues did. The Minister tries to cloud the issue by making a comparison here to something that happens in the private sector earlier by saying, well, if we're going to have to account for costs with Crown corporations, the private sector should have to do the same. That may be, Mr. Chairman, that it would be the case. But we're dealing with something here

that this Legislature has some authority over and presumably this committee has some impact upon, and what we're trying to do is make it plain to the government that it would be advisable and would be in the taxpayers' interest to identify these costs.

The Minister makes the case himself even though he may not recognize it as such, when he talks about Dome not being able to carry the interest costs, that what they should have done is raise equity and then they could have paid dividends on the equity. Well, if you haven't got the money to pay the interest costs you may find it difficult to pay the dividend and therefore you may find it difficult to get somebody who's prepared to put the equity into it. That's the same situation that we have with a Crown corporation. The government is going to put equity into it. They should be just as sensitive as to how they invest their money as any individual person is going to be when they invest their money in equity in a corporation. They're going to be able to tell you a year later or five years later or ten years later, how well that investment of theirs did and surely the taxpayers should ask no less from their government.

HON. V. SCHROEDER: I don't disagree with the last few sentences of the member's statement, but certainly I do disagree with him on Dome because there was plenty of opportunity, if you read up on it. There was plenty of opportunity to sell new share offerings, indeed. There was a new share offering - not of Dome, but of Dome Canada Ltd. - that had been made within a short period of time before they decided rather than going and issuing more common stock to borrow money, and that was a huge success. In fact, I recall it very well. Nobody was expecting dividends within a few years; what they were expecting in a few years was Capital gains, and maybe in five or ten years or some period like that, there might be dividends. But, just like other young and growing oil companies, people investing in it were expecting capital gains as opposed to dividends and they were expecting those capital gains to come within a few years as opposed to the day after they purchased.

MR. B. RANSOM: Mr. Chairman, I'm not too interested in discussing Dome's situation because I don't think it's all that directly related to our committee but some of the points that the — (Interjection) — well, the Minister here is concerned about the expenditures of tax dollars as they relate to Dome. Fine, if he's that concerned about the expenditure of tax dollars as it relates to Dome, then why isn't he equally concerned or more concerned about the expenditure of taxpayers on this oil and gas corporation that the province is going to set up, because that's something the Minister has some control over and he should be able to control the costs and identify the costs that relate to it. He seems to think that the potential capital gain is extremely important. Is it the government's intention to build up asset value in this corporation and then sell it off to recognize capital gain? If someone's going to buy it to let them recognize the capital gain, then the buyer has to recognize that they have some opportunity to get a return on the investment. If he thinks that Dome would have been able to sell their

shares for a big capital gain, it would only be because someone thought they could get a return from putting the money into it.

I come down to the bottom line all the time, Mr. Chairman, that either the corporation generates more wealth than has to go in to sustain it or it doesn't; in the one case, it's going to be a loser for the province and in the other case, it could be a winner. Now, what is wrong with simply establishing the financial control system so that one can identify, on a financial basis, whether it's a winner or whether it's a loser? If the government wants to say at the same time, that it has some other social benefit then you can identify the cost of achieving that social benefit.

So I would hope that the Minister would use his influence, which must be considerable as Minister of Finance, to see that we have that kind of accounting system put in place for a corporation which is going to be established when the Act passes through the Legislature.

MR. CHAIRMAN: Questions on the Auditor's Report? Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, there's a statement on Page 6 of the Auditor's Report: "The principal repayments and/or interest charges for some of the advances are dependent on total or partial funding from future appropriations of the Consolidated Fund." If the auditor would care to explain, expand on that statement.

MR. W. ZIPRICK: The advances made to these corporations, a certain portion of it is subsidized by the province. For instance, Manitoba Agriculture Credit Corporation does not recover the full cost of the interest charge and each year there is a portion recognized that's not recoverable, so that it's not fully self-sustaining. Manitoba Housing and Renewal Corporation - basically, there's a substantial subsidy, so that these advances are subsidized then they're not on a self-sustaining basis. The same way applies to these various other ones and we just include them in there to indicate that they are not fully self-sustaining in the same way as, for instance, Manitoba Hydro picks up all its costs and all the interest charges and just a thing that we were just talking about before, that they carry the full cost.

MR. B. RANSOM: Are these costs then identified someplace? There's obviously a subsidy when one lends the monies out to farmers at costs lower than one gets it on the market?

MR. W. ZIPRICK: Mostly, yes. There are provision in the appropriations to take care of the shortfall. For instance, Manitoba Agricultural Credit Corporation, there is provision; Housing Renewal, there is provision payment; Water Supply, Manitoba Data Service, it's relatively small but it's carried through the rate system, so it's all taken care of.

MR. B. RANSOM: Is there someplace where it's possible to readily identify the amount of subsidy that has gone into housing or agricultural loans?

MR. W. ZIPRICK: You'd have to refer to the Manitoba Agricultural Credit Corporation financial statements and I think that they reflect the . . .

HON. V. SCHROEDER: I believe it is also shown in the spending Estimates that are presented to the Legislature.

MR. B. RANSOM: But would there be a place in Public Accounts, for instance, where that subsidy payment is identified?

MR. W. ZIPRICK: It's included on Page 4-41 in the Public Accounts under Manitoba Agricultural Credit Corporation. That 2.3 million is basically to take care of the shortfall of the recovery on Manitoba Agricultural Credit Corporation operations.

MR. CHAIRMAN: Mr. Schroeder, you have a point?

HON. V. SCHROEDER: Mr. Chairman, just on that point for next year's Estimates - I know that I'm dealing with those - but on Page 13 it shows for MACC, for instance, the administration costs and the net interest costs of running the program. It's netted out there.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Well, if this is the subsidy cost, in effect, then I think that reinforces the point that I have been trying to make with respect to Crown corporations; that here is a case where the government sets out with a specific public-policy purpose and they identify the cost of achieving that public-policy purpose and the public can make a judgment whether or not that's worthwhile.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Thank you, Mr. Chairman. I have a question dealing with the Credit Corporation. I think that's where it would be recorded, Mr. Chairman. Some time ago, the old program known as the Beef Income Assurance Program which had been around for quite some time - there were certain funds that had been not paid back to the province, but attempts were made to proceed to collect them back. Last fall, the Minister of Agriculture indicated that he had, in fact, written off some \$400,000, to the media; then at a subsequent time in questions in the House, had been asked if that had been the current status of the 400,000 and asked when there was a document proving or allowing that to take place, was unable to provide it. However, he then indicated that it hadn't been written off.

I would like to ask the Auditor or the Minister of Finance, Mr. Chairman, how are we going to be able to know, or where is that \$400,000 and what is the recording procedure or the stating of the funds owed to the province by those old beef income assurance contracts?

MR. W. ZIPRICK: Again, I don't recollect the particulars. I would have to check into it to find out just where it stands now, unless the Department of Finance are aware of the situation with that. We'll have to take it as notice and follow it up.

MR. J. DOWNEY: I would appreciate it because I am somewhat confused on it because, when the change of government came or took place, we were in the process of continuing to collect the approximately \$400,000, and then a statement was made that it had been written off and then a contradictory statement was made that it hadn't been written off. I would like to know what authority is necessary to do that, as well as the current status of it and where is it at. Is it still owed to the province, or where does it stand? As you've indicated you could provide that information, I would appreciate it.

MR. W. ZIPRICK: I am aware of it to some degree, but I am not aware sufficiently to comment so we'll take that as notice and we'll provide the particulars at the next meeting.

MR. CHAIRMAN: Thank you, Mr. Ziprick. That will be taken as notice, Mr. Downey, and you'll get your answer at the next meeting.

Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, on Page 9, there is a direct debt figure which I read to be \$2.8526 billion. Then on Page 11 of the Department of Finance Financial Report for 1981-82, there is a figure of 1.344 billion which is indicated - I read at least - as being a figure to show direct government debt. I'm sure in one of these cases, I have got to be misinterpreting it, but it's not evident to me just how I can reconcile those two figures. Perhaps Mr. Ziprick or Mr. Curtis could do that for me.

MR. W. ZIPRICK: I would have to make a comparison and determine just what the difference is, if there is, and we will do it.

MR. B. RANSOM: Mr. Curtis might be able to comment on that since he's, no doubt, more familiar with the finer . . .

MR. C. CURTIS: On these again, I would have to just to check the detail, but I would assume that the direct public debt referred to on Page 9 would include debt in the name of the province that was borrowed for Crown corporations. But we could provide an analysis and a comparison, if you want, on the specific debt.

MR. B. RANSOM: Well, it tends to be a little confusing in looking at the Finance Report where the table or the graph is headed, "Total Direct and Guaranteed Debt Outstanding." The figure is 4.674 billion which I think is consistent with an overall figure that appears in Mr. Ziprick's report. But it is confusing when the direct public debt is shown in the one case as 2.8 billion and the other as 1.3. So perhaps they wouldn't mind having a look at that and see just how it's properly presented.

MR. W. ZIPRICK: I have just taken a look at the schedule. Now that schedule says, "Total Direct and Guaranteed Debt Outstanding." Is that the one you're referring to, that one Page 11? Well then, you have to turn to Page 11 of the Provincial Auditor's Report, and the total direct and guaranteed debt combined is 4.674

billion. So the two are consistent, because you were looking at the schedule of direct debt only. This is a combined direct and guaranteed, and the combined direct and guaranteed is on Page 11 of my report. The two are exactly the same.

MR. B. RANSOM: So it's just that the part of the general government programs, or the part of the total direct and guaranteed debt that's shown as general government programs obviously is not all of the total direct debt. Perhaps, in preparing the Department of Finance Report, it would be a more complete picture to show another figure which would be the general government programs plus the remainder of the total direct government debt.

MR. W. ZIPRICK: In my report on Page 11, also immediately below the total combined direct debt, there is a breakdown of the debt by sources of responsibility. The general purpose is 1.345 billion, and the others that are mainly funded through the Consolidated Fund is 231 million and so on. So there is a split-out.

Now obviously the item that's shown here is just the straight general purpose debt which is the 1.345 billion. Then there are the other varieties of debts by servicing as shown on that schedule.

MR. B. RANSOM: My suggestion is just for the Department of Finance because I think that without making the report any longer or more complicated, they could be a little bit more complete in that particular presentation.

On Page 12, there is reference made to how the province handles its sinking funds. I wonder if Mr. Curtis would just give us a brief explanation of how that is being managed in terms of clearing Manitoba's securities from the market?

MR. C. CURTIS: I am sorry, what page . . .

MR. B. RANSOM: Page 12.

MR. C. CURTIS: To the largest extent possible, we utilize sinking funds to purchase our own securities in the marketplace. By so doing, it stimulates the market for our securities because the holders of debentures that have to sell them or wish to sell them, know there is an existing market and when a new issue comes out in the marketplace, it's much better received, since it's known that we're in the market for bonds if the person has to sell them. To the largest extent possible, we utilize our sinking funds for that purpose, in other words, buying our own bonds and retiring them as they're available.

MR. B. RANSOM: You're buying both the currently issued bonds plus ones that have previously been issued and are on the market?

MR. C. CURTIS: The bulk of our purchases are for the older issues, but there are occasions when someone will have to find a market for recently issued debentures and we will certainly consider purchasing them.

MR. B. RANSOM: Mr. Ziprick makes reference on Page 13, I guess it is, to the Superannuation Fund, that the

province has substantial liability under Superannuation Fund and the Teachers' Retirement Allowances Fund, and speaks about the commitments that this is going to make, this is going to be for the government in years to come. He dealt with this in his report last year as well. In fact, he had a graph from last year's report on Page 12.

I wonder if Mr. Ziprick would make a general comment about how he views this. Just how great a liability is this apt to be for the government now, even taking aside inflation. The graph that appeared last year for instance, included inflation so it's difficult to judge in real terms what the effect of that would be.

MR. W. ZIPRICK: The whole problem about the liability - and a substantial amount of that liability is into perpetuity. If there was a wind up of a government, then you would have to find and set aside that kind of money, well then, to think in terms of that liability would be realistic, but there obviously is no anticipation of that, so the substantial amount of it is into perpetuity.

The question arises, how much money will the taxpayers have to raise to service this fund? Now, at this point in time, while the fund is maturing, there is a degree of subsidy by the future generations to this generation. We try to determine what it would be and to what extent will the charges eventually rise. Working with the actuary, we do not foresee the charge being exorbitant at any point in time. As a matter of fact, it's not likely to if, let's say, the operations are sustained at the same level, it's not likely to go beyond 10 percent. So, in effect, there seems to be a difference of about 3 percent because the contributions now are 7 percent by the employees to sustain their share on an actuarially paid-up basis. They have to pay 7 percent of their earnings. It looks like, at the maximum point, the government would have to contribute 10 percent of the payroll at maturity, so there is a spread of roughly about 3 percent that gets wound in this pay-as-you-go subsidization.

So from our point of view, this is the more realistic way to look at it and see how the demand on the government's cash and of course raising of that money takes effect, rather than looking at the massive liability without being able to convert it as to its demand into the future.

Now I don't know if I've explained it, but if there are any other questions, I would be pleased to elaborate on them.

MR. B. RANSOM: Mr. Ziprick, you say that the fund is maturing. At what point will it become mature?

MR. W. ZIPRICK: Well, I've talked with the actuary and at first we thought when we projected this - what was it, 25 years? - that we would be hitting maturity, but it takes a long time for the stabilizing of a fund, because it's only when the incoming and outgoing are about the same and the pensions level off, that they're would be a stabilization. Of course, the stabilization we're talking about here with a constant dollar, inflation factor is built into the fund because when there's an inflation, there is also an inflation in income, so there's an offset.

Now, it's just hard to say, but it's probably going to mature sometime beyond the year 2002; as a matter

of fact, the actuary wouldn't commit himself. He would have to do more projections and the question as to whether there would be worthwhile cost to do actual projections at this time may be questionable, but he doesn't disagree with the proposition that it's not likely to exceed 10 percent.

MR. B. RANSOM: Does the maturity of the fund depend upon the stabilizing the size of government?

MR. W. ZIPRICK: To a degree. But the changes, if there's an increase or a decrease, once it's established, sort of minor increases and decreases do not have very much of an impact. You would have to have a radical change, in other words, a radical reduction in government or a radical increase in government to have a major effect in the percentage rates. So you can say minor fluctuations one way or another are not going to have consequential impact on these figures.

MR. B. RANSOM: What was the figure that you gave, Mr. Ziprick, in terms of the percentage of payroll that the government now puts into the fund?

MR. W. ZIPRICK: It's 1.5 percent. Our percentage was 2 percent of payroll and it was in 1981, and 1.9 in '80 - that's December of 1981 - so that applies because the Superannuation Fund is on a December fiscal year basis. We're using the December cutoff for statistic purposes.

MR. B. RANSOM: So the amount of money that the government is putting in now could be roughly in the area of \$8 million a year, and assuming that you had a payroll of 400 million and 2 percent was going into the fund, but if it was mature, then that could go as high as 10 percent, so that out of the \$400 million cost you could be putting \$40 million into the Superannuation Fund.

MR. W. ZIPRICK: Right now, on Page 12 of my report, the total put in was 5.6 million last year in the Civil Service Superannuation Fund and \$12.9 million Teachers' Fund - that's the amount of cash paid in by the government and that will progressively rise, yes.

MR. B. RANSOM: So the only point here is then the one that you were, I guess, pointing out is that there will be a significant, uncontrolled - if I can use that term - cost here to the government over the next years that's going to build up.

MR. W. ZIPRICK: There will be a substantial rise, going up to as high as 10 percent ultimately, but it's still within manageable terms because, until we've got these figures, there was discussion that it would go to 15 and higher. So at least we've established that it will likely level off around 10 percent, so there is a rise but there's also a comfort that it's going up to a certain point and going to level off.

MR. B. RANSOM: Have you looked at what would happen then when it's mature, if there was a substantial reduction in the size of government at that time? I believe you made a reference earlier that it would take

quite a change in the size of the Civil Service to materially affect the size of the contributions. What would happen if that maturity that the Civil Service was reduced by a quarter, would that be sufficient to then cause this figure to rise from 10 percent up to 15 or higher?

MR. W. ZIPRICK: I haven't done any calculation, but just off the top of my head I would say that when you get it kept to a quarter reduction, it would start showing a significant - it increases the ratio of payroll because your pensionable people would be the same and you would still be rolling out the people that have been working for the long time, so that would still be increasing and if you had such a substantial reduction in payroll, the percentage obviously would go up quite significantly.

MR. B. RANSOM: The cost of the contribution as identified in your report here, is it identified in the Estimates of government or does that simply come out of the Salary and Wage Costs?

MR. W. ZIPRICK: No, this is not part of Salaries; it's a separate item. I think it's under the Civil Service Commission appropriations.

MR. B. RANSOM: On Page 15, Mr. Ziprick, you say that recent borrowings for Utilities resulted in increased funds on hand for short-term investments, of \$43.8 million. How would that come about?

MR. W. ZIPRICK: Well, there again, I think it was for Hydro, that they went to the market just before the year end, so Hydro would have substantial extra cash for a short term and they've turned it over to the Department of Finance for investment, and as result, that part would go up.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER: Yes, Mr. Chairman, just on that item, I should point out that there was a refunding of an issue just before the end of the year, an issue that was coming due, so there was a short-term period of time when there was surplus cash.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: On Page 17, a reference to Special Warrants, where this matter had been discussed in the Public Accounts Committee and the Department of Finance had undertaken to review it, Mr. Ziprick, you say there there have been no changes yet in the kind of information being provided in the Special Warrants. I would ask the Minister then - or Mr. Ziprick - if something is under way now pertaining to the discussions that the committee has had earlier.

MR. W. ZIPRICK: I'm not sure exactly where it stands with the Department of Finance. I, myself, have given it additional review and substantial thought as to additional information being provided in the Orders-in-Council as to what extent they're offset, and that is something that can be considered. But with regard to

the concern as to the distortion on the bottom line, I'm coming to more and more conclusion that really there is no distortion; that statistically we've gone back and checked and reviewed, and basically, the Special Warrants offset the abatements in other areas and so normally the amount of expenditures that's stated in the budget and establishes the bottom line as held, with exception of an odd year where there something untoward had happened, such as a flood, or this past year an opening up of the contract with the doctors and you incur a significant expenditure, so that these kind of things are unforeseen and you really cannot provide for.

So I'm concluding that the sort of assessment or the conclusion that's made when the Budget is presented, or has been made on a number of occasions, that the bottom line is not very reliable because the Special Warrants haven't been taken into account. The other item I deal with, the payroll, increases do not reflect the total. I'm not sure that there's too much validity to it. It's the same way with the payroll; there's an amount put in that's generally less than the adjustment and because there's negotiation going on, it's understandable that you don't want to disclose your hand, but when we take a look at it and the amount of provision in the Salaries, plus the Salary Adjustment item, there generally is enough to take care of the Salaries for the year.

So, it's more in the perception that when the bottom line is disclosed in the Budget, it's not reliable, because it didn't take in Warrants or the Salary amount that's in there does not reflect the total Salary Increase. I think some of that perception might be corrected if that item for Salary Adjustments, which everybody knows is just a sort of nominal amount, if there was a title given to it that would reflect some of this adjustment and it was held, that the bottom line as presented in the Budget is the best-known bottom line, I think that then the problem would be basically taken care of. Finance may be able to add something to that, but that's the conclusion that I am coming to.

MR. CHAIRMAN: Mr. Curtis doesn't have anything to add. Mr. Ransom.

Mr. Ransom.

MR. B. RANSOM: Do you feel, Mr. Ziprick, that there should be more information provided then with the individual Special Warrants? You made reference to the Orders-in-Council.

MR. W. ZIPRICK: The Special Warrants, now, I see some difficulty again and sort of in almost a legal document, to come and spell out exactly what you're offsetting because that brings in rigidity into the operations and can create some difficulty.

I think probably when these Special Warrants are released, if there was some indication that they do not create an increase in expenditure, not in the warrant itself, but in the release there is a comment it would be helpful. Immediately when the quarter ends and this Special Warrant has been passed, that kind of reckoning has to be taken care of because at the end of that quarter there is an updating of the bottom-line position and any kind of change that would arise through Special

Warrant would have to be reflected. So it would be just a moving up of some information that really shows up in the quarter at the time the Warrant is released.

But after giving it some further thought, to build in specifics into the Warrant which would lock it into rigidity, may present some operating flexibility that's necessary and yet does not diminish the kind of control it is. So, these are kind of observations that I've noted since I've been watching this and although more information is necessary I would say it should be not of the legalistic kind.

MR. B. RANSOM: We're in the discussion of the Minister's Estimates, I might ask the Minister how well his repriorization program had done; how much money had been saved by it; how many jobs had been created by it and the Minister indicated that it really wasn't possible to give an accurate indication of how much money had been saved, that there had been limitations on the numbers of jobs that could be created because it wasn't possible to use the funds in other areas and hence that was one reason for the Jobs Fund.

It was always my understanding that the government could, if there was a saving in the Executive Council for instance as a consequence of the Premier driving a smaller car, that the Treasury Board could have encumbered a certain amount of funds in Executive Council and passed a Special Warrant to put extra money into labour, for example, and the Minister of Finance would have been confident that he was saving the money on the one hand and effectively diverting it into another area. Is that a correct understanding then of how the Special Warrants and the mechanisms for encumbering funds can be used?

MR. W. ZIPRICK: Well, in a legal specific term that's not what they have been used but they certainly are being used internally on that basis. In other words, when an application is made for Special Warrant authority in many instances Treasury Board will say that we'll pass the Special Warrant but your appropriation is being abated by so and so much, a note is made by the Department of Finance in the records and in that instance there will be no spending over that amount unless, of course, Treasury Board changes its position. Then Treasury Board could change its position without, of course, any further legal documentation. But internally, that's the discipline that's used to ensure that any abatements that are agreed to are actually lived up to.

MR. B. RANSOM: On Page - anywhere from 19 to 21 I guess, the Auditor talks about the various documents which the Department of Finance prepares.

One of the things that has been the subject of considerable debate in the Legislature and in this committee in the past has been the question of what is shown in the spending Estimates that are tabled in the Legislature. I believe it's your position, Mr. Ziprick, that those first spending Estimates should be the best estimate of the government's intentions to spend during that coming year.

Now there have been various ways of presenting what the next year's increase in spending is expected to be and, I think, the most commonly used one has been

the practice of adding in the Supplementary Supply and then the original set of spending plus the Supplementary appear on the left-hand column of the next year's spending Estimates. This year, of course, because the Minister tabled his budget and his spending Estimates at the same time, I think will provide a sounder base for comparison over the long run. But my position would be that it would be the most accurate presentation and the most accurate comparison then, if indeed that first set of spending Estimates is the best estimate the government could make, then the best comparison to that would be the initial spending Estimates of the next year which would be the best estimate again of what the government's expenditures would be.

Would you care to comment on that, Mr. Ziprick, or to recommend some other comparison that you think would be the most meaningful in terms of providing a comparison?

MR. W. ZIPRICK: As far as I can see this all a matter of information. Now, the original spending Estimates that have been arrived at being the best position at that particular time and comparing the current best position at this particular time, it does make a comparison of two situations taken at a time, but if through the previous Estimates, in the intervening operational period, it's become clear that certain unforeseen things such as floods, or other kinds of things, have caused substantial increase in expenditures, then the Current expenditures if they are realized will be only so much lower or higher in actual terms between these. So if you are thinking in terms of comparing actual to ultimately actual that's the ones; on the other hand if you want to compare how it was foreseen at that particular time and sort of say well, whatever transpired since that time was unusual things, they can happen again in the next year, it's just a matter of information in how it's perceived and I guess both comparisons would be useful.

HON. V. SCHROEDER: Mr. Chairman, I've thought about this as well and it seems to me there is another option that might provide information. Maybe sometime you can provide all of it.

I would recognize a difference, say, between a flood happening after original Estimates and 50 positions being approved after the original Estimates that we know are going to be part of the base for the next year. If you've decided on a new program after the Estimates then surely it doesn't make sense to pretend that that new program doesn't exist for comparison purposes for the previous year.

On the other hand, if it's a flood and it's beyond what you ordinarily budget for floods, then there might

be grounds for saying that you could show that in a different way, so it might be advisable to show all of the numbers - the original one which is easy enough to find and there's no difficulty finding that - the final that you ended up with and, thirdly, maybe a number that shows what you have added to government programming from the time you originally started with your Estimates to the time that you finished, because that is what the next year's Budget is going to be or the next year's Spending Estimates are going to be building upon.

MR. B. RANSOM: Well, I'd like to see some kind of consistent practice followed, whatever the case may be. I have my own views on what's most meaningful. I still say that if the government is genuinely estimating to the best extent possible the expected expenditures for one year, then that's a valid comparison to make for the next year. It used to be, I believe, that we consistently compared the first spending Estimates tabled in the House with the previous year's preliminary, plus the Supplementary Supply.

Last year, when the Minister presented his Estimates, he used a comparison of the spending as shown in the Estimates tabled in the House compared to the projection for the year end, and came up with an expenditure of 14.4 percent. Of course, that's what a lot of the public are interested in - well, let's say the public, there are various sectors in the public interested in knowing how much the government's spending is going to be up. By that comparison, it shows 14.4. Of course, it ended up closer to 18, but it would seem to me that was not a really meaningful kind of presentation unless one is going to, I suppose, pursue that same presentation year after year.

MR. W. ZIPRICK: I see this presentation and it can't always be without some elaboration. In some instances, if for some reason or other a new program is introduced towards the end of the year, you just might have a partial cost for that program. Well, I think it's legitimate to include that cost and then in the next year, you'll have the full impact of that program for the full year. To show a picture, I think these kinds of things have to be taken into consideration or otherwise, you can't really convey the situation as it really is.

So I think that there have to be some exceptions that are meaningful and have to be displayed.

MR. CHAIRMAN: The hour is 12:30. Committee will rise. Our next committee meeting of the Public Accounts is scheduled for Thursday, June 2nd, at 10:00 a.m.

Committee rise.