

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday, 26 January, 1988

TIME — 2:00 p.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. D. Blake (Minnedosa)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Cowan, Doer, Kostyra

Messrs. Baker, Blake, Mrs. Hammond,
Messrs. Manness, Maloway, Mrs. Oleson, Messrs.
Scott, Smith (Ellice)

APPEARING: Mr. Fred H. Jackson, Provincial Auditor

Mr. John Singleton, Assistant Provincial Auditor

Mr. Charles E. Curtis, Deputy Minister, Department of Finance.

MATTERS UNDER DISCUSSION:

Report of the Provincial Auditor to the Legislative Assembly for the fiscal year ended March 31, 1987.

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MR. CHAIRMAN: Gentlemen, I have completely finished 28.

Page 29 - Mr. Manness.

MR. C. MANNESS: Mr. Chairman, just a final point on this Employee Pension Benefit paragraph, can the Minister again repeat the timetable in place to present to the public the government report with respect to liabilities associated with pension costs in terms of some year in the future?

MR. CHAIRMAN: Mr. Kostyra.

HON. E. KOSTYRA: I can only repeat what I said this morning, that I took it as notice. It's being done through the commission, and I haven't got that back in terms of what the time lengths for that are. I should be able to report that on Thursday.

MR. CHAIRMAN: Page 29—pass.

Page 30 - Mr. Manness.

MR. C. MANNESS: Mr. Chairman, we'll leave or cross out this first part of this page again dealing with pensions and move down to the next item talking about hospitals and personal care beds. Again the Auditor makes the point that the net capital debt of hospitals and personal care homes is \$362.1 million as of the March 31, 1987 date. Again I ask the same question

to the Provincial Auditor, Mr. Jackson, as to whether or not there is a depreciation associated with these assets and whether or not they are being reflected somewhere within the accounts or the statements.

MR. CHAIRMAN: Mr. Jackson.

MR. F. JACKSON: Mr. Chairman, the basis of funding from the province to the Manitoba Health Services Commission and thence to the hospitals is such that, historically, there has been a recognition of depreciation through the current funding, i.e., hospitals have been allowed an element in the funding for the current year to cover the depreciation.

MR. CHAIRMAN: Page 30—pass.

Page 31 - Mr. Manness.

MR. C. MANNESS: Mr. Chairman, Future Services, this is an Appropriation Act item that comes forward and, from time to time, makes some of us unsure as to its meaning. Certainly, the Auditor here has clarified some aspect of that.

Is the Auditor here basically saying that the future value of leases that we've entered into, particularly under Manitoba Properties Incorporated, now has a value of \$333.4 million?

MR. F. JACKSON: Mr. Chairman, what this really means is that, in addition to the appropriations that are approved by the Legislative Assembly on an annual basis, there is this other section of legislation that enables the government to enter into contracts extending beyond the current fiscal year. What this really means is, for such projects as highway projects or MPI, contracts and commitments have been entered into to the extent of \$333.4 million. It's still below the \$400 million and the details of that are set out in section 4, page 41, of the Public Accounts.

MR. C. MANNESS: Mr. Chairman, I would ask the Auditor: What is the difference between these long-term commitments and the way they are handled versus long-term debt commitments that we have on the books that come forward to us in the form of statutory debt which we have no opportunity to vary? Could this also have been handled in a statutory debt form?

MR. F. JACKSON: My understanding is that basically these types of commitments that we're seeing here are for the central government to enter into, i.e., line departments, whereas the majority of the capital authority that's voted is often for a Crown agency type of expenditures. But what we are seeing is a legislated limit of \$400 million. I believe that's being varied over time.

MR. C. MANNESS: Mr. Chairman, yes, probably most likely varied upwards.

Moving on to Contingent Liabilities, and the first item under that heading is Manitoba Development Corporation, MDC. The \$53 million as shown, I would ask Mr. Jackson: Is that the total potential liability to the Government of Manitoba?

MR. F. JACKSON: Mr. Chairman, no, I don't believe that's the case. The details of this are found on page 3-22 of the Public Accounts. What this really relates to is certain warrantee work, I believe, and guarantees of performance bonds to one or two insurance companies.

MR. C. MANNESS: Mr. Chairman, I heard the other day - and the Minister of Finance may want to give me the proper detail on this - but in coming into town the other day, I understand that one of our buses built a number of years ago was involved in a major loss-of-life accident in San Francisco. First of all, I don't know if that's fact or not but, if it is fact and there is major litigation associated with this traced back - and this is in the realm of speculation, of course - to a weakness in that particular bus that was produced in this province, do we have liability or is the Province of Manitoba liable to that type of litigation?

MR. F. JACKSON: I'm not positive, but it's my understanding that normally manufacturers of products, if there is a design fault, could be subject to successful litigation. Normally, there would be coverage in place for that type of liability.

MR. C. MANNESS: Mr. Chairman, the company that built the bus is no longer in business, and I believe the Province of Manitoba promised to indemnify situations such as that. I'm led to believe that was part of the contingent liabilities that we assumed once Flyer Bus was sold to new owners. Is the Province of Manitoba potentially subject to any lawsuits associated with that type of accident that has resulted in death?

MR. F. JACKSON: I can't be specific on that because I don't know that there has been any determination as to whether there is a design fault or there is a maintenance problem in that particular incident or even just human failure. I have no knowledge at all. There could be some liability that could flow through to the province, but that would be a legal situation that I couldn't comment on with any degree of certainty.

MR. C. MANNESS: Mr. Chairman, then I'll ask the Minister of Finance: Was indeed this report in the media correct? Was the bus that was involved in a loss-of-life accident in San Francisco one of the buses that was built by "old" Flyer, for the lack of a better word?

HON. E. KOSTYRA: As I understand it, it was a Flyer bus that was built pre-1979 that was operated by Greyhound on behalf of a municipality in the California area. That's about all I know in regard to it. In terms of any detail with respect to liability, we would have to get that answered by the corporation or the Minister responsible for the Manitoba Development Corporation.

MR. C. MANNESS: Mr. Chairman, a question to the Minister: Has he issued a request of some department

of government or indeed of the Minister responsible for MDC as to whether or not the government has a potential liability in this case?

HON. E. KOSTYRA: I've issued no such request, but I know that the Minister responsible is looking at that matter.

MR. C. MANNESS: I see. Is it within the purview of this committee to ask the Minister responsible whether or not he can give further comment at this time as to this situation?

HON. E. KOSTYRA: I'd say no for two reasons: one, that the Minister isn't here; secondly, we're not dealing with a matter that's contained in this report.

MR. C. MANNESS: As a matter of fact, we are dealing with an area - I'm talking about the Manitoba Development Corporation, and I'm talking about performance bonds. I'm talking about the extent of the contingent liabilities. I guess I want to know whether we have enough insurance from bonding companies to cover eventualities such as this, such that there isn't an increased cash demand on the Province of Manitoba. I'd say there is a connection.

MR. CHAIRMAN: The committee has, under citation, the authority to request or invite people to appear before the committee if that's the wish of the committee.

Mr. Cowan.

HON. J. COWAN: Thank you, Mr. Chairperson.

The general practice has been, and I think it has worked well, where there are questions of this sort asked through you, Mr. Chairperson, to the Minister of Finance for report back on the specific information that's required. I think it has served the committee well. It's difficult when one starts to invite or ask people who are not a member of the committee to attend the committee meetings, particularly when we're involved in committees outside of the Session, although not only for that reason.

The practice, I think - and I think the Member for Morris would agree - that for a number of years, notwithstanding what government was in power at the time, has been to ask for detailed sorts of information at the committee. The answer is either brought back by the Minister responsible or by the Auditor, as the case may be, at a subsequent committee. I would see that would be an appropriate process to follow in this instance. Certainly we can review other ways of conducting the business of the committee, but I think we should, wherever possible, try to maintain those ways which have worked well for us.

HON. E. KOSTYRA: Just to add one further point, the corporation in discussion here will be before legislative committee in due course to have its reports considered, where it's not only the Minister responsible is there but obviously the staff of that corporation who can answer any detailed questions, but we could see if we can get the information or an update. But again, to get in any detail, you'd have to have the person responsible in terms of the ministry. You'd have to have the staff from

that corporation, and that corporation does have its annual report discussed by another committee of this Legislature.

MR. C. MANNES: Mr. Chairman, I only asked that Minister be present because I failed to hear where the Minister of Finance indicated he might be prepared to attempt to obtain that information and present it at a future date. If I'm hearing the House Leader indicate, more or less speaking on behalf of the government, that the government is prepared to do that, then I am satisfied.

HON. E. KOSTYRA: I just said we'd get the information, but in terms of any detail . . .

MR. C. MANNES: Yes, now you've said it.

HON. E. KOSTYRA: I listen to my House Leader.

MR. CHAIRMAN: Page 31—pass; page 32—pass.
Page 33 - Mr. Mannes.

MR. C. MANNES: Mr. Chairman, where the issue is revenue and expenditures and the first item is Accounting Policies, I guess the only question I have within this area is again somewhat similar to the one I asked previously of Mr. Jackson.

It had to do with his statement that, although he feels the government is significantly improving its accounting policy, "for recognition of Crown entity losses," and I'm quoting, that he still feels the government, in error - I'm no longer quoting, I'm paraphrasing here - failed to make an adjustment of \$185 million of government's financial statement. To me, that statement to Mr. Jackson seemed somewhat contradictory. How can a government improve in one area and yet fail to take into account some of the major areas when you've drawn attention to them, not only this year, but years previously? I'm thinking particularly about the evaluation allowances.

MR. F. JACKSON: Mr. Chairman, what you're seeing is almost a moving target and a recognition that there's change taking place right across the country as to expectations of accountability for both the corporate sector and the government sector. What we're doing is giving recognition here for the movement towards a fuller accrual basis of accounting which doesn't necessitate the actual expenditure of cash to be incurred before there's a recognition that expenses have been incurred. So what it does, in our view, the full accrual concept offers a better basis of accountability for government than what has been the case in the past.

We're trying to give some recognition of that fuller accounting. For example, we discussed earlier the \$35 million that's being recognized as a movement towards a fuller accrual accounting for the education system. Likewise, the amortization of the foreign currency losses is a movement towards the fuller accrual concept.

However, in this same report, we're also recognizing that other issues need to be addressed such as the pension issue and such as the appropriate accounting for fixed assets of the government. We recognize that

since the late Seventies there have been significant steps taken to improve overall government accounting, but we also recognize that there are still significant steps to be taken before we would feel fully comfortable with the accountability that's in place.

MR. C. MANNES: Mr. Chairman, the Auditor in his summary of concerns and in much greater detail on pages 34 and 35, I guess, used the word "fragmentation" as his concern to sort of capture, in essence, what he just said now. The Minister of Finance and his department have seen fit to respond to that, and I thank the Minister for providing me with a copy of the department's response to the Auditor's main concerns. But I don't see, Mr. Chairman, where the government is prepared - first of all in a major significant way - to take into account some of the Auditor's concerns.

Now I know that, beginning in '88-89, there will be a truer reflection of some of the Crown corporation losses, but yet in reading the Minister's response - and I do so on page 1 - it seems to me that particularly in the (b) portion of it that the Minister has not responded to the criticism.

I ask the Minister whether he feels that once the government includes Crown corporation losses in the manner in which it says it will, with the '88-89 expenditure Estimates, that it's gone as far as it needs to in the recognition of what Mr. Jackson called "fragmentation."

HON. E. KOSTYRA: A simple answer is I don't know because, as my response indicated, we are looking at the area that the Auditor suggests we look at specifically and generally; specifically with respect to MPI, generally with respect to the way capital expenditures are being treated on the books of the province, because if the member will read through the other comments of the Provincial Auditor, he indicated that there was a need to look at the impact or the way of treating these kind of expenditures, particularly in the capital area, that may have benefits for future generations even though they're all charged at present. I guess, in some ways, it's a converse of the issue we're dealing with in respect to pensions. So it's our intention to work through those kinds of issues and look at an appropriate specific response some time in the future.

The member said I didn't respond; yes, I did respond. I didn't respond definitively and say that we will or will not do that, but we certainly intend to work through those issues over the next while and also look at what's happening at a national level, because that again is another issue that's being dealt with by other governments in Canada and is being dealt with at a national level through the Public Service Committee of the Canadian Institute of Chartered Accountants.

MR. C. MANNES: Mr. Chairman, the Minister is on record a year ago in the same committee, also in the Budget, saying that he would put into place by this fiscal year-end a definitive policy. When I say definitive policy, I'm talking about the inclusion of Crown corporation losses. Can the Minister tell us when that will be committed to paper and when that will be made public? I do know in general what he is attempting to do, but when will this policy be released on paper?

HON. E. KOSTYRA: It will finally come when we table the spending Estimates for the next fiscal year because that's when it - as I indicated this morning when we were looking at this issue, that's how the losses will be reflected, will be in the next fiscal year.

If the member is asking for an overall policy and explanation of how that's going to be accomplished, I would say that some of that information is contained in Public Accounts on 1-23 and, further, as it applies to what will take place in the next spending Estimates, I will provide that at some time when we finalize those decisions and into the new legislative Session. I can't give a specific date, but an appropriate time when we're into discussion of those issues.

MR. C. MANNESS: Mr. Chairman, what I'm trying to determine and ascertain from the Minister is whether or not it's just going to end up as a one-number entry or a number of number entries within the appropriations or whether there will be a paper explaining the policy in detail, because again I quote from page 8, Tuesday, June 2, 1987, and I asked the question of the Minister. I said: "One final question to the Minister," and I'm quoting, "when will this policy be made by government? When will it be released and will it be public in its entirety, and Mr. Kostyra replied: "A study from the end to the front of the question, yes, it will be made public. We expect to have it in place prior to finalizing decisions related to next year's expenditures appropriation. When that would be specifically, I can't tell you at this point, but it will be prior to the beginning of the next fiscal year."

Mr. Chairman, that can come down in the Budget, if the Budget is to come before or in the month of February. Again a question to the Minister: Will it be coming in a written form before, as he indicated, the end of the fiscal year?

HON. E. KOSTYRA: Again, part of that written information is in the note to Public Accounts with respect to Crown losses in section 1-23.

I will undertake to provide in keeping with that commitment before we get into the next fiscal year at or around the time of Budget presentation.

MR. C. MANNESS: I thank the Minister for that.

Mr. Chairman, there is another interesting aspect to this whole area and the Auditor has highlighted it on page - what page are we on?

MR. CHAIRMAN: 33.

MR. C. MANNESS: You may want to pass that.

MR. CHAIRMAN: Page 33—pass.

MR. C. MANNESS: Pass.

MR. CHAIRMAN: Page 34 - Mr. Manness.

MR. C. MANNESS: Page 34, the Auditor has highlighted it on the first page and it's to do with taking into account more properly the value of Capital Assets. The Minister indicates in his response - and I'm quoting from B - he says: "The report recommends that the

government initiate a project to enable improvements in the method of accounting for physical assets," and he goes on, "The government intends to initiate the project recommended by the Provincial Auditor."

Mr. Chairman, I would like to ask the Provincial Auditor why he feels it is necessary that we give future value to physical assets in an accounting sense when it's obvious to me that, in a public policy sense, there never will be really enough schools. Certainly there will never be enough in the area of hospital facilities. There'll never be enough bridges to be rebuilt and certainly there'll never be enough highways.

I mean, we have a situation here where, quite frankly, on the capital side I think I can make a strong argument, based on experience more than anything, that we will never ever be to a point where we can back away from directing funds to the capital side.

MR. CHAIRMAN: A little attention, to the committee. It's difficult to hear the speaker.

MR. C. MANNESS: Mr. Chairman, I think I hear members down at the other end of the table who would like to support me in my quest to have Highway 75 twinned. So maybe they would like to speak a little bit more forcefully when they have their opportunity.

Mr. Chairman, back to the point. I guess as I was saying to the Provincial Auditor, I think the case could be made that there are never enough public capital facilities and I can't anticipate at any time down the future when there would be a requirement for fewer of the capital plant of government in support of the needs and the wants and the desires of Manitobans to the extent that a capital purchase should be considered anything other than an expense for that year. I am just wondering how the Provincial Auditor would react to that statement.

MR. F. JACKSON: Mr. Chairman, we don't propose at all that the Capital Expenditures be anything other than an expenditure for the year, because we think that's an appropriate recognition of the type of expenditure that's been made.

However, when one evaluates the performance of a government, there are several approaches that can be taken, one of which is what's the net debt for the year, i.e., excess of actual expenditure over revenue for that year. One of the things that seems to be missing is that, while we're all awfully conscious of what the total liabilities outstanding through debt are on any government at any point in time, there is no recognition or evaluation of - although is all of that expenditure lost salary costs that are gone forever or are there some elements of that which are fixed assets that are going to be beneficial to future years?

But even when you come to grips with that, there are significant physical assets out there that will be used to benefit the population of Manitoba next year and perhaps 10 years from now, and even perhaps 50 years from now. The building that we're in today is a good example, to my mind, of an expenditure that was made an awful long time ago that is still a useful item to be considered, and for matching against the debt that's outstanding.

What we're advocating is a system that could be in place across Canada so you would have not only an

opportunity to evaluating the performance of a particular government through the debt outstanding at a point in time, or the increases to that debt at a particular point in time, but how much of that debt is really represented by physical assets that may be useful to the current generation or perhaps future generations.

But more than that, we feel that there is a necessity to know what state that physical plant is in, not only that we've spent money on these physical assets in times past, but how much money might be expected to be spent over each of the next five years just to keep that physical plant in proper working order; or how much of it might be expected to be incurred to require major capital renovations just so that we can keep driving over a highway that's been built five years ago or ten years ago.

So I think what we're advocating is that the expenditures be continued to be charged off as expenditures in the year, but come in later after that figure and say, but in this year there's a net increase of usable physical plant that should be considered against the outstanding debt, so that when you're really evaluating the figure for existing liabilities over financial assets, these physical assets are taken into consideration along with the financial assets to get a fuller, broader picture of where the province really stands in comparison with other jurisdictions.

MR. C. MANNES: So, Mr. Chairman, the Auditor then isn't saying that in any way will alter the presentation as to the statements as to the revenues versus expenditures. It will in no way, obviously, alter the indebtedness, because a dollar borrowed to go into physical plant or a dollar borrowed to go into wages which are consumed in one year still has a responsibility against it in terms of servicing that debt. But the difference in the benefit would be in comparing one province or one jurisdiction versus another. Is that right?

MR. F. JACKSON: Yes, Mr. Chairman, that's right. But we believe it would offer a fuller appreciation that there is that debt outstanding, but much of that debt relates to physical plant. It's a little bit the same as the difficulty that accountants across the country - and not just accountants, but economists and managers as well are having - when they try and put the assets of some of the Crown agencies into place so that you could end up with a consolidated set of statements for both the government and its Crown agencies, so that you could have the fullest possible picture of what the financial position of the government of the Province of Manitoba is.

Now you have a difficulty in doing that. One of the reasons that you have a difficulty is that we all know that a very significant part of the debt that's been borrowed for Hydro has been put in place in the way of dams and physical plant. So it's - at least to my perspective - very unfair to bring on all those liabilities without recognizing in fact that there is a physical plant sitting out there that that debt has been used to build. And yes, it's expected that the taxpayers of Manitoba - and hopefully some of the power that dam produces will be exported so some of the taxpayers in the United States may make a contribution to that physical plant. But you can't just bring on all of the liabilities without recognizing that there's a physical plant there.

The same is true of the Manitoba Telephone System. You can't just bring on all the debt for all the debt issues that have been outstanding without recognizing that there is a physical plant. There are telephone lines that are stretching from here to Churchill, to the American border, to Ontario and to the Province of Saskatchewan, and recognizing that what supports that debt in large measure is a physical plant that future taxpayers or ratepayers of the Manitoba Telephone System will be able to discharge, hopefully.

MR. C. MANNES: I have no trouble disagreeing with what Mr. Jackson says, although of course we can never be absolutely certain in a government policy sense that long-term asset, which we deem at the time that we build, to have value.

Certainly, using your example, the history to this point associated with dams on the Nelson indicates they have value and will continue to have value but only as long as the market wants the product. Of course, what you can't say for certain is that that product will always and a day have value, regardless of the value we give it today, which is very high.

So I don't know what you do then 30 years from now if by chance it loses its importance in an economic sense. It's no different than an asset that I have on my farm. If it continues to make a contribution to the profitability of that farm, it has value. As soon as it doesn't and it still has a debt associated with it, it becomes something worse than not having it at all. That's the only point I'm trying to ensure.

MR. F. JACKSON: Just to follow up with some of the comments that you were making. I agree with you.

One of the things that accountants increasingly are having to come to grips with is something called a permanent impairment to physical assets. We, as an office, have had to come to grips with that and are conscious that we may have to increasingly into the future. But when we see, on any of the Crown agency financial statements, assets that in our view aren't earning their way, that's one of the considerations that we have to bring to bear is, is there a permanent impairment here and, if there is, those assets should no longer be recognized.

HON. E. KOSTYRA: I have a question for Mr. Jackson.

You seem to indicate a preference against any amortization of the capital costs over time. I was just looking at, not at this section, but the summary of your major concerns on page 7 where you're recommending that the government initiate this project to develop sufficient information relative to its fixed assets to be able to implement practical improvements in the method of accounting for physical assets and of amortizing their cost over time.

MR. F. JACKSON: Mr. Chairman, perhaps for better clarification, no, we're not against amortization at all. When I mentioned to the Member for Morris, as to the approach that should be taken, what I suggested was that the expenditures would be continued to be treated as an expenditure in the year. Then below the operating results for the year, there would be another figure that would come into play. That other figure that would come

into play would be the increase in the assets that are there at the end of the year as a result of two things: as a result of expenditures that were made in the fiscal year for new plant, etc.; and that figure that would be an increase would be reduced by an appropriate amount for amortization in the year. So what you would see there would be a net figure that would be used to reduce the excess of liabilities over financial assets.

HON. E. KOSTYRA: So in a sense, if you took that on the basis of where we are today in Public Accounts, conceivably you could have - this goes back to, I guess, an earlier point that was made - an excess over liabilities that would be more positive than the actual net operating requirement, other things being equal?

MR. F. JACKSON: Yes, you could.

MR. CHAIRMAN: Mr. Baker.

MR. C. BAKER: Mr. Jackson, the paragraph in which you say: "In our previous government report, we expressed concern that the statement of revenue and expenditures reflected capital-related expenditures in an appropriate manner. The government took action and are concerned . . ." It goes on to say: "It revised the basic disclosure of capital-related expenditures during the year 1987 accordingly. The prior disclosure deficiency has been resolved and our audit report on the Public Accounts is not qualified in this respect this year."

This is really an intriguing exercise that we're going through here this morning, and I was just wondering how different should our reporting be than a private concern, outside of the fact that private concerns or private enterprise would be concerned with taxes, income taxes, etc. Should our auditing procedure be different or should our reporting procedure be different and, if so, how different, or should it be the same as somebody running a private company?

MR. F. JACKSON: Mr. Chairman, what we're into is a bit of a difficulty in perception between the private business sector and government. In the private business sector, fixed assets are capitalized. They are capitalized and then depreciated over the estimated useful life of the asset to bring about a matching process between income and expenditure in that the physical plant that's put in place - for example, it could be a greenhouse for growing green onions or agricultural equipment for planting crops. But whatever you're doing, you're attempting to match revenue over expenditure. If you haven't depreciated it all in one year, that's because you've recognized that this fixed asset will make a contribution to future operations and the raising of future revenue. That's pretty well what the situation is in the private sector.

In the government sector, such is not the case. We don't spend money on fixed assets or plant to increase our revenues. In fact, generally the reverse is just the case. When we make an expenditure in government, it's to provide service to the public as opposed to getting additional revenues and that expenditure is used to service the public. It generally doesn't cause increased revenues to come about and, in fact, very often causes

an increase in expenditures in future years; i.e. if we've built a hospital, then that hospital has to be staffed with doctors, nurses and technicians. It also has to be heated. It has to have lights going on, telephone services, etc.

So as opposed to the private sector where we're hoping to get additional revenues, often in the government sector we're providing an additional service to the public and that will result in additional expenditures. I hope that helps with the distinction.

MR. CHAIRMAN: Page 34 - Mr. Scott.

MR. D. SCOTT: I would just like to get some clarification on this point as well from the Provincial Auditor. Is he proposing that we have, say for example, in Government Services and in the Department of Highways, a major rebuild of a highway, that would get added into the expenditures of that year and disclosed in the expenditures of that year, but you would have a note down or a separate statement showing the added value or the asset that the province has accrued that year because of the capital expenditure?

MR. F. JACKSON: Mr. Chairman, yes, that's right and then, depending on when that highway came on stream, if it came on stream at the beginning of the fiscal year, there would be some appreciation as to its expected useful life, i.e., it may be 10 years or it may be 15 years. Either one-tenth or one-fifteenth of that would be recognized as depreciation or amortization during that year, so that you would have something less than the full capital cost of the highway reflected in that net statement.

MR. D. SCOTT: Where would that show up, on the balance sheet, since our assets are only valued at \$1.00?

MR. F. JACKSON: Mr. Chairman, it could be shown on the balance sheet as a figure somewhat lower than the financial assets are reflected, but nonetheless as an asset to offset the debt.

MR. CHAIRMAN: Does that satisfy you, Mr. Scott?
Page 34—pass; page 35—pass; page 36—pass.
Mr. Manness.

MR. C. MANNES: Page 37, Mr. Chairman.

MR. CHAIRMAN: Page 37.

MR. C. MANNES: Mr. Chairman, I ask Mr. Jackson why is it that the government is reluctant to respond to your recommendation since 1984 that the Manitoba Development Corporation stop subsidizing the Communities Economic Development Fund.

MR. F. JACKSON: I'm not sure, but perhaps either the Deputy Minister or the Minister might prefer to answer that question.

HON. E. KOSTYRA: We have taken action to deal with that in this current fiscal year so I believe, the way we're dealing with it, it'll no longer be a concern because we are in essence doing what is recommended here.

MR. C. MANNES: Could you tell me why it took so long? I address my question to the Minister of Finance.

HON. E. KOSTYRA: The matters that are raised in the Provincial Auditor's Report are reviewed on a yearly basis. We attempt to look at them in the broader context of responsibility that the government has, and we attempt to make improvements where we can. This is one that has been, in my view - the Auditor may disagree - not a major concern because the net effect on the books of the province is not any different because that was being absorbed through the sister corporation, the Manitoba Development Corporation. But it is a matter that is putting the books, I guess, more in line to what the reality of the situation is. So it's just taken some time to resolve it, but I don't believe that it was a major concern or a major problem.

MR. CHAIRMAN: Page 37—pass; page 38—pass.
Page 39 - Mr. Mannes.

MR. C. MANNES: Mr. Chairman, this may seem to be a rather small point, but I couldn't help but compare this graph as presented on page 39 showing the divergence as between revenue and expenditure, and compare this table or the pictorial graph as compared to what was presented in last year's annual report.

My question to the Auditor is: Why have the axes changed so much that it would appear as if the problem is flattened out, that there is not near the problem as one might graphically feel there were if they had looked at last year's graph?

MR. F. JACKSON: One of the reasons that the axes were changed was that we were getting closer to the top of the previous axis . . .

MR. C. MANNES: What's that axis mean on the top, on the side?

MR. F. JACKSON: That's amount in billions of dollars. One of the reasons that was changed is that this graph will be continuing in our report into the future, and the axis won't need to change for the next several years. But also, it's just a snap shot but what it does is again any member of the Legislature can use this from a historical perspective, and we feel again that this graph would be best accompanied by a five-year projection into the future.

MR. CHAIRMAN: Page 39 - Mr. Mannes.

MR. C. MANNES: Well, Mr. Chairman, the only point I'm trying to make is that we can make graphs, I guess, do anything they want. Really, in essence, what I think Mr. Jackson has said - and there's no way I want to do anything but try and paraphrase him - is that because we're spending so much more, the axis had to change so we had to sort of compress the slope effect. It certainly has a much more graphical point to it, when one has a smaller magnitude of axis, and that was depicted most graphically last year.

But there's one comment on page 39. Mr. Jackson, could you have written the last paragraph, could you have used these words and have it meaning the same

thing. We're referring to the graph, and I quote: "As indicated in the graph, the growth in expenditure has outstripped the growth in revenue since the fiscal year of March 31, 1988." Would that be an identical meaning to the way you've written it?

MR. F. JACKSON: Yes, that would be exactly the same.

MR. C. MANNES: Thank you.

MR. CHAIRMAN: Page 39—pass.
Page 40 - Mr. Mannes.

MR. C. MANNES: Mr. Chairman, this is a most relevant area. It's an area of borrowing costs, and again this graph certainly does justice to the whole area of borrowing and showing what has happened within the province over the last ten years as borrowing costs, the costs needed to service the debt and deficits make up as a percent of all expenditures or is this of revenue? — (Interjection) — Revenue, I believe, yes. Borrowing cost as a percent of revenue. — (Interjection) — Well I think the Minister is a little bit sensitive to the 20 percent number that . . .

HON. E. KOSTYRA: If it's incorrect, it's incorrect.

MR. C. MANNES: . . . I have seen in print, but I don't think I was the source of that, Mr. Chairman.

HON. E. KOSTYRA: No, I'm not blaming you. You would never do something like that. You might repeat an error, but not initiate it.

MR. CHAIRMAN: Carry on, Mr. Mannes.

MR. C. MANNES: Mr. Chairman, it's obvious by all accounts that we're in the realm of 11.5 percent to 12 percent of our expenditures being devoted to the cost of interest. I would ask the Minister: Does his government have a maximum to which this level can climb?

HON. E. KOSTYRA: Well, I don't have any specific figure to say that is the maximum in terms of what percentage of revenue or of expenditures that we should be devoting to public debt-servicing costs. Obviously, we would want to see a reduction in the growth of those costs and have been taking measures to do that by reducing our needs in terms of the operating deficit.

I guess the definitive answer to that would depend on not only the fiscal circumstances but the economic circumstances that exist at the present time and where they might be going into the future, because obviously the reason we have incurred significant increases in public-debt servicing costs is as a result of decisions that were taken during the very difficult times of the recession to continue to maintain a level of services that people in our province use and need, and also to make investment decisions that are bearing fruit in terms of economic recovery and economic growth. So one has to put it in the perspective of those other factors in determining what optimum levels would be, it obviously during these times of economic growth being our intention to reduce the rate of growth by

bringing about a reduction in the net operating requirement.

MR. C. MANNES: Mr. Chairman, the Minister is beginning to believe his own rhetoric in some respects. He talks about the recession. In my view, that had an effective life of two years. I've sat in the Legislature for the best part of six and I've heard much greater emphasis on the government on an economic vein directed towards the so-called buoyant economy of Manitoba. I daresay that it would take on a time frame of three to four years. So when the Minister says that, first of all, this borrowing had to be done in support of recession, you know, the facts disagree with that because all one has to do is look at the chart on page 40 and you'll see whereby interest costs have consumed such a much greater portion, and that's directly as a result of increased borrowings.

Mr. Chairman, can the Minister tell me whether or not it's his intention to, in the Budget coming up, hold that number - and I'm talking about the percent of expenditure that's directed towards borrowing costs - to hold that number at 12 percent or even diminishing?

HON. E. KOSTYRA: Well, we start off with the premise that we want to bring about a reduction in the growth of those costs, and the obvious way that can be accomplished is by reduction in the Budget requirement, the deficit, so that is where our focus is. I can't say that the government has established a target for the percentage of expenditures or revenue that go to public debt services cost.

I can tell you that the government has set as its target a further reduction over what was the case this year in terms of the net budgetary requirement or the deficit. To the extent that is accomplished, plus interest costs and amortization costs with respect to foreign dominated currencies, will affect the proportion, and the overall growth in expenditures or revenue will affect the proportion that takes of those, of either revenue or expenditure.

MR. C. MANNES: And isn't the reason that you can't guarantee that, Mr. Chairman, the fact that even though you were able to reduce the net budgetary requirements, i.e., the deficit somewhat, there may be other factors that will cause the total amount directed towards interest payments to more than offset that - and I'm thinking of interest costs, I'm thinking of currency fluctuations, and I think you've made some mention of them. Really things are out of control to the extent that just reducing the net budgetary requirement may not have any impact whatsoever on the percent of the expenditures that are directed towards servicing the debt?

HON. E. KOSTYRA: Things are not out of control and they're not out of control to the extent that one cannot control those costs.

There are a number of factors and I've touched on, some of them that impact on the increase in public debt-servicing costs. The fact that we're adding on to the accumulated deficit on a full year basis, the portion that was required this year adds on some incremental costs. Whatever deficit we will have next year, albeit

I expect at a reduced level for part of next year, will have to be financed. Interest costs play a factor on that, both positive and negative in terms of the slight upward pressure we've seen on interest rates. However, depending on (1) what the rates were when a particular previous debt comes due for refinancing, there may or may not be some reduction based on the level that the interest rates were at the time of those specific borrowing.

Any changes negative, with respect to foreign currencies, as the case is right now with the non-North American currencies, or any positive movement as the case is with respect to the U.S., Canadian currencies, obviously have an impact.

So all those factors come to play in terms of determining what upward pressure or reduction in time that would take place with respect to public debt-service costs.

MR. C. MANNES: Mr. Chairman, I think the Minister and I gave basically the same answer, in spite of what the government may try to do in reducing the deficit. There is absolutely no guarantee that the same share, maybe even in an increasing share, of expenditures may not have to be directed towards the servicing of the debt. That's a statement that we've made over and over again over the years, and I guess it leads then to the final question I have in the area.

To the Minister of Finance, does he not wish that he had listened to the collective wisdom of the Opposition and people outside of government, the community as a whole, that government moderate their expenditures, certainly over the last five years? Does he not wish he could turn the clock back and do just that?

HON. E. KOSTYRA: I don't know that if the clock was turned back if I, or other members here, would do things differently. I suppose there would be certain things that we would do different. I don't think that we would adopt policies that would put the sole focus of attention merely on reducing expenditures.

We've attempted to look at the overall fiscal situation with a balanced approach of looking at what value, what needs there are for government expenditures, government services; at the same time looking at raising most of the revenue needed for those services in a way that is fair, recognizing we have to bring about reduction in the shortfall between the revenue and expenditures. I don't think that we would adopt a policy that would put the sole effort just merely on bringing down expenditures as a way of balancing the Budget.

That's not to say that we aren't concerned with respect to the growth in expenditures. And if you review what was the case with this last Budget you'll find that many government departments, particularly those that are internal or under the direct control of the Provincial Government, have seen very moderate spending increases, if any.

In fact, many have decreased. Those that provide services to the public, such as health, community services, to a lesser extent education, saw fairly reasonable or healthy increases, recognizing the demands in the costs of those services.

We intend to continue to review our expenditures internally and to take whatever actions where we can

Tuesday, 26 January, 1988

to provide efficiencies within government, and will continue to work on that, at the same time ensuring that we have funds to direct to the most critical services, at the same time working on ways that we can reduce the growth of costs in those areas over time also by bringing reforms in some of those community and health services.

MR. C. MANNES: Mr. Chairman, the Minister's words bedevil him because he says on one hand, "I don't know whether we would reduce expenditures in a number of service areas if we had to do it over again." Well, what he is faced with today is, in fact, reducing expenditures, whether he wants to or not, because of the fact that such a large percentage of the revenue that is coming to him has now become non-discretionary. It has to be paid out in support of previous debt.

So when he says that he was happy in a sense, or maybe would not change his mind over the last few years, he's now in a position of having to reduce services in some areas. And I remind him, and I'm surprised he would use these words, he would say in some areas of government activity we have not held back increases in services. Let me remind him that every department of government provides services to the people of Manitoba. Yes, some of them may be more highly visible in the areas of education and health, but certainly the Department of Education and our Natural Resources is there to provide services to Manitobans, and they've been curtailed extremely over the last number of years and will continue to be cut back as a result of more and more the revenue having to be directed towards support of the debt.

So, Mr. Chairman, I honestly believe I heard great inconsistency in the words of the Minister and, failing this, you know, completing this comment, I'm prepared to pass this.

HON. E. KOSTYRA: I'm afraid I'm not. I can't let those comments stand naked on the record like that because, while it is true public debt-servicing costs have increased and have taken greater resources, one looks at the major spending areas. Look at an area like health care. The member doesn't seem to want to hear any explanation or to get any balance to his comments.

If you look at an area like health care, the cost increases and the kind of resources that this government has put to that have gone at rates higher than the cost of living, higher than inflationary costs, higher than the increase in revenue available for those services, certainly higher than the amount of support from the Federal Government for those critical areas. So to suggest that somehow public debt-service costs have required funds being diverted from service areas, if that is true it's also true that funds that would be available for those services had to go to areas like health that have had increases far beyond normal growth and revenue, far beyond any support from the Federal Government, and far beyond the cost of living levels that we've experienced.

I remind the member that an area like health care is over \$1 billion of the Budget and when you're talking of increases of 8 or 9 percent or 10 percent, you're talking of \$100 million of additional funds to support those services.

MR. C. MANNES: Pass.

MR. CHAIRMAN: Page 40—pass.
Page 41 - Mr. Manness.

MR. C. MANNES: Mr. Chairman, I ask the Provincial Auditor whether or not he finds it strange, as I do, that there was virtually not one department of government that could stay within the voted spending authority of the Legislature in fiscal year 1987.

MR. F. JACKSON: Mr. Chairman, the figures that we're seeing here for Special Warrants are Special Warrants to increase certain sub-appropriations or appropriations. But that doesn't mean that there's a gross overexpenditure in the amount of these Special Warrants. In fact, in most of the previous five years where we've had Special Warrant schedules, the actual overall expenditure for the government was less than the amount authorized.

In the year ended March 31, 1987, as shown on page 435 of Public Accounts, the amount authorized was \$4.37 billion. The amount expended was \$3.945 billion leaving a balance unexpended of \$92.353 million, in comparison with this Special Warrant situation of \$94.550 million.

So whilst there are a significant amount of Special Warrants, the overall unexpended amount of the amount authorized roughly approximates the amount of the Special Warrants.

MR. C. MANNES: Mr. Chairman, I thank Mr. Jackson for that clarification. He indicates that a lot of this then is on the basis of sub-appropriation within departments, that indeed money can't even flow within a department unless it's recorded as such. — (Interjection) — Not Main appropriations, right?

HON. E. KOSTYRA: Some appropriations you can transfer, but not Main appropriations.

MR. CHAIRMAN: Page 41—pass.
Page 42 - Mr. Manness.

MR. C. MANNES: Mr. Chairman, under General Comments and we're moving to the area now of government's central management system, the second paragraph, the Auditor, Mr. Jackson, talks about the number of mechanisms and processes including the Estimates, Annual Reports, Committees of the Legislature and the audit process which all contribute towards improved accountability. I genuinely believe that Mr. Jackson is trying to make this process of accountability not only easier for the government but also certainly more understanding to those of us in Opposition. I'm curious though, Mr. Jackson, you never ever mentioned The Freedom of Information Act, why you don't call the government to task for not proclaiming this particular bill which obviously would give us, in our view, a major opportunity to cause the government to be even more accountable, particularly in its financial decision-making area.

MR. F. JACKSON: Well, I hate to perhaps admit this, but we've never thought of the Information Act as really

an accountability tool from a financial point of view. We've thought of it more as an understanding of government, but we're very much aware of how the audit process is broadened and enhanced by such information that is made public through this type of information that's included as Supplementary Information where each of the members browse through this material and end up with a better understanding of government operations.

But now that it's been mentioned, I can see where the member would be coming from and considering that would be a useful tool. Having admitted that we hadn't considered it in that light previously, we can certainly appreciate that from that perspective now and advocate that it be brought in to provide members of the public and members of the Assembly with as much access to this type of information as is practicable.

MR. C. MANNES: Well, along that vein, Mr. Chairman, can the Minister of Finance tell us when The Freedom of Information Act will be proclaimed?

HON. E. KOSTYRA: I don't know the answer to that at this point. It's not my legislation; it's not my direct responsibility. If he's asking for a question in question period today, I'll take it as notice and provide it to him. I believe that's been indicated before in the Legislature, but I don't have that information right before me at this point, nor can I recollect what was said in the Legislature any better than the Member for Morris can.

MR. C. MANNES: Well, I find that difficult to believe, Mr. Chairman, because the Minister of Finance has been sitting for many, many years right beside the Attorney-General who has given responses at least a dozen times on the issue, and I find it difficult that he would not know what the response was.

Mr. Chairman, moving along to the annual Budget, and we'll spend some considerable time because again the Auditor recommends the development and distribution of a multi-year financial plan. Mr. Jackson, how many years has the Auditor's Department called for a multi-year forecast?

MR. F. JACKSON: I'm not positive, and at the risk of being slightly imprecise, I would say four years.

MR. C. MANNES: Mr. Chairman, I've had an opportunity to go back in the last four years of this committee and the Auditor's Report and certainly I found reference to that all of those four years. I didn't go any further back than that.

I'm not going to belabour this committee, Mr. Chairman, by reading back from the records some of the statements made by Mr. Kostyra's predecessor, Mr. Schroeder, with respect to multi-year plans, or indeed his own. But I take it from the response given by Mr. Kostyra to this latest recommendation by the Auditor that, when the Minister says, and I quote: "The Treasury Board Secretariat has taken some initial steps in the development of the framework that would be required for the preparation of a multi-year financial plan." I take that response, Mr. Chairman, to be virtually the same as last year's.

I gather from my perspective that the government really isn't serious in wanting to present this plan, that

they're just paying lip service to the recommendation as presented by Mr. Jackson in his report. Quite frankly, we could wait another 30 years from now, so help us, if this government were in power that long, and there would still be no attempt to present that information to the public. Is that a fair statement, Mr. Kostyra?

HON. E. KOSTYRA: Well, that's an interesting comment because it seems to suggest that, if there was a Conservative government here, somehow we would get these multi-year budgets. I think the member should look at what the record is of Conservative governments in this country, both nationally - he starts laughing again - nationally and provincially when it comes to this issue, because what has been happening, interestingly enough as I have been reviewing this issue - and I treat it seriously - is that Conservative governments have been moving away from multi-year budgeting where they've done this, where they've provided some information or governments have provided information beyond a one-year basis. The governments have been moving away from that.

And I'll give you one example because it's germane to our ability to deal with multi-year budgeting, and that is the Federal Government has now moved back from providing projections over a couple of years. Obviously if we're looking at our ability to make projections with respect to revenues, we obviously require some information as to what the Federal Government is intending to transfer to the province or what the Federal Government is intending to support through cost-share programs, or what the Federal Government is projecting with respect to the income sources that we share by way of agreement, such as income tax and corporation income tax. If they're moving away from that, it would be very difficult for us then to be making projections beyond a one-year basis if we don't know what projections they're making for revenue. So to somehow suggest that a Conservative government would suddenly change that doesn't stand up to the facts as to what has been taking place in other jurisdictions, whether it's provincial or federal, with respect to the same kind of information.

The only one that I've seen lately that has provided that - and it's in a somewhat sketchy fashion - was the Province of Alberta but it was not done in any comprehensive way.

We still think it has merit to look at. I'd like to find out what reasons were behind those Conservative governments that have decided to move the other way, what is behind their reason for it, because I haven't frankly discussed it with any other Finance Minister in the country but I intend to do that when we have the opportunity to meet. But our intention is to continue to work towards moving to some kind of projections that would go beyond a one-year basis.

So, yes, my answer is the same. But I think the member should be aware of some of the other information with regard to providing those kinds of forecasts and what has been taking place in some other jurisdictions.

MR. C. MANNES: Mr. Chairman, I don't really give a darn what's happening in other jurisdictions. I've said this before. I'm very cognizant of the weaknesses o

Tuesday, 26 January, 1988

trying to forecast fully. I've read the record before and I again, for my own edification, reviewed what Mr. Curtis has said on the record on this issue two years ago or maybe three years ago. I'm well aware of the inherent weaknesses of trying to forecast accurately the revenue side.

But, Mr. Chairman, I'm in full concurrence with the Auditor when he says that information on the expenditure side which is fixed - and we've covered a large portion of that today in the area of statutory debt. We are also taking into account pension areas. Certainly, it serves a worthwhile exercise and causes some degree of discipline on people who are publicly elected to come here and try and keep in some balance the expenditures and revenues of this province.

Mr. Chairman, I honestly believe that it would serve a very worthwhile purpose if costs that are built in today were forecasted out into the future. I know the department has them in some degree, and all I'm asking for the Minister to do is to share that with the public. I, for one, am not going to attack this Minister. I know he wouldn't attack me if the forecast revenues fell short for good reason, Mr. Chairman. I know he wouldn't do it and I know he knows I wouldn't do that, Mr. Chairman. But the reality is, on the expenditure side, it would serve purpose to those of us who are elected here who are passing law upon law, budget upon budget, where there are great implications for future expenditures. Nowhere do I see collated or added the total effect of all those decisions, Mr. Chairman, certainly not brought into the debate associated with spending more. Therefore, I see it as a very, very worthwhile purpose and, to that end, I would like to make a motion.

I move

THAT this committee charge the Minister of Finance with the responsibility of preparing and of presenting a multi-year budget forecasting the revenues and expenditures for this province for the next five years beginning with the 1988 Budget.

MR. CHAIRMAN: The motion's in writing which is the requirement of the committee. It is moved by Mr. Manness that this committee charge the Minister of Finance with the responsibility of preparing and of presenting a multi-year budget forecasting the revenues and expenditures for the province for the next five years beginning with the 1988 Budget. It's moved by Mr. Manness. We will have debate on the motion.

MR. C. MANNESS: Mr. Chairman, in my comments, I will not reiterate. I just feel that it's an important issue. It's a policy, a stated policy of the Conservative Party of Manitoba upon coming into government that this approach will be taken to share with the public as a whole the finances and the expenditures in the future. Every honest effort will be made to share whatever information can be developed within the ministry of Finance to present to the public of Manitoba. Certainly, taxpayers at present and taxpayers in the future have the right to know the impact of all the spending that's occurred over the last number of years, what impact that will have upon them in a taxation sense. Obviously, I can see no good reason why any open government would not want to share that with the people of this province.

I would ask members of the committee to support the motion.

HON. E. KOSTYRA: Mr. Chairman, it's interesting this position that is being advanced. We've stated - and I've stated before and I state it again - that the government is reviewing this area and that we are looking at the opportunity of moving towards what is being suggested by the resolution.

Let me point out again some of the realities of the situation. We have a circumstance with respect to getting information from the Federal Government where they are moving the other way. They are not going to having farther projections. They are reducing their projections, which makes it very difficult for Provincial Governments to deal with their projections. In fact, the time frames of the Federal Government and what they project in the future are getting shorter and shorter. We're getting less and less information with respect to multi-year projections or even projections within a year from the Federal Government, and that is a concern of government that has taken that approach and put us in a position that makes it much more difficult for us to respond to that.

What is the situation with other Provincial Governments? I know of no other Provincial Government in this country that does that. Some in the past have provided some form of it, but those that have - other than the Province of Alberta - have moved away from it to the point that they don't do it. I think it would be prudent on my part to consult with those provinces and those Finance Ministers to find out why they are no longer doing that. It obviously has some factors or some reasons why they felt that it wasn't prudent to do that, and those are Conservative governments of which the member opposite is part of the same family.

This government has moved to provide more information on a timely basis to the Legislature, the fact that this committee is meeting the earliest date in its history, considering the Auditor's Report. You know in the Province of Saskatchewan, where your party is in government, the Provincial Auditor's Report has not - (Interjection) - Well, you don't like to compare Saskatchewan where there is a Conservative Government when it doesn't suit you, but when it does you raise it continually in terms of comparisons.

Do you know that the Provincial Auditor's Report in Saskatchewan has not even been tabled yet for the members of the Legislature? No, the Opposition, I would say, probably tries to do their job in the Province of Saskatchewan but the Conservative Government in Saskatchewan has cut the funding to the Provincial Auditor, has reduced the funding to the Provincial Auditor. Maybe it's because it's a very damning report and a very detailed report about what's going on in Saskatchewan. I don't know; I'm not going to reflect on that.

MR. CHAIRMAN: Would the members of the committee try and contain themselves, please? Mr. Kostyra has the floor.

HON. E. KOSTYRA: As I was saying, in the Province of Saskatchewan where they don't have the kind of

opportunity to deal with information on a timely basis, they further made it, I guess, more difficult for the Auditor in that province to provide the kind of report that he did in the past and this report is a year old.

The one for this year, similar to the one we're dealing with, isn't tabled yet and, if it follows course, it won't be until April of this year, another four months from where we are dealing with this information. And maybe part of the reason is that the Conservative Government there decided to reduce the funding arbitrarily to the Provincial Auditor. — (Interjection) — Yes, it is on the motion. It seems that the member gets uncomfortable when you make references that he doesn't care for and he somehow wants to question whether or not we're on the motion.

The motion is that you want us to move to a level of making projections beyond one year. This government has indicated that it is prepared to consider to moving in that direction, the same as we responded to provide more timely information to this committee by having the committee meet as quickly as possible after the publishing of the Provincial Auditor's Report and the Public Accounts, how we've assisted by providing information in advance to committee members so they are able to fully understand and address the issues hereby having the response of the government.

So to have this motion here on this one particular issue when there is no other precedent that I could see in other jurisdictions is, I think, unfortunate because we indicated that we are prepared to move in this way.

We will consider all the consequences of providing that information with the view of hopefully moving off and beyond the one-year projection that we have now. But somehow to have members of the Conservative Opposition take this pure stance in terms of how they deal with fiscal issues and how they deal with accounts, when you look at the record of a Conservative Party when they're in government, they do the opposite.

MR. CHAIRMAN: Any further debate on the motion? Are you ready for the question?

Mr. Manness.

MR. C. MANNESS: Mr. Chairman, it's my motion. Do I get a chance to speak again?

MR. CHAIRMAN: Certainly.

MR. C. MANNESS: Mr. Chairman, I can't believe the tirade we've just heard. We've heard the Minister of Finance addressing a motion which draws its genesis, I suppose, out of a major concern of mine over the years which happens to coincide with a recommendation by the Auditor.

The Minister chooses not to direct his attack against the motion but instead tells me about the situation in Saskatchewan. Mr. Chairman, I find it abhorrent that in any province a Provincial Auditor's Report would come out a full year after the close of the fiscal year, just like I find it abhorrent that this government last year considered the 86th year-end, fiscal standing, on June 2, 1987, a full 14 months after the year-end.

So, Mr. Chairman, I will give the Minister his due for the fact that we're sitting a little bit sooner than we

ever have and yet we will take some responsibility for that too because — (Interjection) — do you want to speak to the motion — Mr. Chairman, because we've been pushing for that for some years.

The Provincial Auditor has asked that his report and the accounts of the province be dealt with in an expeditious manner upon their release. Yes, the Minister has provided worded response to the Auditor's concerns. Yes, the Minister has provided for me specific responses to some of the questions we have emanating out of Volume 2. For that, I thank him. But, Mr. Chairman, that's not what is in question here with this motion.

What I have asked the Minister to do by the basis of this motion is to allow this committee to support the call for the Government of Manitoba to give to Manitobans an opportunity to understand more fully the fiscal standing of the province, particularly on the expenditure side — nothing more and nothing less.

If the Minister doesn't want to do it, I serve notice to all Manitobans that there is a political party that will do that upon assuming office.

MR. CHAIRMAN: Are you ready for the question?

Mr. Scott.

MR. D. SCOTT: There are some parts of this motion that I find somewhat attractive, but I find that the motion goes too far in trying to look five years down the pipe. We're in a situation where even the federal-provincial financing arrangements that are signed are not beyond five years. So we don't know when the current arrangement which is up very shortly, I believe, on EPF, we don't know what formula base the Federal Government is going to use for that in the future. That's a very major source of our revenues.

So there are great difficulties when we try and go towards a goal five years down the road. But something I would like to have an understanding, I guess, and I think almost an undertaking by the Minister and his staff is that in supporting the Minister in defeating this motion, I would like to feel some confidence that we can, as we progress into the future, start identifying perhaps two; and in a couple of year's time maybe we'll have enough feeling of the thing to go for a three-year forecast. Five, I just think, is too far down the road.

Also, I think that it is not inappropriate for us — now, for the members opposite, I don't want to play games with the thing please, but I don't think it's not inappropriate at least to request the government when it is introducing programs or even with the expansion of programs to show what the ongoing cost of this will be in the future where there are cost reductions, where there are cost savings. I think that would be beneficial so that we wouldn't just put that in the detail back-up material that goes along with our Estimates package so that we can have a better appreciation of the items before the House when we are debating them in the Estimates review.

So those are the sorts of things I would like to see happen in the future. I'm not prepared to support even, I guess, amendments to this resolution right now. I would like the Minister to undertake to see if it isn't possible for us within a year to try for not only a present budget

but also a forecast for the following year in global terms, and to endeavour to have in detailed information in the Estimates review for this year any cases where there are increased expenditures or reduced expenditures, and the implications for that in future years, so that we would be able to have a better understanding of future obligations on the measures that we are undertaking today. And that would include acts that come before the House as well, as far as for the cost of following through with the various acts.

So I think the Provincial Auditor - and I'm doing this I guess in some support of the initiative that he has taken to try and get us looking further down the road. I appreciate that this Minister of Finance at least has started to do that more than any other Minister of Finance has.

I believe that, in the interests of sound public administration, it is probably beneficial for us to move towards a direction of giving future cash flow implications. So, I want to see us move in a direction the Provincial Auditor states here, I guess. I don't know that his request for a five-year plan or, I believe he just mentions multi-year. I'm not positive and, if he does with five, five is an awfully long time. Three years - you probably still have a plus or minus 20 per cent in many areas, at least that variance as a possibility.

I can certainly appreciate the difficulty in not only our province, but in any other province in doing it, because it's an automatic target for both individuals and the Opposition. Well, you said your revenues were going to increase this much and they haven't increased that much and what's the rationale behind that, and your expenditures, so that you will get a fair degree of focus there.

But I know from the time that I was involved in the public service till today, the Estimates process has improved vastly from '75 when I joined it. Many of the changes were in evolution before I left and I'm pleased to see how much the management aspect of it has improved over the last decade. There's no question, as we go on further, we will have more improvement, and as we get more confident with it we should have the ability to move on and start doing some future projections as well.

MR. C. BAKER: Mr. Chairman, I don't think there's a person around this table who doesn't like the idea of trying to look into a crystal ball or even more than that, trying to take hold of facts, figures and projections, and try to get some handle on where we're going to be five years from today.

In agriculture, I think that's a novel idea and that we would like to do that. However, we know it's impossible. All the farmers around this table will attest to the fact there are so many variables and so many things beyond our control that it would be impossible to do that. And I think to mislead the public in Manitoba by saying to them that somehow or other we could do with some accuracy - we could predict five years down the road what's going to happen and that they could rely on that, I think is somewhat - it's just misleading, Mr. Chairman.

In view of the fact, especially today, that we've discussed the fact of interest rates and we don't know where they're going to be; we don't know where they're

going to be. Are we going to have 18 per cent interest rates again? We don't know. We don't control the fiscal policies in this country. Sometimes I don't think even that the Canadian Government has control of the fiscal policies. It seems to be controlled on the international scene.

The other thing too that we talked about was the fact that we have a very volatile dollar market. We don't know where the dollar is going to be. In view of all of those things that have been said here today, I think it would be misleading to the public to suggest to them that somehow we could look in our crystal balls and come up with a five-year projection, although I would say that the idea is laudable. But I don't know how we could support it at this present time. I think it would just be entirely misleading, Mr. Chairman.

A MEMBER: You could borrow money to buy land with it.

MR. C. BAKER: I won't borrow money to buy land right now, I can tell you.

MR. CHAIRMAN: Thank you, Mr. Baker. Are you ready for the question? The motion before the committee is moved by Mr. Manness. I move that this committee charge the Minister of Finance with the responsibility of preparing and of presenting a multi-year budget, forecasting the revenues and expenditures for the province for the next five years, beginning with the 1988 Budget.

All those in favour, say aye. All those opposed, say nay. In my opinion the nays have it. The motion is lost.

We're on page 42. Page 42—pass.

Page 43 - Mr. Manness.

MR. C. MANNES: Mr. Chairman, Mr. Jackson talks about managers are expected to be fully conversant with the principles embodied within the guide. I guess this is the government's practices guide.

Can the Minister tell me or can the Auditor tell me what principles are in place? Are these principles to deal with promoting people on the basis of merit? What's being talked about here?

MR. F. JACKSON: Basically, what has been put in place is a guide setting out the management philosophy for managers in the public service. What it deals with are all the management aspects of a manager.

What's being outlined is no different than what would be appropriate for a large multinational corporation or indeed any mid-size corporation, whereby managers better understand what's expected of them from a planning concept perspective, from a monitoring perspective, from a comptrolling perspective, from an evaluation perspective, etc., so that all the aspects of management are more clearly understood by senior executives, mid-level managers, etc.

HON. E. KOSTYRA: We did table a copy of last year's Public Accounts, the actual manual. If you want another copy you can have it, and mind you, next year . . .

MR. CHAIRMAN: Page 43—pass.
Page 44 - Mr. Manness.

MR. C. MANNES: Mr. Chairman, I'd like to ask a question.

Under the Treasury Board Secretariat, as the Auditor points out, the government has put into place a separate Treasury Board Secretariat. It goes on to say, a fiscal planning office and an office for expenditure review have been established within the Treasury Board Secretariat.

Of course, Mr. Chairman, as we know that this policy statement of the government was one that had associated with it a considerable cost, it draws some praise from you, Mr. Jackson, that this process is now in place.

Can you tell me though why this function could not be carried on as it was in the past by the Cabinet or the Minister of Finance? Is that not the role of the elected people to Treasury Board with or without, and usually of course it's with, almost always, with the Minister of Finance? Why could this process not be conducted in a self-discipline sense? Why did the government have to go to this new approach, this new process of expenditure review?

MR. F. JACKSON: I would suggest that we're into an area of policy. The government has chosen this particular course to follow. Perhaps the Minister of Finance would be the best party to respond to this question.

HON. E. KOSTYRA: I believe I have responded at the time of us implementing the changes with respect to Treasury Board. Indeed, I think the Premier announced, in a general way, the reason behind the changes. I certainly provided, when we had review of the Department of Finance spending Estimates last year, some detail in terms of the approach.

Basically, it is not to detract from the ultimate responsibility of Ministers collectively through Cabinet, through Treasury Board, to make decisions with respect to spending. Rather it's to enhance the ability to look at options in terms of areas of expenditure growth, expenditure reduction, so that we could have better decision-making.

We also indicated we are attempting to look more closely at the impact of reducing expenditures over time, expenditures that are difficult to reduce or areas that are difficult to reduce over a short time frame. That was one of the reasons behind the specific unit being set up of expenditure management review.

So those are the general reasons behind it basically, is to ensure, given the evolving and growing nature of government and expenditures, to have better and more efficient evaluation of spending so that ultimately Cabinet can make more enlightened decisions, based on having the necessary information and options placed before it. It does not take away from ultimate Cabinet ministerial responsibility, but in my view enhances that.

MR. C. MANNES: Mr. Chairman, a question again to Mr. Jackson.

Mr. Jackson, you say it's an area of policy and therefore one that you shouldn't comment upon. The only reason I asked you the question is because the word "positive" comes out of the text very strongly. I mean that is very much a subjective statement. You

are making claim that it is a positive development, that obviously in your mind they can do a better job of causing expenditure review than the political system, in my view, which has existed to this point, the political system being the Treasury Board, the name basically from Cabinet, and indeed the Minister of Finance himself. So why is it so much more positive in your view?

MR. F. JACKSON: First of all, I don't think that the political aspect has changed. It's still the Treasury Board that's responsible for the operations and the central management of the government as a whole.

One of the reasons that we're positive is that two years ago in one of our reports, we indicated that we felt that there would be some increased merit to having a central basis for reviewing government programs right across the board to see if there were opportunities to either consolidate or coordinate operations to provide for more effectiveness. One of the things that's in here is the Expenditure Review Program, a program review, that seems to be coming to grips with that part of our recommendation.

MR. C. MANNES: I would ask then, Mr. Jackson, how we judge the effectiveness of this new bureaucracy?

MR. F. JACKSON: I don't know really at this point how one will fully evaluate the effectiveness of this new program. I know from our perspective we'll be looking to see what projects it has undertaken, what recommendations arise from its recommendations and whether the Government of the Day chooses to implement the recommendations that are put forward.

If we see a number of recommendations that are being made acted upon, we will consider that there has been a degree of effectiveness.

MR. CHAIRMAN: Page 44—pass.
Page 45 - Mr. Mannes.

MR. C. MANNES: Mr. Chairman, Mr. Jackson makes reference with respect to the implementation of The Pay Equity Act. He makes another, in my view, subjective statement when he says and I quote: "For example, the point-rated system, such as that used successfully in the pay equity project, would be worth considering in the province's classification system."

My question to Mr. Jackson: Will the Auditor's Department be passing judgment on the equity pay criteria established by government?

MR. F. JACKSON: Perhaps I'll ask Mr. Singleton to respond to this in a general way and then I may comment to expand his comments.

MR. CHAIRMAN: Mr. Singleton.

MR. J. SINGLETON: Mr. Chairperson, the reason that we're raising that particular point is that we're aware that, in a number of other jurisdictions across Canada, jobs and job content are weighed one against the other by using various kinds of point-rated systems. The point-rated system has been used in the pay equity project and has also been used by the government in a number of other limited areas.

It seemed to us that there's an increased opportunity to make it an objective and fair classification process through this means, and that's why we're suggesting that it would be worth having the Civil Service Commission examine the merits of point-rated classification systems and consider implementing that across the board rather than just in selected areas of the Civil Service.

MR. F. JACKSON: If I can add to that, I understand that a point-rating system similar to the Hays (phonetic) system that some of us may be familiar with has been used to advantage in some of the Crown agencies and in some of our universities. It seems to have some merit to it, and we think that it has the opportunity to be objective, less subjective, and could bring about as much equity as can be brought about in a pay system.

MR. C. MANNES: So, Mr. Chairman, then what Mr. Jackson is telling me is that his department will be passing judgment on the system that we have, and at this point in time the system that the government seems to be incorporating is the best one that he is familiar with at this point.

MR. F. JACKSON: Yes.

MR. CHAIRMAN: Page 45—pass.
Page 46 - Mr. Mannes.

MR. C. MANNES: Mr. Chairman, the strong recommendation that comes out here, and it has been mentioned several times in previous, is with respect to this committee giving greater effect to the power it probably does have in selectively reviewing departmental operations with senior department officials present. Mr. Jackson goes on to expound that in his view this committee could do probably a better job of its review of government finances and finances of the government agencies if it made better use of senior department and Crown agency people.

I'm wondering what process, Mr. Jackson, in your mind, is in place to expedite that type of recommendation. Are you saying that if we, in Opposition, felt we wanted to bring somebody to this committee that we should make the proper motion and hopefully the committee would support that request and that person would then show up? How do you envisage that process?

MR. F. JACKSON: Mr. Chairman, what we are recommending is a practice that is in place in other jurisdictions, not all but some, and one of the things that it does in relation to some other comments that are made in other sections of our report is that the Public Accounts of the province provide a degree of accountability from an aspect of operations. Really what it tells the world is that the money and the funds that were authorized for expenditure have been expended and it does very little else; whereas we can conceive that the departmental annual reports are more on the basis of what programs are to be undertaken and what are the expectations of those programs, and whether or not the objectives that were set for those programs have been realized or not.

So it seems to us that it would be appropriate to use both levels of reports to get some better degree of accountability for the funds that were voted by the Legislature. The Public Accounts do something on a very broad basis and the departmental reports provide an opportunity to see if, in fact, the objectives of the programs that were voted have, in fact, been fulfilled or not. It would seem to have some degree of relevance whether the officials that were responsible for implementing those programs could make some assertions as to the effectiveness of those programs.

An earlier comment was made in relation to the expenditure review unit for Treasury Board. It might be interesting to determine how those officials felt about their effectiveness over the course of the year. That would be an area that could be useful.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I think the concept put forward by Mr. Jackson deserves some pursuit, and I guess two departments are very large, Health being one of them, of course, and Community Services being the other one that I have some familiarity with.

Now last year in, for instance, one appropriation of Home Care within the Department of Health, there was an Estimates approval of \$24 million and, in the actual fiscal year, the expenditures rose to \$32 million. They were \$8 million over budget, 33 percent over budget. And internal documents from presumably the departmental auditors or accountants within the Department of Health analyzed the overexpenditure of \$8 million and came to the conclusion with terminology such as "this program is financially out of control."

Who is the individual in the case of, for instance, a Home Care which is in many instances bigger than a lot of complete departments at \$24 million? Is it the director who heads up Home Care, or is it the Assistant Deputy Minister? Is it the ADM of Finance? Who would be the individual in your experience who would be able to most appropriately answer the questions that obviously someone doing the internal analysis on the Home Care Program would wish the same sort of answers from as where did the money go, because the terminology being "this program is financially out of control" is hardly acceptable terminology for anybody wanting to assure that taxpayers' dollars are reaching the client population? Who would be the individual that you would identify in a case like that?

MR. F. JACKSON: Mr. Chairman, we view that the Deputy Minister of the department in the first instance is responsible for all the administrative operations within his department. So in the first instance we would select the Deputy Minister to come forward to a committee such as this and he may choose to bring one or more of his officials with him.

MR. D. ORCHARD: In the case, for instance, of Community Services, when you peruse the supplementary information and you go to Community Services and you find within the Community Services Department a very, very sizeable list of payments made to a number of organizations to provide basically

community care, now again if you had specific examples of expenditures that you wanted to question - in some cases, they're upwards of \$1 million expenditure to one organization - again would you recommend the process of calling the Deputy Minister of Community Services, indicate the specific areas that we as a committee wished further information on, and leave it up to that Deputy Minister to second from the department the person most able to answer specific questions?

MR. F. JACKSON: In reality, that's what's happening now. The questions have been put to the Department of Finance in advance of these meetings. The Department of Finance, in turn, has provided the question to the relevant departments, and the department in question has searched through its records and come up with an appropriate answer to the question.

So, yes, the general approach that the member was suggesting would seem to be reasonable. Again, one of the things that should be understood, with as much lead time as could be possible, then that departmental official would be in a better position to respond to the intent of the question and satisfy the members.

MR. D. ORCHARD: Just to add a little specific to the question, particularly in Community Services, if you go to page 107 - and I realize I'm jumping but just as an example - page 107 of Volume 2 of the blue books, we have about midway down on the second column a group called Winnserv Incorporated which, in the fiscal year '86-87, received \$954,223 in financial assistance from the Department of Community Services.

Now my understanding of the Winnserv operation is that they operate basically a group-home type of service for clients of the Department of Community Services. Often those clients, because of the amalgam of Health and Community Services, often they're clients of each department.

Now, I guess my question to you is: Do you have access or does the department have access to the financial records by which Winnserv Incorporated has expended that \$954,223.00? Is that something that the department - like I wouldn't expect, Sir, that the Provincial Auditor would have taken Winnserv Incorporated out of there and analysed how they expended the money, but does the department have the financial controls that tell this committee of the Legislature how the money was expended and whether value was received for almost \$1 million of taxpayer funding?

MR. F. JACKSON: Mr. Chairman, unfortunately I am not familiar with Winnserv itself, but I would take it that it's providing a service to one or more departments. In this instance, it's providing a service to Community Services. My understanding would be, if it's providing a service, it would be providing a service at a rate that the department agreed to, and it would only be billing the department for the service that it has provided to the department.

So to my way of thinking, it would be up to the department to be satisfied with the billing that it's receiving, that the department understands and knows that the client load is appropriate and that the amount

that it's being billed is also appropriate, and it's based on the rate that's been agreed to by the department and Winnserv before any undertaking was entered into.

MR. D. ORCHARD: Mr. Jackson, I'm not certain if your assumption would be a correct one, because I don't know how they arrive at the method of payment. I don't know whether they base it on a per client day service charge or fee, reimbursement fee. I don't know whether it's a form of block funding to Winnserv out of the department. I simply don't know that.

But the purpose for the inquiry is, surely if that was specified as something needing further information, someone in the department would be here to be able to answer those questions.

MR. F. JACKSON: Yes, that's appropriate. One of the things that I think would also be appropriate would be to understand that for any of the larger departments, for this committee to be effective, it may choose only one or two programs of a significant department and it may just want to relate to one aspect of that department's operations. But when it was done, it would want to have a full understanding of that program's operations. It would seem to me that, if that was the case, then this committee would be in a preferred position in comparison to what it is today.

MR. C. MANNES: Mr. Chairman, to that end and because we, as members of the committee, seek a better understanding in the manner in which expenditure of some funds has occurred in the last fiscal year and the present, I move, pursuant to the Provincial Auditor's recommendation,

THAT "the role of the committee could be strengthened by requesting senior department and Crown agency officials to appear before it";

THAT the Standing Committee on Public Accounts formally request the attendance at the next sitting of this committee the following: Mr. Silver, President, MPIC; Mr. Ed Robertson, Chairman of the Public Utilities Board; Deputy Minister of Community Services; and the Deputy Minister of Health.

MR. CHAIRMAN: The motion before the committee, moved by Mr. Mannes, pursuant to the Provincial Auditor's recommendation, THAT "the role of the committee could be strengthened by requesting senior department and Crown agency officials to appear before it"; THAT the Standing Committee on Public Accounts formally request the attendance at the next sitting of this committee the following: Mr. Silver, President, MPIC; Mr. Ed Robertson, Chairman of the Public Utilities Board; Deputy Minister of Community Services; and the Deputy Minister of Health.

Are you ready for the question?

Mr. Kostyra.

HON. E. KOSTYRA: Well, I'm curious by the content of the motion because some of the people in responsibilities so named are not people in responsibilities that relate to activities that are under our review at Public Accounts. So I don't know how one would deal with that in the context of their responsibilities at those points in time unless there are some other reasons for the motion.

Let me say that this is an area like a number of other areas dealing with Public Accounts and the presentation of financial information that we're prepared to review. I find it curious, after making a number of improvements on a timely and regular basis with respect to the operations of this committee, with respect to the information that's provided to this committee, indeed to all members of the Legislature, as we've attempted to improve the opportunities and the quality of material for members of the Legislature to review fiscal matters.

Let me just review them. There were recommendations a few years ago that we should get into detailed Estimates document, something that was not in place before in this province. This government, while in office, instituted those kinds of reports and moved to have all departments of government provide that supplementary information to the Legislature so that it could have more detailed information with respect to the financial affairs of the government.

It was a recommendation that all departments of government issue annual reports so that the public, the Legislature, would have the opportunity of reviewing the financial affairs of the government in terms of comparing what took place in previous years as compared to what was being contemplated for a current year. That kind of report has now been put in place for I think virtually all departments of government and it will, in effect, have all departments of government I believe by this next year - another area of improvement in terms of providing fiscal information to members of the Legislature initiated by this government.

There was a recommendation that response on the major concerns of the Provincial Auditor, response of the government to the major concerns of the Provincial Auditor be prepared and submitted to members of the Public Accounts Committee prior to the commencement of the meetings of Public Accounts. That has been provided with a view to providing additional information and opportunities for detailed discussion.

There's a recommendation that Public Accounts should meet earlier. The member made reference previously that the last time we sat was in June, and not to digress from my main point, but that was by agreement of both the Opposition and the government in terms of a suitable time within the Legislative Session when to sit. We agreed, after discussion at this committee last year, to meet as quickly as possible after the publishing of the Public Accounts and Provincial Auditor. Indeed, we're meeting within a month of the time that those reports had been tabled, so we've moved to provide additional information and act on the concerns of the Auditor and members of this committee.

So as you can see, if you compare what we've been doing in this Public Accounts Committee at the request of the Provincial Auditor or through discussion with members of Public Accounts, but as a result of actions by this government, we are moving in a way that is providing more opportunities, more timely opportunities and more information, indeed better than some other provinces which I referred to previously. In fact, some of those provinces that are governed by a Conservative Government are moving in the opposite direction while we're moving in what I consider a positive direction.

So I think that the area governed by the motion is an area that we should consider and that over

discussion in the future look at the possibility of doing it, but remind members that opportunities do exist to deal with many of the issues that are covered either in Public Accounts, or indeed issues that are raised in the Provincial Auditor's Report as the various agencies, particularly Crown agencies and others, come before the legislative committee.

In fact, the difference this year is that you now have the benefit of having not only the Auditor's Report formally before the Public Accounts Committee prior to those other committees reviewing the Annual Reports for the similar fiscal years or similar time periods. So issues that are raised here as they relate to Crown corporations in the example, you'll have the opportunity when those Crowns come forward with their chairpersons, their CEO's, to deal with the very issues that are here. That's different than previous years for most Crowns because, in last year's example, most of those were dealt with prior to Public Accounts sitting.

We now have the opportunity of Public Accounts sitting first and having those matters discussed after with respect to those Crowns that we're reporting to other legislative committees, and indeed prior to the commencement of the Legislature when you have opportunities, either in question period or in Estimates, discussion to review those matters.

So I think we've gone a long way in terms of providing these opportunities on a more timely basis and I think that this is an area that, rather than dealing with by formal motion, we should look at in terms of other opportunities which exist to deal with those issues or the issues that members may wish to get at by having people come before these committees at other opportunities which will exist when those committees and some of those agencies report to the Legislature, or indeed once we're in the Legislative Session which is starting within a matter of weeks. So I would suggest and urge members of the committee to defeat the motion.

MR. C. MANNES: Mr. Chairman, I'm troubled with the Minister's last words when he would urge us to defeat the motion. Mr. Chairman, all I was attempting to do was to give effect to the Auditor's recommendation that we, as members of Opposition, indeed any member of this committee, use the opportunity that we have available to us, to call for certain senior officials as to a greater explanation as to programs offered under their purview that produces or creates services for Manitobans. Mr. Chairman, two of the requests are specifically in that field, and I'm talking about the Deputy Minister of Community Services and the Deputy Minister of Health.

Mr. Chairman, the Minister is fully well aware that the Public Utilities Board draws its revenue support, its expenditure base, from appropriation. We feel that this is the prime time in which to pose questions as to the operations of the Public Utilities Board. And furthermore, Mr. Chairman, we believe that as MPIC is one of the agencies of government that this could represent, with the government's willingness, the first opportunity that we would have to question Mr. Silver on certain programs and certain rate schedules under his purview.

So, Mr. Chairman, I think we fall, in all four of our requests, well within the purview and the

recommendation as put forward by the Auditor, Mr. Jackson, and I'm hard pressed to understand fully why the Minister of Finance would deny us the opportunity to cause greater accountability at this process.

MR. CHAIRMAN: Any further debate on the motion?
Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I have to admit that I find the Minister of Finance's rebuttal pretty weak and really not appropriate for the issue that's before us.

We had, on page 46, page 47 of the Provincial Auditor's Report, and I'll quote page 46: "In addition, we recommended the committee selectively review departmental operations with senior departmental officials present"; then on page 47, "The committee is still not selectively reviewing departmental operations with senior departmental officials present."

Now, Mr. Chairman, the Minister of Finance indicates that there are other opportunities at which we can achieve this perusal. But I remind him with the two departments where we've requested the Deputy Minister of Community Services, the Deputy Minister of Health, we are presented with the current year's Estimates which we are asked to peruse and to determine whether there should be approval given to those current year Estimates. These financial statements are last year's Estimates in which I believe the Auditor - and I don't want to put words in his mouth - is saying that those departmental officials should be here on a selective basis.

Certainly we couldn't deal with every department and every single line in these books or we'd do nothing but Public Accounts year-round, but selectively to take and analyze with senior departmental officials here how the money was spent in past years. If we attempt to do that in Estimates, the chairman of this committee sitting across the table will rule us out of order. If I try to find out in the Department of Health Estimates whether they have cleaned up the mess in Home Care from last year's expenditures, I will be ruled out of order.

So this is the only opportunity that we have to try to find out what went wrong in selective areas of the department, based on expenditures already accounted for. If we're denied that at this committee, as the Auditor has recommended, then what confidence do we have that, when we approve this year's Estimates, we're not going to run into similar accounting fiascos within the departments.

We still don't know, for instance, what Winserv Incorporated does or how they receive their money or whether we're getting value for the dollar. We don't know where the Home Care budget is going, and our only opportunity is here.

So the Minister's argument simply doesn't hold water. It is a diversionary argument, because obviously the government doesn't want to follow that recommendation of the Provincial Auditor. Now that troubles me, because if you can't justify how you've spent money in the past, with what moral authority can you come to us with a new set of Estimates to ask for increased spending in some of those areas this coming Session of the Legislature?

In terms of the one Crown corporation, I don't think anybody in the Province of Manitoba would deny that having Mr. Silver here to justify an incredibly exorbitant increase in Autopac rates would be something the public would not want to hear now because their notices are presumably to come out sometime in the near future. They should be out now and they've got to pay them by the 28th of February, by which time there will have been no justification whatsoever from an accounting standpoint as to whether those numbers are correct. So Public Accounts again, with departmental officials, is the place to have a Mr. Silver. In terms of the Public Utilities Board, again it's directly funded by a department of government. It has to be a legitimate request.

So, Mr. Chairman, I find with regret that the Minister of Finance does not want to have a selective perusal of given areas of expenditure within the department with the assistance of those people most capable of answering the questions, namely the Deputy Minister and the senior accounting officials that can provide the answers. I find that regrettable, Mr. Chairman. I don't think this Minister and this government is interested in information to the people of Manitoba if they persist in this stand.

MR. CHAIRMAN: Mr. Smith, on the motion.

MR. H. SMITH: I would just like to reply to the Member for Pembina. When he talks about being in Estimates of Health and he may not be able to get the information he requires, he compares this year's Estimates with last year's. I have never seen him not being able to get - you know, he asks pretty tough questions and his questions do not pertain in isolation just to this year's Estimates because he's reviewing those Estimates in comparison with other years. He asks all the questions he wants at that time, and I just think it's devious what he's saying today because he's really misleading us all.

MR. CHAIRMAN: Are you speaking to the motion, Mr. Smith?

MR. H. SMITH: I was speaking to the motion, yes.

MR. CHAIRMAN: Is there any further debate on the motion? Are you ready for the question?

It has been moved by Mr. Manness - and I'll read you the motion pursuant to the Provincial Auditor's recommendations:

THAT the role of the committee could be strengthened by requesting senior department and Crown agency officials to appear before it;

THAT the Standing Committee on Public Accounts formally request the attendance at the next sitting of this committee the following:

Mr. Silver, President of MPIC;
Mr. Ed Robertson, Chairman of the Public Utilities Board;
The Deputy Minister of Community Services and the Deputy Minister of Health.

All those in favour, say aye; all those opposed, say nay.

In my opinion, the nays have it. The motion is lost.

Tuesday, 26 January, 1988

We're on page 46 of the Auditor's Report. Page 46—pass.

Mr. Manness.

MR. C. MANNES: Mr. Chairman, before we leave page 47, I would ask the Auditor to give comment as to the process he's just watched develop here over the last few minutes. I would ask him to pass judgment as to whether or not we have tried, as Opposition, using his recommendations, we've tried in the proper method to seek the information that is our right.

MR. F. JACKSON: Mr. Chairman, one of the things - if my memory serves me right - was a publication that was put out some years ago by the Canadian Comprehensive Auditing Foundation was an approach to public accountability through the Public Accounts Committees in Canada. In that release, they suggested that there was a model that might be followed for Public Accounts committees, and that right across the country there were Public Accounts committees, some of which hadn't met for a number of years, some of which were meeting more than two years after the accounts were brought forward. But there are many deviations from what was, if you will, the model that was put forward by the Canadian Comprehensive Auditing Foundation after reviewing all of the committees in Canada, and I think what we are seeing here is differences in perspective as to what the mandate might be for this committee.

It may mean that there should be an interparty committee struck to see if this committee is still meeting the needs of the Legislature in Manitoba. If it is, that's fine. But all I can comment is that what we are seeing, I think, is an approach where one party has one perspective and another party has a different perspective, and that it's not clear in this situation if the mandate of the committee is as broad as it might be. With no further comment, I'll say that's a fair answer.

MR. CHAIRMAN: Thank you, Mr. Jackson.

If I might be permitted an editorial comment from the Chair, having attended several meetings of the Canadian Council of Public Accounts chairmen, which sounds rather fancy, who meet once a year in conjunction with the Auditors-General - and we have joint meetings with them - a committee was struck at the last meeting to follow the lines just suggested by the Auditor that some format be developed where there would be some uniformity throughout the provinces of the Public Accounts Committees. They function differently. Many of them do function year-round. They have research people, they have clerks and others don't. They operate not on a confrontational basis but on an independent basis where all members have equal input and question any senior officials that are brought before it and quite a number of them have adopted that format.

I expect that those that were struck to form the committee will be meeting before our next meeting and maybe some uniformity will be developed through that and hopefully we are moving in the right direction. That's the direction that everyone seemed to be wanting to move, that we could question some of the senior people more directly and in more detail than has been the case in the past.

Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, the editorial comment is very interesting, but you know, following on what Mr. Jackson has indicated - and, Mr. Jackson, please correct me if I'm wrong - but there is really no physical way that you are staffed well enough to, for instance, just as an example, use the Home Care appropriation in the Department of Health, to pick it out and find out whether proper accounting procedures are in place, etc., etc., because you are looking at, being a figure critiquer, \$4.3 billion worth.

And I think what you are suggesting - and again, if I'm putting words in your mouth, please correct me - what you are saying is that this committee ought to selectively - not on \$4.3 billion worth of investment, we've already conceded that. Every sitting day would be nothing but this if we went after every appropriation. But you are saying that selectively this committee ought, if they particularly - I'm again putting words in your mouth - if you think there might be a problem, and it wasn't me that said there was a problem in Home Care. It was someone in the Department of Health with some accounting function or some financial review function that said the program was financially out of control.

Now, to me, what greater purpose of this committee than to assist you in your job of having them come forward to justify how they expended the money. And, really, if we want to get down to a non-partisan approach to this in Public Accounts, because we're not talking NDP dollars that are being spent or Progressive Conservative dollars being spent, we're talking Manitoba taxpayer dollars being spent, and when someone with an internal audit function in a department says the program is financially out of control, I think in the interests of the taxpayer, No. 1, but equally as important, in the interests of those served by the Home Care Program, those Manitobans who need assistance from the Home Care Program, this Public Accounts Committee ought to follow the Auditor's recommendation and bring those individuals in to determine what the problems are, to determine whether they have been remedied, so that, No. 1, you protect the taxpayer and his financial interest; and No. 2, you are sure that the money is being spent to provide services to those Manitobans who need Home Care, as the example.

And, quite frankly, I don't see a particularly partisan role to doing that. I think that's what all 57 members of this Legislature were elected to do, to provide government services economically and to protect the taxpayers' dollars. And, Mr. Minister, you denied today the opportunity to have that kind of detailed perusal undertaken by this committee.

Now, I could conclude, and from that, that you're not interested in whether the taxpayer is being protected by expenditures in the various departments of government, and worse, I can conclude from that, Mr. Minister, that you don't really care whether Manitobans are being adequately served through Home Care, as an example. Now I hardly think that's correct. I think I know you better than that. — (Interjection) — Pardon me?

HON. E. KOSTYRA: It's easy.

MR. D. ORCHARD: You mean you do not care whether the taxpayers are well served and you do not want Manitobans served with Home Care?

HON. E. KOSTYRA: . . . how well you know me.

MR. D. ORCHARD: Well, at one time I thought that you had the right royal jelly that made you a defender of the taxpayer and those programs, or those citizens served by the programs, but I mean I may have to change my mind.

Now, Mr. Chairman, let's not digress from the issue. How can we, as this committee, how can the government not want to know what is going on within the department? And if you wish to see the financial document that I have, that I presented to your ex-Minister of Health last year, I can give it to you. And as Minister of Finance you're satisfied with some accounting individual in the Department of Health saying a program is financially out of control and you want to put the blinders on and not further examine that as Minister of Finance, then I say you're derelict in your duties. And the Auditor is saying that we should be doing that. We should use more opportunities in this committee to do exactly what has been suggested by my colleague from Morris.

I don't see the rationale. I can't see what you're afraid of and I can't see how anybody is hurt by allowing this process to go on, and I'm talking political hurt. I can't see how a government can be hurt by trying to get to the bottom of financial mismanagement. I can't see how an Opposition working with a government can gain great political points by uncovering this financial mismanagement. But I can assure you there is a political downside to those in government who refuse to have that analysis because the question automatically follows: Where did the money go and why are you trying to hide it from the people? Because that's the natural conclusion of your refusal and your colleagues' refusal to have that kind of detailed estimate - and we've mentioned two specific cases in two departments - Home Care in one, the Department of Health; and Winnserv as a funded organization out of Community Services.

What would be the matter with determining whether \$33 million had been appropriately expended in those two areas of two very large departments by detailed examination with the appropriate department officials here? You're not carrying out your responsibilities, Mr. Minister, by refusing that.

MADAM DEPUTY CHAIRPERSON, Mrs. C. Oleson: Mr. Scott.

MR. D. SCOTT: Thank you, Madam Chairperson. I would just like to first commend the Chairperson, Mr. Blake, for his comments and I would request that he perhaps do a written report to us from the Public Accounts meetings which we send him off to each year and to show us the role or the evolution of the Public Accounts Committees across the country. I think that would be quite beneficial and I'm sure he would be most enthusiastic to give that sort of information to us. But on the role of the committees themselves, I'd just like to make a few comments and perhaps we

could have some meeting of minds as to future directions that we could move in.

I guess I have to understand the difficulty for any government where there are only essentially two parties in the House. Your committee structure, everything, becomes exceptionally partisan and this House is certainly an extremely partisan House. Unfortunately, that carries over into the committees. I would dearly love to see us try to dissipate the amount of partisan definition as we are supposed to be working members of working committees in the various legislative committees of the House.

If we could refer this general area anywhere, I would like not to make a motion. I would rather just have this done on agreement of members on both sides to have the House Leaders, in particular, look at not only what Mr. Blake brings back to us - and thus we have some urgency for him to get something back to us before long - but to look at the overall working of our committees in the House to see if we can't have both some rule changes or procedural changes in the workings of our committees so that they become more of a functioning committee and less partisan on a bias. I may be overly hopeful, overly optimistic, given the nature of our House. I hope I'm not. I hope that we can, as members, recognize that we're not here simply representing political parties, but we're here representing our constituents as well.

I would like to - and I think I note some degree of consensus on that - see us, from both parties, try to work through the Rules Committee to make necessary changes for either the basic rules or the procedures and the processes that we use in our committees. I think we could be far more effective and that we could really gain a tremendous amount by looking at how the federal committees are operating now. With the changes in the House of Commons, the committees have become far more working committees.

They get involved in cross-country exercises. Some of those exercises aren't terribly, I think, appropriate, like the one that just came across the country looking for free-trade comment when they only allowed three or four people to come before them in the various towns and they have that picked out long beforehand. That's a problem with the process that they have adopted, not with the idea and the work that the committees are starting to do.

Some federal committees are working quite well; other federal committees obviously are not. I'd just like to see, I suppose, our House and our committee structure become that much more, I guess, an exploratory body but in particular to try and leave some measure, at least, of our partisanship outside, as we come into the committee to do our work.

(Mr. Chairman in the Chair.)

Now that the Chairman is back in his seat, I would just repeat for his benefit that I would like for him to give us a written report of the evolution of the Public Accounts Committees, as he had commented on earlier. I would hope we've got a couple of weeks before the Session starts, and I'm sure he has a bit of spare time that he could knock that off and pass it on to the members of the committee.

HON. E. KOSTYRA: I think there have been some helpful comments by the Chair in particular and by the

Tuesday, 26 January, 1988

Member for Inkster in terms of how to deal with this issue. I think both the suggestions of the Chairperson of this committee and the Member for Inkster should be pursued in a manner that I think was suggested particularly by the Member for Inkster that the House Leader should review this area and we should look forward to you bringing a report back to us, Mr. Chairman.

I'd like to, for a moment, deal with the unfortunate impression that has been left on the record by the Member for Pembina. He has focused in on one area of government spending in suggesting that it is out of control and somehow implying that there should be a reduced cost to . . .

MR. D. ORCHARD: Mr. Chairman, on a point of order.

MR. CHAIRMAN: A point of order, Mr. Orchard.

MR. D. ORCHARD: It was not my suggestion it was financially out of control. It was the analyst in the Accounting Department of the Department of Health that said the program was financially out of control. I repeated a bureaucrat's analysis of the Home Care spending program.

MR. CHAIRMAN: A dispute over the facts is not a point of order, Mr. Orchard.
Mr. Kostyra.

HON. E. KOSTYRA: Well, then I guess the Member for Pembina is suggesting the opposite then, that the program is in control, and I agree with him. He denied the opposite so the other side must be true.

I would just like to point out one thing and this, I guess, is by way of a question to the Provincial Auditor, and that is that if there is an area of spending or accounting or responsibility by departmental managers that is "out of control," I would presume, Mr. Jackson, that you would bring that either to the attention of the management in that department or the Minister. Failing that or if it was of such a magnitude that you felt it deserved reporting to the Legislature, it would be highlighted in this report, and if it was of such an urgent or significant nature, then you could exercise the right that you have of making a direct report if that was the case.

MR. F. JACKSON: One of the things I note that the director of Public Accounts Audit has already jotted down is the Home Care Program, Department of Health, and Winnerv Incorporated. I can assure all members of the committee that our office will be looking at both operations. If we detect that there are problems, it will be included in our report.

MR. C. MANNES: Mr. Chairman, the Minister's last statement indicates he doesn't understand what it is we are trying to do because his statement presupposes that the Auditor has his finger on the pulse of every program within government. That's the point that Mr. Orchard tried to make. The Auditor does not have at his avail that type of staff that he can look that closely at every program.

Mr. Chairman, we have an opportunity from time to time to look at programs and by way of our own sources

find out that they are not delivering. All we're requesting is that when we find them, that we have an opportunity to call before this committee the people in charge of the administration and therefore directly in charge of the program to come forward and answer questions. What is not pure about that process? I find it totally unacceptable, quite frankly, that the Minister would show such a lack of understanding of our original request and furthermore would vote against the motion.

MR. CHAIRMAN: Before we pass to the next page, I'm sorry I missed Mr. Scott's comments when I was out, but traditionally the committee is chaired by a member of the Opposition and I assure him that I'll do my best to see that he's the Chairman of the next Public Accounts Committee.

Page 47—pass; page 48—pass.

Page 49 - Mr. Manness.

MR. C. MANNES: Mr. Chairman, I'd like to ask one question on 48, just for a second.

MR. CHAIRMAN: Okay, 48.

MR. C. MANNES: Again the Auditor says, and he's talking about Public Investments Corporation of Manitoba, and he's drawing comment as to the change within the government where they set up a new holding company, and he says and I quote: "We consider this to be a positive step towards improved government control over Crown agencies."

Mr. Chairman, I would ask Mr. Jackson how he can possibly state that when basically the same people are in control as used to be the case when Mr. Silver was the Deputy Minister of Crown Investments. How can he be certain that this is a positive step?

MR. F. JACKSON: Mr. Chairman, what we've seen and reviewed is the legislation that's been put in place to provide a framework for accountability. We haven't, as yet, had an opportunity to really know if this is operating effectively or it will be a considerable improvement over what was. We are hopeful and we are monitoring its operations. We are also liaising with officials of Public Investments Corporation as well as certain of the auditors who are being appointed to carry out certain of the audit work.

One of the things that we note that's a positive improvement is that the officials of the Public Investments Corporation of Manitoba have expectations as to those auditors and the reporting process that are somewhat different than what used to be the case, and there has been a communication process set up so that the officials of this organization will be able to get audit reports on the broader issues that are facing any of these Crown agencies that have been identified by the auditors on a timely basis to be able to take some action in respect to those recommendations. So from that perspective, we see it as a positive step.

MR. C. MANNES: Well, Mr. Chairman, I understand that, but to make the statement that it's a positive step, that has to be in comparison to what? And obviously, it begs a question as to what was there before.

And I can remember when, in 1983 or '84, the Premier of the province made some strong statements as to

how he was bringing into place a new department of government, calling it the Department of Crown Investments, which was going to make sure that some of the very same things that this new holding company is going to do, that in fact those same objectives were to be met through the existing Department of Crown Investments.

Obviously that didn't happen, Mr. Chairman, but nowhere do I see the Provincial Auditor and certainly nowhere do I see the government admit that that group was a colossal failure. It did nothing because there were massive Crown corporation losses under it.

So when I see the comment, "a positive step," I take it then that what it replaced was a dismal failure. Is that a fair statement?

MR. F. JACKSON: I don't know that I would use the words "dismal failure," but I would say that we felt that the early optimism as to what Crown Investments was going to do wasn't realized.

MR. CHAIRMAN: Page 49—pass; page 50—pass.
Page 51 - Mr. Manness.

MR. C. MANNESS: Mr. Chairman, under Program Expenditures there's a comment by Mr. Jackson here dealing with - well, I don't know if I'm in the right spot. Just give me one second, please. Well, maybe I'm not quite in the right spot, Mr. Chairman, but I beg the indulgence of the committee to ask Mr. Jackson - we are talking about Program Expenditures - how he relates that with the decision made and the policy statement made the other day by the Minister of Finance that the province was going to eliminate 21 senior positions. A policy statement like this, Mr. Chairman, obviously is within the right of the government. Does the Auditor, in this case, Mr. Jackson, do you ever find yourself passing judgment as to the method by which these positions will be eliminated?

Furthermore, will you make any indication as to whether or not efficiency of government will be improved or whether or not it will be a cost to efficiency with removal of these positions?

MR. F. JACKSON: Let me just say that we're looking to relate to the Department of Finance to get a listing of those positions that are going to be vacated, because we have an ongoing concern as to appropriate internal controls in departmental operations.

We also have an ongoing concern as to whether there's appropriate staffing and an organization within departmental operations to be able to carry out its mandate and meet its responsibilities.

So in the first instance we have an interest in determining which positions are going to be vacated to determine from our perspective if, in fact, there has been any administration or administrative weakening in the department concerned. In some cases, we'll probably find that there isn't; in other cases, we'll find that there may be. In those cases where the initial conclusion is that there may be, we will want to relate to the Deputy Minister and perhaps the Minister as to what plans are in place to cover off what seems to be an initial weakness in internal control, so that we can move forward with some degree of confidence that the

systems in place are still going to be working as effectively as they have in the past. If we saw that for some reason or another they weren't, again we would be commenting on that publicly.

MR. C. MANNESS: I would ask Mr. Jackson whether or not the Minister of Finance has apprised him as to the 21 senior positions that he has drawn note to in his press release, January 22, 1988?

MR. F. JACKSON: We haven't formally asked the Department of Finance; we're in the process of doing that. I expect that we will do that by the end of this week or early next.

MR. C. MANNESS: I'm wondering if Mr. Kostyra would like to use this opportunity to indicate which the 21 positions are and in what department.

HON. E. KOSTYRA: No. Basically, it is that we're still working with some of the affected staff on options for those individuals. As I indicated at the time of the announcement, it would be our intention to provide that full information once we've concluded that process, and certainly I'd be reporting it to the Legislature.

MR. C. MANNESS: Can Mr. Kostyra confirm or deny that Mr. Bob Yuel, in the Department of Tourism, is one of these people involved in the elimination of 21 positions?

HON. E. KOSTYRA: I can't confirm nor deny that. Again I think, in fairness to the individuals involved, I believe that they should have the opportunity to consider their options. I think that would only be fair in terms of dealing with people within the government, particularly senior people who have been in some cases with the government for a number of years.

MR. C. MANNESS: Mr. Gerry Gartner is no longer the Deputy Minister of Agriculture. Is his position involved in one of these 21 management positions?

HON. E. KOSTYRA: No.

MR. CHAIRMAN: 51 - Mr. Scott.

MR. D. SCOTT: I'm sorry, I missed something as we were going along there.

I wanted to get an explanation from the Provincial Auditor. It's back on page 48. It deals with compensation for senior public servants and senior levels of Crown agencies. I'm wondering what he's expecting to come out of such a review. Do we move everybody up to the top? I've never seen it go the other way. Are you saying that the senior levels in the public service should be treated the same as the senior levels in the various Crown corporations, or what do you expect to come out of this review that you're suggesting?

MR. F. JACKSON: I'm not saying either way. I think what we're indicating is that there seems to be a lack of a rationale as to the disparity between certain of the salary levels and certain Crown corporations and vis-a-vis those positions and certain of the deputies in government.

Tuesday, 26 January, 1988

What we're looking for initially is the rationale as to the disparities, and my understanding is that considerable work has been done and that that is almost in place.

MR. CHAIRMAN: Page 51—pass.
Page 52 - Mr. Manness.

MR. C. MANNESS: Mr. Chairman, a very short question to Mr. Jackson, in the area of Personal Use - Assigned Government Vehicles, can Mr. Jackson indicate whether there were a large number of people who did not properly record the mileage of a personal nature that they caused to be driven in a government vehicle?

MR. F. JACKSON: Mr. Chairman, we didn't undertake a large selection of individuals to determine it one way or the other. We stopped short of doing that because we realize that the guidance and guidelines in place weren't such as we considered to be reasonable to cause an appropriate determination of what was personal and what wasn't personal mileage. So we recommended that, before we undertook that kind of study, some work be done to put appropriate guidelines in place so there's an opportunity for all staff to better understand what was personal and what wasn't personal.

MR. CHAIRMAN: Page 52—pass.
Page 53 - Mr. Findlay.

MR. G. FINDLAY: Mr. Chairman, I would like to ask the Auditor a couple of questions about this. I notice with interest that he says that their audit in 1987 disclosed that accounts receivable in monitoring and collection procedures require some improvement, and that in the Department of Agriculture under the Beef Producers Income Insurance Plan which dates back to 1975, there initially were some 3,500 accounts that were billed and they are now down to 150 accounts with some \$360,000 overdue.

I would like to ask the Auditor, is he aware of how the accounts got from 3,500 down to 150 with collections and cancellations? Does he know how many of those accounts were collected and how many were cancelled over time?

MR. F. JACKSON: No, we don't have the precise figures and I'm not sure that anybody does have. But our review of the operations indicated that there was appropriate action being taken over time and that there wasn't a disproportionate amount of cancellations versus collections, so we didn't have a concern on that score.

What we did have a concern with was basically that for about the last six years almost nothing has been done to collect the amounts outstanding.

MR. G. FINDLAY: What do you propose should be done, because there are about 150 people who have just refused to pay and appear to have gotten away with ignoring any attempts made upon them. Has the government got any position to proceed with the collection or is it a non-collectible account?

MR. F. JACKSON: Well I'm not just sure of what the answer is, but I did notice that I heard a radio interview

with the Deputy Minister of Agriculture and it seemed to me in that interview he suggested that a court action might be an appropriate vehicle, at least in some instances.

MR. G. FINDLAY: I notice further on down in your comments that the department was advised that they were in a weak position to enforce collection. Would that mean that any further pursuit of them would just cost the government more money instead of actually ending up in collection?

MR. F. JACKSON: Well, that's a question for the legal officers of the province to answer. In my mind, there should be steps taken to get that legal opinion formally and a deduction made account by account as to whether it would be appropriate to take further collection action. We just didn't see it appropriate at all to almost pretend that the accounts didn't exist when they did. We're very much aware of the high interest costs that the government is incurring to borrow funds and here's an opportunity, from our perspective, to ensure that there is equity amongst the various people who have used these programs to advantage.

We know how firm the governments can be when taxes are in arrears. We fail to see much difference between an accounts receivable and taxes in arrears. We think that there can be approaches taken so that there is greater equity amongst the taxpayers here.

MR. G. FINDLAY: I agree with you.

What do you think of the statement there that interest has not been charged on any of these accounts since 1981? Is that an acceptable practice?

MR. F. JACKSON: It was mentioned in our report basically because we didn't consider it to be an acceptable practice. Again, in our discussion this morning, we mentioned the school divisions vis-a-vis the municipalities, and when a municipal tax levy or property tax gets in arrears, very promptly there are arrears added for penalties and we think that would be appropriate in this instance as well. Again, we deal from a perspective of equity amongst the individuals that we service.

MR. G. FINDLAY: Just further on the equity situation, I see that some accounts where money was loaned under MACC to actually pay these accounts are in the same position of being in arrears for a long period of time and I note that four accounts have been written off. Do you have any idea on what basis they were written off, whether there was fairness in equity there compared to those who paid their accounts?

MR. F. JACKSON: My understanding is that the MACC was only writing off accounts where it became obvious that there was no potential to collect.

Just as an added comment here, we didn't view that the MACC situation was the same at all as the department. In effect, money had been borrowed from MACC to pay off the loan under the program. So this was now a new loan and it had nothing to do with the earlier program as far as we were concerned.

MR. G. FINDLAY: I guess one has to be somewhat concerned with this track record in both cases because,

as you well know, there is outstanding money extended to the Beef Commission of some \$25 million to \$30 million and producers are getting into the same position there of having to pay back now that cattle prices are high. These two experiences indicate to some farmers that if we just refuse to pay, eventually we'll never have to pay and that practice could be extended onto a very large account of some \$25 million that's outstanding right now under the beef plan.

I'm wondering what you are recommending be done in handling those kinds of government programs where money is out in the hands of producers.

MR. F. JACKSON: We understand that MACC over the years has generally had a firm approach to accounts that it's responsible for. Again, there has been a general understanding, I think, in the farming community that MACC is an effective collection agency. So this again is an exception that we're raising here and again, from an equity point of view, we think that there should be a common understanding that everybody is being treated equally.

MR. CHAIRMAN: Thank you.

Page 53—pass.

Page 54 - Mr. Connery.

MR. E. CONNERY: For some time now the finance part of the Business Development and Tourism in the Department of Industry, Trade and Technology, Mr. Chairman, has been very lax. And of course, the present Minister of Finance was I believe the Minister of Industry, Trade and Technology while their departments were poor.

Mr. Chairman, to the Auditor, he says there has been some improvement. Isn't it about time now that this problem was completely cured? Why is it taking so long to improve on this problem?

MR. F. JACKSON: I mentioned earlier in response to the other members' earlier questions that one of the things that we do try to keep before us is equity. One of the things that we sometimes find is that individuals get promoted to a level where they are not able to carry out their responsibilities as effectively as perhaps they should.

Our approach is, in the first instance, there should be an opportunity for the individual concerned to appreciate that there are deficiencies and perhaps take additional training or secure some additional resources somehow that enables him to carry out his responsibilities. We think that we would be remiss if we didn't give civil servants that kind of opportunity in the first instance.

Once it is recognized that can't perhaps be achieved, we think it is appropriate for changes to be made in the administration structure or with officials so that the responsibilities of that division or that department can be fulfilled. The reason that this particular thing took some length of time is that that process in effect did take place, and the official that previously had responsibilities in this area no longer has those responsibilities.

MR. E. CONNERY: For a minute, when we were talking about the level of competency of the individual, I thought he was mentioning or talking about the Minister of Finance, but obviously he clarified that.

Mr. Chairman, to the Auditor, the position that was to be filled by January 31, has that position been filled? We're almost at that point. You mentioned you anticipate it would be filled. Has it been filled?

MR. F. JACKSON: Mr. Bothe may know the answer to that question.

MR. J. BOTHE: I'm sorry I don't have the precise details, but I am aware that the department was working towards the filling of the position and working up so that the matter could be resolved.

MR. E. CONNERY: I wonder if the Minister of Finance would have an answer to that question.

MR. CHAIRMAN: Does the Minister of Finance have an answer to that question?

HON. E. KOSTYRA: The bulletin was posted and the deadline for the close of applications I think has recently passed, so they are in the process of - including the selection process.

MR. CHAIRMAN: Page 54—pass; page 55—pass; page 56—pass; page 57 - have we agreed to rise at 5:00?

The hour being 5:00, is it the wish of the committee - Mr. Kostyra.

HON. E. KOSTYRA: I'd just like to clarify in terms of the next sitting of the committee. We will be meeting again on Thursday at 10:00 o'clock. I just wonder what time is available for sitting that day. I think our committee members would sit most of the day if available, so we know what time . . .

MR. C. MANNES: Unfortunately, Mr. Chairman, members on this side of the committee are not able to be here in attendance all day. So, as agreed upon, we will after Thursday await the call of the committee as determined by the House Leader.

HON. E. KOSTYRA: What time on Thursday? So we can know for staff and everything.

MR. C. MANNES: We can take it until 12:30.

MR. CHAIRMAN: There's no sitting in the afternoon?

MR. C. MANNES: No.

MR. CHAIRMAN: Committee rise.

COMMITTEE ROSE AT: 5:00 p.m.