

Second Session - Thirty-Ninth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Leonard Derkach
Constituency of Russell

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Ninth Legislature

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

Wednesday, May 14, 2008

TIME – 7 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Leonard Derkach (Russell)

VICE-CHAIRPERSON – Mr. Jim Maloway (Elmwood)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mr. Selinger

Mr. Borotsik, Ms. Braun, Mr. Derkach, Ms. Howard, Messrs. Jha, Lamoureux, Maguire, Maloway, Martindale, Pedersen

APPEARING:

Ms. Carol Bellringer, Auditor General of Manitoba

MATTERS UNDER CONSIDERATION:

Volumes 1, 2, 3 and 4 of the Public Accounts for the year ended March 31, 2006

The Auditor General's Report - Audit of the Public Accounts for the year ended March 31, 2006

Volumes 1, 2 and 3 of the Public Accounts for the year ended March 31, 2007

The Auditor General's Report - Audit of the Public Accounts for the year ended March 31, 2007

* * *

Mr. Chairperson: Good evening. Will the Standing Committee on Public Accounts please come to order.

This meeting has been called to consider the following: Volumes 1, 2, 3 and 4 of the Public Accounts for the year ended March 31, 2006; Volumes 1, 2, and 3 of the Public Accounts for the year ended March 31, 2007; and the Auditor General's reports on the Audit of the Public Accounts for the years ended March 31, 2006 and 2007.

Are there any suggestions from the committee as to how long we should sit this evening?

Mr. Rick Borotsik (Brandon West): One hour, Mr. Chairman, till 8 o'clock.

Mr. Chairperson: The suggestion of one hour has been recommended by Mr. Borotsik. Are there any other recommendations or considerations? *[Agreed]* Thank you.

Are there any suggestions as to the order in which we should consider these reports?

An Honourable Member: How about chronologically?

Mr. Chairperson: Chronologically?

Mr. Borotsik: That's fair, Mr. Chairman. We have 2006 and 2007, except for Volume 4 of 2007. We can do chronological; however, I do want to deal with the Auditor General's Report of 2007. So we can do that at the end.

An Honourable Member: We'll do reverse chronological order.

Mr. Borotsik: We can do global.

Mr. Chairperson: Well, Mr. Borotsik, which is it?

Mr. Borotsik: Well, no. I would like to start with the Auditor General's Report of 2007, but certainly we can go back to 2006; however, Volumes 1, 2 and 3 of 2007 certainly are the ones that I will be focussing on. I think 2006 is fairly dated at this time, so I would prefer to deal with 2007, which is much more up-to-date.

Mr. Chairperson: In other words, it's kind of a global discussion?

Mr. Borotsik: It will be unless other members of the committee want to deal with 2006. I'm sure that they have that availability, but as I said, 2007 certainly is the topical one that I would like to deal with.

Mr. Chairperson: I think we understand.

Hon. Greg Selinger (Minister of Finance): Yes. I think it's the right way to go because '07 summarizes and brings forward recommendations from '06. So it should allow us to deal with all matters arising out of '06 still current and requiring discussion in '07, and still leaves open the possibility of passing the '06 report by 8 o'clock.

Mr. Chairperson: Is that agreed? Well, not the part about passing. Is the direction generally agreed upon? *[Agreed]*

Thank you so much.

Does the honourable minister wish to make an opening statement, and would he please introduce the officials in attendance?

Mr. Selinger: Yes. I have with me tonight Senior Assistant Deputy Minister Bruce Gray, our Comptroller, Betty-Anne Pratt, Terry Patrick and Colin Cassidy, all from the Comptroller's department.

In terms of an opening statement, I look forward to a productive session tonight.

I want to let people know that we have publicly made available Volume 4. Rick informs me that it's not tabled, but I see no impediment to tabling it as soon as possible. It might have been an oversight on our part. We thought it was in the public domain. It is in the public domain, but because it's not tabled, it might not be publicly available to be discussed tonight. But we'll table it as soon as we can, so we don't impinge the committee's ability to discuss any of the contents of that.

Mr. Chairperson: Thank you.

Does the critic for the official opposition have an opening statement?

Mr. Borotsik: Yes, very briefly, first of all, I thank the minister for that, but I will dispense with dealing with Volume 4. We can deal with that at a later date, certainly, with one of our future agendas. I would hate to bring something forward that hasn't officially been tabled in the House as yet.

I would also like to just at this time, Mr. Chairman, thank you and the Vice-Chair, as well as other members of the committee, including members of government. It seems that we can certainly deal with a lot of the reports that have been stalled, perhaps, over the last number of years, as well as coming forward with a much more workable committee. I think it's important that each and every one of us recognize that this is really about the administration and the workings of government. I know that the staff, and I know that the members, are all working toward the same end, which is to have a much more efficient operation or an operation that certainly can be questioned on its efficiencies, and perhaps improve on them. So I just would like to

make those few opening comments, and then, perhaps, start with some questions.

Mr. Chairperson: I thank the honourable member.

Does the Auditor General wish to make an opening statement?

Ms. Carol Bellringer (Auditor General of Manitoba): No, I don't have any opening comments.

I just want to welcome my deputy Mala Sachdeva, who's sitting with me here at the table, and the Public Accounts audit staff who are behind me. Susan Hay is the audit principal, who works on the Public Accounts audit, and Tyson Shtykalo, who is another audit principal with our office who's also working on the Public Accounts audit.

Mr. Chairperson: I thank the Auditor General.

The floor is now open for questions.

Mr. Borotsik: Thank you, Mr. Chairman.

The first question is through you to the Auditor General, and it goes to the audit year ending March 31, 2007, her report, which is the future handbook sections affecting the Public Accounts and related impacts.

Reading through this section, it certainly deals specifically with the compliance with GAAP. I accept that, and I know the Auditor General has given us quite a bit of understanding as to the GAAP requirements, and we do know the difference between core reporting and summary or consolidated reporting.

I guess the question I have right now, and it's been brought to my attention, and I believe that the Auditor General had indicated some, not so much concern, but she had brought forward the suggestion that in the not-too-distant future there may well be another requirement. That requirement for auditing purposes in public domain such as the Province of Manitoba is one called the IFRS, which is the International Financial Reporting system, I believe it is, or Standards, I'm sorry, see I had it initially, the IFRS.

I'm not that familiar with it, but, as I do understand, internationally they're trying to come together with an accounting standard that would be cross borders, if you will. We would certainly see that all jurisdictions of any sort of a business would comply with the IFRS.

I wonder if the Auditor General just might, in a few words, explain this to where that is, where it's coming from. I'm told that there is a requirement, maybe not requirement, but the suggestion that it be put into place by 2011.

I wonder if the Auditor General just might give us some background on that because, quite frankly, it seems a whole different direction of accounting standards. I wonder if it's just maybe a make-work project for auditors, or is there really some function required with the IFRS.

Mr. Chairperson: I will allow the Auditor General to answer that question, although it does touch on the policy side. I will let the Auditor General use her discretion in terms of the answer.

Ms. Bellringer: Thank you Mr. Chairman.

Actually, other than defending the entire accounting profession, I'm not sure what the policy question is.

The International Financial Reporting Standards or IFRS is applicable to the private sector.

Government accounting—so the summary financial statements for the government will continue to be guided by public-sector accounting, which is the Canadian group, the PSAB. The Public Sector Accounting Board will continue to provide the accounting standards that we'll follow when we're auditing the summary financial statements and that the Department of Finance follows when they're preparing those statements.

There are impacts on the government-reporting entity for the Crowns that are business enterprises. Those entities will have to follow the IFRS standards by 2011.

* (19:10)

There's another group called government business-type organizations that fall into a bit of a middle group where the accounting standard folks are saying, you have to switch these over to IFRS, but we reserve the right to review that decision. So it's, in effect, uncertain as to where that one will fall. It's probably the greatest complication with the switched IFRS, because it's a very, very big job to change all of your accounting systems so that you're following a new set of accounting principles, and to expect those organizations to switch over—now, that is a policy decision, for sure—but I would say, from an administrative perspective, to expect them to

switch over prior to knowing for sure that they have to, would not be reasonable.

So the government business enterprises, yes. The government itself, no. The government business-type organizations were uncertain.

Mr. Borotsik: Could you just explain what a government business-type, I think you said, government business-type enterprise is?

Ms. Bellringer: I'm not sure if the Department of Finance might be better to answer the question. I don't mind; it's not controversial in any way. But I believe the only organizations that are classified that way—it's a definition that would come out of the standards, but it would include the Manitoba Agricultural Services Corporation, Manitoba Housing and Renewal Corporation, and the SOAs, special operating agencies.

Mr. Borotsik: If I can, through you, to the Auditor General, is there a time line on this? This isn't meant to be adversarial or confrontational; it's just something, obviously, that I know that you had mentioned before. I had done some research on it, and it seems to be a fairly scary situation. Is there a time line on it?

I know Canadian business are going to have to comply with it, simply because of their competition internationally, particularly in the U.S., but are governments—and I go back to the Crown corporation. We have Crown corporations who, again, are competitive in other areas and other jurisdictions. Is there a time line and will those Crown corporations be, in fact, required to come to an IFRS standard?

Ms. Bellringer: Yes, the Crown corporations, which are called government business enterprises, but those Crown corporations will be required to switch over by 2011. In order to report on 2011, you have to show 2010 comparatives. So you have to be in a position to have both years' worth of information.

Mr. Borotsik: This is 2008 fiscal year-end. That doesn't give an awful lot of lead time to, certainly, come into compliance with the 2010. And this isn't policy, I don't believe, but is it your understanding that the Crowns in Manitoba are working towards this IFRS?

Ms. Bellringer: Yes, very much so. All of those Crowns are also audited by private-sector accounting firms. They're very much on top of the requirement. It means that you're switching your systems now, so

that you have it running for 2010, and you're reporting on it in 2011. All of the firms are doing presentations, too. I mean, the Crowns specifically, I believe we've seen presentations at all of the major Crowns. The staff within those Crowns are—this is a general comment, I don't have specifics on it—but they're either hiring experts who are coming in and helping them do it, or they have expertise that they've hired within the organization to make that switch-over. So it's very much under control.

Now, having said that, we haven't gone in and done a detailed auditor assessment of exactly where each of those organizations is at.

Mr. Borotsik: I appreciate the fact that we are now moving towards GAAP compliance. In order to, as I understand it, be GAAP-compliant in 2008 with our summary budget, the requirement was to have the Crowns and the entities GAAP-compliant so we could bring them all together, apples to apples, and show that as a really nice fiscal picture. If, in 2010, a good portion of the reporting entities in Crowns are going to go to another system, how is that going to come together into a summary statement that is GAAP-compliant?

Ms. Bellringer: Again, hopefully, I'm not having to defend the profession again, but they are already under different systems. The Crowns follow CICA, private-sector-type, company-type accounting principles currently, and they will continue to do so. It's just that those rules are switching over to IFRS instead of Canadian GAAP.

It's already a different kind of GAAP than the GAAP that the Province is applying to the financial statements for the government. The public-sector accounting standards are government accounting standards that we're using on the global picture for the summary statements. It's picking up a net equity figure for the Crowns. You don't fully consolidate all of the assets and all of the liabilities. You only see the revenue pickup as a one line from those various Crowns because the accounting policies are very different in many areas.

Mr. Borotsik: So, with the summary statement that's going to be the GAAP-compliant summary statement, it's simply going to be a one line for the Crowns and the other entities, and that's going to be net revenues at that point in time. So, on the summary statement, that's all you'll have, is one line for net revenue. Is that what you're saying with the GAAP-compliant now?

Ms. Bellringer: Yes, that's what you have currently and that's what you'll continue to have. It's just the GAAP that it's based on will be changing.

Mr. Selinger: Yes, I think the relevant paragraph that supports the Auditor General's statement is the third-last paragraph on page 64. This, I think, explains why it's going in this direction. IFRS is developed by—[interjection] page 64, third-last paragraph: IFRS are developed by the International Accounting Standards Board. The move to IFRS will make Canadian GAAP a financial reporting on the same basis with more than a hundred countries. So I think it's trying to bring it into harmony with how GAAP is being used in about a hundred other countries. I think that's sort of the underlying logic behind it.

What that means yet we haven't fully understood, but it's going to mean the same thing in about a hundred different countries.

Mr. Borotsik: I appreciate your comments, Mr. Minister, because, quite frankly, I don't know what it means either, to be perfectly honest. When the IFRS standards do get put into place—and certainly not all of those hundred countries probably will follow the same accounting standard so it's still going to be a bit of a mishmash. However, I do appreciate the fact that the Auditor General says that we are working in that direction, certainly from the Crowns and the entities.

A question to the Auditor General: It's not if, it's when the standards come into place. Is that going to tax—tax is the wrong word. Is that going to have an issue with the resources that you have in your own department at the present time to accommodate this IFRS?

Ms. Bellringer: We're already seeing the impact. There are now three sets of accounting standards that our staff must be familiar with, some more so than others, but definitely it's increasing. In particular, we have one person who deals with professional practice and quality assurance for the office, and he must be familiar with all of those, the Public Accounts team as well. So it's adding to the professional development of the staff. We have to give them extra time to learn these things when they're new.

We've hired quite a few students. Fortunately, the students are coming in knowing it because they're learning it now when they're going through their courses, so we have that advantage. I'm not sure what percentage they're estimating in most of the firms,

but my guess is it takes away 20 percent of your staff time just to stay up-to-date now.

Mr. Bidhu Jha (Radisson): Two comments: One, it is kind of academic, not really policy-oriented, but based on Mr. Borotsik's questions or queries, let me ask, I have two concerns about futuristic accounting. One is when you look at the government providing services which are not quantitated—I mean, it's something that you provide—how do you make that accountable in terms of numbers so that the public knows that this was worth something, which is very difficult for us to do?

But, on the Crown side—and it is not something that I have invented—I can share with you that I have talked to some people, our economists that are talking about that when you look at a public-private corporation, say this is my net worth. They look at not the book value which is depreciated, but they look at the real value, which is the real value of the assets.

In the public corporations which are owned by Crowns, that is not the practice today, but, if you really look at replacement values and see is it worth so much—look at Hydro, look at any Crown corporation—if you want to evaluate that, are we really in debt or are we critically in debt? That is a challenge that I see in the future in terms of making it presentable to the public. Any thought on that, if that is being looked at?

* (19:20)

Ms. Bellringer: You've raised quite a number of, for accountants, very interesting discussion points.

One that really jumps out at me, though—there's one section of the handbook for private sector entities, which also is applied to non-profit organizations which covers off almost everything that's brought in to the summary financial statements; it's a section called Financial Instruments. They're already being required to show those financial instruments. So it would be anything that's an asset or a liability has to be shown at its fair value. That in itself has also introduced another series of challenges for the Department of Finance and for us, as auditors, in getting those fair values.

Then there's another extreme in terms of discussion around social services' conceptual framework anywhere you bring in all kinds of other things into Accounts, but that is more of a futuristic discussion.

The financial instruments are very real and something we are dealing with currently.

In between, there's also—it opens the door for a discussion around outcome measurements which go outside of the financial statement, things that you're seeing in the annual reports in the Estimates documents. We don't put an actual audit opinion on those reports, but we do look at them and we do from time to time do audits in that area as well.

Mr. Kevin Lamoureux (Inkster): I wanted to continue on the audited Public Accounts for year-end 31st, 2007. On page 29, there's an interesting graph that I'd like to just have a bit of a discussion on.

We talk in terms about the debt-to-GDP ratio and, as is pointed out in here, it says that Ottawa actually has a target that's been set in its 2006 budget. They're setting that target at about 25 percent. I take it that that's for the net debt, as the graph is showing for the provincial one on the top.

What are the Auditor's thoughts in terms of the value of having some set target? Is that something in which her office is looking at? Should the Province be looking at some sort of a target?

Mr. Chairperson: Thank you, Mr. Lamoureux. Once again, I'm going to indicate that this falls into the category of policy, and, therefore, I'm going to allow the Auditor General or the minister to use their discretion in the answer to this question.

Ms. Bellringer: Mr. Chairperson, I wouldn't suggest what the target should be. That is clearly a policy issue, but we did make a recommendation, the first recommendation in our summary on page 5, that those targets be set and then be reported against.

Mr. Lamoureux: When you're making a suggestion that there should be targets set, do other provincial jurisdictions have set targets?

Ms. Bellringer: I think it's pretty much all over the place. There've been, by the standard setters, by the CICA, they've done studies on it, but there are no requirements. So I think practice is—it varies a fair bit and I'm not sure if anyone else wants to add anything, but—

Mr. Selinger: I've had my officials look into this. There is no gold standard. Europe, for example, has, historically, under the European Union set a standard of debt to GDP for a country on a national basis of 40 percent, quite a bit higher than what we've achieved in Canada and in many provincial

jurisdictions as well. They've also got a standard about running deficits, et cetera.

Now, to be fair to them, they have some different challenges and they have some different accounting rules that they're operating under as well.

In the province we've been trying to have steady decline in our debt-to-GDP ratio without a hard target. If we went with the federal hard target, we would have exceeded it. In '06 we would have achieved it. But we've just tried to sort of show continuous progress because that's really trend in the view of many people as the most important thing. So there is no science on this. It's very much a judgment call.

In terms of bond rating agencies they want to give you a credit rating which affects your cost of borrowing money, which is sort of the bottom line in the business of government. They want to see a trend that shows steady as she goes, or an improving ability to manage your investments and your debt relative to growth in your economy. They want to know that you are doing that on a comprehensive basis, which is why we started addressing the pension liability. But there is no hard target there either. It varies widely across the world as these bond rating agencies look at different jurisdictions.

You take, for example, a country like Japan, which has a debt-to-GDP ratio in excess of their GDP. It's like 160 percent because all through the '90s they had a major problem with growth in the economy. They had almost deflation or zero inflation, zero growth. They had effective interest rates of less than zero after inflation. The banks were in major trouble, but the country made a choice to keep people working. They had a very strong policy on unemployment, which usually ran around 3 percent or 4 percent and it's swollen to 6 percent, which is the norm in Canada. They had everybody working on public works all across the country. You couldn't go anywhere in Japan without seeing somebody fixing up a street or a sidewalk. So different countries make different choices about how they manage through the economic cycle and where they put their priorities. Japan chose to run up more debt to invest in public infrastructure and keep people working. There are advantages to that when you come out of that situation. There are disadvantages if you go into another downturn

quickly because you have less room in the future. Every country makes its own choices on this.

Mr. Lamoureux: I bring it up because I think the potential value, if you tell the average Manitoban the Province spends \$9 billion, for an example, it's hard to conceptualize. What do you mean by \$9 billion? If you were to say, well, we spend \$9 billion, but Saskatchewan and, let's for the sake of argument, just say it had 1.2-million people, it spent \$15 million. At least they have something to kind of contrast it to, and I just think that there would be some value if we knew what the GDP ratio to Saskatchewan was. He might have that in one of his budgetary documents. I don't know.

Mr. Selinger: Page B-13 in the budgetary documents, it gives that comparative table, net tax supported debt to GDP ratio by province. We array all the 10 provinces, and we're No. 4 out of 10 in terms of the lowest debt to GDP. Alberta, B.C., Saskatchewan, Manitoba, then it goes higher as you go east.

Mr. Lamoureux: I appreciate that. Going to page 30 and again it goes to net debt per capita. I'm assuming in 2007 it's \$8,800. Is it safe to say that that's based on 1.2 million people? Would that be just the operational debt for the province or would that be the overall debt including Crown corporations?

Mr. Selinger: It's based on the population numbers in the year that it's reported on, and I'd have to get the specific number for you that year, so you have apples to apples. That number changes every year. As you know, we've had growth every year, so we have a different number of population in every year, but the population number used in '06-07 would be what the Manitoba Bureau of Statistics would have said the population was for that year.

On the net debt per capita, it's shown on page 25 in the budget documents, and that's our most current '06-07. The population we had in '06-07 was 1,178,500. That was the number we used. That would be on pages 24 and 25 in the budget papers if you wanted to reference it, which you have a hard copy of.

The second part of your question was, net debt, does it include all the Crowns? As I understand it—*[interjection]* Summary net debt, so it's all in, so I'm informed.

* (19:30)

Mr. Lamoureux: I'm not an accountant, so, just to refresh my memory, when we talk about net debt we're talking about monies borrowed minus assets, to simplify it? *[interjection]* When we're talking about net debt, are we really talking about monies borrowed minus assets, values?

Mr. Selinger: Yes, in essence, net debt is always your total obligations minus your assets set aside to repay those obligations but I want to do a clarification for you because I'm not sure—on the Hydro.

I wanted to clarify it because I was pretty sure I had needed more information on this to share with you. It brings into the financial statements on a summary basis the net equity of, for example, Manitoba Hydro and the net equity is illustrated on the annual report of the Province on schedule 3, page 83. It shows there that they have assets of 10.6 billion and liabilities of 9.2 billion, and I'm rounding here for purposes of explanation, and net equity of about 1.4 billion. That's the number that—and that's based on GAAP standards for treatment of government business enterprises, as we've just discussed, that are currently under evolution as they move to the international standard.

Ms. Bellringer: If I could just add one thing. Often there's a misunderstanding between debt and net debt. Debt in the summary financial statements reflects the gross debt of everything excluding the Crowns. You don't bring in all the assets and liabilities on a line-by-line basis for the Crowns. So, if you were to look at the gross debt number, it's only showing you what relates to the rest of the government reporting entity but when you're talking net debt, you're talking a different thing.

Net debt is the difference between those assets, as the minister explained, the difference between the assets and the liabilities and so because you're every year picking up the equity from those Crowns, the net debt figure does include the Crowns, as he's explained.

So this net debt per capita calculation is not the debt per capita, it's the net debt per capita. It does reflect the full government reporting entity including the Crowns. If you were to look, for example, at debt-servicing costs, the other graph that you were asking about, debt servicing would be something taken out of the summary statements and therefore would not include the Crowns.

Mr. Lamoureux: If we take a look at the Manitoba Hydro net, it actually had a positive of 1.4. There was no net—there was no debt for equity. I'm sorry, equity of 1.4 billion. That would have then been incorporated into the graph that we're looking at which would show us having a net debt. Is that correct?

Mr. Chairperson: Who are you asking the question of Mr. Lamoureux?

Mr. Lamoureux: For either the provincial Auditor or the Minister of Finance.

Mr. Selinger: The short answer is, I'm informed, that the net equity number is part of the net debt per capita calculation. *[interjection]* As I suggested to you earlier on schedule 3, page 83, in the annual report of the Province of '07, it shows net equity as a positive, \$1.4 billion. That's a subtraction of liabilities from assets under that Crown corporation for that year.

Mr. Lamoureux: I was going to move on to a different graph but I don't know if the Member for Brandon— were you wanting another question on that line? Otherwise, I'm going to go on to the next line. Oh, go ahead.

Mr. Borotsik: Just one question, just clarification to the deputy minister. How about we do Mr. Gray,—no relation to Ms. Gray. If he can't answer this, okay, to the Auditor General, if I could, Mr. Chairperson.

Mr. Chairperson: Thank you. Auditor General. Ah, there's a problem there.

Mr. Borotsik: We're going back to a summary statement; I appreciate the fact that Manitoba Hydro has equity. We know that; we've recognized its \$1.4-billion worth of equity. If you take the liabilities and their assets and, if you subtract the two, then there's going to be a positive \$1.4 billion.

When you bring that into the summary statement and to the net debt, that actually then would reduce. That \$1.4 billion of equity would actually reduce the gross debt, if you will, by that amount; that's bringing in Manitoba Hydro.

Would the same be true with the other Crown corporations when you have equity? You have retained earnings and equity within other Crowns that also would reduce that net debt, based on other net incomes and retained earnings. Bringing that back into the statement, is that correct, Madam Auditor General?

Ms. Bellringer: I don't have the page in front of me. Mathematically, you're absolutely correct that, if it has a positive net equity, then the balance is improved, if you will. You're looking at the net debt calculations. They're all equity; they're all on a positive basis. It's on schedule 3 to the Public Accounts.

Mr. Lamoureux: We go down then to the debt-servicing costs as a percentage of revenue. Question, I guess maybe to the minister, in terms of the federal transfers: Would that include the federal transfers that are coming to the province?

Mr. Selinger: Are you looking at figure 6 on that page 30? This is summary debt-servicing costs. It's inclusive of all the Crown corporations and all the revenues the government of Manitoba receives, including transfer payments and own-source taxes, fees, et cetera.

Mr. Lamoureux: I'm going to jump to figure 8 where we talk about federal transfer payments in particular. In 2007, it shows 28.6 percent. Would that include all different forms of federal transfer payments, equalization payments to federal transfers on Health? Is it all-inclusive of all federal dollars coming to the province?

Mr. Selinger: I'm just going to take a moment to clarify that, because we have a slight difference of opinion here.

We seem to have an emerging consensus that that's on a full-summary basis.

Mr. Lamoureux: I appreciate that. I don't know if there's any possible way I can actually get it confirmed. I'm going to rely that the minister is accurate on that.

Mr. Selinger: He's as accurate as he can be until he's informed otherwise.

Mr. Lamoureux: If the minister does hear anything different—

Mr. Selinger: I'd be happy to report to you.

Mr. Lamoureux: No, no, hang on, please. He could get back to me.

Mr. Chairperson: Mr. Lamoureux, you've got the floor.

Mr. Lamoureux: The minister will get back to me if he has anything otherwise to say on it.

In regard to figure 9, foreign debt, there's good debt, I always thought, and there's bad debt. Many would argue that all debt is a bad debt, but there is actually a good debt. There are many different ways one can take a look at debt in many different fashions.

* (19:40)

The debt that concerns me the most is debt that is always owed outside of the province, in particular, even go further than that, outside of Canada. Does the provincial Auditor or the Minister of Finance (Mr. Selinger), is there a better way of looking—this graph confuses me. I don't understand it at all, to be honest. What I'm interested in knowing is what percentage of our debt is actually foreknown, outside of Canada.

Mr. Selinger: I'm glad you've asked me that question because we made a policy decision early on when we became government to not have foreign debt exposure. All of our debt is fully hedged. We translate it back into Canadian dollars. Even though we go into the international marketplace to borrow, we swap it back into Canadian dollars to eliminate foreign currency exposure, and we've done that deliberately to manage volatility and to have greater certainty on what our debt is. That's why you see zero there in '07. There is no unhedged, foreign debt.

In the case of Hydro, which is a little different, they have some foreign debt but it's fully offset by foreign revenues. They hedge it naturally with their revenue stream from export sales. In the case of core government, we swap it back into Canadian dollars and stabilize it and have no currency risk exposure.

Mr. Lamoureux: The different Crown corporations, and I can only think of one right offhand and it's Manitoba Hydro, have bond issues. How is that factored into debt because it would be money that's borrowed from Manitobans? Where or how is that factored into the budget?

Mr. Selinger: We run a program every year of Manitoba Builder Bonds, or Manitoba Hydro Bonds. It's fully factored into the total debt costs. It's domestic debt so it requires no hedging. It's a program we offer because we believe, and we offer it on a market basis. We offer it on the same basis as roughly we could borrow it in the international or domestic marketplace. The bottom line is that it's a program that allows Manitobans to invest in Manitoba bonds or Hydro bonds and have a stable, guaranteed return on the money they've invested.

Mr. Lamoureux: I guess my last question, in this area, is just more so again to get assurances and it's a very, very quick question. As of today, we don't have money borrowed then from China or Japan or India, any offshore countries?

Mr. Selinger: We have issued bonds in the international marketplace, which have been purchased by other than Canadians, people outside of Canada, but we have swapped them back into Canadian dollars. We have no unhedged, foreign debt in the government. In the case of Hydro, they do have foreign debt, but they've hedged it against their foreign revenue stream.

Mr. Chairperson: Before we proceed, Mr. Maguire, if I just may. Questions to the senior assistant deputy minister are not appropriate because the witness for the Public Accounts is supposed to be the deputy minister. But, because of the short notice that was given for this meeting, the deputy minister could not be here, so, therefore, I'm going to ask that all questions be directed either to the minister or to the Auditor General. Thank you.

Mr. Larry Maguire (Arthur-Virden): I have just a couple of questions in regard to some of the line items, I guess, under Legislative Assembly, in regard to Volume 2, '06-07, Supplementary Information. It was to do with the naming of a few, just some expenses, just randomly, a few of them, and I don't know whether the minister can answer this or not at this point. Page 93, '06-07 Public Accounts, Volume 2.

Just a couple of items. There are a lot of numbered Manitoba companies, a lot of other companies, in there, that sort of thing. I would just take the first two, 4941307 Manitoba Limited, \$80,797. I don't expect the minister to be able to tell me off the top of his head who that is, or what it is, but perhaps he could find that out for me at some point. The second one is for Imprint, Windsor, Ontario, \$18,926. There's an item further down: Concourse Travel Limited for \$11,829.

What's the best way of handling those, Mr. Chairman?

Mr. Chairperson: Well, we'll just ask the minister to answer the question. You've asked the question. I'm going to ask the minister to answer it.

Mr. Selinger: I will undertake to get him the information. I won't even hazard a guess as to what 4941307 Manitoba is. It's just too descriptive for me to take a risk on.

Mr. Maguire: The Executive Council on page 95—or, I guess it's under Aboriginal and Northern Affairs—on that line there's one EDS Canada Inc. It's based in Calgary, I guess, and I just wondered—it's \$11,822. If he could provide me with just what EDS Canada Inc. is. Maybe I should know that, but I don't.

Mr. Selinger: Once again, I will get him that information.

Mr. Maguire: There's a Manitoba Council for International Cooperation under Executive Council for \$950,000, and I wonder if I could get a breakdown on what that was.

Mr. Selinger: I can give him a general description of what that is. That's an umbrella organization of all the international organizations that operate around the world doing various development projects and/or aid projects, and it includes organizations like all the churches and their international arms, their international ministries. It includes Save the Children Fund. It includes the Mennonite Central Committee and the work they do internationally, and there's always been a commitment by the Province of Manitoba.

For example, you will have noticed that we committed \$100,000 to Burma for the crisis they're going through over there. We give that money to the Manitoba Council of International Cooperation and they get that money to organizations that actually have people right on the ground that can help. We don't put it through the government channels and all the bureaucracy. We give it to an international voluntary umbrella group, MCIC, and they feed it out to, in the case of Burma—or Myanmar, as they call it currently—there are about seven organizations over there that have links into Manitoba: Save the Children, the churches, Mennonites, I believe, is another one, but I could get the names for him if you wish 'cause I just canvassed that question myself this morning.

That money goes over there for them to do very practical things to help people recover from the disaster. They also do some work within Manitoba with schools and community groups to help people be aware of international issues and how we factor into that sort of global community. That's been a long-standing there. We've increased the money modestly over the years. I can't remember how much it's gone up. I think it's gone up about a quarter of a million in the last eight years, something like that.

Mr. Maguire: Thanks. No, a very good program for sure, and I'm just—if the minister can provide me with a bit of a breakdown on that, that would be great.

There are just a few others. Well, I'll go back into Compensations, page 19, E. Kostyra. Can he confirm that that's Eugene Kostyra, senior officer eight and the salary accordingly there?

Page 19 under Compensations.

Mr. Selinger: I would guess, at a confidence level of 95 percent, that that's Eugene Kostyra.

Mr. Maguire: That was interesting, because I know, on page 105—I just need to get clarification: Competitiveness, Training and Trade, are there two Eugene Kostyras? On page 105, there's another item of expense under Competitiveness, Training and Trade, there for Eugene Arnes Kostyra for \$8,225.

Can the minister just indicate to me what that would be? *[interjection]*

An Honourable Member: From Arnes, yes, right.

Mr. Chairperson: I'm sorry. Mr. Maguire, can you complete that, please?

Mr. Maguire: I'll clarify that, yes. That's not his middle name. That's the town I'm assuming that's he from. Eugene Kostyra.

* (19:50)

Mr. Selinger: Without having been able to actually fix my eye on that specific line in that blizzard of information there—oh, it's over on that side of the page—Eugene Arnes Kostyra. It may well be his second name. I don't know him that well, but I suspect, subject to verification, that's expenses that he filed for activities he undertook on behalf of the government. *[interjection]* Oh, was it? Okay.

Mr. Maguire: I just clarify that—for the minister, as well. It took me a second there. I've read a number of these all night and behind every name there's a town, and I'm pretty sure that that's the town. *[interjection]* I've been there before, so—

Mr. Chairperson: Hold it, we are getting out of control here. So, if we could just calm down and speak when we are recognized. Mr. Maguire, if you could finish your thought, please.

Mr. Maguire: I was just clarifying the town, Mr. Chairman, thank you.

The Churchill Gateway Development Corporation received \$192,103 under Competitive-

ness, Training and Trade there as well. There are great opportunities going on here with the northern links and from the mid-continent corridors, that sort of thing. I wonder if the minister can just inform me as to what that amount, the \$192,103, would have been used for. I know that there are a lot of initiatives going on in Transportation and Infrastructure and that area, but this one's under Competitiveness, Training and Trade. It may be for apprenticeships, that sort of thing. It may also be for trade missions, and I wonder if you could just itemize that amount for me.

Mr. Selinger: I will undertake to get details for him on that.

Mr. Doug Martindale (Burrows): Mr. Chairperson, I have more general questions about payments to corporations, et cetera, although I think probably Estimates is a better place to be asking questions about these expenses. One of the frustrations that I had as an opposition critic for nine years was that I was very interested in the expenses in the areas that I was critic for, first Housing, and then Family Services. But there are pages and pages of expenses in what is now Family Services and Housing. It's very difficult to even know what questions to ask.

But my question would be, is it possible for the Minister of Finance to organize these so that they are similar to the Estimates books, so that groups of expenses could be grouped together? For example, if all the day cares could be grouped with the day cares, and if all the employment and income assistance expenses could be grouped with like expenses, it would be much easier to understand and it would make it much easier for people to ask intelligent questions. Is that possible?

Mr. Selinger: Anything's possible if you want to make it a priority in terms of where you devote your staff resources. Without consulting my staff, I know they're involved in pretty major activities right now around getting, in the last year or so, the full summary budgets in order. We've made a commitment to next move on the quarterly financial statements and to redesign and re-profile them to be more consistent with the GAAP.

If you're asking, can we do it soon, yes, we can do it if we thought it was the most important priority. Can we do it soon and do we want to do it soon? I'd have to take a little advice from my staff on that, whether they have the resources to start reorganizing all this material right now, given all the major

challenges they have across government that we've undertaken to do as a government.

Mr. Martindale: One supplementary question. I wouldn't want to reorder the staff's priority to make a major commitment to making opposition critic's life easier, but, given computerization, I'm wondering if it would be easier to do than might be apparent because of computers. Just a thought.

Mr. Selinger: Again, I would have to take advice on that, with all due respect to the member. As you know, we've got four volumes of material here that we put out. There's extensive amount of work that goes into this. It's a huge enterprise just getting these accounts done over the summer. We've given ourselves much more rigid deadlines now. Staff worked pretty hard over the summer to get this material done. My guess would be, without consulting them, that it's not their highest priority right now, given all the other things they're trying to get a handle on: SAP, risk management, summary financial statements, evolving accounting rules, internal audits, my God, you know, plus other things I dream up for them and the Auditor General dreams up for them in terms of their reports. I've got a feeling this won't be their highest priority.

If you really think it's important, we could take it under advisement and see where it would fit into our priorities in the next three years. I'll leave it up to the committee to tell me how important they think that is.

Mr. Blaine Pedersen (Carman): Mr. Chairman, and, again, I'm back in '06-07, Volume 2, and I'm just picking out some—oh, under Science, Technology, Energy and Mines, page 181, just about halfway down the second column. De Beers Canada, Toronto, \$49,953. I would hope that's not an engagement ring from the Minister of Science, Technology.

I'm assuming you don't have an answer for me right now—

An Honourable Member: I actually might.

Mr. Chairperson: Just a moment, please. Are you finished with your question?

Mr. Pedersen: Then go ahead. Yes.

Mr. Selinger: The great thing about this volume is you can go fishing just about anywhere and come up with a couple questions. It's great that way.

I suspect the De Beers money of 49,000 is part of our MEAP, Manitoba mineral exploration program. We do a program every year where we provide an incentive to mining interests to explore actively in Manitoba. There is the potential for diamond mining in Manitoba. The geological formations in Manitoba are not dissimilar from what's in the Northwest Territories, whereas the member, I'm sure, is aware that there are some major finds. I suspect that they have qualified under that program for a partial subsidy for some of the exploration and work they're doing.

I'd have to verify that, but I got a pretty good feeling that that would be what it was for.

Point of Order

Mr. Chairperson: Mr. Maloway, on a point of order.

Mr. Jim Maloway (Elmwood): Mr. Chairperson, on what could be a point of order, I just wanted to point out to the members that years ago we used to do the same thing: go through this volume. What the minister at the time suggested we do is to submit a list of explanations that we wanted and then they would dig them up for us at a future meeting, so we don't tie up the committee. I mean, we used to do the same thing all the time until they came up with that other strategy.

Mr. Chairperson: Thank you, Mr. Maloway. That's not a point of order, but the advice is certainly appreciated.

* * *

Mr. Pedersen: Mr. Chairperson, then, with your permission, I will submit a list for the minister of some other relevant—and I don't want to take up time here, so I'll submit a list if that's good with the minister.

Mr. Selinger: Absolutely. Any further information the member may wish to have we'd be happy to try and respond to him when he gives us his request.

Mr. Chairperson: The hour being very close to 8 o'clock, what is the wish of the committee? I will ask the committee some latitude to be able to perhaps ask for passage of some of the reports, but again, we'll have to get permission to sit past the hour.

Mr. Borotsik: I've canvassed some members of the committee, and I wonder if it would be fine to sit for one-half an hour longer, if we could go to 8:30. There are some relevant questions, more so than just

simply pointing out payables. I wonder if the committee would go for an extra half an hour.

Mr. Chairperson: Is it the agreement of the committee to sit beyond 8 o'clock for another half hour? *[Agreed]*

Mr. Borotsik, do you have a question?

Mr. Borotsik: I do. Thank you.

Mr. Chairperson: I'm sorry. I had recognized—Mr. Maguire had his hand up and perhaps we should allow him the opportunity to ask his questions. Then we'll move to Mr. Borotsik.

Mr. Maguire: I'll ask if I could indulge the minister for one more question on this area. In Competitiveness, Training and Trade, there's an item under Tolko Industries Ltd. from Vernon, B.C. for \$7.2 million. I wonder if the minister could tell me what that is. It's a \$7.2-million number for Tolko Industries, under Competitiveness, Training and Trade, from Vernon, British Columbia.

An Honourable Member: What page?

Mr. Maguire: Page 106, under Competitiveness, Training and Trade, and that'll be last one in that area, Mr. Chairperson.

Mr. Selinger: I would have to undertake, with a number of that magnitude, to get the member the specifics, but if I remember correctly, this was part of a negotiated agreement in order to retain jobs in The Pas area. There are a number of items we looked at with that organization to allow the jobs to be retained during, as his member would know, a very difficult time when pulp and paper plants like that were shutting down all across the country. We had a strong desire in Manitoba to work out an arrangement with the corporation to maintain the jobs and employment in that community, and I think that that number probably encompasses some of the different forms of relief we negotiated with them.

* (20:00)

Mr. Borotsik: I appreciate that answer, but I still, on behalf of Mr. Maguire, if you could come with some detail on that Tolko, I'd be interested to know what kind of arrangements you came with the corporation.

There is a section in here with development, the development corporation that has outstanding loans and grants that have been given, but I didn't see that corporation in that listing. So, if you could do that, I'd appreciate it.

Okay, we'll go back to some relevance, I suspect. Volume 1, on page 63—*[interjection]* 2007, annual report, volume 1 on page No. 63. It talks about the sinking fund. I recognize that there are investments that this Province does have on an annual basis, but the second paragraph there speaks to the sinking fund as of March 31, 2007. It shows, actually, the 2007, below that on the schedule, \$1.718 billion. As a comparable, in 2006, the sinking fund, which is an asset, was \$1.997 billion. Is there some reason why the surplus or the reserves or the sinking fund was reduced by 200-plus million dollars from year to year?

Mr. Selinger: First of all, I just want to say, I did find the question from the member, Mr. Maguire, to be relevant and I did undertake it to seriously get him the information with that. Actually, I thought you found it was relevant, too, because you asked for detail. So I just wanted to point that out. I mean, this is the exercise here.

All this information is open for scrutiny. On the specifics of that, I don't have the specifics at my fingertip. My best guess would be that there may have been some reduced reliance on sinking funds in that year, but I'd have to get the specifics of that. Some of it was used as cash, as you can see just before item No. 4 there. You can see that less uninvested portion of sinking funds held in cash and cash equivalents, so that is a larger number between '06 and '07, a dramatically larger number, almost four times. So, when the number is larger and you're deducting it from your investments, you get a lower net.

Mr. Borotsik: I did identify the fact that there was \$798 million in the uninvested portion of sinking funds. I was under the impression that the sinking funds, the cash, would be put into investment vehicles of some type, some form. I don't think you just hold it in cash and put in your mattress. It would be in some sort of an investment vehicle.

Mr. Selinger: The good news is that the overall numbers are stronger, both on the cash and on the investments from '07 to '06, but that may well have reflected the fact that we had cash available at that time to move to deal with the teachers' retirement funding that we—you'll remember, I explained to you, we funded \$1.5 billion in teachers' pension liability and that likely reflected the fact that we were building cash to accomplish that objective.

Mr. Borotsik: By the way, I appreciate the minister's comments about relevancy, but I can assure you, Mr. Maguire needs no help in being able to protect himself on any of the comments that I made. But I know, Mr. Maguire is quite happy about that.

Mr. Selinger: I have to point out to the Member for Brandon, that Mr. Maguire and I both entered the Legislature at the same time. We have an obligation to help each other out as we go along through our careers here.

Mr. Borotsik: If that's the case, then I'll have the Member for Arthur-Virden ask all of the finance questions from now on. Perhaps, he can get a better answer out of the minister if he's had that kind of collegiality.

Mr. Chairperson: One more time, Mr. Minister.

Mr. Selinger: I would like to say, I'd be happy to receive questions from the minister, Mr. Maguire.

An Honourable Member: The minister.

Mr. Selinger: Well, he may well be some day. You never know. He is the deputy leader.

As I said earlier, we entered the Legislature at the same time and I've always taken his questions seriously. I've always thought he asked them with a serious demeanour, and I think, we've always been able to accomplish something in the public interest.

Mr. Chairperson: I'm going to ask for us to come back to the relevant issues of Public Accounts, if we might. The hour is going quickly.

Mr. Borotsik: I'm sorry we extended it a half an hour. We seem to be getting a little bit punchy, Mr. Chairperson. But I do have some other questions.

The same document, page No. 66, at the very bottom, under section B, it deals with capital obligations. Two paragraphs up from the bottom deals with the Red River Floodway.

I wonder if the minister could just explain basically the numbers that I have here; I do recognize that the Government of Canada has a funding obligation in this paragraph of \$324 million. It says \$240 million in 2006 and then it goes across the page and it says 2006 at \$120 million. Could you explain that? It just doesn't add up for me actually.

It also says at the very end of that paragraph, and I guess this would be my final question, a formal agreement for this additional funding has not yet

been finalized. I appreciate that because of the Building Canada Fund but is, in fact, the \$665 million that's identified in this paragraph, the Government of Canada is going to fund \$324 million of that? How much money of that has actually been received by the provincial government to date?

Mr. Selinger: My guess is that the 120 is half of the 240, and we're doing it on a 50-50 basis. There was a bit of an accounting change here that occurred where, originally, we used to only book the net received; then accounting standards required us to book the total amount as debt, to take the federal contribution as a cash contribution, not the net amount. So we had to book the total investment as debt, i.e., in this case, I'll just use it as an example, the 240, instead of the net 120.

We had that accounting change there that required us to book the 240, as opposed to just the net 120. The net was our way of thinking, we've got the cash; we only have to book the 120 because that's our borrowings, but then they required us to book the 240 and take the rest as revenue.

Mr. Borotsik: Accounting is fun, I can assure you.

I go back to the final statement; the formal agreement for this initial funding has not yet been finalized. It shows the total funding of \$665 million, albeit that \$665 million has not been secured by the Province. How much of that \$665 million has been secured in actual cash at this point in time from the federal government?

Mr. Selinger: I'd have to take that under advisement because I don't have that on my fingertip. As I understand, the situation is that we have received our contribution there but it's what it counts against that is under dispute under the Building Canada Fund.

We were led to believe that the money would not count against our Building Canada Fund. We've got the money, but it nets against the Building Canada Fund which we consider to be \$140-million shortfall.

Mr. Borotsik: The minister, please don't take this wrong. I wasn't talking about the Building Canada Fund and the inability to sign that. My question is simply, have you received the total of one-half contribution of the \$665 million in cash from the federal government? That's all my question was.

Mr. Selinger: I don't believe we've received it all yet, because it's on an as-completed-the-work basis. We do the work; we tend to cash-flow the work. Then, once we've got the hard invoices, so to speak,

and the tangible process, we bill them for it. Then we recover on a provable basis with the invoices.

I don't think we've got all the cash yet, but it's moving along. The project's moving forward on a timely basis as the member knows. Then there's the issue of the Building Canada Fund.

Mr. Borotsik: I don't want to muddy the waters with the Building Canada Fund; I had no intention of doing that. I just wanted to know what the cash flows were currently from the federal government to that particular project.

You did explain that it is ongoing and it's under way. What is the completion date of that particular project? When will it be—will it be a completion date in this fiscal year of 2008-2009?

Mr. Selinger: To the first part of this question, we are recovering on a cost-recovery basis as we can demonstrate the work has been concluded. So we haven't recovered it all yet, because the work's not all concluded.

As to the final date, I'll have to just check that for him. I know the project is at—I think it's at one-in-400 years protection now. In the last Throne Speech just before Christmas, I think we indicated that. I know we're going ahead with other initiatives this spring. I'd have to give him an update on where that stands but, as I understand it, the project's on budget, on schedule.

* (20:10)

Mr. Borotsik: If, at some point in time in the future, the minister would give me an update on that, I would appreciate it, just a matter of completion dates and how we are right now on budget.

On the next page, page 67, under B of Contingencies, Northern Development Projects: The Province is contingently liable for legal claims associated with past Manitoba Hydro-Electric Board (Hydro) related northern development projects. It says the Province is liable; the outcomes of these claims is not determined.

Is there a contingency that has been put into the budget for any of those types of claims that can arise from, obviously, issues that are quite old?

Mr. Selinger: The member might notice in the last paragraph there that it says in the first line: In recognition of all anticipated payments, Hydro has recorded a total liability of \$132. So, it looks to me

from that paragraph, that they've set aside money for future settlements or claims against that.

Mr. Borotsik: Yes, I did notice that, but it does say Hydro has recorded the total liability, but then, that other paragraph it said the Province is contingently liable.

Would there be a requirement for a contingency from the Province itself to put in a contingency there for liability?

Mr. Selinger: I'm informed that that really refers to the fact that we're liable as part of the summary basis of reporting, but that it's Hydro that's really directly obligated for that.

Mr. Borotsik: We've already identified that there's \$1.4 billion in equity, so that would simply be another part of those liabilities thrown into the whole mix, and I do appreciate that. So it isn't the Province specifically; it is Hydro that will record that liability of 132 million.

Mr. Selinger: Generally, I think that's correct, but one must remember under the Northern Flood Agreement there is an arbitrator mechanism in place, and the arbitrator could make an award against the Province on a future decision. That's why I think the last line there: There are other mitigation issues, the outcomes which are not determinable at this time. So, there's always an element of uncertainty there going forward, given the arbitration mechanism.

Mr. Borotsik: I was going to stop with that line of questioning until the minister threw in that last little comment. If that is, in fact, the case, then does the Province have a responsibility to identify some contingency for that unforeseen circumstance where, in fact, an arbitrator may adjudicate against the Province?

Mr. Selinger: Yes. Usually, we can only do a contingent liability once we get some sense of what a reasonable estimate of what that is, which usually results from some decision. For example, in the example I used of a arbitrator, which gives some indication and a decision that we're going to be asked to provide for such and such at which point, we have to sort of get a handle on what the monetary value of that liability would be, over what period of time, at which case we would have to book it.

Mr. Borotsik: If we can turn the page, to page 68-69, going to the Pension Plans. I know the minister has already indicated that there has been \$1.5 billion

that has been borrowed and put into the TRAF account.

Has that been identified prior to the year-end 2007, or will that be a 2008 transaction?

Mr. Selinger: That was not shown in '07; it will be '08.

Mr. Borotsik: Thank you. I was going to go through these numbers because they just didn't add up with the 1.5 billion back into the pension plan. So that will be reflected in the 2008-2009 fiscal?

Mr. Selinger: It will be reflected in the '07-08 Public Accounts, which will come out in September.

Mr. Borotsik: That will also be reflected in the financial statement at that point in time which will be fiscal year-end, March 31, 2008.

Mr. Selinger: Correct.

Mr. Maguire: If I could take the minister to page 56 on the summary statement of change in net debt year ended '07, I'm just looking at the acquisition of tangible capital assets. Can he tell me just what was borrowed there, that 662 million, the second number?

Mr. Selinger: Yes, that number starting at the top of the page there, we start out with summary net income. We acquired tangible capital assets across the summary government basis of about 662 million. We had a positive number for amortization of tangible capital assets giving us—and then the other one there—disposal, giving us net 369. When you take that to the bottom line, we started with net debt of 10.5 billion; we ended up with net debt of 10.4 billion. Our net debt actually went down that year.

Mr. Maguire: Yes, my question was: What were the tangible capital assets?

Mr. Selinger: That's everything; that's roads, buildings, technology, investments that specific Crown corporations made: Hydro and its infrastructure, et cetera.

Mr. Maguire: All that shows up in the summaries of estimates, but can the minister provide me with a breakdown of that 662?

Mr. Selinger: Well, we'll try to pull together for you what that 662 is composed of.

Mr. Lamoureux: The minister, in an attempt to save paperwork, is providing things on disk. He did indicate that he would get me a copy of the disk, and I appreciate that. Can the minister indicate when I

get a the copy of the disc, can I actually do searches based on that, or is it just more of a PDF file?

Mr. Selinger: I'm informed it's a PDF file.

Mr. Lamoureux: I want to go back to the question that was being posed by the Member for Burrows (Mr. Martindale) in terms of the formatting in which things are presented to us. So, for example, the Public Accounts, Volume 2, is indeed a fabulous document. One of the things that would be nice to be able to do to it is to be able to type in a company or a name of individual and find out how many times that name or that company might actually appear. It's because you'll see that maybe someone might be in three or four spots. Is it possible that members could be provided a copy so that they could actually do a search, much in the same fashion that we do a search, for example, when we do *Hansard*? If we want to find out how many times X name came up, we just type in the name, and then we can see that name came up 25 times or five times. Could we do the same thing with regard to this document?

Mr. Selinger: That capability is not available yet. This is very similar to the question from the Member for Burrows, and it's sort of another way of getting at the same thing. It has not yet been brought to that level of searchability. It has not been brought to that level in terms of the technology side or the organization side to analyze it that way without doing the hard work yourself of going through the document.

As I said earlier, it has not been identified as the highest priority, given all the other priorities that are being pursued by the Comptroller's office at the moment.

Mr. Lamoureux: My final question for this evening is: If it is in the word document or any sort of a computer program and, you know, I'm not Bill Gates, but I suspect that there would be a program that would allow for just a simple dumping of and providing it to people, because PDF you can't convert back into a document where you can do searches. I suspect there are many programs. I'm very sensitive in terms of the time requirement; it would be wonderful to be able to pop in a name or a company and find out to what degree that company's been working and what department's receiving what sort of grants. Thank you.

Mr. Selinger: Yes, I've got a couple of things I want to put on the record. The SAP accounting, the software system we have for accounting, would

allow us to retrieve a list of payments made to a specific vendor. If you gave us the vendor you wanted, we could probably get that information for you, currently. *[interjection]* Well, you could provide that to me and we could try to get that information and pull it together on a government-wide-entity basis.

* (20:20)

I want to go back to Mr. Maguire's question about the breakdown of that 662. I'm informed that on Schedule 7 of Volume 1, page 87, there is a table there, statement of tangible capital assets. Are you with me? Then, if you start under cost, you go, the first row is 79. You go down, the 79 gets restated, and then you go to a row that starts with the number 9. You see it? You go across that row. It totals 662, and it breaks out how that 662 was arrived at by showing 9 was in land; 113 in buildings; 120 in vehicles; 37 in computer hardware and software, et cetera. So it gives you the breakdown of that 662 there, by asset class, which is how we categorize these things. Each asset class has its own schedule of amortization and depreciation.

If you need further, we can get you that, but I think that gives you that next level of detail you were looking for.

Mr. Borotsik: Mr. Chairman, through you to the minister, going to Public Accounts, Volume 3, and to page 1-5 which I refer to as accounts receivable, but in this particular statement it says amounts receivable.

Do you have the page, Mr. Minister? 1-5, amounts receivable.

Under taxation revenue, the only one that really jumps out at me there is the one at the very top, corporation capital tax. In 2006, the amounts receivable was about a million-five, and that's now at 4 million-five. Is there some reason why there's such a huge jump in amounts receivable in that particular category?

Mr. Selinger: I'll have to get back to him on the specifics of that. I heard a murmur of, it could be timing, but, rather than give you a speculative answer, I'd like to give you a concrete answer.

Mr. Borotsik: I appreciate that. As I said, that's really the only category that has any—well, I shouldn't say that. There's a better amounts receivable from the corporate income tax below it, but it just seems

strange that it's, like, three times difference. Even timing, I don't think, would justify that.

Are we having some difficulty in collecting our corporate capital tax, or is there a different accounting process? Have they gone to a summary statement?

Mr. Selinger: Who knows? I'll find out for you. It's a mystery to me, too, and I think it's an obvious question.

Mr. Borotsik: Thank you.

If we can go over to the next page. I know I did highlight this, but I just didn't remember it. If the minister also would look under the Red River Floodway on amounts receivable. Again, it's cash flow, I assume, done on progress payments to the federal government. We're looking for about a \$24 million receivable, if you will, from the federal government, but, again, I assume that's on a progress basis. That's on monies that have been expended but haven't been received by the federal government at the time.

Just for my own interest, and I do know that there are, from the federal government—and I appreciate the fact that there are certain processes to go through in order to get the monies from the federal government. But the Canada Health and Social Transfer, there's a receivable there, an amount—what do we call that again, an amount receivable?—of about \$10 million. Does that not flow on a regular monthly basis? Do they not pay that on a regular basis, or do we have to, as a Province, submit some sort of a billing to the federal government to get those amounts paid? I just find it strange for that particular category of Canada Health and Social Transfer, it wouldn't be an automatic transfer to the Province.

Mr. Selinger: We believe that it does flow on a regular monthly basis, but this indicates that there was a receivable of \$9.5 million as of the date that the '07 statements were done.

Mr. Borotsik: Was that just a matter of timing, or was there a dispute?

Mr. Selinger: I don't think there was any specific dispute.

Mr. Borotsik: Which means, perhaps, there are other disputes, but I won't get into that one.

If we go to the next page which is page 1-7, these are loans and advances for Crown

organizations and government building enterprises. The one that, again, jumped out at me was under the Manitoba Development Corporation. We will go to note 1 in a second, but they show an amount of \$91,988,000. Then there's a category or a column there that says valuation allowance, and then you've got the net of \$50 million. That valuation allowance, is that an allowance for bad debts? Is that an allowance for write-offs? Is that an allowance for uncollectibles?

Mr. Selinger: It's an amount for doubtful counts. It's a provisioning requirement that we do as we assess the risk on every loan that's put out through there.

Mr. Borotsik: In saying that, then, of the total \$91 million, almost half of it is now doubtful, as has been explained by the minister. If we go over to the next page 1-9, which is note 1, it gives you a listing of all of the development corporation outstanding. When you did the evaluation, and half of it is uncollectible, can the minister identify the uncollectibles in that particular list of the Manitoba Development Corporation?

Mr. Selinger: First of all, I have to clarify, it doesn't mean it's uncollectible; it just means understanding our accounting procedures. We set it up with a provision in the event that it might go bad. It doesn't mean that it has gone bad. It could very well be doing quite well, but we put a provision in place almost like on a worst-case-scenario basis. In each type of loan a different level of provisioning is required based on how much of it's secured, et cetera, and the repayment history, et cetera.

So, no, I can't give him a specific breakout here of where these specific ones stand. I'd even have to check the confidentiality of that specific to each of these companies. I'm not sure that we can disclose that kind of information because of, I think the member understands, the potential damage that might cause.

Mr. Borotsik: If the minister noted, I did not mention any names on the record, and I don't intend to because I do appreciate confidentiality. What I was simply trying to get at is that about one-half of the outstanding Manitoba Development Corporation notes are, I won't say devalued because there are opportunities to collect all of it, but I assume, with the valuation allowance, they're done, and I'll ask the question. I think the minister answered it. Is it based on the amount of security that the Manitoba

Development Corporation has against those outstanding loans? Is that how you would evaluate, or are there some other methods of evaluation?

Mr. Selinger: In many cases there's almost a rule of thumb, a standard 15 to 20 percent of the loan that's being set up as doubtful or potentially required to be written off in the future. The balance could be a specific loan. But this number here, I think the member's getting at the issue that it looks very large in comparison to the amount. So you know, I know when we do these loans we often set up a 15 to 20 percent provision. The \$41 million looks larger than that in relation to the \$91-million amount. I would like to reconcile that. I suspect it might be carry-forward of previous loans, and it may be that—well, I'm not going to speculate, but I suspect the original principal amount was provided for at a 15 to 20 percent ratio, and the \$91-million amount may or may not be the original full amount. It might be the net amount. But we'll have to check on that.

We'll get you an explanation for the difference between what our normal provisioning requirements are and why that ratio looks different here versus what I'm used to dealing with when we get into the specifics.

Mr. Borotsik: Yes, and just as an explanation, I suppose they're the same as they were in 2006. In fact, 2006 was almost exactly one-half of the outstandings that were—I have to be careful with what I say, because they aren't bad loans and they aren't write-offs; it's just a matter of an allowance, that's all.

An Honourable Member: It's a provisioning requirement.

Mr. Borotsik: I appreciate that.

An Honourable Member: It's a bookkeeping requirement to ensure that, if necessary, the resources have been made available through the accounting procedures.

Mr. Chairperson: The hour being 8:30, I ask the will of the committee.

An Honourable Member: I had more questions.

Mr. Chairperson: Pardon me? The will of the committee?

Mr. Borotsik: I would be prepared to pass the 2006 report if it was so agreed.

An Honourable Member: Agreed.

Mr. Chairperson: Is there leave of the committee to sit beyond the half hour to be able to pass the 2006 volume? *[Agreed]*

Thank you.

Public Accounts for the year ended March 31, 2006, Volume 1—pass.

Public Accounts for the year ended March 31, 2006, Volume 2—pass.

Public Accounts for the year ended March 31, 2006, Volume 3—pass.

Public Accounts for the year ended March 31, 2006, Volume 4—pass.

Auditor General's Report - Audit of the Public Accounts for the year ended March 31, 2006—pass.

Before we rise, we'd appreciate it if members would leave behind any unused copies of the reports that have not been passed so they may be collected and reused at the next meeting.

The hour being 8:31, committee rise.

COMMITTEE ROSE AT: 8:31 p.m.

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