

Third Session – Forty-First Legislature

of the

Legislative Assembly of Manitoba

Standing Committee

on

Public Accounts

*Chairperson
Mr. Matt Wiebe
Constituency of Concordia*

Vol. LXXI No. 1 - 5 p.m., Tuesday, December 19, 2017

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-First Legislature

Member	Constituency	Political Affiliation
ALLUM, James	Fort Garry-Riverview	NDP
ALTEMEYER, Rob	Wolseley	NDP
BINDLE, Kelly	Thompson	PC
CLARKE, Eileen, Hon.	Agassiz	PC
COX, Cathy, Hon.	River East	PC
CULLEN, Cliff, Hon.	Spruce Woods	PC
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FIELDING, Scott, Hon.	Kirkfield Park	PC
FLETCHER, Steven, Hon.	Assiniboia	Ind.
FONTAINE, Nahanni	St. Johns	NDP
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LAGIMODIERE, Alan	Selkirk	PC
LAMOUREUX, Cindy	Burrows	Lib.
LATHLIN, Amanda	The Pas	NDP
LINDSEY, Tom	Flin Flon	NDP
MALOWAY, Jim	Elmwood	NDP
MARCELINO, Flor	Logan	NDP
MARCELINO, Ted	Tyndall Park	NDP
MARTIN, Shannon	Morris	PC
MAYER, Colleen	St. Vital	PC
MICHALESKI, Brad	Dauphin	PC
MICKLEFIELD, Andrew	Rossmere	PC
MORLEY-LECOMTE, Janice	Seine River	PC
NESBITT, Greg	Riding Mountain	PC
PALLISTER, Brian, Hon.	Fort Whyte	PC
PEDERSEN, Blaine, Hon.	Midland	PC
PIWNIUK, Doyle	Arthur-Virden	PC
REYES, Jon	St. Norbert	PC
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SCHULER, Ron, Hon.	St. Paul	PC
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday, December 19, 2017

TIME – 5 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Matt Wiebe (Concordia)

**VICE-CHAIRPERSON – Mr. Reg Helwer
(Brandon West)**

ATTENDANCE – 10 QUORUM – 6

Members of the Committee present:

Messrs. Bindle, Helwer, Johnston, Maloway, Marcelino, Mrs. Mayer, Mr. Michaleski, Ms. Morley-Lecomte, Messrs. Wiebe, Yakimoski

APPEARING:

*Hon. Steven Fletcher, MLA for Assiniboia
Mr. Norm Ricard, Auditor General*

WITNESSES:

*Hon. Cameron Friesen, Minister of Finance
Mr. Jim Hrichishen, Deputy Minister of Finance*

MATTERS UNDER CONSIDERATION:

Public Accounts for the fiscal year ending March 31, 2015 (Volumes 1, 2, and 3)

Public Accounts for the fiscal year ending March 31, 2016 (Volumes 1, 2, and 3)

Public Accounts for the fiscal year ending March 31, 2017 (Volumes 1, 2, and 3)

Auditor General's Report–Follow-Up of Recommendations, dated March 2017

Accounts and Financial Statements

* * *

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

This meeting has been called to consider the following reports: Public Accounts for the fiscal year ending March 31, 2015 (volumes 1, 2, and 3); the Public Accounts for the fiscal year ending March 31, 2016 (volumes 1, 2, and 3); the Public Accounts for the fiscal year ending March 31, 2017 (volumes 1, 2, and 3); and the Auditor General's

Report–Follow-Up of Recommendations, dated March 2017, Accounts and Financial Statements.

Before we get started, then, are there any suggestions from the committee as to how long we should sit this evening?

Mr. Jim Maloway (Elmwood): I would suggest 6 o'clock.

Mr. Chairperson: Six o'clock has been suggested.

Is that agreement of the committee?
[interjection] [Agreed]

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

An Honourable Member: Point of order.

Point of Order

Mr. Chairperson: Point of order by Mr. Fletcher at the end of the table.

Hon. Steven Fletcher (Assiniboia): Can we clarify the membership of the—of this committee? I understand that there are people here that are here that are not listed as permanent members of the committee.

Mr. Chairperson: I'll—thank you, Mr. Fletcher. I'll direct you to—and I believe you do have the handout with regards to the committee meeting this evening. Title at the top is Standing Committee on Public Accounts. I believe the members that are permanent members of the committee are listed there. But, as you know, any member of the Legislative Assembly is free to join us and ask any questions, and I believe that's your role here as well tonight, so we welcome you here in that capacity. But the members—the permanent members of the committee are listed at the top of the page. [interjection]

Mr. Fletcher.

Point of Order

Mr. Fletcher: On another point of order, there are no independent members here that are permanent members.

Mr. Chairperson: That is correct.

* * *

Mr. Chairperson: All right. Thank you very much.

Is there—sorry. I'll go back to my original question. Are there suggestions as to the order in which we should consider these reports this evening?

Mr. Maloway: I would suggest we just follow the agenda as written here.

Mr. Chairperson: Okay. Is it agreed that we will follow the chronological order of the Public Accounts as listed on the page? *[Agreed]*

I'd like to welcome the deputy minister and the minister to the table. I see that you're already here joining us, so I'd like to allow you some time to introduce the deputy minister—introduce yourself and your staff that you have with you today at the table.

Mr. Jim Hrichishen (Deputy Minister of Finance): I have with me tonight at the table our Provincial Comptroller, Mr. Aurel Tess. Aurel has been with the Province for 16 years. He's been Provincial Comptroller since February 2016. Also sitting at the table is our manager of Public Accounts, Andrea Saj, and we have Michel St. Amant, the manager of accounting in Comptroller Division joining us as well.

Mr. Chairperson: Thank you very much, Mr. Hrichishen.

I'd like to welcome the Auditor General to the table, and I'd like to ask if he has—wish—would wish to make an opening statement this evening.

Mr. Norm Ricard (Auditor General): I do, Mr. Chair. Thank you. I'd first like to introduce the staff that I have with me tonight. Behind me are Tyson Shtykal, he's the Deputy Auditor General, responsible for all the financial statement audits in the office, and Natalie Bessette-Asumadu, who is the lead principal for the audit of the Public Accounts.

Mr. Chair, in our March 2017 follow-up report, we note that the statuses as at September 30th, 2016, of the seven recommendations issued as a result of our financial statement audits of the Public Accounts and other government organizations for the year end in March 31st, 2013. This was our second follow-up of these recommendations. No new recommendations were issued as a result of our financial statement audit work for the years end in March 31st, 2014 and '15.

Mr. Chair, six of these recommendations were directed to the Department of Finance. We note that as at September 30th, 2016, none of the six recommendations have been implemented. For one recommendation action was no longer required because it dealt with Finance's communication with the East Side Road Authority, an organization that was dissolved in mid-2016.

In our May 2016 follow-up report, we had noted that two other recommendations would not be implemented. These recommendations related firstly to the consistent accounting of seconded employees in the Province's public sector compensation disclosure statement and, secondly, to the setting of fixed dates for the release of the Province's quarterly financial reports.

We are currently in the process of following up on the statuses as at September 30th, 2017, of the remaining three recommendations. This will be our final follow-up for these recommendations.

Mr. Chair, one of the seven recommendations was directed to the Northern Affairs Fund. We recommended that it complete its financial statements in compliance with its act. As at September 30th, 2016, the fund's financial statements for the year end, in March 31st, 2014, had not been finalized. These audited statements were eventually issued on June 1st, 2017. We continue to wait for the Northern Affairs Fund to present its audit—to present for audit its financial statements for the years ended March 31st, 2015, 2016 and 2017.

And, Mr. Chair, the Public Accounts of the Province are comprised of numerous components. Our role is to audit five statements included in the Public Accounts—namely, the summary financial statements included in volume 1; the Fiscal Stabilization Account, statement of transfers and account balance, also included in volume 1; the schedule of public sector compensation payments of \$50,000 or more, included in volume 2; the statement of accounts paid or payable to members of the Assembly included in volume 3; and the Northern Affairs Fund financial statements, also included in volume 3.

Mr. Chair, the summary financial statements for the years end in March 31st, 2015, '16 and '17 each received a clean audit opinion. This means that each presented fairly, in all material respects, the financial position of the Province of Manitoba for each of these fiscal years, as well as the results of its operations, the changes in its net debt and its cash

flows for the year that ended in accordance with Canadian public sector accounting standards. I am very pleased to advise the committee that we continue to receive excellent co-operation and collaboration from the Department of Finance. The positive, professional relationship that exists between our offices helps ensure we have timely and constructive discussions on significant accounting matters and that the summary financial statements continue to present fairly in all material respects the financial position of the Province.

* (17:10)

Mr. Chair, I am pleased to make my staff available tonight to committee members should they have detailed audit-related questions on any of the five audits mentioned earlier.

I would, however, remind the members that questions on the financial information included in the summary financial statements or in the other statements and schedules included in volumes 2 and 3 are best directed to the deputy minister.

Thank you, Mr. Chair.

Mr. Chairperson: Thank you very much, Mr. Ricard.

Does the deputy minister wish to make an opening statement?

Mr. Hrichishen: First, I'd like to thank the committee for the opportunity to provide some brief comments on the Public Accounts for the years ending March 31, 2015, '16 and '17.

As the March 31, 2015, and 2016 Public Accounts have been discussed by this committee on previous occasions, I'll limit my opening statement to the March 31, 2017, Public Accounts.

Please note, as Mr. Ricard has indicated, that I will endeavour to answer all administrative-related questions posed by the committee on the reports reflected on tonight's agenda. As always, it is possible we may need to take some questions as notice and provide a specific response to your questions in writing at a later date.

We're proud that we have once again received an unqualified audit opinion on our March 31, 2017, summary financial statements. Since March 31, 2007, that represents 10 consecutive years that the Province has received an unqualified opinion. The achievement of having 10 consecutive unqualified audit opinions in a row should not be taken

lightly. Other jurisdictions have had recent summary financial statements qualified by their Auditor Generals. Some jurisdictions have received multiple qualifications.

On occasion, the Department of Finance may have differences of opinion with the Auditor General, but the March 31, 2017, financial statements present fairly in all material aspects the financial position and the results of operations of the Province in accordance with the Canadian public sector accounting standards. The audit itself was conducted professionally and was completed on schedule. The Province's Public Accounts for the year ended March 31, 2017, volumes 1, 2 and 3 were released on September 9th, 2017. This was the earliest release of the Public Accounts for several years.

Volume 1 includes the economic report, the financial statement discussion and analysis and the audited summary financial statements of the government. The Province experienced a summary loss of \$764 million, which was \$147 million under the budgeted loss of \$911 million. Sorry, I stand corrected, the release date was September 19th, not 9th.

Summary net debt as at March 31, 2016, was \$22.7 billion, a \$1,322,000,000 increase from the previous year. The increase in net debt was the result of principally three factors: the summary loss of \$764 million, net increases in tangible capital asset investments of \$672 million, less unrealized gains on investments of \$114 million at government business enterprises as a result of mark-to-market accounting.

Volume 2 includes the audited schedule of public sector compensation payments of \$50,000 or more and the unaudited schedule of government departments and special operating agencies payments in excess of \$50,000. The scheduled payments threshold has been changed from \$5,000 to \$50,000 in this year's Public Accounts—2017, that is. The threshold for payments had not changed for this section since it was established in 1983. Changing the threshold did not require any changes to legislation. The change in the threshold was recommended in the March 2014 report to the Legislature by the office of the Auditor General.

Volume 3 includes unaudited supplementary schedules related to the core government and other information required for statutory reporting requirements.

I want to thank the staff of comptrollers division who prepare the Public Accounts, and I especially want to thank Mr. Norm Ricard, the Auditor General, and his excellent office of audit professionals. I want to particularly acknowledge their professional and collaborative relationship with the Department of Finance as we have undertaken this very important work.

Thank you.

Mr. Chairperson: Thank you very much, Mr. Hrichishen.

Before we proceed any further, I'd like to inform those who are new to this committee of the process that is undertaken with regards to outstanding questions. At the end of every meeting, the research officer reviews Hansard for any outstanding questions that the witness commits to provide an answer for and will draft a questions-pending-response document to send to the deputy minister.

Upon receipt of the answers to those questions, the research officer then forwards those responses to every PAC member and to every other member recorded as having attended that meeting.

Therefore, I'm pleased to table the responses provided by the Deputy Minister of Education and Training to all the questions pending responses from the August 31st, 2017, afternoon meeting. These responses were previously forwarded to all other members of the committee by the research officer.

Before we get into questions, I'd like to remind the members that questions of an administrative nature are to be placed to the deputy minister and that policy questions will not be entertained and are better left for another forum.

However, if there is a question that borders on policy and the minister would like to answer that question or the deputy would like to defer that question to the minister to respond to, it is something that we would consider here this evening.

The floor is now open—oh, and before we proceed any further, I understand the committee had expressed an interest in considering the reports in a chronological order. However, given the nature of the reports and some of the information that may be pertinent to all years of the public accounts, would it be agreeable that the committee consider the reports in a global fashion? [Agreed]

Point of Order

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

Mr. Fletcher: Mr. Chair, it seems odd that we would be approving reports from two years ago and a year ago in the same year as we're approving the report for this year. So, from a procedural point of view, it seems like poor practice to be passing three reports in one go, regardless of the content of the reports.

Mr. Chairperson: Thank you for your comments, Mr. Fletcher. I am going to rule that it isn't a point of order and just point out that this is the practice of the Public Accounts Committee as it stands here in Manitoba.

* * *

Mr. Chairperson: And now I'll open the floor to questions.

Mrs. Colleen Mayer (St. Vital): I want to thank everyone for being here tonight. I want to thank the Office of the Auditor General for his information. It's always a pleasure to work with your office and to provide us and the citizens of this fine province with the information that we deserve. So thank you for that.

And I also want to thank the department, as well, for working with us today and answering some of the questions.

I'm going to jump straight in and I'm going to—I want to ask about FleetNet. It's something that I received inquiries about in my office and I'm curious as to when did the government first become aware of the issues and the warnings around FleetNet?

Mr. Hrichishen: I'll say that there's no references in the public accounts for '16-17 to FleetNet in particular. I can say that the issue has been of concern for several years.

Mrs. Mayer: Okay, yes, so I—because we're looking at that—we're talking global and we're going over many reports and that; that is some information. So I'm kind of maybe jumping back a bit and talking about it, so—sorry, several years was your response?

Mr. Hrichishen: At a personal level, again, I can say that when I became a deputy, in 2013, I was asked to join a committee of deputies on emergency management and the FleetNet concerns were under discussion at that time. I'm not qualified to speak on the broader issue, however.

* (17:20)

Mrs. Mayer: Okay, so, from a financial perspective the—we know that the previous government was keen on deferring maintenance of this project and building up the debt and the deficits to this.

Can you talk about, in dollars and cents, what are the expected full costs of replacing the current emergency communication system?

Mr. Hrichishen: I believe the last—we'll call it a soft-cost estimate. We—I—there is no firm contract in place for the replacement, but it's in the neighbourhood of 400 to 450 million dollars.

Mrs. Mayer: We know that emergency services as early as 2011 have been bringing—stressing concerns about the flee net—FleetNet program—the system, I should say, sorry—and they've been asking—they brought the attentions forward. They were asking, would it be—could you explain what the risks and the costs of not replacing the current system with an upgraded communication system? What would that look like to ratepayers?

Mr. Hrichishen: I think the failure of the public safety radio communications could potentially endanger the well-being or the lives of Manitobans. The project itself, I think, is both of vital interest to Manitobans and certainly, the actions of moving forward quickly at this time are warranted given the potential risks that I just referred to.

Mrs. Mayer: Could be fair to say that the—it's been probably—the deterioration of this system has been going on for possibly two decades?

Mr. Hrichishen: Based on my knowledge the system has been in operation since 1997. The assessment has been that, at this point, it was recognized several years ago that the system was or becoming rapidly obsolete.

Mrs. Mayer: We know that there is a plan under way to—for public—for a public procurement process to replace these services. Once a contract goes out and a vendor is selected, how long will it take to get the system replacement up and running?

Mr. Hrichishen: Once the tender is awarded, depending on the nature of the work, it could be two to three years.

Mr. Fletcher: In regard to the—again, this might be a process question. I find it odd that we're—in your experience, do we approve these reports on an annual basis or every three or four years after they're written?

Mr. Chairperson: I'm sorry; who is that question directed to, Mr. Fletcher?

Mr. Fletcher: Well, anyone who can—

Mr. Chairperson: Mr. Fletcher.

Mr. Fletcher: Sorry; that's okay. Anyone who can answer it.

Mr. Chairperson: Well, I'll attempt to answer that as the Chair of the Public Accounts Committee and as one of the members of the steering committee of this committee. And I'd be happy to take this conversation off-line after the meeting in terms of just process so that everybody's up to speed. But we do have, as I said, a steering committee, which meets and decides, collectively, as to what reports the Public Accounts 'wishes'—wishes to deal with. And this was the report that this committee decided to consider this evening.

And the thing about this committee is that, really, any of these reports, whether they are before us in terms of in a formal way, or, if they're passed or not passed, can be considered by the Public Accounts committee at any time. So we do have the opportunity to bring back reports that we have otherwise, you know, considered passed if the committee decides that that would be a priority of the committee.

But I hesitate to go too far down this road in terms of an explanation. As I said, I think it would be best to talk about this off-line. There's some very important questions I know that members have with regards to the reports that are before us, so I'd ask that members who are with us tonight just focus in on those reports.

Mr. Fletcher: Fair enough. Thank you, Mr. Chairperson. I just wanted to be clear that independent members are not responsible for the delay in—if there is a delay—in the approval of these reports.

In regard to the pension plan, there seems to be a significant liability regarding all the pensions. Pensions are, by definition, I suppose, in some contexts, a liability. However, can—are all the pensions fully funded? We—dealing with university pensions, teachers' pensions, school board, government, business enterprises—it goes on and on—lots of pension plans. Are they all fully funded, and are any of the pension plans—are they all defined benefit? Are there any defined contribution pension plans, or are there any movements to go from a

defined benefit to a defined contribution like the rest of the world?

Mr. Hrichishen: Thank you for that question.

* (17:30)

In volume 1 of the 2016-17 Public Accounts Annual Report for the year ended March 31, 2017, on page 90 of the report, first off, there is a fairly extensive discussion of the elements of the various pension plans inclusive of the Civil Service Superannuation Plan, the teachers' pension plan and other government plans such as the Legislative Assembly plan, judges' 'supplemental'-supplemental pension plan and so on.

On schedule 6 of that same volume—it is page 110—there is a detailed breakdown of the plan obligations, assets and the calculation of the pension liability, which for the year ending March 31, 2017, was \$2,557,000,000 up from \$2,354,000,000 in the previous year.

In respect of defined contribution pension plans, we are aware of at least a couple at this table right now including the school divisions. These are relatively minor in respect of the whole provincial public sector pension scheme. Those are reflected at the bottom of schedule 6 in the defined contribution pension plan expense amount of \$189 million.

In respect of the question regarding movement or trend towards defined contribution plans in the public service, I'm not aware of any such developments.

Mr. Fletcher: Why I just—following up—I—are their pensions fully funded?

Mr. Hrichishen: As schedule 6 indicates, the only fully funded plan is the public school division plans, the Civil Service Superannuation Plan, teachers' pension plan, post-secondary education plans and other smaller plans are not fully funded.

In the segment of the table, pension liability, the bottom line, reading from left to right across—871, 1, 551 and so on—leading to the total pension liability, shows the relative contributions of each of those plans to our pension liability, which are not fully funded.

Mr. Fletcher: So what is the total amount of the pension liability that is not fully funded? If you could share with us that number, and how is that accounted for when we discuss the net provincial debt?

Mr. Hrichishen: I'll refer to the Public Accounts for the '16-17 fiscal year ended March 31, 2017, volume 1, page 75. The financial statement entitled Summary Financial Statements Consolidated Statement of Financial Position As at March 31, 2017: This is an important table insofar as it identifies the net debt of the Province, as you referred to. The pension liability from schedule 6 is reflected in that debt, in the calculation of net debt and is recognized there.

Mr. Fletcher: That number is \$2.557 billion. Thank you for pointing that out.

On another issue, or—how does this work, Mr. Chair?

Mr. Chairperson: So thank you for asking, Mr. Fletcher. The way that we—that I try to conduct the meetings is that I do give members a little bit of leeway to ask follow-up questions with regards to a particular topic, but I do have quite an extensive speakers list here already. So I will add you back to the speakers list at the bottom, and I'll now move on to Ms. Morley-Lecomte.

Ms. Janice Morley-Lecomte (Seine River): Can, okay—the Province being the major shareholder in the construction of the Investors Group Field, can you explain how that deal is structured?

Mr. Hrichishen: Fortunately, my colleagues have prepared a very good briefing note on this and I'm pleased to say I can answer the question, I think, relatively robustly.

So, in 2011, Treasury Board approved a loan of \$160 million to the University of Manitoba to finance Investors Group Field. The University of Manitoba then loaned the money to Triple B Stadium Incorporated, which is a non-profit corporation that is responsible for building, owning and maintaining Investors Groups Field.

The loan included two phases, as follows: Phase 1 was a \$75-million-plus unpaid interest, on phase 2, which I'll talk about in a moment, of the loan until 2017, to be repaid by tax increment financing generated from the redevelopment of the former Canad Inns Stadium property over the period 2013 to 2037.

As well, phase 2, an \$85-million loan to be repaid, from 2014 to 2058, from revenue received by Triple B Stadium Incorporated from the Winnipeg Football Club.

In 2015, the City of Winnipeg and Triple B entered into an agreement under the Community Revitalization Tax Increment Financing Act to facilitate grants by Manitoba of the funds collected in the Community Revitalization Fund with respect to the previous stadium site and, secondly, grants by Winnipeg of the incremental municipal property taxes collected with respect to the former Canad Inns Stadium property.

The previous site of the stadium has been designated as a community revitalization property and, as a result, the taxes earned on this property can be used by both parties to pay down the phase 1 loan, which I referred to, the \$75-million loan plus interest. The phase 1 loan of \$75 million has a current approximate value of \$117 million with accrued interest, and that's at March 31, 2017.

The Province's allocated portion of the phase 1 loan is repaid by applying the school and Education Support Levy payments. The City of Winnipeg portion of the loan will be repaid using municipal and business tax revenue. That was the intention.

In accordance with our public sector accounting standards, the Province has had to expense the Province's portion of the loan as a grant in the year the loan was provided. Any interest added to this loan also has to be written down by the same portion.

* (17:40)

In fiscal year '14-15, Manitoba's portion of the loan was written down. This was calculated at approximately 52 per cent of the loan, and at March 31, 2017, Manitoba's portion was written down by \$62.3 million.

Under the loan agreements between the University of Manitoba, Manitoba and Triple B, unless the parties agree otherwise, any accrued interest and principal outstanding under the first phase of the loan at the expiry of the term of the first phase will be due and payable. The City of Winnipeg is not party to the loan agreements, and that's important when explaining the measure undertaken in the '16-17 Public Accounts to recognize the liability associated with that.

Ms. Morley-Lecomte: That was very thorough. One final question. So, in the end, what will this cost Manitobans with the overruns and unnecessary changes?

Mr. Hrichishen: After conferring with some of my colleagues, we find it difficult to answer the question

except to say that there is potential liabilities going forward for the Province, and a large part of the liability essentially relates to what is done with the property and whether that property generates a return to us to recognize those obligations. To—more to the point, there was an adjustment that we took in 2016-17 in the amount of approximately \$56 million in recognition that the full amount of the unrealized revenue at the end of the fiscal year at that point would not be realized based on our assessment. And those were included in the audited financial statements for the Province.

Mr. Maloway: I want to go back to the questions previous about FleetNet and ask you whether—you said the system's been operating since 1997—and I just wanted to know, with technology changing and so on, have we not saved a lot by putting off the replacement until now, and also, are we replacing it with a, you know, better technology and a way better price than we would have if we replaced it 10 years ago?

An Honourable Member: Or replaced it again.

Mr. Maloway: Yes.

Hon. Cameron Friesen (Minister of Finance): Thank you for the question. I'll take that question. The question was whether, by not moving more quickly to replace the public safety telecommunications network in Manitoba, whether it was actually a bold move or a good move because it saved the taxpayers money.

If that was the rationale, then, in government, we would never move to update software licences for 2003 Windows because we would say we're saving taxpayers' money by not updating our software. The cost in any technology that we acquire and maintain in government comes when we fail to update it and we expose Manitobans to risk. The cost is clearly on the risk.

In this case, when it comes to FleetNet, what is clear from our analysis is that government was warned that this system was approaching the end of its life. Other provinces moved to replace similar systems, even within the—in the province of Manitoba. We were not able to take advantage of a better, collaborative RFP because, by waiting, Manitoba Hydro built its own telecommunications network. The City of Winnipeg advanced with its own network. We were on an analogue system. That system that is now contemplated for replacement

is very expensive, but, even now, we are poorly integrated. And, on an analogue system, we cannot take advantage of communications with other systems.

Government was warned, and government did not act to promptly replace this system, and, as a result, we are challenged now. We are moving very quickly in terms of the RFP that is out right now, but we know this will take some time to build even after that award is made.

I would say this for this committee and at this table that, obviously, in the meantime, we have focused on ensuring that this system can be stood up safely to provide system. There are outages that occur, and those are not a secret to Manitoba. Where they happen and when they happen, we move quickly to mitigate. We have also bought equipment in the meantime. Some of this equipment is now being acquired in places like eBay, because this system, the radios and the technology, is so old you cannot source it from source anymore, and now we're at a point where even the manufacturer will not service this equipment.

So we're standing it up; we're trying to keep it safe; we're moving ahead very quickly to do what the previous government did not do.

Mr. Brad Michaleski (Dauphin): Well, my question is just general budget question. The actual surplus and deficits—from 2014 and '15, the deficit was \$73 million more than projected. Between 2015-16, deficit was \$424 million more than projected, and 2016-17, the deficit was \$39 million less than projected.

* (17:50)

So can the deputy minister comment on this wide fluctuation in actual deficit forecasting, especially the year 2015-16?

An Honourable Member: Point of order.

Point of Order

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

Mr. Fletcher: There—while we're in a pause here, it looks like we're going to be going past 6 o'clock and there's still a lot of questions to be asked. What happens in this situation?

Mr. Chairperson: It is the members of the committee that decide how long we wish to sit this evening, so we will—they have indicated that they

wish to sit 'til 6 p.m., and that's the plan as of right now.

* * *

Mr. Chairperson: And I did see that the deputy minister had his hand up, so I'll return to him quickly.

Mr. Hrichishen: Right. Thank you, Mr. Chair.

For the '15-16 fiscal year, in regards to the variance of the—variance in expenditure, I think, was principally responsible for the difference between the budgeted net income loss of \$421.9 million and the actual of \$846.7 million. Principal amongst those expenditure errors were variances around Health, Healthy Living and Seniors of \$156 million; Education and Advanced Learning, variance of almost \$200 million; and Justice and other expenditures in the neighbourhood of \$128 million.

There were variances on revenue as well; in particular, a shortfall in budgeted income tax revenue and net income of government business enterprises and federal transfers. For '14-15 fiscal year, the most significant factors causing the variances were an increase in \$234 million in Justice and other expenditures, mainly related to emergency expenditures related to heavy rains in the spring; an increase in \$188 million in Health funding to regional health authorities, mainly due to wage accruals and increased program costs. This was offset partly by an increase in \$207 million in net income from government business enterprises.

I hope that's a sufficient level of detail around those variances.

Mr. Kelly Bindle (Thompson): My question is more concerned with waiving competitive bids. The Auditor General's report reported that half of all untendered contracts examined from government departments were not justified to have competitive bids waived, including for the reason of being favoured by the department. Untendered contracts issued during the audit period totalled at least \$274 million, 83 per cent of which were not being publicly disclosed. How was—how has that situation evolved since the report?

Mr. Hrichishen: So I'm pleased to say that when I became deputy back in 2013, the procurement issue was one of the ones that were foremost for us in terms of potential improvements to make, and we've continued to make improvements in terms of the procurement process in government insofar as,

rightfully, the March 2014 Office of the Auditor General's report findings were quite critical, and, rightfully so, of the processes by which contracts were being awarded in the government at the time. The OAG, Office of the Auditor General, made numerous recommendations to Procurement Services Branch, which is now part of the Finance Department. And we were able to act on a number of areas.

We've made progress in respect of the—promoting the competitive process for tendering. We have also—I think a key recommendation in terms of transparency was the OAG's recommendation to amend the procurement manual to require that contracts be kept in a public access database as long as they're active. And, in fact, we now have a public disclosure website that is fully operational, reporting all contracts valued at \$10,000 or greater, and we've reflected these changes in the various manuals around administration, particularly the procurement manual.

* (18:00)

We also have a public—Procurement Services Branch and BTT have developed an enhanced search engine, which was a recommendation that the auditor brought to us on several occasions as we rolled out these improvements within the Finance Department, and the enhanced search engine became effective to support public disclosure on April 28th, 2017.

There are other improvements that we've made, but we continue to promote, as a general practice within government wherever possible, the competitive tendering for goods and services. We think that that promotes the addition to value in government spending and we'll continue to do so.

Mr. Chairperson: Seeing that the hour is past 6 p.m., I will put the questions to the committee.

Shall volume 1 of the Public Accounts for the fiscal year—

An Honourable Member: Point of Order, Mr. Chair.

Point of Order

Mr. Chairperson: A point of order, Mr. Fletcher.

Mr. Fletcher: These are obviously important documents, Mr. Chair, and usually committees go on for at least two hours. I've known them to go for—on for much longer than that, and it would seem that while there are still questions it would be in the

public interest that we spend at least another hour to discuss these important financial matters, especially—you're asking us to go through three years of reports. It just doesn't seem like—the proper thing to do would be to let the questions be asked.

Mr. Chairperson: Well, I'll rule, first of all, that it is not a point of order.

* * *

Mr. Chairperson: But in the interest of making sure that we're thorough here tonight, I will poll the members of this committee if there's a willingness to extend our time. Is there an interest in going beyond the 6 p.m. time?

An Honourable Member: Yes.

An Honourable Member: No.

Mr. Chairperson: Okay, I see—I hear a no and see no interest from the committee in extending our time.

So I will, again, ask the question of the committee.

Volume 1 of the Public Accounts for the fiscal year ending March 31st, 2015—pass; volume 2 of the Public Accounts for the fiscal year ending March 31st, 2015—pass; volume 3 of the Public Accounts for the fiscal year ending March 31st, 2015—pass; volume 1 of the Public Accounts for the fiscal year ending March 31st, 2016—pass.

Shall volume 2—

An Honourable Member: On a matter of privilege.

MATTER OF PRIVILEGE

Mr. Chairperson: Mr. Fletcher, on a matter of privilege.

Mr. Fletcher: These are—it is the—it's important that the information is made available to MLAs and that they have an opportunity to review and ask questions about this material. Other governments have found themselves in a lot of difficulty when they do not provide the opportunity to allow for the appropriate questions to be answered. I can think of the F-35 issue federally. If I had Maingot in front of me, I would be able to quote the specific reference. The other examples include the administrativeness of government and so on.

So it's—I would move that our ability to operate as MLAs under this restricted time frame is adversely affected and we can't do our jobs appropriately unless the time is available. Like it—

Mr. Chairperson: So, as I mentioned earlier, Mr. Fletcher, because you are not a permanent member of this committee, you do not have the ability to move a motion here, and that includes motions of privilege, so—or matters of privilege. So I'll rule that that's out of order, and I will return to the questions.

* * *

Mr. Chairperson: Just—if I could just very quickly address some of the issues that you're bringing forward to the committee. I know you're new to the Legislature here. You may not understand that these reports actually have come to this committee many times before. They are public documents. They are available for all members of this committee and have been, well, since 2014-15, '15-16 and so on.

So this information is not new to the members of this committee, and, as I mentioned earlier, there is an ability, as for members of this committee, if they so wish, to consider these reports in the future, because they are passed here in this committee tonight does not mean that they are not available to us to be considered in whichever way the committee, the members of the committee, decide would be appropriate in the future.

So I would open it up to any members of the committee, if they wish to bring these reports back, they are more than welcome to do so, because they are public documents and, as the Public Accounts Committee, we're allowed to do that.

So—and I think we've actually gone through this process before, and members of the committee who have brought forward concerns about passing certain reports and what that exactly means, again, it doesn't mean that the reports are off limits to us in any way, and it does not mean that we can't consider the information contained therein at any point in the future. So it would be open to members of the committee to make that suggestion in the future.

And I—with that, I will move on and hope that there's no further disruptions.

Shall volume—*[interjection]*

Point of Order

Mr. Chairperson: We'll—let's try to get to the point here, Mr. Fletcher, and I'll allow you one more point of order and we can then move on with our evening.

Mr. Fletcher: Could you please refer to where in the rules it indicates that MLAs do not have privilege at a committee such as this? At what point were our

privileges taken away, because that would be impossible.

Mr. Chairperson: Okay. So I'll try and get this clear for you, and we'd be happy to point you to the specific rules that point out this procedure here.

So members can move motions of privilege or move a motion in the House, but, in committee, in this committee, they—with regards to the matter of privilege that's been raised by Mr. Fletcher, as noted, on page 149, of O'Brien and Bosc: "Since the House has not given its committees the power to punish any misconduct, breach of privilege, or contempt directly, committees cannot decide such matters; they can only report them to the House." Only the House can decide an—if an offence has been committed.

So, accordingly, I must inform you that this committee has no power to deal with a matter of privilege. Such matters can only be dealt with by the House upon receiving a report from the committee. Therefore—*[interjection]*

So—and we'd be happy to go over that in more detail with you, Mr. Fletcher. I'd be happy to take that, but I'd like to move forward with the members of the committee who I think have a pretty clear will here to consider these reports and vote on them.

* * *

Mr. Chairperson: So, returning to where I was, volume 2 of the Public Accounts for the fiscal year ending March 31st, 2016—pass;

Shall volume 3 of the Public Accounts for the fiscal year ending March 31st, 2016, pass?
[interjection]

* (18:10)

Point of Order

Mr. Chairperson: Okay, so I'm hesitant to do this because we are quite a bit past our time that the committee had agreed to sit this evening. I will recognize you maybe just one last time on a point of order and just ask that any other questions—again, be happy to discuss some of the rules and make sure that you're clear, as a new member to the Legislature and as somebody who's just, for the first time, I think, come to PAC. So maybe not quite as familiar with—to—with the rules as others.

Mr. Fletcher: You're right; I am new to this, and the 11 years in Ottawa taught me nothing

except everything. The—including good parliamentary procedures.

The fact—I'd just like it to be recorded that our privilege at this meeting was denied and that if I could vote, I would have voted against passing these bills. And I think the member of Burrows is in agreement with my position on this.

Mr. Chairperson: I'll rule that that's not a point of order.

* * *

Mr. Chairperson: Okay, moving on.

Shall volume 1 of the Public Accounts for the fiscal year ending March 31st, 2017, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no. This report is not passed.

Shall volume 2 of the Public Accounts for the fiscal year ending March 31st, 2017, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no. This report is not passed.

Shall volume 3 of the Public Accounts for the fiscal year ending March 31st, 2017, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no. This report is not passed.

Does the committee agree that we have completed consideration of the Accounts and financial statements of the Auditor General's Report—Follow-Up of Recommendations, dated March 2017? *[Agreed]*

The hour—*[interjection]*

I've been reminded by our—*[interjection]*—our hard-working Clerk—thank you—that I would ask that everybody leave their copies of the documents on the table so that we—can be reused next time.

And the hour being past 6 p.m., 6:13 p.m., what is the will of committee?

An Honourable Member: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 6:13 p.m.

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